WANG ON GROUP LIMITED
宏 安 集 團 有 限 公 司

Incorporated in Bermuda with limited liability

Stock Code: 1222

ANNUAL REPORT 2018

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

EXECUTIVE COMMITTEE

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

INVESTMENT COMMITTEE

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

AUTHORISED REPRESENTATIVES

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

COMPANY SECRETARY

Ms. Mak Yuen Ming, Anita

AUDITORS

Ernst & Young

LEGAL ADVISERS

DLA Piper Hong Kong
Gallant

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

BOARD LOT

20,000 shares

INVESTOR RELATIONS

Email: pr@wangon.com

HOMEPAGE

www.wangon.com

STOCK CODE

1222

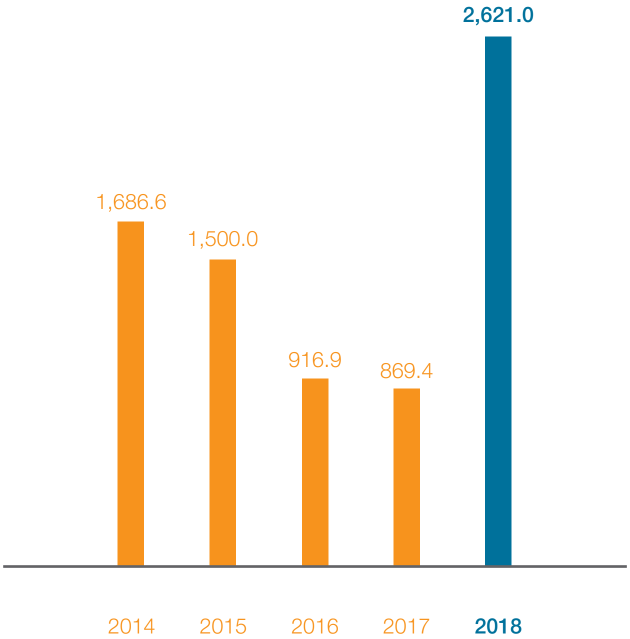
FINANCIAL HIGHLIGHTS

	YEAR ENDED 31 MARCH			
	2018	2017	Change	
Revenue	**HK$2,621.0 million**	HK$869.4 million	▲	201.5%
Profit attributable to owners of the parent	**HK$1,223.4 million**	HK$423.7 million	▲	188.7%
Basic earnings per share	**HK6.52 cents**	HK2.22 cents	▲	193.7%
Total dividends per share	**HK0.6 cent**	HK0.6 cent	–	–

	AT 31 MARCH			
	2018	2017	Change	
Total assets	**HK$15.92 billion**	HK$13.63 billion	▲	16.8%
Net assets	**HK$8.00 billion**	HK$6.43 billion	▲	24.4%
Net asset value per share	**HK$0.42**	HK$0.33	▲	27.3%
Gearing ratio	**34.7%**	37.1%	▼	2.4%

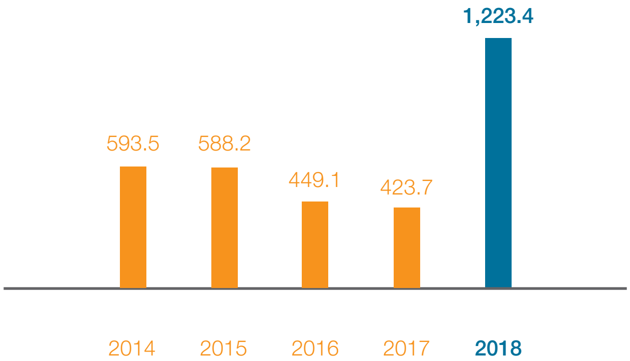
REVENUE

HK$ million



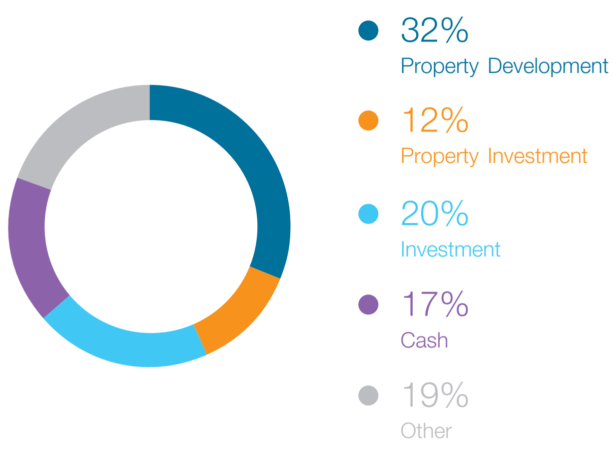
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

HK$ million



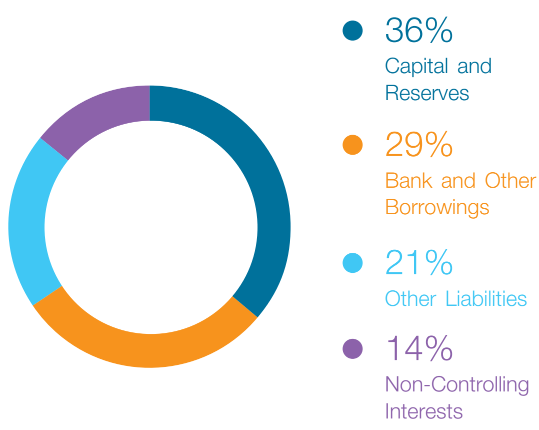
ASSETS EMPLOYED

As at 31 March 2018



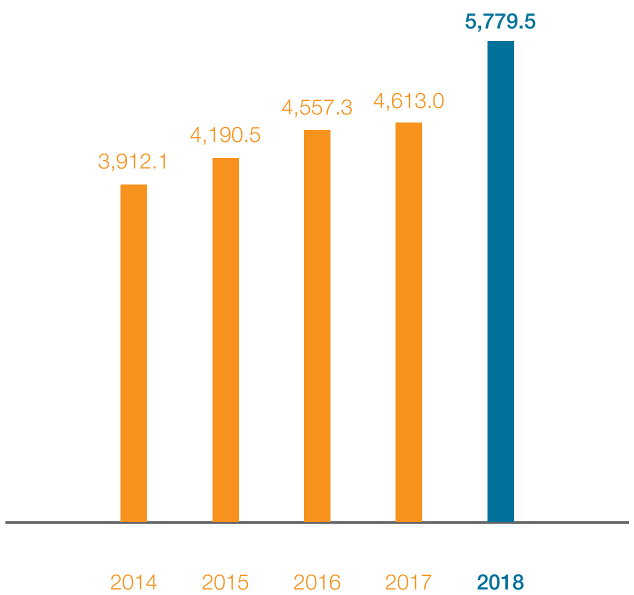
CAPITAL AND LIABILITIES

As at 31 March 2018



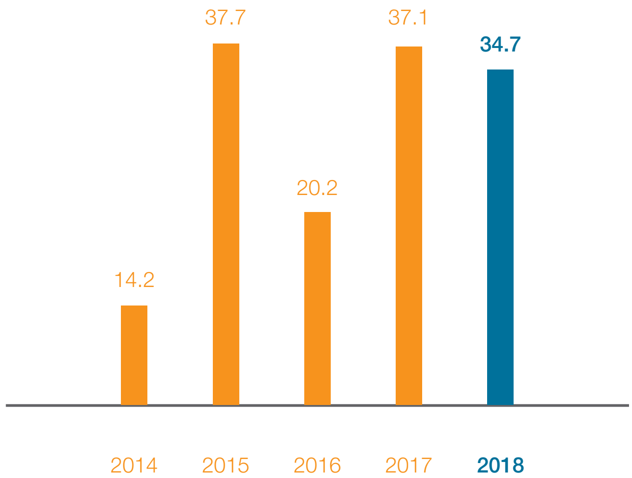
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT

HK$ million



GEARING RATIO

Percentage



CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "**Board**" or the "**Directors**") of Wang On Group Limited (the "**Company**"), I am pleased to announce the annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2018 (the "**year under review**").

Dear Shareholders,

REVIEW OF THE YEAR

Looking back at 2017, the global economy experienced stable growth with a satisfactory performance of the overall economy. As the second largest economy in the world, mainland China recorded a rapid growth of 6.9% in GDP over the past year. For Hong Kong, the GDP growth hit a six-year high at 3.8%, increased by 1.7 percentage points from 2016. According to the statistics from the Hong Kong Tourism Board, in 2017, the total visitor arrivals to Hong Kong increased by 3.2% year-on-year. Among them, the number of mainland China visitors saw a year-on-year growth of 3.9%. Partially driven by the growth in visitor arrivals, the total retail sales in Hong Kong rose by 2.2% in 2017 as compared to 2016, reversing a three-year downward trend since 2014. On the other hand, despite facing an interest rate upcycle, given the robust demand for housing in the local market and earnest investments in domestic properties by people from within and outside Hong Kong, the real estate market in Hong Kong remained active and prosperous. The Group's results for the year under review also recorded a strong growth due to the positive effects from the abovementioned factors.

BUSINESS PERFORMANCE

The Group's businesses made significant progress in the year. With each business platform continuing to consolidate for value creation, the potential of the Group becomes increasingly clearer. Our businesses are closely linked to people's livelihood. Its business platforms cater for the dining, housing and healthcare needs in the society, and has become our major source of income.

Fresh market segment

The Group, being one of the largest leasing operators of fresh market in Hong Kong, is dedicated to provide a comfortable and superior shopping experience to the public. Our fresh market portfolio comprised 11 "Allmart" branded fresh markets in Hong Kong and 17 "Huimin" branded markets in various districts of Shenzhen in Guangdong Province, the People's Republic of China (the "**PRC**"). During the year under review, our fresh market business demonstrated a satisfactory operating performance.

During the year under review, we completed the renovation works in Tin Chak market and Tin Yan Market in Tin Shui Wai, along with Lee On Market in Ma On Shan, where facilities were fully optimised, and the tenant mix had been reorganised. Meanwhile, we introduced an advanced management system to enhance the operational efficiency, service quality and competitiveness of these markets, benefiting the development of the fresh market business. To cater for the fresh market environment and customers' needs, the markets in general are designed with modern decorations and orderly layouts, redefining a brand-new standard for comfortable shopping experience.

Adhering to the Group's business philosophy of "Progressing with time and driving innovations" and following the business strategy that focuses on sustainable development and innovations, we proactively captured the development opportunities in the market. During the year under review, to capitalise on the trend of electronic transaction, the Group introduced more e-payment methods in phases to its fresh markets, so as to create an easier and convenient shopping experience for our customers. In respect of marketing and advertising, the Group continued to step up the promotion of "Allmart" and "Huimin" brands, complemented by an efficient operating management mechanism. In mainland China, the Group continued to identify suitable projects and introduce a modern operating model that effectively differentiates the "Huimin" brand from its competitors. We will pay close attention to the market development and identify suitable opportunities to accelerate the growth of our business.

Property segment

Wang On Properties Limited ("**WOP**", together with its subsidiaries collectively the "**WOP Group**") possesses a balanced property portfolio, comprising development of residential and commercial properties and property investment, which is the Group's largest source of stable income. During the year under review, WOP continued to show constant improvement in operations and performance.

For residential property development, WOP successfully developed exquisite residential properties — "The Met." Series, catering for nuclear families and purchasers of younger generations. All the studios of the Tai Wai Project "The Met. Acappella", launched by WOP during the year,

have been sold out due to the robust market demand for and the popularity of small-sized units. "The Met. Bliss" and "The Met. Blossom" launched in 2016, had received overwhelming responses that over 90% of the units were sold in a couple of weeks since launch. Leveraging on the accurate market positioning and the flexible marketing strategies adopted in response to the market changes, the Group made steady progress. The sales we achieved during the year not only generated stable cash flow for the Group, but also fuelled the revenue growth. In respect of commercial property development, WOP's Ginza type multi-storey commercial project located in Nos. 575–575A, Nathan Road, Mong Kok was completed and launched during the year.

In respect of land bank replenishment, WOP successfully acquired 100% ownership of West Mid-levels, Nos. 86A–86D, Pokfulam Road, which enjoys a well-established school net in Central and Western District, couple with convenient transport and an extensive view of mountain scenery. It is expected to be developed as luxurious villas. During the year, the WOP Group also secured a premium government land in Tsing Yi at the junction of Liu To Road and Hang Mei Street. Located in the vicinity of Tsing Yi MTR Station with easy access to a number of strategic routes, the land parcel has a panoramic view over the picturesque Ma Wan Channel. It is proposed to be developed into exquisite residences under "The Met." Series, which will further strengthen the residential brand position of the Group.

At the same time, the Group held quality portfolio of property investment, comprising premium office properties and shops for rent and investment. It provides WOP with stable recurring cash flow and opportunities for capital appreciation.

Pharmaceutical segment

Wai Yuen Tong Medicine Holdings Limited ("**WYTH**", together with its subsidiaries collectively the "**WYTH Group**") is principally engaged in manufacturing, processing and retailing of medicine and healthcare products with over 60 shops in Hong Kong. During the year under review, improvement of Hong Kong's retail market exerted positive effects on WYTH's operation and performance, with its traditional Chinese pharmaceutical and health food products segment showing strong performance. Nevertheless, the overall performance was offset as the two major product series in western pharmaceutical and health food products segment were impacted by various factors.

The centennial brand of "Wai Yuen Tong" was founded more than 120 years ago with world-renowned reputation. Upholding its superior quality and stringent pharmaceutical manufacturing standards, it has introduced a number of healthcare products in recent years to meet the needs of modern city dwellers. "Angong Niuhuang Wan (安宮牛黃丸)", which was introduced to the market this year, achieved a marvellous result within a couple of months. In terms of brand promotion, WYTH invited a famous singer Ms. Gigi Leung Wing-kei and a veteran artist Mr. Ray Lui Leung-wai as the ambassadors for its products, which invigorated the century-old brand with modern and youthful elements. On the other hand, western pharmaceutical and health food products segment is currently making use of the advanced equipment of the new plant to strengthen the research and development of its core pharmaceutical aqua products and further diversify its products and accelerate the exploration of new sales channels. The Group will continue to enhance publicity and promotion, further diversify sales channels, increase the market penetration rate of its western pharmaceutical and health food products, with a particular focus on key products such as upper airway product series under "Madame Pearls" and personal care product series under "Pearl's".

In terms of marketing strategies, WYTH rolled out an e-commerce and customer relationship management (CRM) mobile application during the year, providing members with personalised promotional offers, including Hong Kong's first quick tongue diagnosis function, which has become wildly popular since its inception. During the year under review, WYTH also strived to integrate local and mainland China marketing channels and released a cross-boundary offline to online (O2O) electronic shopping platform with its partner, through which mainland consumers can purchase Hong Kong's Chinese medicines and healthcare products, thereby enhancing its operational efficiency.

The new factory at Yuen Long Industrial Estate (the "**Yuen Long Factory**") has been put into operation during the year under review. Not only did the plant facilitate quality control on our products, but also enhanced the production capacity with its automatic production facilities within the site which could lower the operating cost as a whole. As for western pharmaceutical and health food products, during the year, the new "Luxembourg" GMP plant obtained GMP license from Department of Health and the higher qualification of European Union standard of "The Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme PIC/S, which in turn strengthened its R&D of its core pharmaceutical aqua products and further enhanced product quality assurance.

CONTRIBUTING TO SOCIETY

As a Hong Kong-based enterprise with its business inextricably related to people's livelihood, we take the initiative to assume our corporate social responsibilities, extending our care to people in need amid the pursuit of business growth and stable financial returns for our shareholders.

During the year under review, the Group organised and supported various charity events, and our employees were encouraged to take part in the activities. One of these events was a rice distribution event held in the fresh markets under the Group where our "Allmart Rice" was distributed to residents in the neighbourhood. Moreover, we co-organised a cooking competition with iBakery, a social enterprise under the Tung Wah Group of Hospitals, to promote the spirit of caring and foster social inclusion. We also played an active role in promoting environmental protection by supporting the "World No Tobacco Day" organised by the Hong Kong Council on Smoking and Health, "Earth Hour" organised by the World Wildlife Fund ("**WWF**") and the Community Chest "Green Day". The eleven fresh markets under the Group received the Hong Kong Awards for Environmental Excellence during the year under review in recognition of its contribution to environmental protection. Please refer to the Environmental, Social and Governance Report of this annual report for our work in respect of environmental protection, social and governance during the year.

LOOKING AHEAD

Looking at the international macro environment, unstable geopolitical situations have brought about uncertainties to the future macroeconomic outlook. On top of that, given the interest rate upcycle in the United States, it is necessary for us to remain cautious about the property market as well as the overall economic development. The Group will continue to strengthen our internal risk control and management system to continuously enhance our operational efficiency in response to the fluctuating market environment and proactively explore new opportunities in the market.

Upon the completion of more public housing estates and Home Ownership Scheme courts, there will be a wider variety of opportunities for the expansion of fresh market business. The Group will capitalize on its strengths of seasoned experience in managing fresh markets, with a view to securing more fresh market management contracts. It is expected that our new market, Ying Tung Market, under the brand "Allmart", after commencement of its service in the third quarter of 2018, will further enhance the development of our fresh market business. As our markets are located in various districts, the Group will introduce tenant categories that meet the needs of residents in a particular district so that we can provide more tailored services to the respective communities where our markets operate.

Given the strong and robust demand for housing in the local Hong Kong market and the tight supply of small and medium-sized residential units, recently launched projects have been absorbed by the market within a short period of time. As such, the Group is particularly optimistic about the sales of small and medium-sized units in new residential developments. Despite the instability of global geopolitical situations, the Group remains cautiously optimistic towards the prospects of the property market. The Group will take an active role in building up our land bank, participate in land tenders and capture opportunities of property acquisition, thereby developing a wider variety of residential and commercial projects and maintaining operational efficiency in the long-run. The next project to be launched by the Group is the residential project on Yiu Sha Road in Whitehead, Ma On Shan and the one at Nos. 13 and 15 Sze Shan Street, Yau Tong. It is expected that these projects will be highly sought-after in the market. We have established a joint venture with Clear Idea International Limited, an indirect subsidiary of Country Garden Holdings Company Limited, one of the top 5 real estate developers in mainland China, and CIFI Holdings (Group) Co. Ltd. ("**CIFI Group**", one of the top 20 real estate developers in mainland China), respectively to engage in joint development of these two projects.

The Group continues its effort in seeking opportunities for joint development with our partners with a view to enhance the synergy of our projects. We deploy our capital in a strategic manner and further increase our market shares. Meanwhile, the Group is seeking investment opportunities for acquiring commercial and industrial properties, so as to formulate a diversified asset portfolio to address the ever-changing market challenges in a flexible manner.

Benefitting from the increase in the number of mainland Chinese visitors to Hong Kong, the business of WYTH is expected to see improvements thanks to the recovery of the retail market. Upon the commissioning of our Yuen Long Factory, the Group will be able to develop high value-added products in response to market needs with more flexibility. Building on the highly acclaimed product "Angong Niuhuang Wan (安宮牛黃丸)" launched last year, it is expected that in 2018, we will continue to introduce products of this series, including "Angong Jiangya Wan (安宮降壓丸)", to satisfy the healthcare needs of city dwellers. In light of the growing demand for healthcare products catering for the needs of city dwellers and men, we will also promote various Chinese medicines under man series and metropolis series in this year, including "Golden Dura-Gizer (金裝剛勁)", "Golden Deer's Tail (金裝鹿尾巴)", "Uricid Aid Capsules (降酸通膠囊)" and "Gastrointestinal Pills (整腸正氣丸)", which will further increase our market share.

China is highly supportive of the development of traditional Chinese medicine. The key national policy for the Guangdong-Hong Kong-Macau Bay Area provides bright prospects for the development of traditional Chinese medicine. The Group will grasp the potential business opportunities for our Chinese medicine business to enter the mainland China market via the platform in Hong Kong. As for the local side, the imminent completion of Hong Kong's first Chinese medicine hospital bears testimony to the government's enhanced support to the Chinese medicine industry, which will help promote the R&D of Chinese medicine and the overall development of the industry. As such, the Group will actively tie in with the national blueprint for the long-term development of traditional Chinese medicine by leveraging on the competitive advantages of WYTH as a time-honoured brand in such aspects as quality control processes of international standards and capacity upgrade as well as grasping various development opportunities and potential business opportunities.

The Group will continue to adhere to its stringent quality control. We will also flexibly formulate our operational strategies in response to different market demands and spending patterns of customers, as well as develop and introduce new products and services to broaden our customer base. Meanwhile, we will identify suitable merger and acquisition opportunities to enrich the existing business portfolio and create higher values for our shareholders.

OPERATIONAL STRATEGIES

It is anticipated that the business environment in 2018 will remain challenging. The Group will continue to fortify its business foundation and keep ourselves abreast of the times. While broadening our sales network, we will also endeavour to strengthen the leading position of our brands with innovative ideas and focus on developing new products with flexibility. Meanwhile, the Group will adopt an ever-improving operating model, leveraging its diversified operation portfolio and brand influence of its operation, to maintain a balanced and stable cash flow to support the robust development of the overall business.

APPRECIATION

The year 2017 marks the 30th anniversary of the Group. The management team of the Group has adhered to a prudent and pragmatic development strategy and implemented ever-evolving operation ideas to strive for the growth of the Group throughout the past years. On behalf of the Board, I extend my sincere gratitude to all management and all levels of staff for their contributions and efforts over the years. I look forward to meeting new challenges in the future through concerted efforts and making further strides for the Group's business.

Tang Ching Ho
Chairman

Hong Kong, 20 June 2018

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the financial year ended 31 March 2018, the Group's revenue and profit attributable to owners of the parent amounted to HK$2,621.0 million (2017: HK$869.4 million) and HK$1,223.4 million (2017: HK$423.7 million), respectively.

DIVIDENDS

The Board has recommended the payment of a final dividend of HK0.5 cent (2017: HK0.5 cent) per ordinary share for the year ended 31 March 2018 to the Shareholders whose names appear on the register of members of the Company as of Thursday, 6 September 2018. The final dividend will be paid on or around Monday, 17 September 2018, subject to Shareholders' approval at the forthcoming annual general meeting of the Company to be held on Wednesday, 29 August 2018. Together with the interim dividend of HK0.1 cent (30 September 2016: HK0.1 cent) per ordinary share, the total dividends for the year ended 31 March 2018 will be HK0.6 cent (2017: HK0.6 cent) per ordinary share.

BUSINESS REVIEW

The Group's revenue for the year ended 31 March 2018 increased by 201.5% to HK$2,621.0 million (2017: HK$869.4 million). It was mainly derived from recognised sales of completed residential properties at The Met. Bliss and including full year WYTH's revenue which are accounted for using equity accounting during the first half year of prior period. Profit for the year was HK$1,766.0 million, representing an increase of 368.1% compared with HK$377.3 million reported for the year ended 31 March 2017. This result included the one-time gain on disposal of investments totaling HK$1,714.4 million, comprising a profit of HK$924.1 million on disposal of a 50% interest in Yau Tong residential project in June 2017, and a profit of HK$790.3 million on the disposal of 60% interest in Whitehead residential project in September 2017. The profit attributable to owners of the parent was HK$1,223.4 million (2017: HK$423.7 million).

The Group continues to maintain a stable financial position. As of 31 March 2018, the Group's net assets were HK$7,999.4 million (2017: HK$6,426.3 million). Its cash resources amounted to HK$2,990.5 million (2017: HK$2,745.5 million) including cash and cash equivalents of HK$2,664.4 million (2017: HK$2,369.3 million) and short term investments of HK$326.1 million (2017: HK$376.2 million). In aggregate, the total borrowings as of 31 March 2018 was HK$4,675.1 million (2017: HK$4,081.3 million) giving the Group a net debt position (bank and other loans less cash and cash equivalents) of HK$2,010.7 million (2017: HK$1,712.0 million). The review of the individual business segments of the Group is set out below.

Property Development

Property development segment recorded revenue and segment profit of HK$1,333.5 million and HK$339.4 million, respectively (2017: HK$46.0 million and a loss of HK$2.6 million, respectively). The main contributor to the segment revenue was made by the recognised sales of The Met. Bliss.

The Met. Blossom

Located at Ma Kam Street, Ma On Shan, The Met. Blossom consists of 640 units with a total saleable area of approximately 200,000 square feet. Launched in August 2016, The Met. Blossom has achieved strong market response. As at 31 March 2018, 637 units had been pre-sold, representing 99.5% of the total number of units. The project is expected to be delivered in the third quarter of 2018. WOP holds an 60% interest in this project.

The Met. Acappella

The Met. Acappella, situated at Tai Wai, Shatin, is a twin tower development with two wings of 12-and-13 storey residential blocks offering a total of 336 units. It comprises diversified unit layouts including studios, one-bedroom units, one-bedroom (with storeroom or study room) units, that account for over 80% of all units. The project also offers garden duplex units and penthouse units with rooftop terrace. The Met. Acappella is designed to incorporate the natural scenery of the neighbouring areas, enabling residents to enjoy fresh air and breathtaking green views in this bustling city. With the excellent and convenient transport network, The Met. Acappella also allows its residents to indulge in all-round shopping, dining, entertainment and leisure activities, satisfying the needs of pursuing quality lifestyle. Pre-sales of the project, launched in November 2017, had received positive response and strong performance. Up to 20 June 2018, 287 units had been pre-sold with a total pre-sale amount of HK$1.9 billion. The project is scheduled to be completed in 2019.

Ladder Dundas

The site at 575–575A Nathan Road, Mongkok has completed the construction works and the occupation permit was granted in February 2018. This development is a 19-floor Ginza type commercial complex under the brand "Ladder".

Yau Tong residential project

In June 2017, the WOP Group has reached an agreement with the Lands Department on the land conversion price of the redevelopment project located at Nos. 13 and 15 Sze Shan Street, Yau Tong with an amount of HK$983.0 million. The site occupies an area of approximately 41,000 square feet with a gross floor area ("**GFA**") of approximately 272,000 square feet. On 7 June 2017, the WOP Group disposed of 50% interest in this project to a subsidiary of CIFI Group and realised a gain of HK$924.2 million. The project has completed the foundation works and is undergoing the construction of superstructure. This development is expected to be completed in 2020.

Whitehead residential project

On 19 May 2017, the WOP Group has successfully acquired a company holding a site at Sha Tin Town Lot No. 601. The residential project has a site area of approximately 253,000 square feet and a GFA of approximately 388,000 square feet. In November 2017, the WOP Group disposed of 60% interest in this project at a consideration of approximately HK$2,441.3 million and led to an one-time gain of HK$790.3 million. The site is undergoing the foundation works.

Pokfulam residential project

In December 2017 and March 2018, the WOP Group entered into sales and purchase agreements for the acquisition of all of the 16 properties located at 86A–86D Pokfulam Road, Hong Kong. This project is capable of being redeveloped into a low-density luxurious residential properties. On 19 April 2018, the WOP Group disposed of 30% interest in a subsidiary holding of these properties at a consideration approximately HK$103.8 million.

Tsing Yi residential project

On 12 April 2018, the WOP Group acquired a site located at the junction of Liu To Road and Hang Mei Street, Tsing Yi at a total consideration of HK$867.3 million through public tender. The site, occupying an area of approximately 14,400 square feet, will be developed into a premium residential project under the exquisite series "The Met.", with a residential and commercial GFA of approximately 90,000 square feet. We are highly confident in the potential of this exclusive project, which is situated in a prestigious locale with stunning sea view.

As at 31 May 2018, the Group had a development land portfolio as follows:

Location	Approximate site area (square feet)	Approximate GFA (square feet)	Intended usage	Anticipated year of completion
The Met. Blossom	33,300	200,000	Residential	2018
The Met. Acappella	71,000	148,000	Residential	2019
Yau Tong residential project	41,000	272,000	Residential and Commercial	2020
Whitehead residential project	253,000	388,000	Residential	2020
Pokfulam residential project	28,500	28,500	Residential	2021
Tsing Yi residential project	14,400	90,000	Residential and Commercial	2022

Property Investment

As at 31 March 2018, our investment properties comprised of commercial, industrial and residential units located in Hong Kong with a total carrying value of approximately HK$1,951.8 million (31 March 2017: approximately HK$1,668.8 million).

During the reporting period, we received a gross rental income of approximately HK$25.8 million (2017: approximately HK$34.1 million), representing a decrease of approximately HK$8.3 million. The decrease in gross rental income was primarily due to the disposal of some rental properties.

During the reporting period, we continued to dispose second-hand residential properties and realised HK$82.3 million (2017: HK$35.6 million). As at 31 March 2018, we still held 22 second-hand residential properties with valuation of HK$121.6 million. In April 2018, WOP has entered into a provisional agreement to sell office premises and certain car park units located in Kowloon Commerce Centre, No. 51 Kwai Cheong Road, Kwai Chung, New Territories for a cash consideration of HK$324.5 million payable on completion scheduled in October 2018.

Fresh Markets

Our fresh market business segment continues to be an important profit and cash flow stream. The segment revenue grew by 15.6% to HK$221.3 million (2017: HK$191.5 million) resulting in net segment income increased by 10.5% to HK$24.3 million (2017: HK$22.0 million). The rise in revenue was mainly attributable to the growth of rental income as a result of completion of renovation and revitalisation of certain fresh markets. Those fresh markets have been reconfigured to offer a more comfortable and casual shopping experience. The low stall design makes our revamped fresh markets to become permeable and spacious, allowing shoppers to locate their favourite stalls at a glance.

Our fresh market business, which has been built over the past two decades, is a high margin and cash flow generating business. During the reporting period, we managed a portfolio of approximately 850 stalls under "Allmart" brand of fresh markets in Hong Kong with a GFA of over 210,000 square feet. In order to meet the rising tide of customers' expectation, the Group strives to offer a more comfortable and spacious shopping environment through well-designed layout, enhancement works and high quality management services. We will continue to strengthen the partnership with our tenants and local community by launching effective marketing and promotion events, as well as creating stronger connection with the shoppers.

In mainland China, the Group operates fresh market business through its joint venture (the "**JV**") under the "Huimin" brand in various districts of Shenzhen, Guangdong Province. The JV currently manages a portfolio of approximately 1,000 stalls fresh markets with a GFA of over 283,000 square feet, in which approximately 152,000 square feet are owned by the JV. Following the issuance of urban redevelopment policy by the Shenzhen Government, some of the fresh markets properties may be affected. The Group will continue to observe its development, in particularly the impact on the land-use rights of our fresh market properties.

Pharmaceutical and Health Food Products Business

WYTH is making a very good progress on their business, with a revenue of HK$826.8 million (2017: HK$375.8 million) as we report our first full year operations versus 6 months in 2017. On annualised basis, the revenue growth is still remarkable and reaches 12.0%.

Chinese pharmaceutical and health food products

"Wai Yuen Tong" business has achieved substantial growth in terms of volume and market share of our heath food products. The sales revenue grew by 19.5% to HK$690.9 million, with gross profit up by 17.3% to HK$263.3 million. This remarkable growth is mainly the result of executing our strategy on scaling up marketing spending and shedding of the lower margin products and distribution channels. We will continue to promote and improve our brand value to maintain a top market leader position in health food product markets. In view of rising cost pressure, we will also strengthen the margin enforcement effort to push manufacture cost saving and formula optimisation.

WYTH's new GMP certified production factory located in Yuen Long Industrial Estate was completed and commenced production in early April 2017. The new facility not only improves the manufacturing productivity, but also complements our effort to pursue innovation, meet market demand and trend as well as expand product variety for our customers.

Western pharmaceutical

The western pharmaceutical business has been navigating a complex transition in both pricing and manufacturing strategy. As a result, sales fell by 9.3% to HK$135.9 million with gross profit dropped by 13.5% to HK$50.0 million. "Pearls" brand, a series of mosquito repellents products and over-the-counter medicines, remains popular and its distribution stores channels are well established. The management's intention is to further drive a stronger network and channel for the business growth of its western pharmaceutical business.

Treasury Management

The Group maintains a robust financial position. Liquid investment amounted to HK$1,635.9 million at 31 March 2018, an increase of 7.2% from the balance of HK$1,525.4 million at 31 March 2017, mainly reflecting the cash arising from funds from operations and disposal of certain properties and subsidiaries. The liquid investments represented 79% of the debt securities, 17% of listed equity securities and 4% of fund investment.

This business segment contributed HK$213.5 million (2017: HK$136.9 million) to the revenue. Among other things, interest income from China Agri-Products Exchange Limited ("**CAP**") is HK$112.8 million. In October 2014, the Group agreed to subscribe five-year 10.0% coupon interest bonds issued by CAP (collectively the "**CAP Bonds**"). As at 31 March 2018, the fair value and principal amount of the CAP Bonds held by the Group amounted to approximately HK$1,038.0 million and HK$1,050.0 million (2017: approximately HK$1,041.0 million and HK$1,050.0 million), respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2018, the Group's total assets less current liabilities were HK$11,435.0 million (2017: HK$9,763.0 million) and the current ratio decreased from 2.3 times as at 31 March 2017 to 2.1 times as at 31 March 2018.

As at 31 March 2018, the Group held cash resources and short-term investments of HK$2,990.5 million (2017: HK$2,745.5 million). Aggregate borrowings as at 31 March 2018 amounted to HK$4,675.1 million (2017: HK$4,081.3 million). The gearing ratio was approximately 34.7% (2017: 37.1%), calculated by reference to the Group's total bank and other loans net of cash and cash equivalents and the equity attributable to owners of the parent.

As at 31 March 2018, the Group's land and buildings, investment properties (including the investment properties included in assets held for sale), properties under development, properties held for sale, available-for-sales investments and financial assets at fair value through profit or loss with carrying value of HK$483.2 million, HK$1,868.8 million, HK$1,168.3 million, HK$576.5 million, HK$239.6 million and HK$96.6 million (2017: HK$533.3 million, HK$1,574.7 million, HK$1,756.7 million, nil, nil and nil) were pledged to secure the Group's general banking facilities.

The Group's capital commitment as at 31 March 2018 amounted to HK$1,567.0 million (2017: HK$2,319.9 million) is mainly for property development business. The Group has given guarantee to a bank in connection with a facility granted to the joint ventures of the Group up to HK$2,158.8 million and the banking facility guarantee by the Group was utilised to the extent of HK$1,033.3 million as at the end of the reporting period.

The Group strengthens and improves its financial risk control on a continual basis and has consistently adopted a prudent approach in financial management. Financial resources are under close monitor to ensure the Group's efficient and effective operation, as well as flexibility to respond to opportunities and uncertainties. The management of the Group is of the opinion that the Group's existing financial structure is healthy and related resources are sufficient to cater for the Group's operation needs in the foreseeable future.

DEBT PROFILE AND FINANCIAL PLANNING

As at 31 March 2018, interest-bearing debt profile of the Group was analysed as follows:

	2018	2017
	HK$'000	*HK$'000*
Bank loans repayable:		
Within one year	**1,470,021**	763,948
In the second year	**1,332,427**	777,622
In the third to fifth years, inclusive	**1,392,024**	1,988,001
Beyond five years	**467,228**	522,858
	4,661,700	4,052,429
Other loans repayable:		
Within one year	**13,397**	28,845
	4,675,097	4,081,274

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

SIGNIFICANT INVESTMENTS HELD

As at 31 March 2018, the Group held available-for-sale investment and financial assets at fair value through profit or loss of approximately HK$1,355.8 million and HK$280.1 million, respectively:

	As at 31 March 2018				For the year ended 31 March 2018			Fair value/carrying amount		
Nature of investments	**Number of shares held**	**Amount held**	**Percentage to share-holding in such stock**	**Percentage to the Group's net assets**	**Fair value gain/(loss) of financial assets at fair value through profit or loss**	**Bond interest income**	**Dividends received**	**As at 31 March 2018**	**As at 31 March 2017**	**Investment cost**
	'000	*HK$'000*	*%*	*%*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments										
CAP – 10.0% 5-year Bonds	–	1,038,087	–	13.0	–	112,804	–	1,038,087	1,040,976	1,050,000
Others	–	317,667	–	4.0	–	15,653	–	317,667	129,731	317,135
Sub-total	–	1,355,754	–	17.0	–	128,457	–	1,355,754	1,170,707	1,367,135
Financial assets at fair value through profit or loss										
A. Listed investments										
Kingston Financial Group Limited ("**Kingston**")	31,104	109,175	0.23	1.4	30,482	–	778	109,175	78,693	51,816
Others	–	159,622	–	2.0	(76,994)	–	2,537	159,622	220,354	173,117
B. Mutual Funds	–	3,662	–	0.0	338	–	–	3,662	41,225	10,846
C. Others	–	7,661	–	0.1	(6,763)	–	–	7,661	14,424	9,941
Sub-total	–	280,120	–	3.5	(52,937)	–	3,315	280,120	354,696	245,720
Total	–	1,635,874	–	20.5	(52,937)	128,457	3,315	1,635,874	1,525,403	1,612,855

The principal activities of the securities are as follows:

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

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

3. Save as disclosed above, the Group also invested in other shares listed in Hong Kong. The fair value of each of these shares represented less than 1.00% of the net assets of the Group as at 31 March 2018.

4. Save as disclosed above, the Group also invested in other mutual funds, the fair value of each of these mutual funds represented less than 1.00% of the net assets of the Group as at 31 March 2018.

FOREIGN EXCHANGE

The management of the Group is of the opinion that the Group has no material foreign exchange exposure and therefore, the Group does not engage in any hedging activities. As at 31 March 2018, the Group held limited amount of foreign currency deposits, while all bank borrowings are denominated in Hong Kong dollars. The revenue of the Group, also being mostly denominated in Renminbi and Hong Kong dollar, matches the currency requirements of the Group's operating expenses.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2018, the Group had 943 (2017: 922) employees, of whom approximately 81% (2017: 19%) were located in Hong Kong and the rest were located in mainland China. The Group remunerates its employees mainly based on industry practices and individual performance and experience. On top of the regular remuneration, discretionary bonus and share options may be granted to selected staff by reference to the Group's as well as the individual's performances. The Group also provides a defined contribution to the Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all eligible employees in Hong Kong and had launched a defined scheme of remuneration and promotion review to accommodate the above purpose and review is normally carried out annually. Other forms of benefits such as medical and retirement benefits and structured training programs are also provided.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

PROSPECTS

Looking forward, the prospects for each of our business segments remain positive. The upcoming completion of several key cross-border infrastructure projects, including Guangzhou-Shenzhen-Hong Kong Express Rail Link and Hong Kong-Zhuhai-Macau Bridge, will significantly shorten the travelling time between key cities in mainland China and Hong Kong, and thereby bringing comprehensive benefits to Hong Kong's economic development. Together with the development of the Guangdong-Hong Kong-Macau Greater Bay Area initiatives which provide the infrastructure to facilitate the movement of people, capital, goods and services, Hong Kong is in a strategic position to gain resulting growth momentum in retail and property sectors.

On property development and investment front, we remain positive about the Hong Kong residential property in coming few years and will continue to take full advantage of the prosperous property market. The Group will continue exploring opportunities in property acquisition and further enhance its operational efficiency and effectiveness to strengthen the real estate business.

Our fresh market segment maintains its growing momentum, and we are confident that it will continue to provide stable recurring income and cash flow to the Group.

With regard to the pharmaceutical and health food products segment, we believe our sales will be ahead of 2017 levels as a result of effective promotion activities and sales channel development. A number of our newly launched products, including "Angong Niuhuang Wan (安宮牛黃丸)", have quickly gained leading market share and are still growing in a fast pace. We will continue to push sales growth through effective marketing strategy and apply the selling expense wisely with highlighting on giving customers more direct benefits. We will utilise our manufacturing and logistic support capabilities to protect our margins.

The overall strong financial position of the Group enables us to have a high degree of flexibility and agility for our treasury management segment. We will continue our proactive and prudent investment approach to drive business growth on all business segments.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Tang Ching Ho, *SBS, JP*, aged 56, is a co-founder of the Group, which was established in 1987, and the Chairman of the Company since November 1993. He is also an authorised representative and a member of the remuneration committee, the nomination committee, the investment committee and the executive committee of the Company. He is responsible for the strategic planning, policy making and business development of the Group. He has extensive experience in corporate management. He is also the chairman and managing director of WYTH. Mr. Tang is the committee member of the 12th and 13th National Committee of the Chinese People's Political Consultative Conference ("**CPPCC**") and is also appointed as a standing committee member and convener of the 10th to 12th plenary sessions of the CPPCC Guangxi Zhuang Autonomous Region Committee. Mr. Tang is also appointed as the executive chairman of the Federation of Hong Kong Guangdong Community Organisations and the chairman of Federation of Hong Kong Shenzhen Association. He is the husband of Ms. Yau Yuk Yin, the Deputy Chairman of the Company and the brother and father of Ms. Tang Mui Fun and Ms. Tang Wai Man, both are executive directors of WYTH.

Ms. Yau Yuk Yin, aged 56, is a co-founder of the Group and the Deputy Chairman of the Company since November 1993. She is also a member of the remuneration committee, the nomination committee and the executive committee of the Company. Ms. Yau is responsible for the overall human resources and administration of the Group. She has over 25 years of extensive experience in human resources and administration management. Ms. Yau is the wife of Mr. Tang Ching Ho, the Chairman of the Company.

Mr. Chan Chun Hong, Thomas, aged 54, joined the Group in March 1997 as an executive Director and was redesignated as the managing Director in September 2005. He is also an authorised representative and a member of the remuneration committee, the nomination committee, the investment committee and the executive committee of the Company. Mr. Chan is currently responsible for corporate matters and managing the overall operations of the Group. He is also a non-executive director of WOP, an executive director of WYTH, the chairman and managing director of Easy One Financial Group Limited ("**Easy One**"), the chairman and chief executive officer of CAP, all of which are companies listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). He graduated from The Hong Kong Polytechnic University with a Bachelor degree in Accountancy and is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

Independent Non-Executive Directors

Dr. Lee Peng Fei, Allen, *CBE, BS, FHKIE, JP*, aged 78, joined the Group in November 1993 as an independent non-executive Director. He is a member of the remuneration committee and the chairman of the nomination committee of the Company. Dr. Lee holds an honorary doctoral degree in engineering from The Hong Kong Polytechnic University and an honorary doctoral degree in laws from The Chinese University of Hong Kong. He is currently an independent non-executive director of AMS Public Transport Holdings Limited, ITE (Holdings) Limited and Playmates Holdings Limited, all of which are companies listed on the Stock Exchange.

Mr. Wong Chun, Justein, *BBS, MBE, JP*, aged 64, joined the Group in November 1993 as an independent non-executive Director. He is a member of the audit committee and the nomination committee of the Company and the chairman of the remuneration committee of the Company. Mr. Wong holds a bachelor's degree in Commerce and Computing Science from Simon Fraser University, Canada. He is a Fellow of Institute of Canadian Bankers. He was a member of the Fight Crime Committee, the Independent Police Complaints Council, the Legal Aid Services Council, chairman of Quality Education Fund Assessment and

Monitoring Committee. He is ex-official member of New Territories Heung Yee Kuk and is currently a member of Solicitors Disciplinary Tribunal Panel, a member of Council on Professional Conduct in Education and a member of other government advisory bodies.

Mr. Siu Yim Kwan, Sidney, *S.B.St.J.*, aged 71, joined the Group in November 1993 as an independent non-executive Director. He is the chairman of the audit committee of the Company and a member of the nomination committee and the remuneration committee of the Company. Mr. Siu is also an executive member of a number of charitable organisations and sports associations and an independent non-executive director of Easy Repay Finance & Investment Limited (formerly known as Unlimited Creativity Holdings Limited), a listed company in Hong Kong.

Mr. Siu Kam Chau, aged 53, joined the Group in September 2004 as an independent non-executive Director. He is a member of the audit committee, the nomination committee, the remuneration committee and the investment committee of the Company. Mr. Siu holds a Bachelor degree in Accountancy from The City University of Hong Kong. Mr. Siu is a Certified Public Accountant (Practising) and a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Siu has over 28 years of working experience in auditing, accounting, company secretarial and corporate finance. He is currently an independent non-executive director of Deson Development International Holdings Limited, a company listed on the Main Board of the Stock Exchange. Mr. Siu resigned as an executive director of Power Financial Group Limited (formerly known as Jun Yang Financial Holdings Limited).

SENIOR MANAGEMENT

Mr. Law, Albert Yu Kwan joined the Group in July 2017 as the group chief financial officer. Prior to joining the Group, Mr. Law worked with South China group from January 2011 to July 2017. His last position was the group chief financial officer of the South China group, an executive director of South China Holdings Company Limited and South China Assets Holdings Limited. Furthermore, Mr. Law was also an independent non-executive director of Guangzhou Automobile Group Company Limited from December 2007 to December 2013, the managing director of A. A. and Associates Consulting International Limited from April 2006 to January 2011, the financial controller of K. Wah Construction Materials Limited from June 1997 to April 2006, the managing director of K.K. Yeung Financial Management Consultants International Limited from July 1996 to June 1997 and assistant general manager of Winning Management Company Limited (a Hong Kong real estate holding and investment group) from November 1990 to March 1995. In addition, He has extensive experience in various aspects and was responsible for finance, accounting, legal, human resources, administration, information technology, treasury, marketing, business development and oversees consulting projects. Mr. Law was also the group chief internal auditor of Television Broadcasts Limited from September 1988 to August 1990, the assistance internal audit manager from 1978 to 1981, the treasurer of The Royal Hong Kong Jockey Club from 1981 to 1986. Mr. Law has been the president of the Institute of Accountants in Management since 2007 and had also served as the president of the UK Chartered Institute of Management Accountants (Hong Kong Division) in 2006/2007 and the chairman of the enterprise governance committee under the said institute from 2003 to 2007. He is a fellow member of the Chartered Institute of Management Accountants, a Chartered Global Management Accountant, a fellow member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Association of International Accountants in England, a member of the Hong Kong Institute of Certified Public Accountants, a member of Certified Public Accountant in Australia, a fellow member of Hong Kong Society of Registered Financial Planners, a fellow member of the Taxation Institute of Hong Kong and a member of CGMA, North Asia Management Accounting Leader's Think Tank.

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

Mr. Yeung Yiu Man joined the Group in March 2011 and was in charge of the Group's quantity surveying division. Since the spin-off of the Group's property investment and development business under separate listing of WOP, he has been appointed as the director of the quantity surveying division of the Group and is responsible for managing various property developments of the Group and has overall responsibility for all aspects of cost and quality control of construction works. Mr. Yeung obtained a degree of Master of Science in Management from The Hong Kong Polytechnic University. He was admitted as a member of the Chartered Institute of Building in May 1992 and elected as a member of the Royal Institution of Chartered Surveyors in November 2008. He possesses a wide spectrum of experience in the property industry and has been active in property developments for more than 32 years, in which 11 years was gained from a major Hong Kong listed property developer.

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

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

COMPANY SECRETARY

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This is the second 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 Board acknowledges its responsibility for ensuring the integrity of this report and confirms that it has reviewed and approved the report.

The Company considers sustainability as conducive to its long-term development. The purpose of the report is to enhance stakeholders' understanding of the Group's ESG management approach and its obligation to the society and the environment in which we operate.

Reporting Period and Scope

This report presents sustainability performance and initiatives of the Group's fresh market management and treasury management businesses. The reporting period covers the fiscal year from 1 April 2017 to 31 March 2018. For governance section, please refer to pages 41 to 52 of this annual report.

Feedback

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

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OUR BUSINESS

The Company has developed into a leading conglomerate, with operations in Hong Kong and mainland China. The Company's core business activities are shown in the table below.

Our Business Structure

Fresh markets operations	Our fresh market portfolio comprises of 11 "Allmart" branded fresh markets in Hong Kong and 17 "Huimin" branded markets in various districts such as Shenzhen in Guangdong Province, the PRC.
Property development	WOP (Stock Code: 1243) is listed on the Stock Exchange. It possesses a balanced property portfolio, comprising residential and commercial property under development and investment properties.
Property investment	The portfolio of investment properties comprises of commercial, industrial and residential units located in Hong Kong.
The pharmaceutical and health food products related business	WYTH is engaged in the business of manufacturing, processing and sales of traditional Chinese and Western medicines and healthcare products. WYTH (Stock Code: 0897) is listed on the Stock Exchange.
Treasury management	Investments of the Group include loan facilities granted to various potential borrowers and corporate bonds.

The ESG performance of property development and property investment segments and the pharmaceutical and health food business are separately disclosed in WOP's and WYTH's 2018 annual reports.

ESG MANAGEMENT APPROACH

Due to the diversified business profile of the Company, we are committed to proactively managing our environmental and societal performance by adopting various management approaches.

As one of the leading operators in fresh markets, we strive to offer a comfortable shopping environment to consumers and develop a modernised operations model which differentiates our "Allmart" and "Huimin" brand markets from other brands. We aim to incorporate sustainable initiatives in the market management, eliminate the potential impacts of our operations including generation of food waste and maintain lawful and hygienic market operations. As for our treasury management business, we are devoted to maintaining customers' data privacy and to follow anti-corruption laws and practices.

In the coming years, we will continue to spare no effort on implementing sustainable initiatives. We hope our on-going efforts will drive the long-term success of the Company and create value for our stakeholders.

Stakeholder Engagement

Our stakeholders play an important role in monitoring the Company's ESG performance. By engaging all relevant stakeholders including but not limited to customers and tenants, employees, investors and shareholders, government and community, we obtain valuable feedback which facilitates continuous improvement of our ESG performance and management approaches. Below is the table showing the main concerned topics of stakeholders and our corresponding engagement methods.

Key Stakeholders	Material Issues	Engagement Channels
Customers and tenants	• Customer satisfaction • Data privacy	• Company websites • Business representatives • Customer service hotline • Establish data privacy procedure
Employees	• Training and development • Employee welfare	• Communications with supervisors • Training and team building in retreat • Whistleblowing policy
Investors and shareholders	• Corporate governance • Operational risk • Disclosure	• Shareholders' meeting • Financial reports, ESG reports and other disclosure documents • Press releases • Announcements
Government	• Compliance of laws • Business ethics	• Compliance with laws and regulations • Regular seminars from governors • Ongoing communication with relevant government departments
Community	• Corporate responsibility • Contribution to the community	• Support and volunteer for charity organisations • Cooperation with non-governmental organisations ("**NGOs**")

STRIVING FOR OPERATING EXCELLENCE

The Company strives to maintain the highest operational standards for all its businesses. For the fresh markets business, we are devoted to managing fresh markets in a responsible manner and providing supreme fresh market shopping experience for consumers. While for treasury management business, we uphold the highest ethical standards to follow anti-corruption practices and to protect data privacy.

Responsible Management of Fresh Markets

We obtained the right to manage fresh markets from Link Properties Limited and the Hong Kong Housing Authority through a transparent and fair tendering process. All fresh markets under our management have complied with the Private Markets Regulation (Chapter 132BG under the Laws of Hong Kong) and other relevant laws and regulations. Under the provision of laws, all stalls are operated by licensed stallholders approved by the Director of Food and Environmental Hygiene Department. To ensure sanitary conditions and security of the fresh markets, the Company has commissioned licensed cleaning and security companies by comparing at least three companies. Meanwhile, the Company conducts regular inspections of fresh markets to monitor the operations of the commissioned companies.

Bringing Brand New Fresh Market Shopping Experience

The Company is committed to optimising the overall quality of the market, refurbishing the facilities and tenant mix to enhance operational efficiency, service quality and competitiveness, and to facilitate the development of fresh market business. We strive to bring in brand new fresh market shopping experiences for consumers which may positively affect the overall flow of customers, creating a win-win situation for both customers and tenants. For instance, the Tin Shui Wai Allmart (Tin Yan) Market, which is under the Company's contracted management, has introduced an electronic payment method enabling convenient and efficient shopping experience. Besides, the overall market layout is in correspondence with the changing market needs. With our proactive fresh market management, we wish all customers enjoy this brand new fresh market shopping experience.

Business Ethics

The Company is obliged to uphold the highest possible standards of openness, probity and accountability. We have adopted a whistleblowing policy in accordance with the Prevention of Bribery Ordinance (Chapter 201 under the Laws of Hong Kong) and other relevant laws and regulations. Procedures are formulated to enable individual employees to disclose any information the individual believes indicates malpractices or impropriety within the Company. In order to protect the whistleblower from retaliation, the Company makes every effort to keep identify of the whistleblower confidential, unless it is legally obliged to reveal the whistleblower's identity to authorities.

All employees are required to maintain the integrity and professionalism while performing their duties. Employees should strictly abide by the Company's policy regarding acceptance of gifts, hospitality, conflict of interest and declaration of interest. In terms of acceptance of gifts, employees should avoid accepting gifts from tenants, licensees, service users, customers, business partner, etc., that might have potential influence on our professionalism and judgement, or damage the Company's interests. To enhance the awareness and knowledge regarding anti-corruption laws and practices, we invite representatives from Independent Commission Against Corruption to conduct seminars for our employees.

During the year, there were no reported cases of violation of laws and regulations relating to bribery, extortion, money laundering or misconduct that have significant impacts to the Company.

Data Privacy

Maintaining data privacy is crucial for our business operations, especially the treasury management business. The Company takes appropriate measures to protect the privacy of its customers and business partners, preventing the disclosure of confidential information. All employees are required to handle personal information of customers with care and in compliance with the Personal Data (Privacy) Ordinance (Chapter 486 under the Laws of Hong Kong). Employees must prevent any misappropriation or misuse of confidential information for monetary advantage or private use. During the year, we were not aware of any breach of data privacy that had significant impacts to the Company.

CARING FOR OUR COMMUNITY

The Company actively fulfills its corporate social responsibility, by giving back to the community to the extent feasible. Our employees are highly encouraged to participate in charitable activities and support the needs of disadvantaged groups. During the year, employees contributed 65 hours of volunteering. Several major charitable events that were organised and we participated in are highlighted as below.

Cooking Competition for Social Inclusion

The Company had co-organised a cooking competition (萬有「煮」意愛共融) with a primary school and iBakery, a social enterprise in Hong Kong, aiming to spread the message of embracing social inclusion. Approximately 30 students and 6 disadvantaged iBakery staff participated in the event which was held at Lee On Allmart Market. Through cooperating with iBakery's staff, the youngsters showed their care to the disadvantaged and strengthened their team-working skills.

Charity Rice Distribution

Following the successful rice distribution event last year, the Company continued to organise a ten-day blessing rice distribution campaign at Choi Ming Allmart Market during summertime in 2017, to express our care to nearby residents.

Charity Vegetarian Dinner

The Company organised the 1st charity dinner to support Hong Kong Children and Youth Services, a multi-social service agency together with WOP. Apart from the Company's staff, business partners were also invited to support the charity cause. The night was concluded with talented performances and exhibition booths prepared by students, and funds raised were fully donated to benefit low-income families and children with special educational needs (SEN).

Charity Run

Besides, the Company engaged in the Lifewire Run, and participated in the JESSICA Run for the second year. The raised funds were used to support youth development, medical assistance, and other beneficiaries that offer a hand to those in need in the city. By participating in the running competitions, it was hoped that our employees could embark on their personal health journey by building healthy habits and spreading positive energy.

The Company also cares about environmental protection, we joined the Earth Hour organised by the WWF and the Smoke-free Support Station to promote a smoke-free community respectively. In addition, the Company has focused on the development of the youth in all these years. We have made donations to the Yuen Yuen Institute Potential Education Fund (圓玄學院屬校潛能教育基金) and Hong Kong Association of Youth Development in order to support youth education and personal development.

Looking ahead, we will continue to embed social responsibility in our corporate culture by actively participating in charitable activities and devoting to community development to build a cohesive society.

CARING FOR THE ENVIRONMENT

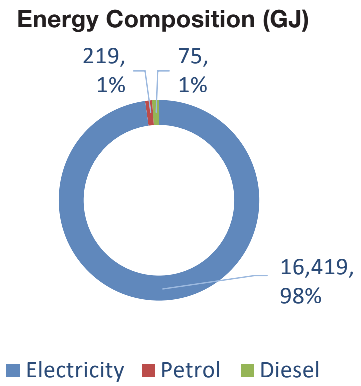
The Company aims to be a responsible and environmentally-friendly enterprise that takes environmental issues into consideration throughout its operations.

During the year, we were not aware of any non-compliance of laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, or generation of hazardous and non-hazardous waste.

Environmental Impacts

Energy Consumption

The major forms of energy consumption of the Company include purchased electricity usage and vehicle's fuel oil consumption. The total energy consumption amounted to 16,713 gigajoules (GJ), of which 98% is accounted for electricity usage, consisting of 101,285 kWh electricity used in headquarter office and 4,459,592 kWh electricity used in Hong Kong fresh markets. As computed based on the Company's revenue, the energy intensity accounted for 6.38 GJ per million HKD.



Energy consumption	Unit	FY2018
Electricity (headquarter office)	kWh	101,285
Electricity (Hong Kong fresh markets)	kWh	4,459,592
Petrol	Litre	6,878
Diesel	Litre	2,086

Emissions

The Company's vehicles usage contributed to direct greenhouse gas emissions (Scope I) of 24 tonnes of carbon dioxide equivalent (tCO_2e) and generated 0.13 kg of sulphur oxides (SO_x), 5.90 kg of nitrogen oxides (NO_x) and 0.43 kg of particulate matter (PM). While the consumption of purchased electricity contributed to indirect emissions (Scope II) of 2,446 tCO_2e. The total greenhouse gas emission intensity accounted for 0.94 tCO_2e per million HKD revenue of the Company.

Greenhouse gases emissions	Unit	FY2018
Direct emissions (Scope I)	tCO_2e	24
Indirect emissions (Scope II)	tCO_2e	2,446
Total	tCO_2e	2,470

Air emissions	Unit	FY2018
Sulphur oxides (SO_x)	kg	0.13
Nitrogen oxides (NO_x)	kg	5.90
Particulate matter (PM)	kg	0.43

Water Consumption

The Company consumes municipal water and there is no issue in sourcing water that is fit for purpose. The Company's fresh markets in Hong Kong together consumed 27,442 m^3 of water, mainly used for floor cleaning purpose. The water intensity accounted for 124.02 m^3 per million HKD revenue of the fresh market segment of the Company.

Food Waste Management

At the fresh markets under our management, food waste is the major source of waste generated. To reduce the amount of food waste being disposed of at landfills, we have placed some food waste recycling bins in the markets, to collect it for recycling. We also cooperate with local NGOs for food waste recycling in Chung On fresh market. Depending on the food condition, the collected food waste is distributed to people in need or is processed into environmentally friendly cleaning agents. During the year, Chung On Fresh Market collected and recycled approximately 149,179 kg of food waste. Looking forward, the Company will continue to incorporate environmental initiatives into the fresh market management.

Green Office

The Company has nurtured a green office culture, aiming to enhance employees' environmental awareness. The environmental initiatives include green procurement, energy conservation, water conservation, paper usage reduction and waste reduction. During the equipment procurement, the Company prioritises electronic appliances with higher energy efficiency as stated in energy labels. To conserve energy, the Company has adopted Light Emitting Diode (LED) and energy saving T5 tubes for lighting. Electronic appliances should be set with sleep modes while not being used. Besides, we put on reminder stickers in our conference rooms, to remind employees to switch off lights, air-conditioners and other office equipment after using the conference room.

The Company believes that it is obliged to avoid excessive use of resources. Employees are required to turn off water taps after the use of water. They are encouraged to bring their own water bottles to prevent the use of disposable paper cups. Word clips, plastic binding rings and envelopes are reused to minimise generation of waste. To reduce the consumption of paper, employees should avoid printing at their best. In case printing is unavoidable, the printouts should be printed on both sides.

CARING FOR OUR PEOPLE

The Company recognises employees are its valuable asset. We strive to attract and retain talents, maintain a safe and healthy workplace and provide a comprehensive remuneration and benefits package to all our employees.

Employee Rights and Welfares

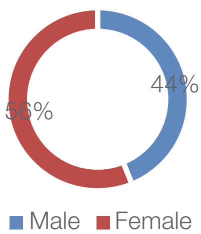
To ensure a fair and lawful employment system, we strictly adhere to the principle of equal opportunity set out in Company's policy and comply with the Employment Ordinance (Chapter 57 under the Laws of Hong Kong) and other relevant laws and regulations of Hong Kong. We recruit employees and applicants without regard to their sex, family status, pregnancy, physical disability, etc. Recruitment of child labour or forced labour is strictly forbidden. During the year, the Company was not aware of any significant non-compliance of relevant labour laws and regulations, nor was there any instance of employment of child labour or forced labour.

The Company has established a remuneration policy to provide an attractive and competitive remuneration package to its employees. A Remuneration Committee is in place to make recommendations to the Board on the remuneration packages. It constantly reviews the existing remuneration policies by making reference to the market trends. The salary adjustment of employees is determined based on qualifications, performance appraisal, the Company's performance and market conditions. In addition to Mandatory Provident Fund Schemes, the Company also offers paternity leave, examination leave, hospital insurance and outpatient medical plan for our employees.

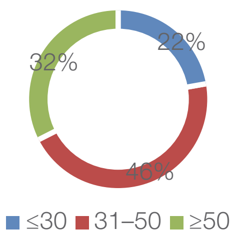
Employee Composition

As of 31 March 2018, the Company had a total of 121 employees, of which 119 were based in Hong Kong and 2 in mainland China. The proportion of male and female employees was 44% to 56%. The majority of employees were aged between 31 to 50, accounting for 45%, while 32% of employees were aged above 50. In terms of professional profile, 20% employees were management staff.

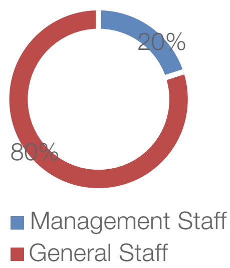
Gender Profile



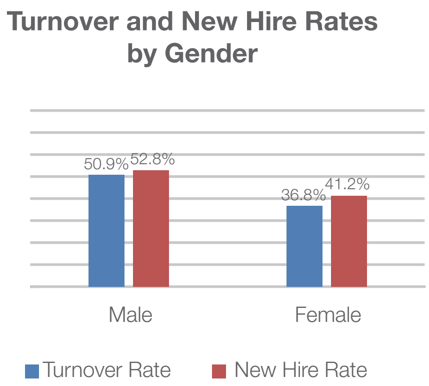
Age Profile

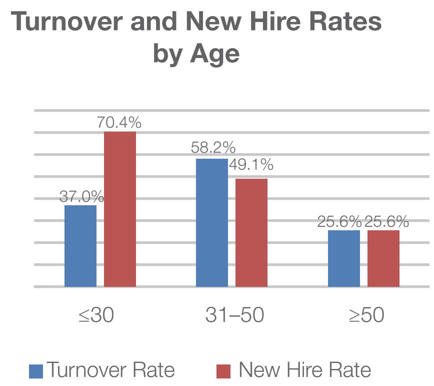


Professional Profile



The Company had an overall turnover rate of 43.0% and an overall new hire rate of 46.3%. In terms of gender profile, male employees had a turnover rate of 50.9%, higher than that of female employees (36.8%). The new hire rate of male and female employees corresponds to their turnover rate. In terms of age profile, employees aged between 31 to 50 had the highest turnover rate (58.2%) while employees aged 30 or below had the highest new hire rate (70.4%). The graph below shows the details of turnover rate and new hire rates sorted by gender and age.





Occupational Health and Safety

The Company is responsible for keeping its employees away from safety hazards in workplace. We strictly comply with the Occupational Safety and Health Ordinance (Chapter 509 under the Laws of Hong Kong). The Company was not aware of any violation of laws and regulations that have a significant impact on the Company relating to occupational health and safety. To minimise the safety hazards, we have implemented a set of safety guidelines for employees. We aim to identify relevant safety hazards at the early stage to prevent accidents, and employees are encouraged to report any potential occupational safety risks to their supervisors and Human Resources Department for follow up action. During the year, there was one work-related incident, accounting for 4 lost days. There was no reported case of a fatality.

Employee Engagement

The Company believes that work-life balance is essential for employees to maintain a healthy mental and physical state. Therefore, we organise annual recreation activities for our employees, such as retreats. Our activities can also enhance team spirit and employees' sense of belonging. The Company aims to facilitate effective communication with employees. Through our communication platform, employees are encouraged to discuss work-related issues, such as employment practices, with their supervisors. Their concerns are handled in a timely and fair manner.

Development and Training

The personal growth and career development of our employees is vitally important. The Company offers various in-house training programs for employees to enhance their knowledge and skills to perform their job duties. In addition, we conduct relevant trainings which contribute to the Company's operations. For instance, Employee Self-Service (ESS) training enables our employees to maintain their attendance and leave records in the Company's internal system. During the year, we recorded 599.25 hours of trainings in total.

In addition to in-house training, the Company supports its employees to enroll in external training courses. Employees can apply for reimbursement of expenses incurred for continuing education and training courses accredited by Education Bureau Office and approved by employee's supervisor and the Human Resources Department. Besides, the Company encourages employees to obtain qualification memberships by subsidising employees in qualification membership.

PERFORMANCE DATA SUMMARY

		Unit	FY 2018
Workforce	**Total headcount**		121
	By Geographical Distribution		
	Hong Kong		119
	Mainland China		2
	By Age		
	30 or below		27
	31–50		55
	Above 50		39
	By Gender		
	Male		53
	Female		68
	By Professional Profile		
	Management staff		24
	General staff		97
	Employee Turnover Rate		
	Total	%	43.0
	By Age		
	30 or below	%	37.0
	31–50	%	58.2
	Above 50	%	25.6
	By Gender		
	Male	%	50.9
	Female	%	36.8
	Employee New Hire Rate		
	Total	%	46.3
	By Age		
	30 or below	%	70.4
	31–50	%	49.1
	Above 50	%	25.6
	By Gender		
	Male	%	52.8
	Female	%	41.2

		Unit	FY 2018
Employee Training	**Total Training Hours**	Hours	599.25
	Average Employee Training Hours		
	By Gender		
	Male	Hours	4.96
	Female	Hours	4.95
	By Professional Profile		
	Management staff	Hours	4.70
	General staff	Hours	5.02
	Percentage of Employees Trained		
	By Gender		
	Male	%	83.0
	Female	%	67.6
	By Professional Profile		
	Management staff	%	79.2
	General staff	%	73.2
Health and Safety	**Work-related Accident**		1
	Lost Days Due to Work-related Injury	Days	4
	Work-related Fatalities		0
Community	**Volunteering Hours**	Hours	65
Environmental	**Total Energy Consumption**	GJ	16,713
	Intensity*	GJ/HKD('million)	6.38
	Electricity (headquarter office)	kWh	101,285
	Electricity (Hong Kong fresh markets)	kWh	4,459,592
	Petrol	Litres	6,878
	Diesel	Litres	2,086
	Greenhouse Gas Emissions	tCO_2e	2,470
	Intensity*	tCO_2e/HKD('million)	0.94
	Scope I	tCO_2e	24
	Scope II	tCO_2e	2,446
	Water Consumption (Fresh markets)	m^3	27,442
	Intensity^	m^3/HKD('million)	124.02
	Air Emissions		
	SO_x	kg	0.13
	NO_x	kg	5.90
	PM	kg	0.43

* The intensity is computed based on revenue of the Company.

^ The intensity is computed based on revenue of the fresh market segment of the Company.

HKEX ESG CONTENT INDEX

KPIs	ESG Reporting Guide Requirements	Section/Remarks
A. Environmental		
Aspect A1	**Emissions**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Caring for the Environment
KPI A1.1	The types of emissions and the respective emissions data.	Emissions
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Our fresh market and financial operations do not involve generation of hazardous waste.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Office garbage is handled by management office and sent to landfills.
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Green Office
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Food Waste Management
Aspect A2	**Use of Resources**	
General Disclosure	Policies on efficient use of resources including energy, water and other raw materials.	Green Office
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Energy Consumption
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water Consumption
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Green Office
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for the purpose, water usage efficiency initiatives and results achieved.	The Company does not have any issue in sourcing water.
KPI A2.5	Total packaging materials used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The Company's operations do not involve consumption of packaging material.

KPIs	ESG Reporting Guide Requirements	Section/Remarks
Aspect A3	**The Environment and Natural Resources**	
General Disclosure	Policies on minimising the issuers' significant impact on the environment and natural resources.	Caring for the Environment
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
B. Social		
Aspect B1	**Employment**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.	Employee Rights and Welfares
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.	Occupational Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	
KPI B2.2	Lost days due to work injury.	
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	
Aspect B3	**Development and Training**	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
Aspect B4	**Labour Standards**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.	Employee Rights and Welfares

KPIs	ESG Reporting Guide Requirements	Section/Remarks
Aspect B5	**Supply Chain Management**	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Responsible Management of Fresh Markets
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.	Responsible Management of Fresh Markets
KPI B6.5	Description of customer data protection and privacy policies, how they are implemented and monitored	Data Privacy
Aspect B7	**Anti-Corruption**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Business Ethics
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	
Aspect B8	**Community Investment**	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Caring for our Community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with a strong emphasis on transparency, accountability, integrity and independence. The Board believes that good corporate governance practices are fundamental and essential to the success of the Company and the enhancement of shareholders and other stakeholders' value.

The Company continued to take steps to apply the principles and comply with the code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules. The Board has reviewed periodically the compliance of the CG Code and is in the view that throughout the year ended 31 March 2018, the Company had complied with the code provisions of the CG Code.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

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

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

BUSINESS MODEL AND STRATEGY

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

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

THE BOARD

Composition

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

Executive Directors

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

Independent Non-executive Directors

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

Ms. Yau Yuk Yin is the spouse of Mr. Tang Ching Ho and the biographical details of all Directors are set out on pages 23 to 24 of this annual report.

The Board possesses a mix and balance of skills and experience which are appropriate for the requirements of the business of the Company. The opinions raised by the INEDs in Board meetings facilitate the maintenance of good corporate governance practices. The Board has four 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. All Directors are aware of the required levels of fiduciary duties, care, skill and diligence under Rule 3.08 of the Listing Rules.

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

Roles and Responsibilities of the Board and the Senior Management

The Board is accountable to stakeholders for the activities and performance of the Group and its primary functions cover, among other things, the formulation of overall strategy, the review corporate and financial policies and the oversight of the management of the Group's business and affairs. Apart from these, the Board reserved for its consideration and decision on major acquisitions and disposals, review of interim and annual financial results, appointments/removals of directors and auditors, evaluation on the performance and compensation of senior management, any material capital transactions and other significant operational and financial affairs. With a review to maintaining an appropriate balance of authority and responsibility, such functions are either carried out directly by the Board or indirectly through various committees established by the Board, with respective functions set out in their 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 shall abstain from voting at such Board meeting and the INEDs with no conflict of interest shall attend at such meeting to deal with the matters.

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

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

Chairman and Managing Director

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

Appointment and Re-election of the Directors

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

Independence of INEDs

The INEDs are required to confirm their independence upon their appointment and on an annual basis. The Company has received from each INED an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules for the year ended 31 March 2018. The INEDs would not participate in the Group's daily operation and they would abstain from voting on any resolution(s) in which he had any interest and, therefore, the Company continues to consider all the INEDs to be independent for the year under review and up to the date of this report.

Corporate Governance

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

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

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

Board Diversity

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

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

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

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

Continuous Professional Development

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

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

The Company continuously updates Directors constantly on the latest developments regarding the Group's business, the Listing Rules 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 of the Company 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 was reviewed and renewed with consultant advice on an annual basis.

BOARD COMMITTEES

The Board has established various committees, including the executive committee (the "**Executive Committee**"), audit committee (the "**Audit Committee**"), remuneration committee (the "**Remuneration Committee**"), nomination committee (the "**Nomination Committee**") and investment committee (the "**Investment Committee**"), each of which has the specific written terms of reference that will be reviewed and updated, where necessary. Minutes of all meetings and resolutions of the committees are kept by the company secretary 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 decision and recommendations, where appropriate.

Executive Committee

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

Audit Committee

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

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

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

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

(a) the annual results for the year ended 31 March 2017 and the interim results for the six-month ended 30 September 2017 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 auditors to perform the agreed-upon of the final results for the year ended 31 March 2017 and the general review on the interim results for the six-month ended 30 September 2017;

(c) the term and remuneration for the appointment of external auditors to perform non-audit services and other special corporate projects;

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

(e) the continuing connected transaction 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, the accounting and financial reporting matters and their training programmes and budget.

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

Remuneration Committee

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

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

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

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

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

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

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

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

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

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

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

The Remuneration Committee has discharged or will continue to discharge its major roles to, among other things, approve the terms of the service agreements of the Directors and the senior management of the Company, 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 of the Company.

Details of the Directors' remuneration are set out in note 8 to the consolidated financial statements. It was resolved by the remuneration committee and the Board on 21 June 2017, the Company entered into a revised service agreement with Ms. Yau Yuk Yin, the Deputy Chairman of the Company on 21 June 2017 for the amendment of her basic monthly salary from HK$303,800 to HK$358,000 with effect from 1 July 2017 which is subject to yearly review, and she is also entitled to a yearly performance bonus on the basis of 1.5% of the audited consolidated net profit after taxation of the Group commencing from the financial year ended 31 March 2018. In addition, pursuant to the code provision B.1.5, the annual remuneration of other members of the senior management by bands for the year ended 31 March 2018 is set out below:

Remuneration to the senior management by bands	**Number of individual**
Below HK$1,000,000	–
HK$1,000,001 to HK$1,500,000	–
Over HK$1,500,001	5

Nomination Committee

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

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

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

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

(c) to assess the independence of INEDs;

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

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

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

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

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

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

Investment Committee

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

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 2018 are as follows:

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

EXTERNAL AUDITORS' REMUNERATION

The remuneration paid/payable to the Company's external auditors, Ernst & Young, for the year ended 31 March 2018, are set out as follows:

Services rendered for the Group	Fees paid/ payable to Ernst & Young *HK$'000*
Audit services	
— annual financial statements	6,000
Non-audit services:	
— agreed-upon procedures	920
— taxation and professional services	4,532
— other professional services	3,545
Total	14,997

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 2018, the Directors have adopted suitable accounting policies which are pertinent to the Group's operations and relevant to the financial statements and have presented an understandable assessment of the Group's position and prospects.

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

A statement by the auditor about their reporting responsibilities is set out on pages 65 to 74 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

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

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

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

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

Review on Risk Management and Internal Control

During the year under review, the Group has engaged an external advisory firm to undertake the internal audit function to ensure the effectiveness and efficiency of the risk management and internal control system of the Group. All findings and recommendations on internal control deficiencies were communicated with the Audit Committee and the Board. The management confirmed that there is no significant deficiency and weakness on the internal control system has been identified by the external advisory firm for the year ended 31 March 2018.

The Board conducted annual review on the risk management and internal control system and procedures of the Group, covering all material controls including financial, operational and compliance and it was considered that the internal controls and risk management functions were reasonably effective and adequate for the year ended 31 March 2018.

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

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

Disclosures in Corporate Website

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

General Meeting with Shareholders

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

In order to let shareholders to make an informed decision at the general meetings, sufficient notices with not less than 10 clear business days for every general meeting and 20 clear business days for every annual general meeting were given to the shareholders of the Company pursuant to E.1.3 of the CG Code, the Bye-laws and any other applicable laws. The chairman will explain the detailed procedures for conducting a poll vote during the proceedings of meetings and answered all questions raised by shareholders. All resolutions put to vote at general meetings are taken by poll and the poll results are posted on the 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 3202, 32/F., Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong for attention of the Board or the company secretary of the Company, and may consist of several documents in like form, each signed by one or more requisitionists. Such meeting shall be held within two (2) months after the deposit of such requisition.

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

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

Putting Forward Proposals at General Meetings

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

Proposing a Person for Election as a Director

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

Enquiries to the Board

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

In respect of the corporate affairs:
The Board/Company Secretary/Corporate Affairs & Investor Relations Manager
Wang On Group Limited
Suite 3202, 32/F., Skyline Tower
39 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

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

WHISTLEBLOWING POLICY

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

COMPANY SECRETARY

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

During the year ended 31 March 2018, 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 2018, 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 *(www.wangon.com)*, respectively.

CONCLUSION

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

REPORT OF THE DIRECTORS

The Directors present their report and the audited consolidated financial statements for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2018 and the Group's financial position at that date are set out in the financial statements on pages 75 to 206.

For the year ended 31 March 2018, the Group's revenue and profit attributable to owners of the parent amounted to approximately HK$2,621.0 million (2017: approximately HK$869.4 million) and approximately HK$1,223.4 million (2017: approximately HK$423.7 million), respectively.

The Board has recommended the payment of a final dividend of HK0.5 cent (2017: HK0.5 cent) per ordinary share for the year ended 31 March 2018 to shareholders whose names appear on the register of members of the Company as of Thursday, 6 September 2018. The final dividend will be paid on or around Monday, 17 September 2018, subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Wednesday, 29 August 2018. Together with the interim dividend of HK0.1 cent (30 September 2016: HK0.1 cent) per ordinary share, the total dividends for the year ended 31 March 2018 will be HK0.6 cent (2017: HK0.6 cent) per ordinary share.

BUSINESS REVIEW AND ANALYSIS OF KEY FINANCIAL PERFORMANCE INDICATORS

The business review and the key financial performance indicators to the businesses of the Group, including, among other things, the information set out below, are disclosed in the "Management Discussion and Analysis" on pages 13 to 22 of this annual 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 2018.

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 page 208 of this annual report. This summary does not form part of the audited financial statements.

SHARE CAPITAL AND SHARE OPTION SCHEME

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, the Company repurchased a total of 360 million shares of HK$0.01 each of the Company on the Stock Exchange. All the repurchased shares were subsequently cancelled by the Company during the year. Details of the share repurchases during the year are as follows:

Month	Number of share repurchased and cancelled	Purchase price per share		Aggregate amount
		Highest	**Lowest**	
	(in million)	*HK$*	*HK$*	*HK$ (in million)*
December 2017	230	0.129	0.117	28.1
January 2018	130	0.133	0.122	16.6
Total	360			44.7

The repurchase of the Company's shares by the Directors during the year was made pursuant to the mandate granted by shareholders at the last annual general meeting of the Company held on 29 August 2017, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company. As at 31 March 2018 and up to the date of this report, the total number of shares of the Company in issue was 18,928,520,047 shares. Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

DISTRIBUTABLE RESERVES

At 31 March 2018, the Company's reserves available for distribution to equity holders of the parent, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to approximately HK$1,068.3 million (2017: approximately HK$1,165.9 million), of which approximately HK$94.6 million has been proposed as a final dividend for the year ended 31 March 2018.

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 offices or otherwise in relation thereto. The Company had arranged appropriate directors' and officers' liability insurance coverage for the Directors and other officers of the Group for the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2018, sales to the Group's five largest customers accounted for less than approximately 8% (2017: approximately 20%) of the total sales for the year and the sales to the largest customer included therein accounted to approximately 4.6%. Purchases from the Group's five largest suppliers accounted for approximately 83% (2017: approximately 68%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 49% of the total purchases for the year.

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

DIRECTORS

The Directors during the year were:

Executive Directors

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

Independent Non-Executive Directors

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

In accordance with Bye-law 87 of the Bye-laws, Mr. Chan Chun Hong, Thomas, Dr. Lee Peng Fei, Allen and Mr. Wong Chun, Justein will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 23 to 25 of this annual 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 45 to the financial statements, no Directors nor a connected entity of a Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

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

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

As at 31 March 2018, the interests and short positions of the Directors and chief executive of the Company and/or any of their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code under the Listing Rules, were as follows:

Long positions in the ordinary shares of the Company:

Name of Director	Personal interest	Family interest	Corporate interest	Other interest	Total	Approximate percentage of the Company's total issued share capital *(Note f)* %
Mr. Tang Ching Ho ("**Mr. Tang**")	28,026,339	28,026,300 *(Note a)*	4,938,375,306 *(Note b)*	4,989,928,827 *(Note c)*	9,984,356,772	52.75
Ms. Yau Yuk Yin ("**Ms. Yau**")	28,026,300	4,966,401,645 *(Note d)*	–	4,989,928,827 *(Note e)*	9,984,356,772	52.75

Notes:

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

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

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

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

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

(f) The percentage represented the number of shares over the total issued share capital of the Company as at 31 March 2018 of 18,928,520,047 shares.

Long positions in the underlying shares of share options of Easy One, an associate corporation of the Company:

Name of Director	Date of grant	Exercise price per share *HK$*	Number of share options outstanding	Exercisable period	Number of underlying shares	Approximate percentage of Easy One's total issued share capital *(Note)* %
Mr. Chan Chun Hong, Thomas	23.2.2018	0.48	4,600,000	23.2.2018–22.2.2025	4,600,000	0.83

Note: The percentage represented the number of shares over the total issued share capital of Easy One as at 31 March 2018 was 556,432,500 shares.

Save as disclosed above, as at 31 March 2018, none of the Directors and chief executive of the Company and/or any of their respective associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

The share options scheme(s) of the Company

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

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

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

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

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

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

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

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

As at the date of this report, the total number of shares available for issue under the 2012 Scheme is 1,928,852,004 shares, representing 10.2% of the share capital of the Company in issue at the date of this report.

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

The share options scheme(s) of WOP

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

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

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

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

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

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

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

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

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

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

The share options scheme(s) of WYTH

WYTH has become a subsidiary of the Company immediately upon completion of its rights issue on 29 September 2016. At the annual general meeting of WYTH held on 22 August 2013, its shareholders approved the termination of the share option scheme previously adopted on 18 September 2003 (the "**WYTH 2003 Scheme**") and the adoption a new share option scheme (the "**WYTH 2013 Scheme**") for the primary purpose of providing incentive and rewards to eligible participants who contribute to the success of the WYTH Group's operations. Upon termination of the WYT 2003 Scheme, no share options was granted thereunder but the subsisting share options granted prior to the termination will continue to be valid and exercisable during the prescribed exercisable period in accordance with the terms of the WYTH 2003 Scheme. The WYTH 2013 Scheme became effective on 22 August 2013 and, unless otherwise terminated earlier by shareholders of WYTH and the Company at their respective general meetings, will remain in force for a period of 10 years from that date.

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

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

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

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

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

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

Details of the movements of the share options under the WYTH 2003 Scheme during the year ended 31 March 2018 were as follows:

Name or category of WYTH Participant	Number of share options: Outstanding as at 1 April 2017	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 March 2018	Date of grant	Exercise price per share HK$	Exercisable period *(Note)*
WYTH executive director								
Ms. Tang Mui Fun	4,554	–	–	–	4,554	8.1.2009	20.6927	8.1.2010–7.1.2019
	4,554	–	–	–	4,554			
Other employees of WYTH								
In aggregate	16,677	–	–	(1,401)	15,276	8.1.2009	20.6927	8.1.2010–7.1.2019
	26,346	–	–	(7,006)	19,340	12.5.2010	7.4197	12.5.2011–11.5.2020
	43,023	–	–	(8,407)	34,616			
	47,577	–	–	(8,407)	39,170			

Note:

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

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

At the end of the reporting period, WYTH had 39,170 share options outstanding under the WTYH 2003 Scheme. The exercise in full of these share options would, under the present capital structure of WYTH, result in the issue of 39,170 additional ordinary shares of WYTH and additional share capital of HK$391.7 and share premium of HK$553,441.5 (before expenses). During the year, no share options under the WYTH 2013 Scheme was granted and outstanding and no share options under the WYTH 2003 Scheme were exercised or cancelled and 8,407 share options lapsed during the year.

As at the date of this report, the total number of WYTH's shares available for issue under the WYTH 2013 Scheme is 126,514,288 shares, representing 10.0% of the total issued share capital of WYTH.

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

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

As at 31 March 2018, to the best knowledge of the Directors, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders, had notified the Company and the Stock Exchange of relevant interests and short positions in the shares and underlying shares of the Company:

Long positions in the ordinary shares of the Company:

Name of shareholders	*Notes*	**Capacity**	**Number of shares**	**Approximate percentage of the Company's total issued share capital** *(Note 5)* %
Caister	*(1)*	Beneficial owner	4,938,375,306	26.09
Accord Power Limited ("**Accord Power**")	*(2)*	Beneficial owner — Tang's Family Trust	4,989,928,827	26.36
Fiducia Suisse SA	*(3)*	Interest of controlled corporation — Trustee	4,989,928,827	26.36
David Henry Christopher Hill	*(3)*	Interest of controlled corporation	4,989,928,827	26.36
Rebecca Ann Hill	*(4)*	Family interest	4,989,928,827	26.36

Notes:

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

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

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

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

(5) The percentage represented the number of shares over the total issued share capital of the Company as at 31 March 2018 of 18,928,520,047 shares.

Save as disclosed above, as at 31 March 2018, there were no persons who had an interest or short positions 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 that was required to be kept by the Company under section 336 of the SFO.

CORPORATE SOCIAL RESPONSIBILITY

While 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. During the past year, the Group made charity donations to various organisations, including various non-government and non profit making organisations, and also participated in, and successfully organised, various community and caring services, details of which are disclosed in the Environmental, Social and Governance Report set out on pages 26 to 40 of this annual report.

ENVIRONMENTAL MATTERS

The Group has taken measures to promote environmental-friendliness of the workplace by encouraging paper-recycling culture and energy-saving culture within our Group. The environmental policies and performance of the Group are disclosed in the Environmental, Social and Governance Report set out on pages 26 to 40 of this annual report.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

The Group recognised enhancing and maintaining good relationships with suppliers and customers are essential for the Group's overall growth and development. The Group placed specific caution on selection of quality suppliers and customers and encourages fair and open competition to foster long-term relationships with quality suppliers on the basis of mutual trust. The Group has kept good communications and shared business updates with them when appropriate. The communication policies and the Group's performance are detailed in the Environmental, Social and Governance Report set out on pages 26 to 40 of this annual report.

CONNECTED TRANSACTION

On 8 December 2016, the Company, through its wholly-owned subsidiary, namely Richly Gold Limited (as the landlord), entered into a tenancy agreement with Ms. Yau Yuk Yin, the Deputy Chairman of the Company, (as the tenant) in respect of the lease of a premise located at Winners Lodge, Nos. 9–15 Ma Yeung Path, Kau To Shan, Shatin, New Territories, Hong Kong for a term of three years commencing from 15 November 2016 and expiring on 14 November 2019 at a monthly rental of HK$100,000, which constituted a continuing connected transaction (the "**Continuing Connected Transaction**") for the Company during the year ended 31 March 2018 which is exempt from disclosure, annual review and shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

Further details of other related party transactions undertaken by the Group in the ordinary course of business, which fell under Rule 14A.73 of the Listing Rules, during the year are set out in note 45 to the financial statements.

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

DISCLOSURES PURSUANT TO RULES 13.12 AND 13.20 OF THE LISTING RULES

At the end of the reporting period and up to the date of this report, the Group, through its subsidiaries, had advanced a financial assistance of an aggregate of HK$1,050 million to CAP, particulars of which are set out below:

(a) pursuant to the subscription agreement dated 4 October 2014 (as supplemented on 28 November 2014) (the "**Subscription Agreement**") entered into, among others, CAP, Winning Rich Investments Limited ("**Winning Rich**"), an indirectly wholly-owned subsidiary of WYTH and Double Leads Investments Limited ("**Double Leads**"), an indirectly wholly-owned subsidiary of the Company, pursuant to which Double Leads subscribed for up to an aggregate principal amount of HK$330.0 million five-year 10.0% coupon bonds due November 2019 (the "**2019 Bonds**") issued by CAP, HK$200.0 million of which were sold to Winning Rich, pursuant to the bond transfer agreement dated 5 July 2016 (as supplemented on 8 July 2016) (the "**Bond Transfer Agreement**") entered into between Winning Rich, Double Leads and the Company; and

(b) Winning Rich subscribed for an aggregate principal amount of HK$720.0 million 2019 Bonds pursuant to the Subscription Agreement and further acquired HK$200.0 million 2019 Bonds from Double Leads pursuant to the Bond Transfer Agreement.

CHARITABLE DONATIONS

During the year, the Group made charitable and other donations totaling approximately HK$15.7 million (2017: approximately HK$10.5 million).

EMOLUMENT POLICY

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

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

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 41 to 52 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

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

During the year, the Audit Committee met twice with the management and the external auditors to review and consider, among other things, the accounting principles and practices adopted by the Group, the financial reporting matters (including the review of the audited consolidated financial statement for the year ended 31 March 2017 and the unaudited consolidated interim results for the six-month ended 30 September 2017), the statutory compliance, internal controls, risk management, continuing connected transaction(s) and the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function as well as their training programmes and budget. The consolidated financial statements of the Group for the year ended 31 March 2018 have been reviewed by the Audit Committee with the management and independent auditors of the Company.

EVENT AFTER THE REPORTING PERIOD

Details of significant event of the Group after the reporting period are set out in note 49 to the financial statements.

AUDITORS

The financial statements for the year ended 31 March 2018 have been audited by Messrs. Ernst & Young, who retire and, being eligible, offer themselves for re-appointment. A resolution for their reappointment as auditors 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, 20 June 2018

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Wang On Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 75 to 206, which comprise the consolidated statement of financial position as at 31 March 2018, 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 2018, 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 trademarks and property, plant and equipment	
As at 31 March 2018, the Group had trademarks and property, plant and equipment of HK$61,356,000 and HK$1,100,093,000, respectively, relating to the cash-generating units ("CGUs") of Chinese pharmaceutical and health food products, and the Western pharmaceutical and health food products. Given that the operating results of both CGUs were loss making for the current and prior years, management of the Company performed an impairment assessment on the trademarks of the respective CGUs by using value in use calculations based on the discounted cash flow method. Management also performed an impairment assessment of the related property, plant and equipment to determine their recoverable amounts based on either the value in use or the fair value less costs of disposal of the relevant property, plant and equipment. This area has been identified as a key audit matter due to the materiality of the carrying values of the trademarks and the property, plant and equipment, and the significant judgements and estimations involved in the assessment of their recoverable amounts. The accounting policies and disclosures in relation to the impairment of trademarks and items of property, plant and equipment are included in notes 2.4, 3, 13 and 16 to the consolidated financial statements.	For impairment assessments using the value in use calculations, our audit procedures included the following: • enquired of management in relation to the key assumptions applied in the cash flow projections, such as the revenue growth rates and gross margins, and compared them to historical information and our understanding of the latest market information and conditions; • involved our internal valuation specialists to assist us with our assessment of the methodologies and the discount rates used to determine the recoverable amounts; and • assessed the adequacy of the disclosures of the Group's impairment assessments of trademarks and property, plant and equipment in the consolidated financial statements. For impairment assessments using the fair value less costs of disposal of the relevant property, plant and equipment, our audit procedures included the following: • obtained and reviewed the valuation reports prepared by the external valuer engaged by the Group; • assessed the external valuer's qualifications, experience and expertise and considered its objectivity and independence; • involved our internal valuation specialists to assist us to assess the valuation methodologies applied and the key assumptions and estimates adopted in the valuations; and • assessed the adequacy of the disclosures of the impairment assessment of property, plant and equipment in the consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
The Group holds various investment properties in Hong Kong for rental earning purpose. Such investment properties were measured at fair value at the end of the reporting period and the aggregate carrying amount of these investment properties as at 31 March 2018 was HK$1,951,816,000, which represented approximately 24.4% of the net assets of the Group. Significant estimation is required to determine the fair values of investment properties, which reflect market conditions at the end of the reporting period. The Group engaged external valuers to perform the valuation of these investment properties as at 31 March 2018 and in the absence of current prices in an active market for similar properties, the external valuers considered information from a variety of sources such as current prices of properties of similar locations and conditions, and estimated rental value of the relevant properties, and made assumptions about capitalisation rates. The accounting policies and disclosures in relation to the valuation of investment properties are included in notes 2.4, 3 and 14 to the consolidated financial statements.	Our audit procedures to assess the valuation of investment properties included the following: • obtained and reviewed the valuation reports prepared by the external valuers engaged by the Group; • assessed the external valuers' qualifications, experience and expertise and considered their objectivity and independence; • involved our internal valuation specialists to assist us to assess the valuation methodologies applied and the key assumptions and estimates adopted in the valuation or perform benchmarking on the value of the investment properties to the transaction prices of other comparable properties on a sampling basis; • compared property-related data used as inputs for the valuations with underlying documentation, such as lease agreements; and • assessed the adequacy of the disclosures of the valuation of the investment properties in the consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of financial instruments	
As at 31 March 2018, the Group had available-for-sale investments and financial assets at fair value through profit or loss which were measured at fair value. As at 31 March 2018, the fair value measurements of two unlisted debt investments amounting to HK$1,038,087,000 in aggregate, a listed equity investment, the share trading of which was suspended, amounting to HK$48,160,000 and a call option amounting to HK$7,661,000 were categorised within level 3 of the fair value hierarchy. Significant management judgements and estimates are required in determining the valuations of financial instruments which are categorised as level 3 in the fair value hierarchy. Management of the Company engaged an external valuer to perform the valuation of these financial instruments at the end of the reporting period and in the absence of current prices in an active market for similar investments, the external valuer applied certain unobservable inputs in the valuation. The accounting policies and disclosures in relation to the valuation of financial instruments are included in notes 2.4, 3, 19, 25 and 47 to the consolidated financial statements.	Our audit procedures to assess the valuation of financial instruments categorised as level 3 in the fair value hierarchy included the following: • obtained and reviewed the valuation reports prepared by the external valuer engaged by the Company; • assessed the external valuer's qualifications, experience and expertise and considered its objectivity and independence; • involved our internal valuation specialists to assist us to assess the valuation methodologies applied and the key assumptions and estimates adopted in the valuations; and • assessed the adequacy of the disclosures of the valuation of the financial instruments in the consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of loans and interests receivables	
As at 31 March 2018, the Group had loans and interest receivables amounting to HK$1,272,101,000, which represented approximately 15.9% of the net assets of the Group. Significant management judgements and estimates were required in determining the recoverability of the loans and interest receivables, 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 loans and interest receivables are included in notes 2.4, 3 and 23 to the consolidated financial statements.	Our audit procedures to assess the impairment assessments of the loans and interest receivables included the following: • evaluated the Group's processes and controls over the approvals and recording of the loans receivables; • reviewed, on a sampling basis, 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; • reviewed, on a sampling basis, the repayment history of the debtors; • reviewed and checked, on a sampling basis, the ownership and market value of the collateral provided by the debtors; and • assessed the adequacy of the disclosures on the loans and interest receivables in the consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Disposal of subsidiaries	
During the year, the Group completed the disposals of two subsidiaries and recorded an aggregate gain of HK$1,247,461,000 from these disposals. Details of these disposals are summarised below: (i) Disposal of the WS Group In June 2017, the Group entered into a sale and purchase agreement with an independent third party for the disposal of a 50% equity interest in Wonder Sign Limited ("Wonder Sign" and together with its subsidiary the "WS Group"), together with the benefit of 50% of the related shareholder's loan, for an aggregate consideration of HK$713,660,000. The transaction was completed in June 2017. As at the date of disposal, the WS Group held a land parcel in Hong Kong under development. Management considered that it was a business disposal because the business activities carried out by the WS Group for the development of the related land parcel qualified as a business under the relevant accounting standard. As a result, the Group recorded a disposal gain of HK$457,143,000 in profit or loss. Moreover, the remaining 50% interest in Wonder Sign retained by the Group was remeasured at fair value which was the cost on initial recognition of an investment in a joint venture at the date when the Group lost control over Wonder Sign. As a result of the remeasurement, the Group recognised a gain of HK$467,039,000 in profit or loss.	Our audit procedures to assess the impact of disposals of subsidiaries included the following: • obtained and reviewed the related sale and purchase agreements entered into by the Group; • obtained and reviewed the major contracts signed by the project companies of the WS Group and the EM Group to assess the status of the property development projects and the business activities carried out by each of the WS Group and the EM Group; • visited the sites of the property projects to observe their physical status; • reviewed the calculations of the gains arising from the disposals; and • assessed the adequacy of the disclosures of the disposals in the consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter

Disposal of subsidiaries (continued)

(ii) Disposal of the EM Group

In September 2017, the Group entered into another sale and purchase agreement with an independent third party for the disposal of a 60% equity interest in Ease Mind Investments Limited ("Ease Mind", and together with its subsidiary the "EM Group"), together with the benefit of 60% of the related shareholder's loan, for an aggregate consideration of HK$2,441,253,000. The transaction was completed in November 2017.

As at the date of disposal, the EM Group held a land parcel in Hong Kong without any development. Management considered that it was an asset disposal because the operation of the EM Group did not qualify as a business under the relevant accounting standard. As a result, the Group recorded a disposal gain of HK$790,318,000 in profit or loss and recorded the remaining 40% interest in Ease Mind retained by the Group as an investment in a joint venture.

The disposals of these subsidiaries have been identified as a key audit matter because the effect of the disposals is significant for the current year, and judgement is involved in the assessment of whether each disposal is a disposal of a business or an asset.

The accounting policies and disclosures of the disposals of subsidiaries are included in notes 2.1, 2.4, 3 and 39 to the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

20 June 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
REVENUE	5	**2,620,998**	869,357
Cost of sales		**(1,561,342)**	(539,124)
Gross profit		**1,059,656**	330,233
Other income and gains, net	5	**1,771,077**	1,119,438
Selling and distribution expenses		**(333,951)**	(181,055)
Administrative expenses		**(449,397)**	(260,923)
Other expenses		**(113,978)**	(568,757)
Finance costs	7	**(92,389)**	(30,357)
Fair value losses on financial assets at fair value through profit or loss, net		**(52,937)**	(123,752)
Fair value gains on investment properties, net	14	**78,304**	50,118
Reversal of write-down of properties under development	15	**—**	44,411
Share of profits and losses of:			
Joint ventures		**3,672**	10,101
Associates		**(35,008)**	(29,787)
PROFIT BEFORE TAX	6	**1,835,049**	359,670
Income tax credit/(expense)	10	**(69,055)**	17,599
PROFIT FOR THE YEAR		**1,765,994**	377,269
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value	19	**(39,387)**	13,839
Reclassification adjustments for losses included in profit or loss			
— Loss on disposal		**2,209**	—
— Impairment losses		**33,368**	—
Exchange differences on translation of foreign operations		**5,877**	(1,644)
Other reserves:			
Release of other reserves for the Step Acquisition of WYTH	37	**—**	11,870
Share of other comprehensive income/(loss) of joint ventures		**9,602**	(3,856)
Share of other comprehensive income of associates		**27,629**	10,568
Release of reserves upon deemed partial disposal of equity interests in an associate		**(973)**	—
		36,258	18,582

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**38,325**	30,777
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,804,319**	408,046
Profit/(loss) attributable to:			
Owners of the parent		**1,223,444**	423,690
Non-controlling interests		**542,550**	(46,421)
		1,765,994	377,269
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**1,249,250**	458,409
Non-controlling interests		**555,069**	(50,363)
		1,804,319	408,046
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted		**HK6.52 cents**	HK2.22 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	1,325,728	1,285,661
Investment properties	14	1,422,000	1,473,300
Properties under development	15	152,997	415,004
Trademarks	16	61,356	68,991
Investments in joint ventures	17	1,510,843	91,338
Investments in associates	18	77,315	95,118
Available-for-sale investments	19	1,302,052	1,134,828
Financial assets at fair value through profit or loss	25	7,661	14,424
Loans and interest receivables	23	738,657	80,594
Deposits and other receivables	24	63,049	42,708
Deferred tax assets	32	32,460	25,384
Total non-current assets		6,694,118	4,727,350
CURRENT ASSETS			
Properties under development	15	2,599,460	3,103,588
Properties held for sale	20	719,080	—
Available-for-sale investments	19	53,702	35,879
Inventories	21	183,175	190,658
Trade and bills receivables	22	123,179	91,764
Loans and interest receivables	23	533,444	554,921
Prepayments, deposits and other receivables	24	1,539,258	2,008,506
Financial assets at fair value through profit or loss	25	272,459	340,272
Tax recoverable		1,616	6,638
Cash and cash equivalents	26	2,664,364	2,369,308
		8,689,737	8,701,534
Assets classified as held for sale	27	532,673	196,150
Total current assets		9,222,410	8,897,684
CURRENT LIABILITIES			
Trade payables	28	252,656	124,289
Other payables and accruals	29	215,680	120,369
Deposits received and receipts in advance		2,285,795	2,797,159
Bank and other loans	30	1,483,418	792,793
Provision for onerous contracts	31	9,663	4,080
Tax payable		86,541	19,280
		4,333,753	3,857,970
Liabilities directly associated with the assets classified as held for sale	27	147,775	4,049
Total current liabilities		4,481,528	3,862,019
NET CURRENT ASSETS		4,740,882	5,035,665
TOTAL ASSETS LESS CURRENT LIABILITIES		11,435,000	9,763,015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,435,000**	9,763,015
NON-CURRENT LIABILITIES			
Bank and other loans	*30*	**3,191,679**	3,288,481
Deferred tax liabilities	*32*	**50,152**	48,276
Other payables	*29*	**164,958**	—
Deposits received		**28,766**	—
Total non-current liabilities		**3,435,555**	3,336,757
Net assets		**7,999,445**	6,426,258
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*33*	**189,285**	192,885
Reserves	*35*	**5,610,237**	4,420,095
		5,799,522	4,612,980
Non-controlling interests		**2,199,923**	1,813,278
Total equity		**7,999,445**	6,426,258

Tang Ching Ho
Director

Chan Chun Hong, Thomas
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018

		Attributable to owners of the parent											
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 Note 35(a)	Available-for-sale investment revaluation reserve HK$'000	Treasury shares HK$'000 Note 35(c)	Exchange fluctuation reserve HK$'000	Other reserves HK$'000	Capital reserve HK$'000 Note 35(d)	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2017		192,885	1,435,381*	306,353*	(1,005)*	(27,918)*	1,829*	7,612*	(259,048)*	2,956,891*	4,612,980	1,813,278	6,426,258
Profit for the year		–	–	–	–	–	–	–	–	1,223,444	1,223,444	542,550	1,765,994
Other comprehensive income/(loss) for the year:													
Available-for-sale investments:													
Changes in fair value	19	–	–	–	(36,727)	–	–	–	–	–	(36,727)	(2,660)	(39,387)
Reclassification adjustments for losses included in profit or loss													
– Loss on disposal		–	–	–	2,209	–	–	–	–	–	2,209	–	2,209
– Impairment losses		–	–	–	33,368	–	–	–	–	–	33,368	–	33,368
Exchange differences on translation of foreign operations		–	–	–	–	–	2,300	–	–	–	2,300	3,577	5,877
Share of other comprehensive income of joint ventures		–	–	–	–	–	–	9,602	–	–	9,602	–	9,602
Share of other comprehensive income of associates		–	–	–	–	–	–	15,604	–	–	15,604	12,025	27,629
Release upon deemed partial disposal of equity interests in an associate		–	–	–	–	–	–	(550)	–	–	(550)	(423)	(973)
Total comprehensive income for the year		–	–	–	(1,150)	–	2,300	24,656	–	1,223,444	1,249,250	555,069	1,804,319
Shares repurchased and cancelled	33	(3,600)	(41,256)	–	–	–	–	–	–	–	(44,856)	–	(44,856)
Acquisition of non-controlling interests		–	–	–	–	–	–	–	100,457	–	100,457	(127,419)	(26,962)
Share of reserves of an associate		–	–	–	–	–	–	(5,345)	–	–	(5,345)	(4,108)	(9,453)
Final 2017 dividend declared	11	–	–	–	–	–	–	–	–	(94,328)	(94,328)	919	(93,409)
Interim 2018 dividend	11	–	–	–	–	–	–	–	–	(18,636)	(18,636)	184	(18,452)
Dividend paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	(38,000)	(38,000)
At 31 March 2018		189,285	1,394,125*	306,353*	(2,155)*	(27,918)*	4,129*	26,923*	(158,591)*	4,067,371*	5,799,522	2,199,923	7,999,445

* These reserve accounts comprise the consolidated reserves of HK$5,610,237,000 (2017: HK$4,420,095,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,835,049	359,670
Adjustments for:			
Finance costs	7	92,389	30,357
Share of profits and losses of joint ventures and associates		31,336	19,686
Gain on bargain purchase from the Step Acquisition of WYTH	5	—	(1,056,230)
Bank interest income	5	(14,008)	(6,521)
Imputed interest income from bonds investment		(4,405)	(5,053)
Dividend income from listed securities	5	(3,315)	(2,676)
Loss on remeasurement of pre-existing interest in WYTH	6	—	550,445
Loss/(gain) on disposal of investment properties, net	5, 6	(4,121)	1,155
Loss on disposal of items of property, plant and equipment	6	—	363
Loss on disposal of available-for-sale investments		2,209	—
Gain on disposal of subsidiaries, net and remeasurement gain on retained interests	5, 39	(1,712,792)	(25,306)
Fair value gains on investment properties, net	14	(78,304)	(50,118)
Fair value losses on financial assets at fair value through profit or loss, net		52,937	123,752
Depreciation	6	74,289	35,750
Provision for onerous contracts, net	6	5,583	4,080
Reversal of write-down of properties under development	15	—	(44,411)
Impairment of available-for-sale investments	6	33,368	—
Impairment of trademarks	6	7,635	—
Impairment of trade receivables, net	6	3,017	5,247
Impairment of loans and interest receivables, net	6	10,086	4,643
Impairment of items of property, plant and equipment	6	54,020	604
Allowance on obsolete inventories	6	4,840	3,260
Accrued rent-free rental income	14	337	928
		390,150	(50,375)
Decrease/(increase) in properties held for sale		(719,080)	91,981
Decrease/(increase) in properties under development		319,279	(511,695)
Decrease in inventories		2,643	34,191
Increase in trade and bills receivables, prepayments, deposits and other receivables		(575,576)	(1,772,012)
Increase in loans and interest receivables		(46,672)	(328,498)
Increase in trade payables		128,367	8,714
Increase/(decrease) in other payables and accruals		95,697	(7,757)
Increase/(decrease) in deposits received and receipts in advance		(482,876)	2,715,250
Cash generated/(used in) from operations		(888,068)	179,799
Profits tax paid		(1,255)	(44,363)
Net cash flows from/(used in) operating activities		(889,323)	135,436

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received	5	14,008	6,521
Dividend income from listed securities	5	3,315	2,676
Dividend income from a joint venture	17	8,014	3,160
Additions to investment properties	14	(12,850)	(96,006)
Acquisition of subsidiaries that are not businesses	38	(942,751)	(509,400)
Business combinations	37	—	420,287
Purchases of items of property, plant and equipment	13	(68,753)	(215,652)
Purchases of financial assets at fair value through profit or loss		(50,258)	(23,919)
Purchases of available-for-sale investments		(303,502)	(122,276)
Proceeds from disposal of investment properties		51,962	35,586
Proceeds from disposal of available-for-sale investments		83,472	205,881
Proceeds from disposal of financial assets at fair value through profit or loss		71,897	32,477
Disposal of subsidiaries	39	2,552,765	(769)
Cash advanced to joint ventures		523,395	—
Net cash flows from/(used in) investing activities		1,930,714	(261,434)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from WOP Spin-Off	40	—	328,890
Interest paid		(147,432)	(103,045)
Dividends paid		(149,861)	(115,733)
Repayment of bank and other loans		(2,796,893)	(1,641,037)
Share repurchase		(44,856)	—
New bank and other loans		2,419,570	2,743,097
Acquisition of non-controlling interests		(26,962)	—
Net cash flows from/(used in) financing activities		(746,434)	1,212,172
NET INCREASE IN CASH AND CASH EQUIVALENTS		294,957	1,086,174
Cash and cash equivalents at beginning of year		2,369,784	1,288,084
Effect of foreign exchange rate changes, net		1,242	(4,474)
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,665,983	2,369,784
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	2,380,179	1,869,370
Non-pledged time deposits with original maturity of less than three months when acquired	26	285,804	500,414
Cash and cash equivalents as stated above		2,665,983	2,369,784
Less: included in the assets classified as held for sale	27	(1,619)	(476)
Cash and cash equivalents as stated in the consolidated statement of financial position		2,664,364	2,369,308

1. CORPORATE AND GROUP INFORMATION

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

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

- property development
- property investment
- fresh markets operation
- pharmaceutical and health food products business
- treasury management

Information about subsidiaries

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

Name	Place of incorporation and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Wang On Enterprises (BVI) Limited	British Virgin Islands	Ordinary US$1	100	–	Investment holding
Able Trend Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	–	56.54	Treasury management
Antic Investment Limited ("Antic Investment")@	Hong Kong	Ordinary HK$1	–	75	Property investment
Asia Brighter Investment Limited	Hong Kong	Ordinary HK$1	–	56.54	Property investment
Billion Good Investment Limited	Hong Kong	Ordinary HK$2	–	56.42	Property holding
City Target Limited	Hong Kong	Ordinary HK$1	–	75	Property development
Cloud Hero Limited	Hong Kong	Ordinary HK$1	–	56.54	Provision of financial service

31 March 2018

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/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Double Leads Investments Limited	British Virgin Islands	Ordinary US$1	–	100	Treasury management
East Run Investments Limited	British Virgin Islands	Ordinary US$1	–	75	Investment holding
Ever Task Limited	British Virgin Islands	Ordinary US$1	–	100	Investment holding
Ever World Limited*	Hong Kong	Ordinary HK$1	–	75	Property development
Fulling Limited	Hong Kong	Ordinary HK$100	–	100	Treasury management
Good Excellent Limited	Hong Kong	Ordinary HK$1	–	56.54	Property investment
Goodtech Management Limited	Hong Kong	Ordinary HK$2,800,100	–	75	Property management
Grandwall Investment Limited	Hong Kong	Ordinary HK$100	–	45**	Property development
Kingtex Investment Limited	Hong Kong	Ordinary HK$1	–	100	Property investment
Lanbo Investment Limited	Hong Kong	Ordinary HK$1	–	100	Property investment
Luxembourg Medicine Company Limited	Hong Kong	Ordinary HK$933,313	–	56.42	Pharmaceutical and health food products business

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/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Mailful Investments Limited	British Virgin Islands	Ordinary US$1	–	100	Investment holding
Majorluck Limited	Hong Kong	Ordinary HK$10,000	–	100	Fresh markets operation
New Rich Investments Limited	Hong Kong	Ordinary HK$100	–	45**	Property development
Newbo Investment Limited	Hong Kong	Ordinary HK$1	–	100	Property investment
New Sino Investment Limited	Hong Kong	Ordinary HK$1	–	100	Property investment
Oriental Sino Investments Limited	Hong Kong	Ordinary HK$2	–	75	Property investment
PT Harvest Holdings Limited ("PT Harvest")@	Hong Kong	Ordinary HK$10,000	–	100	Property investment
Regal Smart Investment Limited	Hong Kong	Ordinary HK$1	–	100	Investment holding
Rich United Limited ("Rich United")	Hong Kong	Ordinary HK$1	–	75	Property development
Richly Gold Limited	Hong Kong	Ordinary HK$2	–	100	Property investment
Richest Ever Limited	Hong Kong	Ordinary HK$2	–	56.42	Pharmaceutical and health food products business

31 March 2018

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/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Samrich Investment Limited	Hong Kong	Ordinary HK$1	–	100	Property investment
Stadium Holdings Limited	Hong Kong	Ordinary HK$2	–	75	Property investment
Sunbo Investment Limited	Hong Kong	Ordinary HK$1	–	56.54	Property investment
Vincent Investments Limited*	Hong Kong	Ordinary HK$2	–	75	Property development
Wai Yuen Tong Company Limited	Hong Kong	Ordinary HK$1	–	56.54	Property holding
Wai Yuen Tong (Macao) Limited	Macau	Ordinary Macau Pataca 25,000	–	56.42	Pharmaceutical and health food products business
Wai Yuen Tong (Retail) Limited	Hong Kong	Ordinary HK$2	–	56.42	Pharmaceutical and health food products business
Wai Yuen Tong Medicine Company Limited	Hong Kong	Ordinary HK$13,417,374 Non-voting deferred shares*** HK$17,373,750	–	56.42	Pharmaceutical and health food products business
Wai Yuen Tong Medicine Holdings Limited ("WYTH") #^	Bermuda/ Hong Kong	Ordinary HK$12,651,428	–	56.54	Investment holding
Wang On Management Limited	Hong Kong	Ordinary HK$2	–	100	Provision of management services

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/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Wang On Majorluck Limited	Hong Kong	Ordinary HK$1,000	–	100	Fresh markets operation
Wang On Properties Limited ("WOP") #	Bermuda/ Hong Kong	Ordinary HK$15,200,000	–	75	Investment holding
Wang On Properties Services Limited	Hong Kong	Ordinary HK$1	–	100	Provision of management services
Wang On Services Limited	Hong Kong	Ordinary HK$1	–	75	Provision of management services
Winhero Investment Limited	Hong Kong	Ordinary HK$1	–	100	Property investment
Wise Ocean International Limited ("Wise Ocean")	Hong Kong	Ordinary HK$2	–	100	Property holding
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") 102,000,000	–	56.42	Pharmaceutical and health food products business
冠尊(深圳)商貿發展有限公司****	The PRC/ Mainland China	Registered capital HK$100,000,000	–	56.42	Property holding

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

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

31 March 2018

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

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

@ Disposed of by the Group subsequent to 31 March 2018 (note 27 (iii)).

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

^ In the prior year, the Group's interest in WYTH increased from 22.68% to 51.32% upon the completion of the rights issue by WYTH and WYTH became a subsidiary of the Group in September 2017 (the "Step Acquisition of WYTH").

During the year, the Group acquired additional shares in WYTH and the Group's equity interest in WYTH increased from 51.32% to 56.54%. The Group recognised a gain of HK$100,457,000 directly in equity, which represented the difference between the amount by which the non-controlling interests are adjusted of HK$127,419,000 and the fair value of the consideration paid by the Group of HK$26,962,000.

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

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, available-for-sale investments and financial assets at fair value through profit or loss which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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 revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014–2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

The nature and effect of the amendments are described below:

(a) 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. Disclosure of the changes in liabilities arising from financing activities is provided in note 41 to the financial statements.

(b) 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 amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporarily differences or assets that are in the scope of the amendments.

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements given that the amendments are only clarification that HKFRS 12 had not intended to exempt an entity from all the disclosure requirements in HKFRS 12 with respect to interests in entities classified as held for sale or discontinued operations. The Group has properly provided the relevant information of the subsidiaries held for sale in the financial statements.

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* [1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts* [1]
HKFRS 9	*Financial Instruments* [1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation* [2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [3]
HKFRS 15	*Revenue from Contracts with Customers* [1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers* [1]
HKFRS 16	*Leases* [2]
HKFRS 17	*Insurance Contracts* [4]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement* [2]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures* [2]
Amendments to HKAS 40	*Transfers of Investment Property* [1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration* [1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments* [2]
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 No mandatory effective date yet determined but available for adoption
4 Effective for annual periods beginning on or after 1 January 2021

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

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

(a) 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 an 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. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 April 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

(b) 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 will adopt HKFRS 9 from 1 April 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 April 2018. During the year, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (i) amortised cost, (ii) fair value through profit or loss ("FVTPL") and (iii) fair value through other comprehensive income ("FVTOCI"). The Group does not expect a significant impact on its equity on applying the classification and measurement requirement of HKFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

Debt securities currently held as available for sale will continue to be measured at FVTOCI under HKFRS 9 as the Group expects not only to hold the assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

(b) (continued)

Classification and measurement (continued)

For equity investments, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity investment is not held for trading and the entity irrevocably elects to designate that investment as FVTOCI. If an equity investment is designated as FVTOCI then only dividend income on that investment will be recognised in profit or loss. Gains, losses, and impairments on that investment will be recognised in other comprehensive income without recycling. The directors of the Company have assessed that certain equity investments with an aggregate carrying amount of HK$187,493,000 as at 31 March 2018 are not held for trading and the Group irrevocably elected to designate these equity investments as FVTOCI upon the adoption of HKFRS 9 on 1 April 2018. During the year, unrealised fair value losses of HK$49,981,000 on these equity investments were recognised in profit or loss.

The Group has assessed that its financial assets currently measured at amortised cost will continue with its classification and measurement upon the adoption of HKFRS 9.

Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables and loans and interest receivables within the next twelve months. In general, the directors of the Company anticipate the application of the expected credit loss model of HKFRS 9 will result in earlier provision for credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that are subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 April 2018 would be slightly increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables and loans and interest receivables. Such further impairment recognised under an expected credit loss model would reduce the opening retained profits as at 1 April 2018.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

(c) 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 adoption now.

(d) HKFRS 15, issued in July 2014, 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. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. 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.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

(d) (continued)

Sale of properties

The Group sells completed properties in Hong Kong. The expected impacts arising from the adoption of HKFRS 15 on the Group are summarised as follows:

Timing of revenue recognition

Currently, sale of completed properties is recognised when the significant risks and rewards of ownership of the properties are transferred to the buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the completed properties, that is when the construction of the relevant properties has been completed and the properties have been delivered to the buyers pursuant to the sale agreements, and the collectability of related receivables is reasonably assured. Upon the adoption of HKFRS 15, revenue from the sale of completed properties will be recognised when control over the properties is transferred to the buyers. Judgement will be required to assess whether control transfers over time or at a point of time. Properties that have no alternative use to the Group due to contractual restriction and which the Group has an enforceable right to payment from the customers for performance completed to date, the Group will recognise revenue as the performance obligations are satisfied over time by applying an input method for measuring progress. The Group has assessed that the sale agreements used by the Group are standardised in a large extent and in the case of pre-completion sales using standard agreements for sale and purchase, the Group does not have an enforceable right to payment for performance completed to date in accordance with HKFRS 15, and accordingly, the criteria for recognising revenue over time are not met. The Group expects to recognise the sale of completed properties until the point in time at which the Group delivers the properties to the buyers. The Group does not anticipate that the adoption of HKFRS 15 will have a material impact on the timing of revenue recognised in the respective periods.

Sales commission

The Group pays commission to the sales agents when an agreement for sale and purchase is signed with a property buyer. Following the adoption of HKFRS 15, incremental costs of obtaining a contract, including sales commission, if recoverable, are capitalised as an asset and shall be amortised on a systematic basis that is consistent with the transfer of the related property to the customer. Currently, the Group capitalised the sales commission as an asset until it is recognised in profit or loss at the same time when revenue from the related completed property is recognised. Accordingly, the adoption of HKFRS 15 will not have a material impact on the recognition of sales commission in the respective periods.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

(d) (continued)

Sale of properties (continued)

Financing component for the sale of completed properties

HKFRS 15 requires property developers to account for the financing component in a contract separately from revenue if the financing effects are significant, subject to a practical expedient where the period between the payment and delivery of properties will be less than one year. Currently, (i) the Group offers property buyers a discount if they opt to pay the purchase price in full within 120–180 days of signing the provisional agreement of sale and purchase; and (ii) it is expected that the length of time between the payment and delivery of properties of the Group's projects will generally exceed one year. Accordingly, the financing component is considered to be significant. The amount of the financing component is estimated at the contract inception and the payment plan is confirmed by the property buyer by using a discount rate that would be reflected in a separate financing transaction between the Group and the customer reflecting the credit characteristics of the Group as well as any collateral or security provided. Interest expense is recognised only to the extent that a contract liability (receipts in advance) is recognised in accounting for the contract with the customer. The Group expects an adjustment to increase in properties under development with a corresponding increase in receipts in advance.

Sale of goods

The Group sells pharmaceutical and health food products. The expected impacts arising from the adoption of HKFRS 15 on the Group are summarised as follows:

Variable consideration

The Group provides trade discounts and/or volume rebates for some of its key customers. Currently, the Group recognises revenue from the sale of goods measured at fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. If revenue cannot be reliably measured, revenue recognition is deferred until the uncertainty is resolved. Under HKFRS 15, a transaction price is considered variable if a customer is provided with a right of return, trade discounts or volume rebates. The Group is required to estimate the amount of consideration to which it will be entitled in the sales of its pharmaceutical and health food products and the estimated amount of variable consideration will be included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group has decided to use the expected value method to estimate the amount of returns, trade discounts and volume rebates as this method better predicts the amount of variable consideration to which the Group will be entitled.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

(d) (continued)

Sale of goods (continued)

Rights of return

Currently when the customers are allowed to return the Group's products, the Group estimates the level of expected returns and makes an adjustment against revenue and cost of sales. The Group has assessed that the adoption of HKFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventories for the expected returns, instead of recognising a separate asset.

Loyalty points programme

Under HK(IFRIC)-Int 13 *Customer Loyalty Programmes* ("HK(IFRIC)-Int 13"), the loyalty programme offered by the Group results in the allocation of a portion of the transaction price to the loyalty programme using the fair value of points issued and recognition of the deferred revenue in relation to points issued but not yet redeemed or expired. The Group concluded that under HKFRS 15 the loyalty programme gives rise to a separate performance obligation because it generally provides a material right to the customer. Under HKFRS 15, the Group will need to allocate a portion of the transaction price to the loyalty programme based on relative stand-alone selling price instead of the allocation using the fair value of points issued, i.e. residual approach, as it did under HK(IFRIC)-Int 13.

The directors of the Company do not anticipate that the above expected changes upon the adoption of HKFRS 15 will have a material impact on the timing and measurement of revenue recognised in the future reporting periods. The directors of the Company anticipates that the application of HKFRS 15 in the future may result in more disclosure.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

(e) HKFRS 16, issued in May 2016, 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 elective 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, or relates to a class of property, plant and equipment to which the revaluation model is applied. 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. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 April 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 42(b) to the financial statements, at 31 March 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of HK$558,967,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

(f) Amendments to HKAS 40, issued in April 2017, clarify 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 ceases 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 amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 April 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

(g) HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 April 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

(h) HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 April 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

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

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

Property acquisitions and business combinations

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

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

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

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

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of non-financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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.

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

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

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

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

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

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

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

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.

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

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

Non-current assets and disposal groups held for sale

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

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

Intangible assets (other than goodwill)

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

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

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.

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)

Properties under development

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

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

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

Properties held for sale

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Loans and receivables

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

Available-for-sale investments

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

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

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

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

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 primary derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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

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

Available-for-sale investments

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares

Own equity instruments which are reacquired and held by the Company of the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale issue or cancellation of the Group's own equity instruments.

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

Revenue recognition

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

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

The cost of equity-settled transactions with employees for grants 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.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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.

Other employee benefits

Pension schemes

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

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

Borrowing costs

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

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.

Foreign currencies

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments — Group as lessor

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

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.

Classification between business combinations and asset acquisitions

During the years ended 31 March 2018, the Group entered into equity transfer agreements with independent third parties for the acquisition of equity interests in certain companies. As at the date of acquisitions, these companies merely held residential and commercial properties without business activities or land parcels without development in Hong Kong. Therefore, management of the Company considers that the acquisitions were asset acquisitions. Further details of the acquisition are given in note 38 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Classification between disposal of assets and disposal of business

During the year ended 31 March 2018, the Group entered into sale and purchase agreements with independent third parties for the disposal of partial interests in subsidiaries that are engaged in property development in Hong Kong and such disposals resulted in the loss of control by the Group over those subsidiaries. As at the date of disposals, management of the Company considers whether the development of the property projects has commenced. When the development has commenced, it is accounted for as a disposal of business and the remaining interests retained by the Group are remeasured and the fair value of the retained interests is recognised in full as the initial carrying amount of the joint venture. On the contrary, when the development has not commenced, it is accounted for as a disposal of partial interest of the underlying assets. The remaining interests retained by the Group are eliminated against the unrealised fair value increase of the underlying assets and therefore the original cost of the retained interests is recognised as the initial carrying amount of the joint venture. Further details of the disposals of partial interests in subsidiaries are given in notes 39(iii) and 39(iv) to the financial statements.

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.

Valuation of investment properties

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

Impairment of non-financial non-current assets (other than goodwill)

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of non-financial non-current assets (other than goodwill) (continued)

(i) Trademarks

The Group determines whether trademarks is impaired at least on an annual basis. Moreover, given that both the Chinese pharmaceutical and health food products and the Western pharmaceutical and health food products cash generating units (the "CGUs") were loss making for the current and prior years, the directors of the Company performed an impairment assessment on the trademarks of the respective CGUs. This requires an estimation of the value in use of the CGUs to which the trademarks is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGUs 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.

(ii) Property, plant and equipment

The carrying value of an item of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in note 2.4 to the financial statements. Given that the operating results of both the Chinese pharmaceutical and health food products, and the Western pharmaceutical and health food products CGUs were loss making during the year, the directors of the Company performed an impairment assessment of the property, plant and equipment relating to these CGUs to determine their recoverable amounts. The recoverable amount of an item of property, plant and equipment is calculated as the higher of its fair value less costs to sell and value in use, the calculations of which involve the use of estimates.

Valuation of financial instruments

When the fair value of financial assets recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of certain unobservable inputs as detailed in note 47 to the financial statements. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the consolidated statement of financial position and the level where the instruments are disclosed in the fair value hierarchy. Significant management judgements and estimates are required in determining the valuation of financial instruments which are categorised as level 3 in the fair value hierarchy.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of loans and interest receivables

The Group maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the background and repayment capacity of the debtors, and the likelihood of default and the existence of any collaterals. Management reassesses the adequacy of provision on a regular basis. The identification of impairment of receivables requires the use of judgements and estimates. Where the expectations are different from the original estimates, such differences will impact on the carrying values of receivables and the impairment of receivables recognised in the periods in which such estimates have been changed. Details of loans and interest receivables are set out in note 23 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

(a) the property development segment engages in the development of properties;

(b) the property investment segment engages in investment in car parking spaces, industrial and commercial premises and residential units for rental or for sale;

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

(d) the pharmaceutical segment engages in the production and sale of pharmaceutical and health food products; and

(e) the treasury management segment engages in the provision of finance and investments in debt and other securities which earn interest income;

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that bank interest income, finance costs, fair value gains/losses from the Group's financial assets at fair value through profit or loss, gains/losses arising from acquisition/disposal transactions, head office and corporate income and expenses and share of profits and losses of joint ventures and associates are excluded from such measurement.

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March

	Property development		Property investment		Fresh markets		Pharmaceutical		Treasury management		Elimination		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:														
Sales to external customers	1,333,515	46,039	25,832	119,136	221,279	191,545	826,845	375,763	213,527	136,874	–	–	2,620,998	869,357
Intersegment sales	–	–	16,323	9,071	–	–	9,372	5,877	–	–	(25,695)	(14,948)	–	–
Other revenue	11,661	15,924	87,477	46,498	13,718	14,788	–	113	1,966	2,002	–	–	114,822	79,325
Total	1,345,176	61,963	129,632	174,705	234,997	206,333	836,217	381,753	215,493	138,876	(25,695)	(14,948)	2,735,820	948,682
Segment results	339,372	(2,593)	63,478	65,617	24,328	21,991	(115,538)	(97,359)	91,369	117,858	–	–	403,009	105,514
Reconciliation:														
Bank interest income													14,008	6,521
Finance costs													(92,389)	(30,357)
Fair value losses on financial assets at fair value through profit or loss, net													(52,937)	(123,752)
Gain on bargain purchase													–	1,056,230
Gain on disposals of subsidiaries, net													1,245,753	–
Gain on remeasurement of the retained 50% equity interest of a joint venture													467,039	–
Loss on remeasurement of pre-existing interest in WYTH to acquisition date fair value													–	(550,445)
Corporate and unallocated income/(expenses), net													(118,098)	(84,355)
Share of profits and losses of:														
Joint ventures													3,672	10,101
Associates													(35,008)	(29,787)
Profit before tax													1,835,049	359,670
Income tax credit/(expense)													(69,055)	17,599
Profit for the year													1,765,994	377,269

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March

	Property development		Property investment		Fresh markets		Pharmaceutical		Treasury management		Corporate and others		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other segment information:														
Depreciation	60	92	11,445	3,456	10,381	5,948	38,173	21,750	–	–	14,230	4,504	74,289	35,750
Reversal of write-down of properties under development	–	(44,411)	–	–	–	–	–	–	–	–	–	–	–	(44,411)
Impairment of available-for-sale investments	–	–	–	–	–	–	–	–	33,368	–	–	–	33,368	–
Impairment of trademarks	–	–	–	–	–	–	7,635	–	–	–	–	–	7,635	–
Impairment of items of property, plant and equipment	–	–	50,285	–	–	604	3,735	–	–	–	–	–	54,020	604
Impairment of trade receivables, net	–	–	–	–	691	217	2,326	5,030	–	–	–	–	3,017	5,247
Impairment of loans and interest receivables, net	–	–	–	–	–	–	–	–	10,086	4,643	–	–	10,086	4,643
Loss/(gain) on disposal of investment properties	–	–	(4,121)	1,155	–	–	–	–	–	–	–	–	(4,121)	1,155
Loss on disposal of items of property, plant and equipment	–	–	–	–	–	–	–	–	–	–	–	363	–	363
Provision for onerous contracts	–	–	–	–	5,583	4,080	–	–	–	–	–	–	5,583	4,080
Capital expenditure*	131	1,336	287,398	608,231	27,457	29,984	37,551	175,412	–	–	98,609	8,920	451,146	823,883
Fair value losses on financial assets at fair value through profit or loss, net	–	–	–	–	–	–	–	–	–	–	52,937	123,752	52,937	123,752
Fair value gains on investment properties, net	(31,274)	(6,726)	(47,030)	(43,392)	–	–	–	–	–	–	–	–	(78,304)	(50,118)
Investments in joint ventures	–	–	–	–	–	–	–	–	–	–	1,510,843	91,338	1,510,843	91,338
Investments in associates	–	–	–	–	–	–	–	–	–	–	77,315	95,118	77,315	95,118
Loan and interest receivables	600,000	–	–	–	–	–	–	–	672,101	635,515	–	–	1,272,101	635,515
Share of profits and losses of:														
Joint ventures	–	–	–	–	–	–	–	–	–	–	(3,672)	(10,101)	(3,672)	(10,101)
Associates	–	–	–	–	–	–	–	–	–	–	35,008	29,787	35,008	29,787

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

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Sales to external customers

	2018 *HK$'000*	2017 *HK$'000*
Hong Kong	**2,381,666**	795,801
Mainland China	**208,153**	52,097
Macau	**13,431**	10,056
Others	**17,748**	11,403
	2,620,998	869,357

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

(b) Non-current assets

	2018 *HK$'000*	2017 *HK$'000*
Hong Kong	**4,339,432**	3,229,151
Mainland China	**210,576**	199,283
Macau	**231**	978
	4,550,239	3,429,412

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

Information about major customers

During the current year, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue. During the prior year, revenue of HK$92,937,000 was derived from interest income earned from a single external customer of the treasury management segment.

5. REVENUE, OTHER INCOME AND GAINS, NET

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

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

	Notes	2018 HK$'000	2017 HK$'000
Revenue			
Sub-licensing fee income		221,149	189,911
Gross rental income		30,222	40,339
Sale of properties		1,329,255	126,470
Sale of goods		826,845	375,763
Interest income from treasury operation		213,527	136,874
		2,620,998	869,357
Other income			
Bank interest income		14,008	6,521
Dividend income from listed securities		3,315	2,676
Management fee income		4,980	960
Forfeiture of deposits from customers		3,585	8,580
Others		28,276	18,037
		54,164	36,774
Gains, net			
Gains on disposals of subsidiaries, net	39	1,245,753	25,306
Gain on bargain purchase	37	—	1,056,230
Gain on remeasurement of the retained 50% equity interest as a joint venture	39	467,039	—
Gain on disposal of investment properties		4,121	—
Exchange gains, net		—	1,128
		1,716,913	1,082,664
Other income and gains, net		1,771,077	1,119,438

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6. PROFIT BEFORE TAX

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

	Notes	2018 HK$'000	2017 HK$'000
Cost of services provided		190,995	172,994
Cost of properties sold		841,518	90,371
Cost of inventories recognised as an expense (including allowance for obsolete inventories of HK$4,840,000 (2017: HK$3,260,000))		522,932	271,827
Depreciation	13	74,289	35,750
Minimum lease payments under operating leases		248,226	190,480
Auditor's remuneration		6,000	5,750
Employee benefit expense (including directors' remuneration *(Note 8)*):			
Wages and salaries		373,263	188,864
Pension scheme contributions		14,038	5,263
Less: Amount capitalised		(11,214)	(11,457)
		376,087	182,670
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties***		5,897	3,932
Loss/(gain) on disposal of investment properties*/**		(4,121)**	1,155*
Loss on disposal of items of property, plant and equipment*		—	363
Impairment of trademarks*	16	7,635	—
Impairment of trade receivables, net*	22	3,017	5,247
Impairment of loans and interest receivables, net*	23	10,086	4,643
Impairment of items of property, plant and equipment*	13	54,020	604
Impairment of available-for-sale investments*		33,368	—
Foreign exchange differences, net		269*	(1,128)
Provision for onerous contracts*	31	5,583	4,080
Loss on remeasurement of pre-existing interest in WYTH to acquisition date fair value*	37	—	550,445
Transaction costs incurred for the Step Acquisition of WYTH*	37	—	2,220

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

** The gain is included in "Other income and gains, net" on the face of the consolidated statement of profit or loss and other comprehensive income.

*** The expense is included in "cost of sales" on the face of the consolidated statement of profit or loss and other comprehensive income.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 HK$'000	2017 HK$'000
Interest on bank loans and other loans	156,310	82,324
Less: Interest capitalised	(63,921)	(51,967)
	92,389	30,357

8. DIRECTORS' REMUNERATION

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

	2018 HK$'000	2017 HK$'000
Fees	771	771
Other emoluments:		
Salaries, allowances and benefits in kind	32,945	25,837
Performance-related bonuses*	73,665	22,806
Pension scheme contributions	146	128
	106,756	48,771
	107,527	49,542

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

8. DIRECTORS' REMUNERATION (continued)

Executive directors and independent non-executive directors:

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Performance-related bonuses *HK$'000*	Pension scheme contributions *HK$'000*	Total remuneration *HK$'000*
2018					
Executive directors:					
Mr. Tang Ching Ho, *JP*	–	25,053	40,394	36	65,483
Ms. Yau Yuk Yin	–	5,420	20,761	18	26,199
Mr. Chan Chun Hong, Thomas	–	2,472	12,510	92	15,074
	–	32,945	73,665	146	106,756
Independent non-executive directors:					
Dr. Lee Peng Fei, Allen, *CBE, BS, FHKIE, JP*	297	–	–	–	297
Mr. Wong Chun, Justein, *BBS, MBE, JP*	217	–	–	–	217
Mr. Siu Yim Kwan, Sidney, *S.B. St.J.*	117	–	–	–	117
Mr. Siu Kam Chau	140	–	–	–	140
	771	–	–	–	771
	771	32,945	73,665	146	107,527
2017					
Executive directors:					
Mr. Tang Ching Ho, *JP*	–	18,864	14,787	27	33,678
Ms. Yau Yuk Yin	–	4,866	590	18	5,474
Mr. Chan Chun Hong, Thomas	–	2,107	7,429	83	9,619
	–	25,837	22,806	128	48,771
Independent non-executive directors:					
Dr. Lee Peng Fei, Allen, *CBE, BS, FHKIE, JP*	297	–	–	–	297
Mr. Wong Chun, Justein, *BBS, MBE, JP*	217	–	–	–	217
Mr. Siu Yim Kwan, Sidney, *S.B. St.J.*	117	–	–	–	117
Mr. Siu Kam Chau	140	–	–	–	140
	771	–	–	–	771
	771	25,837	22,806	128	49,542

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2017: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2017: three) directors, details of whose remuneration are disclosed in note 8 above. Details of the remuneration for the year of the remaining two (2017: two) non-director, highest paid employees are as follows:

	2018 *HK$'000*	2017 *HK$'000*
Salaries, allowances and benefits in kind	5,389	5,134
Performance-related bonuses	3,694	9,938
Pension scheme contributions	36	36
	9,119	15,108

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

	Number of employees	
	2018	2017
HK$2,500,001 to HK$3,000,000	1	1
HK$6,000,001 to HK$6,500,000	1	—
HK$12,000,001 to HK$12,500,000	—	1

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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.

	2018 *HK$'000*	2017 *HK$'000*
Current — Hong Kong		
Charge for the year	73,917	8,993
Overprovision in prior years	(1,128)	(263)
Current — other jurisdiction		
Charge for the year	569	—
	73,358	8,730
Deferred *(Note 32)*	(4,303)	(26,329)
Total tax charge/(credit) for the year	69,055	(17,599)

10. INCOME TAX (continued)

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

	2018 HK$'000	2017 HK$'000
Profit before tax	1,835,049	359,670
Tax at the statutory tax rates of different jurisdictions	301,171	57,509
Adjustments in respect of current tax of previous periods	(1,128)	(263)
Adjustments in respect of deferred tax of previous periods	(1,255)	(1,367)
Profits and losses attributable to a joint venture and associates	6,787	2,209
Income not subject to tax	(317,095)	(205,629)
Expenses not deductible for tax	37,654	117,248
Tax losses utilised from previous periods	(327)	(7,328)
Tax losses not recognised	44,277	19,448
Others	(1,029)	574
Tax charge/(credit) at the Group's effective rate	69,055	(17,599)

The share of tax charge attributable to associates and joint ventures amounting to HK$3,960,000 (2017: tax credit of HK$1,100,000) and tax credit of HK$1,795,000 (2017: tax credit of HK$2,311,000), respectively, are included in "Share of profits and losses of associates" and "Share of profits and losses of joint ventures", respectively, in the consolidated statement of profit or loss and other comprehensive income.

11. DIVIDENDS

	2018 HK$'000	2017 HK$'000
Interim — HK0.1 cent (2017: Interim — HK0.1 cent) per ordinary share	**19,059**	19,289
Less: interim dividend related to treasury shares	**(423)**	—
Less: interim dividend related to treasury shares attributable to the non-controlling shareholders	**(184)**	—
	18,452	19,289
2017 final — HK0.5 cent (2017: 2016 final — HK0.5 cent) per ordinary share	**96,443**	96,444
Less: 2017 final dividend related to treasury shares	**(2,115)**	—
Less: 2017 final dividend related to treasury shares attributable to the non-controlling shareholders	**(919)**	—
	93,409	96,444
	111,861	115,733

Subsequent to the end of the reporting period, the board of directors of the Company has recommended the payment of a final dividend of HK0.5 cent per share (2017: HK$0.5 cents), totalling approximately HK$94,643,000, for the year ended 31 March 2018 to the shareholders of the Company.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year less the weighted average number of the treasury shares held by the Group during the year.

The Company had no potentially dilutive ordinary shares in issue during the years ended 31 March 2018 and 2017 and the share options of the Company's subsidiary outstanding during the years ended 31 March 2018 and 2017 also had no dilutive effect on the basic earnings per share amounts presented for the years ended 31 March 2018 and 2017.

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

	2018 *HK$'000*	2017 *HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	1,223,444	423,690

	Number of shares	
	2018 *'000*	2017 *'000*
Shares		
Weighted average number of ordinary shares in issue	19,183,621	19,288,520
Less: Weighted average number of treasury shares	(423,000)	(213,238)
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculation	18,760,621	19,075,282

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2018								
At 31 March 2017 and at 1 April 2017:								
Cost	1,117,718	102,169	46,029	17,875	5,281	23,507	40,539	1,353,118
Accumulated depreciation and impairment	(14,443)	(25,144)	(3,973)	(8,346)	(2,389)	(13,162)	–	(67,457)
Net carrying amount	1,103,275	77,025	42,056	9,529	2,892	10,345	40,539	1,285,661
At 1 April 2017, net of accumulated depreciation and impairment	1,103,275	77,025	42,056	9,529	2,892	10,345	40,539	1,285,661
Additions	801	35,115	6,316	6,595	–	1,894	18,032	68,753
Acquisition of subsidiaries that are not businesses *(Note 38)*	94,254	713	–	27	–	–	–	94,994
Depreciation provided during the year	(37,866)	(22,560)	(5,510)	(4,204)	(745)	(3,404)	–	(74,289)
Impairment	(50,285)	(3,009)	–	(726)	–	–	–	(54,020)
Disposal and written off	–	(713)	–	(186)	–	(1,161)	–	(2,060)
Transfers	–	9,056	18,210	2,143	–	1,637	(31,046)	–
Exchange realignment	5,898	762	–	15	14	–	–	6,689
At 31 March 2018, net of accumulated depreciation and impairment	1,116,077	96,389	61,072	13,193	2,161	9,311	27,525	1,325,728
At 31 March 2018:								
Cost	1,243,736	179,621	76,499	35,082	6,944	23,973	27,525	1,593,380
Accumulated depreciation and impairment	(127,659)	(83,232)	(15,427)	(21,889)	(4,783)	(14,662)	–	(267,652)
Net carrying amount	1,116,077	96,389	61,072	13,193	2,161	9,311	27,525	1,325,728

13. PROPERTY, PLANT AND EQUIPMENT (continued)

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

At 31 March 2018, the Group's land and buildings with a net carrying amount of HK$483,246,000 (2017: HK$533,313,000) were pledged to secure general banking facilities granted to the Group (note 30).

13. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 March 2018, the Group had property, plant and equipment of HK$1,100,093,000 relating to the cash-generating units of Chinese pharmaceutical and health food products, and the Western pharmaceutical and health food products. As mentioned in note 3 to the financial statements, given that the two CGUs were loss making during the year, an impairment assessment has been performed. For the purpose of impairment assessment of property, plant and equipment, each individual retail store is identified as a separate CGU. As a result of the impairment assessment, impairment losses of HK$50,285,000 (2017: Nil) and HK$3,735,000 (2017: Nil) were recognised in respect of the land and buildings and leasehold improvements of certain retail stores, respectively, which continued to underperform during the year.

As at 31 March 2018, the aggregate carrying amount of property, plant and equipment amounting to HK$262,000,000 represented the recoverable amount of retail stores of the Group for which impairment loss have been recognised during the year. The recoverable amount was determined based on the fair value less costs of disposal based on a market approach which took into account current prices of properties of similar locations and conditions and other unobservable inputs, and accordingly the fair value measurement was categorised within Level 3 of the fair value hierarchy.

14. INVESTMENT PROPERTIES

	Notes	**2018** ***HK$'000***	2017 *HK$'000*
Carrying amount at beginning of year		**1,668,770**	795,290
Additions		**12,850**	96,006
Acquisition of subsidiaries that are not business	*38*	**274,549**	512,225
Business combination	*37*	**—**	481,800
Disposal of subsidiaries	*39*	**(35,000)**	—
Disposals		**(47,320)**	(36,741)
Transfer to property, plant and equipment	*13*	**—**	(229,000)
Accrued rent-free rental income		**(337)**	(928)
Net gain from fair value adjustments		**78,304**	50,118
Carrying amount at end of year		**1,951,816**	1,668,770
Included in assets classified as held for sale	*27*	**(529,816)**	(195,470)
Investment properties as stated in the consolidated statement of financial position as at 31 March		**1,422,000**	1,473,300

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

14. INVESTMENT PROPERTIES (continued)

The investment properties were revalued by Fuson Appraisal Limited and Asset Appraisal Limited (2017: Vigers Appraisal and Consulting Limited and Asset Appraisal Limited), independent professionally qualified valuers, at 31 March 2018. The finance department has a team that reviews the valuation performed by the independent valuers for financial reporting purposes and reports directly to senior management of the Company. Discussions of valuation processes and results are held between management and the valuers twice a year when the valuation is performed for interim and annual financial reporting. At the end of each reporting period, the finance department holds discussion with the independent valuers to verify major inputs to the independent valuation reports. The finance department also assesses property valuation movements when compared to the prior year valuation reports.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 42(a) to the financial statements.

At 31 March 2018, the Group's investment properties with an aggregate carrying value of HK$1,868,836,000 (2017: HK$1,574,740,000) and certain rental income generated therefrom were pledged to secure the Group's general banking facilities granted to the Group (note 30).

Further particulars of the Group's investment properties are included on page 207.

Fair value hierarchy

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

	Fair value measurement using significant unobservable inputs (Level 3)	
	2018	2017
Recurring fair value measurement for:	***HK$'000***	*HK$'000*
Commercial properties	**1,810,266**	1,454,100
Industrial property	**20,000**	19,200
Residential properties	**121,550**	195,470
	1,951,816	1,668,770
Included in assets classified as held for sale *(Note 27)*	**(529,816)**	(195,470)
Investment properties as stated in the consolidated statement of financial position as at 31 March	**1,422,000**	1,473,300

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 (2017: Nil).

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

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

	Commercial properties *HK$'000*	Industrial property *HK$'000*	Residential properties *HK$'000*	Total *HK$'000*
Carrying amount at 1 April 2016	562,900	16,300	216,090	795,290
Additions	96,006	—	—	96,006
Acquisition of subsidiaries that are not businesses	512,225	—	—	512,225
Business combination	481,800	—	—	481,800
Disposals	—	—	(36,741)	(36,741)
Transfer to properties, plant and equipment	(229,000)	—	—	(229,000)
Accrued rent-free rental income	(971)	43	—	(928)
Net gain from fair value adjustments	31,140	2,857	16,121	50,118
	1,454,100	19,200	195,470	1,668,770
Included in assets held for sale	—	—	(195,470)	(195,470)
Carrying amount at 31 March 2017	1,454,100	19,200	—	1,473,300
Carrying amount at 1 April 2017	**1,454,100**	**19,200**	**195,470**	**1,668,770**
Additions	**12,850**	**—**	**—**	**12,850**
Acquisition of subsidiaries that are not businesses	**274,549**	**—**	**—**	**274,549**
Disposal of subsidiaries	**—**	**—**	**(35,000)**	**(35,000)**
Disposals	**—**	**—**	**(47,320)**	**(47,320)**
Accrued rent-free rental income	**(325)**	**(20)**	**8**	**(337)**
Net gain from fair value adjustments	**69,092**	**820**	**8,392**	**78,304**
	1,810,266	**20,000**	**121,550**	**1,951,816**
Included in assets held for sale	**(408,266)**	**—**	**(121,550)**	**(529,816)**
Carrying amount at 31 March 2018	**1,402,000**	**20,000**	**—**	**1,422,000**

14. INVESTMENT PROPERTIES (continued)

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

	Valuation techniques	Significant unobservable inputs	Range or weighted average 2018	Range or weighted average 2017
Commercial properties	Investment method and direct comparison method	Estimated rental value per square foot and per month	N/A	HK$40 to HK$320
		Capitalisation rate	N/A	2.3% to 2.9%
		Price per square foot	HK$18,900 to HK$147,000	HK$30,472 to HK$77,006
Industrial property	Direct comparison method	Price per square foot	HK$6,900	HK$6,495
Residential properties	Investment method and direct comparison method	Estimated rental value per square foot and per month	HK$19 to HK$54	HK$17 to HK$55
		Capitalisation rate	2.5% to 6.5%	3% to 6.5%
		Price per square foot	HK$5,388 to HK$11,748	HK$5,059 to HK$15,559

As at 31 March 2018, the valuations of investment properties were based on either the investment method which capitalises the rent receivables from the existing tenancies and the potential reversionary market rent of the properties or direct comparison method by reference to comparable market transactions.

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

15. PROPERTIES UNDER DEVELOPMENT

	2018 HK$'000	2017 HK$'000
Carrying amount at beginning of year	3,518,592	2,910,519
Additions (including development costs and capitalised interest)	1,297,378	563,662
Transfer to properties held for sale	(1,556,184)	—
Disposal of subsidiaries *(Note 39)*	(3,082,524)	—
Acquisition of subsidiaries that are not a business *(Note 38)*	2,575,195	—
Reversal of write-down of properties under development *(Note)*	—	44,411
Carrying amount at end of year	2,752,457	3,518,592

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

Properties under development expected to be completed:

	2018 HK$'000	2017 HK$'000
Beyond the normal operating cycle included under non-current assets	152,997	415,004
Within the normal operating cycle included under current assets	2,599,460	3,103,588
	2,752,457	3,518,592

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

	2018 HK$'000	2017 HK$'000
Within one year	1,431,194	487,397
After one year	1,168,266	2,616,191
	2,599,460	3,103,588

At 31 March 2018, the Group's properties under development with an aggregate carrying value of HK$1,168,266,000 (2017: HK$1,756,702,000) were pledged to secure the Group's general banking facilities (note 30).

Further particulars of the Group's properties under development are included on page 207.

16. TRADEMARKS

	Trademarks *HK$'000*
At 1 April 2016	—
Business combination *(Note 37)*	68,991
At 31 March 2017 and 1 April 2017	68,991
Impairment	(7,635)
At 31 March 2018	**61,356**

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

Impairment testing of trademarks

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

- Production and sale of Chinese pharmaceutical and health food products CGU ("Chinese Pharmaceutical CGU"); and

- Production and sale of Western pharmaceutical and health food products CGU ("Western Pharmaceutical CGU").

The recoverable amounts of both CGUs were determined based on value in use calculations using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rates applied to the cash flow projections for the Chinese Pharmaceutical CGU and Western Pharmaceutical CGU were both 11.8% (2017: ranged from 11.4% to 11.6%). The cash flows beyond the five-year period were extrapolated using a steady growth rate of 3% (2017: 3%).

16. TRADEMARKS (continued)

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

	2018 *HK$'000*	2017 *HK$'000*
Chinese Pharmaceutical CGU	**61,356**	61,356
Western Pharmaceutical CGU	**—**	7,635
	61,356	68,991

Assumptions were used in the value in use calculations of the Chinese Pharmaceutical CGU and the Western Pharmaceutical CGU for the year ended 31 March 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of trademarks:

Forecasted growth rates — The forecasted growth rates are based on historical operating results, expected market development as well as 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 2018 and 2017, management of the Group determined that there was no impairment of trademarks in the Chinese Pharmaceutical CGU. However, a full impairment of HK$7,635,000 (2017: Nil) was made for the trademarks in the Western Pharmaceutical CGU during the year ended 31 March 2018 as a result of the increase in competition in the market, postponement in the rollout of new products and significant capital investment in the Western Pharmaceutical CGU.

17. INVESTMENTS IN JOINT VENTURES

	2018 *HK$'000*	2017 *HK$'000*
Share of net assets	**1,239,506**	89,962
Loans to joint ventures	**269,961**	—
Goodwill on acquisition	**1,376**	1,376
	1,510,843	91,338

17. INVESTMENTS IN JOINT VENTURES (continued)

The loans to joint ventures are unsecured, interest-free and not repayable within one year. In the opinion of the directors, these loans are considered as part of the Group's net investments in the joint ventures.

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

Name	Particulars of issued/ registered capital shares held	Place of incorporation/ registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Shenzhen Jimao Market Co., Limited* ("Shenzhen Jimao") 深圳市集貿市場有限公司	RMB31,225,000	PRC/Mainland China	50	50	50	Fresh market operation
Wonder Sign Limited ("Wonder Sign")**	Ordinary shares of US$1 each	BVI	50	50	50	Investment holding
Double Bright Limited ("Double Bright")	Ordinary shares	Hong Kong	50	50	50	Property development
Ease Mind Investments Limited ("Ease Mind")**	Ordinary shares of US$1 each	BVI	40	40	40	Investment holding
Loyal Pioneer Limited ("Loyal Pioneer")	Ordinary shares	Hong Kong	40	40	40	Property development

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

** Wonder Sign and Ease Mind became joint ventures of the Group upon the completion of the disposals of part of their equity interests held by the Group. Please refer to note 39(iii) and (iv) for further details.

The above joint ventures are unlisted and indirectly held by the Company.

17. INVESTMENTS IN JOINT VENTURES (continued)

Shenzhen Jimao, Wonder Sign and Ease Mind are considered as material joint ventures of the Group and are accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Shenzhen Jimao, Wonder Sign and its subsidiary — Double Bright (collectively the "WS Group"), and Ease Mind and its subsidiary — Loyal Pioneer (collectively the "EM Group"), and reconciled to the carrying amount in the consolidated financial statements:

Shenzhen Jimao

	2018 *HK$'000*	2017 *HK$'000*
Prepayments, deposits and other receivables	5,382	2,254
Cash and cash equivalents	46,833	52,262
Tax recoverable	1,011	1,056
Current assets	53,226	55,572
Property, plant and equipment	8,144	1,057
Investment properties	146,510	134,773
Non-current assets	154,654	135,830
Other payables and accruals	7,462	3,714
Deposits received and receipts in advance	7,326	6,671
Current liabilities	14,788	10,385
Deferred tax liabilities	858	1,093
Net assets	192,234	179,924
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	50%	50%
Group's share of net assets of the joint venture, excluding goodwill	96,117	89,962
Goodwill on acquisition	1,376	1,376
Carrying amount of the investment	97,493	91,338
Revenue	42,248	34,844
Interest income	708	630
Depreciation and amortisation	(181)	(105)
Tax expense	(3,294)	(4,621)
Profit for the year	9,134	20,202
Other comprehensive income/(loss)	19,204	(7,712)
Total comprehensive income for the year	28,338	12,490
Dividend received	8,014	3,160

17. INVESTMENTS IN JOINT VENTURES (continued)

WS Group

	2018 HK$'000
Properties under development	2,377,623
Prepayments, deposits and other receivables	3,021
Cash and cash equivalents	11,848
Current assets	2,392,492
Trade payable	1,900
Other payables and accruals	1,093
Due to the shareholders	9,812
Current liabilities	12,805
Bank borrowing classified as a non-current liability	954,095
Net assets	1,425,592
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	50%
Group's share of net assets of the joint venture	712,796
Loan to WS Group	4,912
Carrying amount of the investment	717,708
Loss and total comprehensive loss for the year	(1,729)

17. INVESTMENTS IN JOINT VENTURES (continued)

EM Group

	2018 HK$'000
Properties under development	2,727,708
Prepayments, deposits and other receivables	2,996
Cash and cash equivalents	8,923
Current assets	2,739,627
Trade payable	16,236
Due to the shareholders	284,942
Current liabilities	301,178
Bank borrowing classified as a non-current liability	1,361,967
Net assets	1,076,482
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	40%
Group's share of net assets of the joint venture	430,593
Loan to EM Group	265,049
Carrying amount of the investment	695,642
Loss and total comprehensive loss for the year	(76)

18. INVESTMENTS IN ASSOCIATES

	2018 HK$'000	2017 HK$'000
Share of net assets	57,992	75,795
Goodwill on acquisition	19,323	19,323
	77,315	95,118

Particulars of the principal associate are as follows:

Name	Particulars of issued shares held	Place of incorporation and business	Percentage of ownership interest attributable to the Group 2018	2017	Principal activities
Easy One Financial Group Limited*/# ("Easy One")	Ordinary shares HK$0.01 each	Cayman Islands/ Hong Kong	23.80 *(Note)*	28.51	Property development in the PRC, provision of finance and securities brokerage services

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

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

Note: Easy One is an associate of WYTH and became the Group's associate upon the completion of the Step Acquisition of WYTH on 29 September 2016. On 28 December 2017, Easy One completed the placement of 92 million new shares to independent third parties. Upon completion of the placement, the Group's interest in Easy One was diluted from 28.51% to 23.80% and the Group recorded a loss on deemed partial disposal of equity interest in an associate of approximately HK$538,000.

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

The Group's associates have been accounted for using the equity method in these financial statements and the financial statements of the associates used in applying the equity method are as of 31 March 2018 (2017: 31 March 2017) or for a period that is consistent with that of the Company.

18. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information in respect of Easy One for the year ended 31 March 2018 (2017: for the period since the date of acquisition to 31 March 2017), and reconciled to the carrying amount in the consolidated financial statements:

	2018 HK$'000	2017 HK$'000
Current assets	1,343,458	1,448,181
Non-current assets	629,034	555,224
Current liabilities	(729,108)	(490,905)
Non-current liabilities	(80,343)	(257,735)
Net assets	1,163,041	1,254,765
Non-controlling interest	—	(4,147)
Net assets attributable to the owners of Easy One	1,163,041	1,250,618
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	23.80%	28.51%
Group's share of net assets of the associate	276,804	356,551
Fair value adjustment upon completion of the Step Acquisition of WYTH	(243,086)	(291,192)
Carrying amount of the investment	33,718	65,359

	2018 HK$'000	2017 HK$'000
Revenue	205,129	218,602
Loss for the year/period	(175,743)	(102,402)
Other comprehensive income	98,894	13,797
Total comprehensive loss for the year/period	(76,849)	(88,605)
Fair value of the Group's investment	56,278	52,305

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

	2018 HK$'000	2017 HK$'000
Share of the associates' profits for the year/period	13,301	7,859
Aggregate carrying amount of the Group's investments in the associates	43,597	29,759

19. AVAILABLE-FOR-SALE INVESTMENTS

	2018 *HK$'000*	2017 *HK$'000*
Listed debt securities, at fair value	**261,359**	99,731
Unlisted debt securities in Hong Kong, at fair value	**1,094,395**	1,070,976
	1,355,754	1,170,707
Less: Available-for-sale investments included in non-current assets	**(1,302,052)**	(1,134,828)
Current portion	**53,702**	35,879

During the year, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$39,387,000 (2017: gain of HK$13,839,000), of which HK$35,577,000 (2017: Nil) was reclassified from other comprehensive income to profit or loss for the year.

During the year, an impairment loss of HK$30,000,000 (2017: Nil) in respect of an unlisted debt securities was reclassified from other comprehensive income and recognised in profit or loss due to the default payment of principal and the related interest upon maturity.

At 31 March 2018, the Group's available-for-sale investments with an aggregate carrying value of HK$239,566,000 (2017: Nil) were pledged to secure the Group's general banking facilities (note 30).

20. PROPERTIES HELD FOR SALE

	2018 *HK$'000*	2017 *HK$'000*
Carrying amount at 31 March	**719,080**	—

At 31 March 2018, the Group's properties held for sale with an aggregate carrying value of HK$576,509,000 (2017: Nil) were pledged to secure the Group's general banking facilities (note 30).

Further particulars of the Group's properties held for sale are included on page 207.

21. INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials and consumables	27,755	32,744
Work in progress	2,898	6,784
Finished goods	152,522	151,130
	183,175	190,658

22. TRADE AND BILLS RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	125,122	94,605
Bills receivables	640	—
Impairment	(2,583)	(2,841)
	123,179	91,764

The Group's trading terms with its customers are mainly on credit. The credit periods range from 15 to 120 days. Each customer has a maximum credit limit and the credit limit is reviewed regularly. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing 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:

	2018 HK$'000	2017 HK$'000
Within 1 month	59,902	38,398
1 to 3 months	35,176	30,288
3 to 6 months	21,307	20,276
Over 6 months	6,154	2,802
	122,539	91,764

22. TRADE AND BILLS RECEIVABLES (continued)

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

	2018 *HK$'000*	2017 *HK$'000*
At beginning of year	2,841	217
Business combination	—	1,367
Impairment losses recognised *(Note 6)*	3,017	5,247
Amount written off as uncollectible	(3,275)	(3,990)
At end of year	2,583	2,841

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$2,583,000 (2017: HK$2,841,000) with a carrying amount before provision of HK$2,583,000 (2017: HK$2,841,000).

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

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

	2018 *HK$'000*	2017 *HK$'000*
Neither past due nor impaired	100,021	74,981
Less than 1 month past due	11,142	5,885
1 to 3 months past due	8,712	8,626
3 to 6 months past due	1,508	818
Over 6 months past due	1,156	1,454
	122,539	91,764

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

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

Included in the Group's trade receivables are amounts due from the Group's associates of HK$7,480,000 (2017: HK$10,417,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

23. LOANS AND INTEREST RECEIVABLES

	Notes	2018 HK$'000	2017 HK$'000
Loans and interest receivables, secured	*(i)*	**1,062,675**	372,263
Loans and interest receivables, unsecured	*(ii)*	**224,155**	267,895
		1,286,830	640,158
Less: Impairment	*(iii)*	**(14,729)**	(4,643)
		1,272,101	635,515
Less: Loans and interest receivables classified as non-current assets		**(738,657)**	(80,594)
Current portion		**533,444**	554,921

Notes:

(i) These loans receivable are stated at amortised cost at effective interest rates ranging from 8% to 34.8% (2017: 8% to 24%). The credit terms of these loans receivable range from 3 months to 20 years (2017: 5 months to 20 years). The carrying amounts of these loans receivable approximate to their fair values.

Included in the above loans and interest receivables are vendor loan to the purchaser of joint venture of HK$600,000,000 (2017: Nil), which bear interest at 0.7% per annum over 12-month HIBOR and repayable within 2 years. Please refer to note 39(iv) for further details.

(ii) These loans receivable are stated at amortised cost at effective interest rates ranging from 3% to 13.5% (2017: 3% to 34.8%). The credit terms of these loans receivable range from 6 months to 6 years (2017: 1 year to 6 years). The carrying amounts of these loans receivable approximate to their fair values.

Included in the above loans and interest receivables are loans and interest receivables from Easy One of HK$102,849,000 (2017: HK$81,585,000), which bear interest at 6.5% per annum and repayable within 1 year.

23. LOANS AND INTEREST RECEIVABLES (continued)

Notes: (continued)

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

	2018 *HK$'000*	2017 *HK$'000*
At beginning of year	**4,643**	5,844
Impairment losses recognised *(Note 6)*	**10,086**	4,643
Amount written off as uncollectible	**–**	(5,844)
At end of year	**14,729**	4,643

Included in the above provision for impairment of loans and interest receivables are provision for individually impaired receivables of HK$14,729,000 (2017: HK$4,643,000) with an aggregate carrying amount of HK$14,729,000 (2017: HK$13,543,000).

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

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

	2018 *HK$'000*	2017 *HK$'000*
Neither past due nor impaired	**1,271,118**	586,027
Less than 1 month past due	**688**	935
1 to 3 months past due	**295**	10,270
3 to 6 months past due	**–**	29,383
	1,272,101	626,615

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

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

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2018 HK$'000	2017 HK$'000
Prepayments		412,458	99,538
Deposits	(i)	80,564	1,032,260
Other receivables	(ii)	1,109,285	919,416
		1,602,307	2,051,214
Less: Deposits and other receivables classified as non-current assets		(63,049)	(42,708)
Current portion		1,539,258	2,008,506

Note:

(i) The deposits as at 31 March 2017 included (i) two deposits paid to vendors for the acquisition of subsidiaries amounted to HK$27,455,000 and HK$864,430,000; and (ii) a tender deposit of HK$50,000,000 paid to the Urban Renewal Authority in respect of a tender for a development project which had been fully refunded to the Group during the year.

(ii) The Group's sales proceeds from the pre-sale of properties under development with an aggregate carrying value of HK$301,669,000 (2017: Nil) as at 31 March 2018 were pledged to secure the Group's general banking facilities (note 30).

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

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	2018 HK$'000	2017 HK$'000
Unlisted fund investments, at fair value		3,662	41,225
Listed equity investments, at market value		268,797	299,047
Derivative financial instruments, at fair value	(i)	7,661	14,424
		280,120	354,696

The above financial instruments at 31 March 2018 and 2017 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.

At 31 March 2018, the Group's financial assets at fair value through profit or loss with an aggregate carrying value of HK$96,590,000 (2017: Nil) were pledged to secure the Group's general banking facilities (note 30).

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

Notes:

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

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Profit Guarantee	*(a)*	**–**	922
Call Option	*(b)*	**7,661**	13,502
		7,661	14,424

Notes:

(a) Profit Guarantee

Pursuant to the subscription agreement dated 31 March 2016 (the "GMFG Subscription Agreement") entered into between the Group and Guangdong Meat Food Limited ("GMFL"), the joint venture partner, GMFL undertakes that the Group's share of the audited consolidated net profit of Guangdong Meat Food Group Limited ("GMFG"), a 30% owned associate of the Group, shall not be less than HK$3,880,000, HK$3,430,000, HK$4,171,000 and HK$4,171,000 for the years ended 31 March 2017 and 2018, and the years ending 31 March 2019 and 2020, respectively (collectively, the "Guaranteed Profits"), and will compensate the Group for any shortfall between the Guaranteed Profits (the "Profit Guarantee") and the Group's share of actual profits for the relevant years on a dollar-to-dollar basis.

As at 31 March 2018, the fair value of the Profit Guarantee was Nil (2017: HK$922,000), which was determined by Fuson Appraisal Limited (2017: Hong Kong Appraisal Advisory Limited ("HKAA")), a firm of independent professional valuers, based on the probabilistic flow method in which the cash flows for each year represent the difference between the Guaranteed Profits and the projected net profit.

The directors of the Company estimated the projected net profits of GMFG under three different scenarios with respective scenario probabilities. The fair value of the Profit Guarantee was the probability-weighted average of the present values of the shortfalls between the Guaranteed Profits and the projected net profits under the two scenarios. A discount rate of 10% (2017: 10%) has been used to calculate the present value of cash flows of the Profit Guarantee.

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

Notes: (continued)

(i) (continued):

Notes: (continued)

(b) Call Option

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

As at 31 March 2018, the fair value of the Call Option was HK$7,661,000 (2017: HK$13,502,000), which was determined by HKAA based on the Black-Scholes Options Pricing Model. The key inputs into the model for the value of the option are as follows:

	31 March 2018	31 March 2017
Equity value (HK$)	51,074	27,004
Maturity (year)	2	3
Risk free rate (%)	1.36	1.08
Volatility (%)	35.17	35.49

26. CASH AND CASH EQUIVALENTS

	2018 *HK$'000*	2017 *HK$'000*
Cash and bank balances	2,380,179	1,869,370
Time deposits	285,804	500,414
	2,665,983	2,369,784
Less: included in assets classified as held for sale *(Note 27)*	(1,619)	(476)
Cash and cash equivalents	2,664,364	2,369,308

As at the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$74,068,000 (2017: HK$4,295,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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26. CASH AND CASH EQUIVALENTS (continued)

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

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

	Notes	2018 HK$'000	2017 HK$'000
Assets classified as held for sale			
Assets of disposal groups classified as held for sale			
— Allied Wide and Easytex	*(i)*	—	35,680
— Antic Investment and PT Harvest	*(iii)*	411,123	—
		411,123	35,680
Non-current assets classified as held for sale			
— Investment properties	*(ii)*	121,550	160,470
		532,673	196,150
Liabilities directly associated with assets classified as held for sale			
Liabilities of disposal groups classified as held for sale			
— Allied Wide and Easytex	*(i)*	—	4,049
— Antic Investment and PT Harvest	*(iii)*	147,775	—
		147,775	4,049

Notes:

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

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

Notes: (continued)

(i) (continued)

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

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

(ii) As at 31 March 2018, the Group has committed to a plan to sell certain investment properties with an aggregate carrying value of HK$121,550,000 (2017: HK$160,470,000). The directors of the Company expected the sale of these investment properties will be completed by the end of 31 March 2019.

(iii) On 29 March 2018, the Group entered into a provisional sale and purchase agreement with an independent third party, pursuant to which the Group would dispose of the entire issued capital in and assign the benefit of the shareholder loan owned by Antic Investment, an indirectly wholly-owned subsidiary of the Company, at a consideration of HK$83,800,000 (subject to adjustment). The transaction is expected to be completed in July 2018.

In March 2018, the Group put the property held by PT Harvest for tender and on 12 April 2018, the Group has entered into a provisional sale and purchase agreement with another independent third party, pursuant to which the Group disposed of its entire issued capital in PT Harvest for a consideration HK$324,466,000 (subject to adjustment). The transaction is expected to be completed in October 2018.

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

Notes: (continued)

(iii) (continued)

The assets and liabilities of Antic Investment and PT Harvest (excluding intercompany loans which are eliminated on consolidation) as at 31 March 2018 are as follows:

	Antic Investment HK$'000	PT Harvest HK$'000	Total HK$'000
Assets			
Investment properties	83,800	324,466	408,266
Deferred tax assets	—	455	455
Prepayments, deposits and other receivables	61	722	783
Cash and cash equivalents	1,030	589	1,619
Assets of disposal groups classified as held for sale	84,891	326,232	411,123
Liabilities			
Other payables and accruals	(122)	(8)	(130)
Deposits received and receipts in advance	(65)	—	(65)
Interest-bearing bank loans	(15,810)	(130,867)	(146,677)
Tax payable	(6)	—	(6)
Deferred tax liabilities	(897)	—	(897)
Liabilities directly associated with the assets classified as held for sale	(16,900)	(130,875)	(147,775)
Net assets directly associated with the disposal groups	67,991	195,357	263,348

28. TRADE PAYABLES

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

	2018 HK$'000	2017 HK$'000
Within 1 month	245,140	85,747
1 to 3 months	5,254	23,422
3 to 6 months	1,704	10,202
Over 6 months	558	4,918
	252,656	124,289

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

29. OTHER PAYABLES AND ACCRUALS

	2018 HK$'000	2017 HK$'000
Other payables	279,977	68,832
Accruals	100,661	51,537
	380,638	120,369
Less: Other payables classified as non-current liabilities	(164,958)	—
Current portion	215,680	120,369

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

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30. INTEREST-BEARING BANK AND OTHER LOANS

	2018			2017		
	Contractual interest rate *(%)*	Maturity	*HK$'000*	Contractual interest rate *(%)*	Maturity	*HK$'000*
Current:						
Bank loans – secured	HIBOR+ (0.9 – 2.35)/ Prime rate – (2.5 – 2.75)/ Base rate+0.75	2018 or on demand	999,713	HIBOR+ (1.25 – 2.35)/ Prime rate – (2.5 – 2.75)	2017 or on demand	503,410
Bank loans – unsecured	HIBOR+ (1.5 – 2.05)	On demand	367,902	HIBOR+ (1.5 – 2.05)	On demand	91,522
Long term bank loans repayable on demand – secured	HIBOR+ (0.9 – 2.35)/ Prime rate – (2.5 – 2.75)	On demand	92,406	HIBOR+ (1.35 – 2.35)/ Prime rate – (2.5 – 2.75)	On demand	51,835
Long term bank loans repayable on demand – unsecured	HIBOR+ (1.5 – 2.05)	On demand	10,000	HIBOR+ (1.5 – 2.05)	On demand	117,181
Other loans – unsecured	6	2018	13,397	6	2018	28,845
			1,483,418			792,793
Non-current:						
Bank loans – secured	HIBOR+ (1.2 – 1.67)	2019 – 2024	1,785,202	HIBOR+ (1.2 – 1.75)	2018 – 2025	1,126,516
Bank loans – unsecured	HIBOR+ (1.5 – 2.05)	2022	1,406,477	HIBOR+ (1.56 – 2.05)	2022 – 2026	2,161,965
			3,191,679			3,288,481
Total			4,675,097			4,081,274

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

	2018 HK$'000	2017 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand *(Note)*	1,470,021	763,948
In the second year	1,332,427	777,622
In the third to fifth years, inclusive	1,392,024	1,988,001
Beyond five years	467,228	522,858
	4,661,700	4,052,429
Other loans repayable:		
Within one year	13,397	28,845
	4,675,097	4,081,274

Note: As further explained in note 48 to the financial statements, the Group's term loans with an aggregate amount of HK$567,961,000 (2017: HK$337,856,000) containing an on-demand clause have been classified as current liabilities. For the purpose of the above analysis, the loans are included within current interest-bearing bank and other loans and analysed into bank and other loans repayable within one year or on demand.

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

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

	2018 *HK$'000*	2017 *HK$'000*
Bank loans repayable:		
Within one year	910,456	597,493
In the second year	1,060,454	255,972
In the third to fifth years, inclusive	1,583,666	2,442,019
Beyond five years	1,107,124	756,945
	4,661,700	4,052,429
Other loans repayable:		
Within one year	13,397	28,845
	4,675,097	4,081,274

Notes:

(a) Certain bank loans of the Group are secured by the Group's land and buildings (note 13), investment properties and certain rental income generated therefrom (note 14), properties under development (note 15), properties held for sale (note 20), available-for-sale investments (note 19), financial assets through profit or loss (note 25), sales proceeds from the pre-sale of properties under development (note 24(ii)) and share charges over the equity interests of two (2017: three) subsidiaries of the Company (note 1).

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

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

31. PROVISION FOR ONEROUS CONTRACTS

	2018 HK$'000	2017 HK$'000
Carrying amount at beginning of year	**4,080**	–
Provided during the year	**5,583**	4,080
Carrying amount at end of year	**9,663**	4,080

32. DEFERRED TAX

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

Deferred tax liabilities

	Notes	Unrealised fair value gain arising from listed equity investment at fair value through profit of loss HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Total HK$'000
At 1 April 2016		8,702	4,268	–	12,970
Deferred tax charged/(credited) to profit or loss during the year	*10*	(6,520)	(632)	(6,207)	(13,359)
Business combination	*37*	5,720	1,598	41,661	48,979
Transferred to liabilities directly associated with assets classified as held for sale	*27(i)*	–	(314)	–	(314)
At 31 March 2017 and 1 April 2017		**7,902**	**4,920**	**35,454**	**48,276**
Transferred to liabilities directly associated with assets classified as held for sale	*27(iii)*	**–**	**(897)**	**–**	**(897)**
Deferred tax charged/(credited) to profit or loss during the year	*10*	**5,596**	**30,874**	**(7,612)**	**28,858**
At 31 March 2018		**13,498**	**34,897**	**27,842**	**76,237**

32. DEFERRED TAX (continued)

Deferred tax assets

	Notes	Losses available for offsetting against future taxable profits HK$'000	Depreciation in excess of related depreciation allowance HK$'000	Provision for onerous contracts HK$'000	Allowance for bad and doubtful debts HK$000	Total HK$'000
At 1 April 2016		1,577	–	–	–	1,577
Deferred tax credited to profit or loss during the year	10	12,296	–	674	–	12,970
Business combination	37	10,837	–	–	–	10,837
At 31 March 2017 and 1 April 2017		**24,710**	**–**	**674**	**–**	**25,384**
Acquisition of subsidiaries that are not business	38	**455**	**–**	**–**	**–**	**455**
Included in assets classified as held for sale	27(iii)	**(455)**	**–**	**–**	**–**	**(455)**
Deferred tax credited to profit or loss during the year	10	**32,266**	**676**	**–**	**219**	**33,161**
At 31 March 2018		**56,976**	**676**	**674**	**219**	**58,545**

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

	2018 HK$'000	2017 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**32,460**	25,384
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(50,152)**	(48,276)
	(17,692)	(22,892)

32. DEFERRED TAX (continued)

Deferred tax assets (continued)

The Group has tax losses arising in Hong Kong of HK$736,939,000 (2017: HK$380,884,000), subject to the agreement of the Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Tax losses of HK$195,551,000 (2017: HK$149,758,000) have been recognised as deferred tax assets. Deferred tax assets have not been recognised in respect of the remaining amount of HK$541,388,000 (2017: HK$231,126,000) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. The Group also has unused tax losses arising in the PRC of HK$8,354,000 (2017: HK$34,084,000) that will expire in one to five years for offsetting against future taxable profits.

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

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

33. SHARE CAPITAL

Shares

	2018 ***HK$'000***	2017 *HK$'000*
Authorised:		
40,000,000,000 ordinary shares of HK$0.01 each	**400,000**	400,000
Issued and fully paid:		
18,928,520,000 (2017: 19,288,520,000) ordinary shares of HK$0.01 each	**189,285**	192,885

33. SHARE CAPITAL (continued)

Shares (continued)

A summary of movements in the Company's share capital is as follows:

	Note	Number of shares in issue '000	Issued capital HK$'000	Share premium HK$'000	Total HK$'000
At 1 April 2016, 31 March 2017 and 1 April 2017		19,288,520	192,885	1,435,381	1,628,266
Cancellation of shares repurchased	*(a)*	(360,000)	(3,600)	(41,256)	(44,856)
At 31 March 2018		18,928,520	189,285	1,394,125	1,583,410

Notes:

(a) The Company purchased 360,000,000 of its shares on the Hong Kong Stock Exchange at a total consideration of HK$44,695,000 (and incurred transaction costs of HK$161,000). The purchased shares were cancelled during the year ended 31 March 2018.

Details of the shares repurchased by the Company during the year ended 31 March 2018 are summarised below:

Month of repurchase	Number of shares repurchased '000	Highest price per share HK$	Lowest price per share HK$	Aggregate price HK$'000
December 2017	290,000	0.129	0.118	35,486
January 2018	70,000	0.132	0.131	9,209
	360,000			44,695

(b) Further details of the Company's shares held by a subsidiary of the Group are included in note 35(c) to the financial statements.

34. SHARE OPTION SCHEME

The Company's share option scheme

On 2 May 2012, the share option scheme adopted by the Company on 3 May 2002 (the "2002 Scheme") expired and a new share option scheme (the "2012 Scheme") was adopted by the shareholders of the Company on 21 August 2012. As a result, the Company can no longer grant any further options under the 2002 Scheme. However, all options granted prior to the termination of the 2002 Scheme will remain in full force and effect. During the year ended 31 March 2018, no share option was granted, exercised, lapsed or cancelled under both the 2002 Scheme and the 2012 Scheme.

Under the 2012 Scheme, share options may be granted to any director or proposed director (whether executive or non-executive, including independent non-executive director), employee or proposed employee (whether full-time or part-time), secondee, any holder of securities issued by any member of the Group, any person or entity that provides research, development or other technology support or advisory, consultancy, professional or other services to any member of the Group or any substantial shareholder or company controlled by a substantial shareholder, or any company controlled by one or more persons belonging to any of the above classes of participants. The 2012 Scheme became effective on 21 August 2012 and, unless otherwise terminated earlier by shareholders in a general meeting, will remain in force for a period of 10 years from that date.

Purpose

The purpose of the 2012 Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Maximum number of shares available for subscription

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

34. SHARE OPTION SCHEME (continued)

The Company's share option scheme (continued)

Maximum entitlement of each participant

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

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

Basis of determining the exercise price

The option price per share payable on the exercise of an option is determined by the directors, provided that it shall be at least the higher of:

(i) the closing price of the shares as stated in the daily quotation sheet issued by the Hong Kong Stock Exchange at the date of offer of grant (which is deemed to be the date of grant if the offer for the grant of a share option is accepted by the eligible person), which must be a business day; and

(ii) the average of the closing prices of the shares as stated in the daily quotation sheets issued by the Hong Kong Stock Exchange for the five business days immediately preceding the date of offer of grant, provided that the option price per share shall in no event be less than the nominal amount of one share.

34. SHARE OPTION SCHEME (continued)

The Company's share option scheme (continued)

Basis of determining the exercise price (continued)

An offer for the grant of share options must be accepted within 30 days from the date on which such offer was made. The amount payable by the grantee of a share option to the Company on acceptance of the offer of the grant is HK$1.00.

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

As at 31 March 2018 and 2017, there were no share options outstanding.

WOP Share Option Scheme

WOP operates a share option scheme (the "WOP Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of WOP and its subsidiaries (collectively referred to as the "WOP Group"). Share options may be granted to any WOP's director or proposed director (whether executive or non-executive, including independent non-executive director), employee or proposed employee (whether full-time or part-time), secondee, any holder of securities issued by any member of the WOP Group, any person or entity that provides research, development or other technology support or advisory, consultancy, professional or other services to any member of the WOP Group or any substantial shareholder or company controlled by a substantial shareholder, or any company controlled by one or more persons belonging to any of the above classes of participants. The WOP Share Option Scheme became effective on 9 August 2016 and, unless otherwise terminated earlier by shareholders in a general meeting, will remain in force for a period of 10 years from that date.

Purpose

The purpose of the WOP Share Option Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the WOP Group's operations.

Maximum number of shares available for subscription

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

34. SHARE OPTION SCHEME (continued)

WOP Share Option Scheme (continued)

Maximum entitlement of each participant

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

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

Basis of determining the exercise price

The option price per share payable on the exercise of an option is determined by the directors, provided that it shall be at least the higher of:

(i) the closing price of the shares as stated in the daily quotation sheet issued by the Hong Kong Stock Exchange at the date of offer of grant (which is deemed to be the date of grant if the offer for the grant of a share option is accepted by the eligible person), which must be a business day; and

(ii) the average closing price of the shares as stated in the daily quotation sheets issued by the Hong Kong Stock Exchange for the five business days immediately preceding the date of offer of grant, provided that the option price per share shall in no event be less than the nominal amount of one share.

34. SHARE OPTION SCHEME (continued)

WOP Share Option Scheme (continued)

Basis of determining the exercise price (continued)

An offer for the grant of share options must be accepted within 30 days from the date on which such offer was made. The amount payable by the grantee of a share option to WOP on acceptance of the offer of the grant is HK$1.00.

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

No share option has been granted since the adoption of the WOP Share Option Scheme.

WYTH Share Option Schemes

The share option scheme adopted by WYTH on 18 September 2003 (the "WYTH 2003 Share Option Scheme") was terminated with the approval by the shareholders of WYTH at the annual general meeting held on 22 August 2013 and a new share option scheme (the "WYTH 2013 Share Option Scheme") was approved to be adopted by the shareholders of WYTH on 22 August 2013. The WYTH 2013 Share Option Scheme will remain in force for a period of 10 years from that day, unless otherwise terminated earlier by shareholders in a general meeting. As a result, WYTH can no longer grant any further options under the WYTH 2003 Share Option Scheme.

Upon the termination of the WYTH 2003 Share Option Scheme, no share options were granted thereunder but the subsisting share options granted prior to the termination will continue to be valid and exercisable during the prescribed exercise period in accordance with the terms of the WYTH 2003 Share Option Scheme. The WYTH 2003 Share Option Scheme and WYTH 2013 Share Option Scheme are collectively known as (the "WYTH Share Option Schemes").

The WYTH Share Option Schemes are for the primary purpose of providing incentives to selected eligible persons as incentives or rewards for their contribution or potential contribution to WYTH and its subsidiaries (collectively, the "WYTH Group").

Pursuant to the WYTH Share Option Schemes, the board of directors of WYTH may grant options to directors and eligible employees of WYTH to subscribe for shares in WYTH at a consideration equal to the higher of the closing price of the shares of WYTH on the Hong Kong Stock Exchange at the date of offer of grant and the average closing price of the shares of WYTH on the Hong Kong Stock Exchange for the five trading days immediately preceding the date of grant of the options.

34. SHARE OPTION SCHEME (continued)

WYTH Share Option Schemes (continued)

Options granted must be taken up within 30 days from the date of grant, upon payment of HK$1. Options may be exercised at any time from the date of grant of the share options up to the tenth anniversary of the date of grant as determined by the directors at their discretion.

The maximum number of shares of WYTH in respect of which options may be granted, when aggregated with any other share option scheme of WYTH, shall not exceed 30% of the issued share capital of WYTH from time to time excluding any shares issued upon the exercise of options granted pursuant to the WYTH 2013 Share Option Scheme. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the WYTH 2013 Share Option Scheme shall not exceed 10% of the shares in issue as at the date of approval of the WYTH 2013 Share Option Scheme.

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

No share option has been granted since the adoption of the WYTH 2013 Share Option Scheme.

The following share options were outstanding under the 2003 Scheme during the year:

	2018		2017	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	HK$ per share	***'000***	*HK$ per share*	*'000*
At beginning of year	**13.350**	**47**	14.989	54
Adjusted upon completion of rights issue	**—**	**—**	—	5
Forfeited during the year	**9.079**	**(8)**	13.657	(12)
At end of year	**14.226**	**39**	13.350	47

34. SHARE OPTION SCHEME (continued)

WYTH Share Option Schemes (continued)

There were no share options granted or exercised for the year ended 31 March 2018 and 2017.

There was no share-based payment recognised during the year ended 31 March 2018 (2017: Nil).

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2018

Number of options *'000*	Exercise price* *HK$ per share*	Exercise period
20	20.6927	8.1.2010 to 7.1.2019
19	7.4197	12.5.2011 to 11.5.2020
39		

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34. SHARE OPTION SCHEME (continued)

WYTH Share Option Schemes (continued)

2017

Number of options *'000*	Exercise price* *HK$ per share*	Exercise period
21	20.6927	8.1.2010 to 7.1.2019
26	7.4197	12.5.2011 to 11.5.2020
47		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The options granted vested as follows:

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

At the end of the reporting period, WYTH had 39,170 (2017: 47,577) share options outstanding under the 2003 Scheme. The exercise in full of the outstanding share options would, under the present capital structure of WYTH, result in the issue of 39,170 additional ordinary shares of WYTH and additional share capital of HK$392 (2017: HK$476) and share premium of HK$553,000 (2017: HK$634,000) (before issue expenses).

At the date of approval of these financial statements, WYTH had 35,667 share options outstanding under the 2003 Scheme, which represented approximately 0.003% of WYTH's shares in issue at that date.

35. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 79 to 80 of the financial statements.

(a) Contributed surplus

The contributed surplus of the Company originally derived from the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to the Group's reorganisation on 6 February 1995 and the par value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

(b) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire after the vesting period.

(c) Treasury shares

A subsidiary of the Group holds certain listed shares of the Company. These shares are treated as treasury shares and accounted for as a deduction from equity holders' equity. Gains and losses on sale or redemption of the treasury shares are credited or charged to equity. The total number of treasury shares as at 31 March 2018 was approximately 423,000,000 (31 March 2017: 423,000,000).

(d) Capital reserve

Capital reserve represents the difference between the amounts of net consideration and the carrying values of non-controlling interests acquired or disposed of.

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2018	2017
Percentage of equity interest held by non-controlling interests:		
WOP	25%	25%
WYTH	43.46%	48.68%

	2018 HK$'000	2017 HK$'000
Profit/(loss) for the year allocated to non-controlling interests:		
WOP	552,476	7,096
WYTH	(158,472)	(30,789)
Accumulated balances of non-controlling interests at the reporting date:		
WOP	1,140,667	588,191
WYTH	1,069,160	1,226,403

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	WOP HK$'000	WYTH HK$'000
2018		
Revenue	1,351,843	845,781
Profit/(loss) for the year	1,944,371	(117,168)
Other comprehensive income for the year	—	18,294
Total comprehensive income/(loss) for the year	1,944,371	(98,874)
Current assets	7,100,967	1,063,975
Non-current assets	3,046,735	2,592,486
Current liabilities	3,401,032	425,379
Non-current liabilities	2,562,756	671,057
Net cash flows used in operating activities	(904,447)	(76,731)
Net cash flows from investing activities	2,098,945	23,269
Net cash flows from/(used in) financing activities	(992,882)	149,960
Net increase in cash and cash equivalents	201,616	96,498

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

	WOP *HK$'000*	WYTH *HK$'000*
2017		
Revenue	152,417	387,501
Profit/(loss) for the period	28,385	(55,152)
Other comprehensive loss for the period	—	(8,096)
Total comprehensive income/(loss) for the period	28,385	(63,248)
Current assets	6,338,643	863,165
Non-current assets	1,689,412	2,710,086
Current liabilities	3,220,150	212,641
Non-current liabilities	2,416,291	702,887
Net cash flows from/(used in) operating activities	316,239	(22,697)
Net cash flows used in investing activities	(630,515)	(88,622)
Net cash flows from/(used in) financing activities	1,195,678	(23,286)
Net increase/(decrease) in cash and cash equivalents	881,402	(134,605)

37. BUSINESS COMBINATIONS

For the year ended 31 March 2017

Step Acquisition of WYTH

On 29 September 2016, WYTH completed the WYT Rights Issue and WYTH became a subsidiary of the Group. The results of WYTH Group are consolidated into the Group's financial statements commencing from the acquisition date (i.e., 29 September 2016 (the "WYTH Completion Date")).

The Group accordingly remeasured the fair value of its pre-existing interest in WYTH at the WYTH Completion Date and recognised the resulting loss of HK$550,445,000 on the remeasurement of the Group's pre-existing interest in WYTH to acquisition date fair value.

Details of the carrying value and fair value of the Group's pre-existing interest in WYTH at the WYTH Completion Date are summarised as follows:

	HK$'000
Share of net assets	569,650
Other reserves	11,870
	581,520
Less: Fair value of pre-existing interest	(31,075)
Loss on remeasurement	550,445

37. BUSINESS COMBINATIONS (continued)

Step Acquisition of WYTH (continued)

The aggregate fair values of the identifiable assets and liabilities of WYTH Group as at the acquisition date are as follows:

	Fair values recognised on acquisition date HK$'000
Investment properties	481,800
Property, plant and equipment	785,214
Investments in associates	90,619
Trademarks	68,991
Available-for-sale investments	720,000
Deposit paid	121,533
Deferred tax assets	10,837
Inventories	228,109
Trade receivables	144,206
Interest receivables	24,842
Prepayments, deposits and other receivables	67,290
Financial assets at fair value through profit or loss	131,462
Tax recoverable	2,053
Cash and cash equivalents	669,470
Trade payables	(63,131)
Other payables and accruals	(78,188)
Interest-bearing bank loans	(773,750)
Deferred tax liabilities	(48,979)
Total identifiable net assets at fair value	2,582,378
Treasury shares *(Note)*	27,918
	2,610,296
Non-controlling interests	(1,273,808)
	1,336,488
Gain on bargain purchase	(1,056,230)
	280,258
Satisfied by:	
Cash	249,183
Fair value of pre-existing interest in WYTH at the date of acquisition	31,075
	280,258

Note: As at the acquisition date, WYTH Group held 423,000,000 shares of the Company and the fair value of the Company's shares held by WYTH Group was HK$27,918,000. The fair value of WYTH Group's interest in the Company was then reclassified to treasury shares.

31 March 2018

37. BUSINESS COMBINATIONS (continued)

Step Acquisition of WYTH (continued)

The fair values of trade receivables as at the date of acquisition amounted to HK$144,206,000. The gross contractual amounts of trade receivables were HK$149,453,000.

The transaction costs of HK$2,220,000 incurred for the Step Acquisition of WYTH were expensed off and included in "Other expenses" in profit or loss.

An analysis of the cash flows in respect of the Step Acquisition of WYTH is as follows:

	HK$'000
Cash consideration	**(249,183)**
Cash and cash equivalents acquired	**669,470**
Net inflow of cash and cash equivalents included in cash flows from investing activities	**420,287**
Transaction costs of the Step Acquisition of WYTH included in cash flows from operating activities	**(2,220)**
	418,067

Since the completion of the Step Acquisition of WYTH on 29 September 2016, the WYTH Group contributed revenue of HK$436,664,000 and contributed a loss of HK$90,716,000 included in the consolidated profit for the year ended 31 March 2017.

Had the Step Acquisition of WYTH taken place on 1 April 2016, the revenue of the Group and the profit of the Group for that year would have been HK$1,250,887,000 and HK$346,940,000, respectively.

38. ACQUISITION OF SUBSIDIARIES THAT ARE NOT BUSINESSES

For the year ended 31 March 2018

The net assets acquired by the Group during the year are as follows:

	PT Harvest *HK$'000* *(Note (a))*	Loyal Pioneer *HK$'000* *(Note (b))*	Wise Ocean *HK$'000* *(Note (c))*	Total *HK$'000*
Net assets acquired:				
Property, plant and equipment	–	–	94,994	94,994
Investment properties	274,549	–	–	274,549
Deferred tax assets	455	–	–	455
Prepayments, deposits and other receivables	847	–	32	879
Properties under development	–	2,575,195	–	2,575,195
Bank balances	–	5	–	5
Interest-bearing bank loan	–	(1,105,300)	–	(1,105,300)
	275,851	1,469,900	95,026	1,840,777
Satisfied by:				
Cash	275,851	1,469,900	95,026	1,840,777

An analysis of the cash flows in respect of the acquisitions of PT Harvest, Loyal Pioneer and Wise Ocean are as follows:

	PT Harvest *HK$'000*	Loyal Pioneer *HK$'000*	Wise Ocean *HK$'000*	Total *HK$'000*
Cash consideration	(275,851)	(1,469,900)	(95,026)	(1,840,777)
Deposits paid as at 31 March 2017	27,455	864,430	–	891,885
Bank balances acquired	–	5	–	5
Refund of partial consideration	–	6,136	–	6,136
Net outflow of cash and cash equivalents included in cash flows from investing activities for the year	(248,396)	(599,329)	(95,026)	(942,751)
Transaction costs of the acquisition included in cash flows from operating activities	(675)	(2,170)	(332)	(3,177)
	(249,071)	(601,499)	(95,358)	(945,928)

38. ACQUISITION OF SUBSIDIARIES THAT ARE NOT BUSINESSES (continued)

For the year ended 31 March 2018 (continued)

Notes:

(a) On 20 February 2017, the Group entered into a provisional sale and purchase agreement with two independent third parties to acquire the entire equity interest of PT Harvest, which is engaged in property investment in Hong Kong, and the related shareholders loan at a total cash consideration of HK$274,549,000. The acquisition was completed on 25 April 2017.

Pursuant to the relevant sale and purchase agreements, the cash consideration was adjusted to HK$275,851,000 based on the net asset value of PT Harvest as at 25 April 2017 (the date of completion).

(b) On 31 March 2017, the Group entered into a sale and purchase agreement with another two independent third parties to acquire the entire equity interest in Loyal Pioneer, which is engaged in property development in Hong Kong, and the related shareholder's loans at a total cash consideration of HK$1,469,900,000. The transaction was completed on 19 May 2017.

(c) On 6 February 2018, the Group completed the acquisition of the entire equity interest in Wise Ocean for an adjusted consideration of HK$95,026,000. Wise Ocean holds a residential property 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.

38. ACQUISITION OF SUBSIDIARIES THAT ARE NOT BUSINESSES (continued)

Year ended 31 March 2017

On 7 November 2016, the Group entered into a sale and purchase agreement with an independent third party to acquire the entire equity interests in Fession Group Limited ("Fession", and together with its sole subsidiary, Stadium, (collectively, the "Fession Group"), and the shareholder's loan owed by Fession Group to its then shareholder, at a total cash consideration of HK$512,225,000 ("Cash Consideration"). Fession Group is principally engaged in property investment in Hong Kong and as at the date of acquisition, Fession Group did not carry out any significant business transaction except for holding a property in Hong Kong.

The above acquisition has been accounted for by the Group as an acquisition of assets as the entities acquired by the Group do not constitute a business.

Pursuant to the relevant sale and purchase agreement, the Cash Consideration was adjusted to HK$509,503,000 based on the net assets value of Fession Group as at 25 January 2017 (the date of completion). The net assets acquired by the Group in the above transaction are as follows:

	HK$'000
Net assets acquired:	
Investment property	512,225
Prepayments, deposits and other receivables	239
Tax recoverable	139
Bank balances	103
Accruals	(3,203)
	509,503
Satisfied by:	
Cash	509,503

An analysis of the cash flows in respect of the acquisition of Fession is as follows:

	HK$'000
Cash consideration	(509,503)
Bank balances acquired	103
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries that are not business	(509,400)
Transaction costs of the acquisition included in cash flows from operating activities	(799)
	(510,199)

39. DISPOSALS OF SUBSIDIARIES

For the year ended 31 March 2018

Details of the net assets of the subsidiaries disposed of during the current year and the financial impacts are summarised as follows:

	Easytex *HK$'000* *(Note (i))*	Allied Wide *HK$'000* *(Note (ii))*	WS Group *HK$'000* *(Note (iii))*	EM Group *HK$'000* *(Note (iv))*	Total *HK$'000*
Net assets disposed of:					
Investment properties	17,500	17,500	—	—	35,000
Property under development	—	—	394,891	2,687,633	3,082,524
Prepayments, deposits and other receivables	42	36	98,340	—	98,418
Tax recoverable	94	32	—	—	126
Cash and cash equivalents	226	250	12	5	493
Trade payable	—	—	—	(2,688)	(2,688)
Other payables and accruals	(30)	(36)	—	(250,000)	(250,066)
Deposits received and receipts in advance	(153)	(192)	—	—	(345)
Deferred tax liabilities	(185)	(129)	—	—	(314)
	17,494	17,461	493,243	2,434,950	2,963,148
Professional fees and expenses	886	867	9,895	25,007	36,655
Gains/(losses) on disposals of subsidiaries	(880)	(828)	457,143	790,318	1,245,753
Gain on remeasurement of the 50% equity interest in WS Group retained by the Group classified as a joint venture	—	—	467,039	—	467,039
	17,500	17,500	1,427,320	3,250,275	4,712,595
Satisfied by:					
Cash	17,500	17,500	713,660	2,441,253	3,189,913
Partial refund of consideration *(Note (a))*	—	—	—	(164,958)	(164,958)
Fair value of the 50% equity interest in WS Group *(Note (b))*	—	—	713,660	—	713,660
Original cost of the 40% equity interest in EM Group	—	—	—	973,980	973,980
	17,500	17,500	1,427,320	3,250,275	4,712,595

Notes:

(a) Pursuant to the Agreement (defined below), the Group undertaken to downward adjust the consideration by refunding a sum of HK$164,958,000 to the purchaser in November 2019, subject to the settlement of a loan owed by the purchaser to the Group of HK$600,000,000 as further discussed in note 39(iv) to the financial statements.

(b) The fair value was determined by management with reference to the actual transaction price of the disposal. The remaining interest held by the Group is remeasured at fair value at the date the Group lost control over the WS Group.

39. DISPOSALS OF SUBSIDIARIES (continued)

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

	Easytex	Allied Wide	WS Group	EM Group	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash consideration	17,500	17,500	713,660	2,441,253	3,189,913
Cash and cash equivalents disposed of	(226)	(250)	(12)	(5)	(493)
Professional fees and expenses	(886)	(867)	(9,895)	(25,007)	(36,655)
Loans receivable	—	—	—	(600,000)	(600,000)
Net inflow of cash and cash equivalents in respect of disposals of subsidiaries	16,388	16,383	703,753	1,816,241	2,552,765

Notes:

(i) On 6 April 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest in Easytex for a consideration of HK$17,500,000. The transaction was completed on 13 April 2017.

(ii) On 6 April 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest in Allied Wide for a consideration of HK$17,500,000. The transaction was completed on 13 April 2017.

(iii) On 7 June 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose of a 50% equity interest in Wonder Sign and assign the benefit of 50% of the related shareholder's loan owed by the WS Group to the Group, to an independent third party for a total consideration of HK$713,660,000. The WS Group was principally engaged in property development in Hong Kong. The transaction was completed on 7 June 2017. Upon completion of the disposal, Wonder Sign ceased to be a subsidiary of the Group and was owned as to 50% by the Group and 50% by the purchaser and Wonder Sign was then accounted for as a joint venture of the Group.

(iv) On 8 September 2017, the Group entered into a sale and purchase agreement (the "Agreement") with an independent third party to dispose of a 60% equity interest in Ease Mind and assign the benefit of 60% of the related shareholder's loan owed by EM Group to the Group, to an independent third party for a total consideration of HK$2,441,253,000. The Group received HK$1,841,253,000 from the purchaser during the year and the remaining HK$600,000,000 is accounted for as a loans receivable from the purchaser as stipulated in the sale and purchase agreement. The loan is repayable by 27 November 2019. The EM Group is principally engaged in property development in Hong Kong. The transaction was completed on 28 November 2017. Upon completion of the disposal, Ease Mind ceased to be a subsidiary of the Group and was owned as to 40% by the Group and 60% by the purchaser and Ease Mind was then accounted for as a joint venture of the Group.

39. DISPOSALS OF SUBSIDIARIES (continued)

Year ended 31 March 2017

Pursuant to the GMFG Subscription Agreement, the Group transferred its entire interest in Easy Verse Group to GMFG in exchange for a 30% equity interest in GMFG. The transaction was completed on 1 April 2016.

Details of the net assets of the Easy Verse Group disposed of and their financial impacts are summarised as follows:

	HK$'000
Net assets disposal of:	
Plant and equipment	1,372
Goodwill	5,214
Inventories	8
Prepayments, deposits and other receivables	2,224
Intangible assets	346
Trade receivables	36
Cash and cash equivalents	769
Other payables and accruals	(1,448)
Deferred tax liabilities	(23)
	8,498
Gain on disposal of subsidiaries	25,306
	33,804
Satisfied by:	
Fair value of the 30% equity interest in GMFG *(Note)*	21,899
Financial assets at fair value through profit or loss *(Note 25)*	11,905
	33,804

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the Easy Verse Group is as follows:

	HK$'000
Cash consideration	–
Cash and cash equivalents disposed of	(769)
Net outflow of cash and cash equivalents in respect of the disposal of the Easy Verse Group	(769)

Note: The fair value was determined by HKAA based on an income approach. A discount rate of 10% has been used to calculate the fair value of GMFG as at 1 April 2016.

40. DEEMED PARTIAL DISPOSAL OF INTERESTS IN SUBSIDIARIES

On 12 April 2016, the Group has successfully spun off its property development and property investment business through a separate listing of its then wholly-owned subsidiary, Wang On Properties Limited ("WOP"), on the Main Board of the Hong Kong Stock Exchange (the "WOP Spin-Off"). The WOP Spin-off was achieved by the share offering of 380,000,000 shares at an issue price of HK$0.92 per share (the "WOP Offering").

Immediately following the completion of the WOP Offering, the Group's equity interest in WOP was diluted from 100% to 75% and thus the WOP Spin-Off is considered as a deemed partial disposal of WOP by the Group. Since the deemed partial disposal of WOP did not result in any loss of control, such transaction was accounted for as an equity transaction and the difference between the proceeds from the WOP Offering and the 25% carrying value of WOP and its subsidiaries (collectively referred to as the "WOP Group") amounting to HK$259,048,000 is recognised in the capital reserve of the Group.

A summary of the financial impacts of the WOP Spin-Off is as follows:

	HK$'000
Proceeds from the WOP Offering	**349,600**
Less: 25% carrying value of WOP Group	**(591,136)**
Share of share issue expenses	**(17,512)**
Loss on deemed partial disposal of interest in WOP	**(259,048)**

An analysis of the cash flows in respect of the deemed disposal of partial interest in WOP is as follows:

	HK$'000
Proceeds from the WOP Offering	**349,600**
Less: Legal and professional fee paid	**(20,710)**
Net inflow of cash and cash equivalents in respect of the WOP Offering	**328,890**

41. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Bank and other loans
	HK$'000
At 1 April 2017	4,081,274
Changes from financing cash flows, net	(377,323)
Interest expense	12,523
Increase arising from acquisition of subsidiaries *(Note 38)*	1,105,300
	4,821,774
Liabilities directly associated with the assets classified as held for sale *(Note 27)*	(146,677)
At 31 March 2018	**4,675,097**

42. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14) and sub-leases fresh markets under operating lease arrangements, with leases negotiated for terms ranging from one year to six years (2017: one year to six years). The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rental adjustments according to the prevailing market conditions.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**183,833**	201,803
In the second to fifth years, inclusive	**200,710**	144,711
After five years	**—**	5,370
	384,543	351,884

42. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

The Group leases certain fresh markets, certain of its office properties and retail shops under operating lease arrangements. Leases are negotiated for terms ranging from one year to eight years (2017: one year to eight years).

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 *HK$'000*	2017 *HK$'000*
Within one year	155,809	172,132
In the second to fifth years, inclusive	398,058	445,301
After five years	5,100	16,097
	558,967	633,530

43. COMMITMENTS

In addition to the operating lease commitments detailed in note 42(b) above, the Group had the following capital commitments at the end of the reporting period:

	2018 *HK$'000*	2017 *HK$'000*
Contracted, but not provided for:		
Properties under development	1,179,475	1,365,996
Property, plant and equipment	2,575	68,280
Acquisition of subsidiaries	—	885,664
Investments in joint ventures	384,951	—
	1,567,001	2,319,940

In addition, the Group's share of the joint ventures' own capital commitments, which are not included in the above, is as follows:

	2018 *HK$'000*	2017 *HK$'000*
Contracted, but not provided for	1,118,163	—

44. CONTINGENT LIABILITIES

At the end of the reporting period, the Group has given guarantee to a bank in connection with a facility granted to the WS Group and EM Group up to HK$2,158,800,000 as at 31 March 2018 (31 March 2017: Nil) and the banking facility guaranteed by the Group to the WS Group and EM Group was utilised to the extent of HK$1,033,300,000 as at 31 March 2018 (31 March 2017: Nil).

45. RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

	Notes	2018 HK$'000	2017 HK$'000
Rental income received from a director*	(i)	1,200	1,200
Rental expenses paid to a company of which a director of the Company is a controlling shareholder	(ii)	372	323
Transactions with WYTH Group: #			
— Rental income	(ii)	—	5,100
— Rental expenses	(ii)	—	1,371
— Purchases of products	(iii)	—	2,011
Associates			
— Sales of pharmaceutical products by the Group	(ii)	23,488	14,412
— Rental income	(ii)	2,044	1,424
— Interest income on a loan to Easy one	(v)	13,853	1,585
— Management and promotion fees income	(ii)	1,107	610
— Sub-licensing fee income	(ii)	8,811	13,858
Management fee income from the WS Group	(iv)	4,900	—

* These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

WYTH Group ceased to be a related party of the Group since 29 September 2016 upon completion of the Step Acquisition of WYTH.

45. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes:

(i) A property of the Group was leased to a director at a monthly rental of HK$100,000 (2017: HK$100,000). The rental was determined with reference to the prevailing market rates.

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

(iii) The purchases from WYTH Group were made according to the published prices and conditions offered by WYTH Group to its customers.

(iv) Management fee income was received from the WS Group in respect of management services on property development.

(v) Interest income was determined at an interest rate of 6.5% per annum.

(b) Outstanding balance with a related party

Details of the Group's balances with its associates as at the end of the reporting period are disclosed in note 23 to the financial statements. Details of the loans to joint ventures are included in note 17 to the financial statements.

(c) Guarantees provided to WS Group and EM Group

The Group received no consideration for providing these guarantees. Further details of guarantees provided by the Group are disclosed in note 44 to the financial statements. The Group did not recognise any liabilities in respect of such financial guarantees as the directors of the Company consider that the fair values of these financial guarantee contracts at their initial recognition and at the end of the reporting period are insignificant.

(d) Compensation of key management personnel of the Group

	2018 *HK$'000*	2017 *HK$'000*
Short term employment benefits	**14,533**	17,200
Post-employment benefits	**93**	72
Total compensation paid to key management personnel	**14,626**	17,272

The above compensation of key management personnel excludes the directors' remuneration, details of which are set out in note 8 to the financial statements.

46. FINANCIAL INSTRUMENTS BY CATEGORY

Other than derivative financial instruments and certain equity investments being classified as available-for-sale investments and financial assets at fair value through profit or loss, all financial assets and liabilities of the Group as at 31 March 2018 and 2017 were loans and receivables, and financial liabilities stated at amortised cost, respectively.

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, time deposits, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, the current portion of loans and interest receivables, financial liabilities included in other payables and accruals and the current portion of interest-bearing bank loans approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the director of the Company is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the directors and the audit committee of the Company. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the director of the Company. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of loans and interest receivables and interest-bearing bank and other loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other loans as at 31 March 2018 was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted mutual funds are determined based on the quoted market prices provided by fund administrators with reference to prices derived from the over-the-counter market. The fair values of unlisted available-for-sale debt investment have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The directors of the Company believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The carrying amounts and fair values of the Group's financial instruments, other than those carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	31 March 2018	31 March 2017	**31 March 2018**	31 March 2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Financial assets at fair value through profit or loss	**280,120**	354,696	**280,120**	354,696
Available-for-sale investments	**1,355,754**	1,170,707	**1,355,754**	1,170,707
Loans and interest receivables	**1,272,101**	635,515	**1,272,101**	635,515
	2,907,975	2,160,918	**2,907,975**	2,160,918
Financial liabilities				
Interest-bearing bank and other loans	**4,675,097**	4,081,274	**4,675,097**	4,081,274

For the fair value of listed equity investments which are suspended for trading, the market approach is adopted and enterprise value verses earnings before interest, tax, depreciation and amortisation ("EBITDA") ("EV-to-EBITDA"), discount for lack of control ("DLOC") and discount for lack of marketability ("DLOM") were used as inputs to the valuation model. For the fair value of the unlisted available-for-sale debt investments, discounted financial instrument in respect of the profit guarantee and call option, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model and has quantified this as a reduction in fair value using less favorable assumptions, and an increase in fair value using more favorable assumptions. These fair value measurements were categorised as Level 3 within the fair value hierarchy.

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 March 2018 and 2017:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
As at 31 March 2018				
A listed investment classified as financial assets at fair value through profit or loss and the share trading of which was suspended	Market approach	EV-to-EBITDA	18.9 times	1% increase (decrease) in EV-to-EBITDA would result in increase (decrease) in fair value by HK$143,000 (HK$286,000)
		DLOC	16.7%	1% increase (decrease) in DLOC would result in decrease (increase) in fair value by HK$429,000 (HK$429,000)
		DLOM	10.2%	1% increase (decrease) in DLOM would result in decrease (increase) in fair value by HK$714,000 (HK$714,000)
Unlisted available-for-sale debt investments	Discounted cash flow method	Credit spread	9.04%	1% increase (decrease) in discount rate would result in decrease (increase) in fair value by HK$14,493,000 (HK$14,840,000)
Call option	Black-Scholes Options Pricing Model	Risk free rate	1.08%	1% increase (decrease) in risk free rate would have no material impact on the fair value
		Volatility	35.49%	1% increase (decrease) in volatility would have no material impact on the fair value

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
As at 31 March 2017				
Unlisted available-for-sale debt investments	Discounted cash flow method	Credit spread	9.06%	1% increase (decrease) in discount rate would result in decrease (increase) in fair value by HK$22,198,000 (HK$22,921,000)
Discounted financial instrument in respect of the profit guarantee	Probabilistic flow method	Discount rate	10%	1% increase (decrease) in discount rate would result in decrease (increase) in fair value by HK$22,000 (HK$22,000)
Call option	Black-Scholes Options Pricing Model	Risk free rate	1.08%	1% increase (decrease) in risk free rate would have no material impact on the fair value
		Volatility	35.49%	1% increase (decrease) in volatility would have no material impact on the fair value

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 March 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *HK$'000*	Significant observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*	Total *HK$'000*
Available-for-sale investments:				
Debt investments	261,360	56,307	1,038,087	1,355,754
Equity investments at fair value through profit or loss	220,637	3,662	48,160	272,459
Derivatives financial instruments	—	—	7,661	7,661
	481,997	59,969	1,093,908	1,635,874

As at 31 March 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *HK$'000*	Significant observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*	Total *HK$'000*
Available-for-sale investments:				
Debt investments	99,731	—	1,070,976	1,170,707
Equity investments at fair value through profit or loss	299,047	41,225	—	340,272
Derivatives financial instruments	—	—	14,424	14,424
	398,778	41,225	1,085,400	1,525,403

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

The movements in fair value measurements in Level 3 during the years are as follows:

	HK$'000
At 1 April 2016	503,451
Derivative financial instruments recognised *(Note 39)*	11,905
Business combinations *(Note 37)*	720,000
Acquisition	30,000
Disposal	(200,000)
Total gains recognised in profit or loss	2,519
Total gains recognised in other comprehensive income	17,525
At 31 March 2017 and 1 April 2017	**1,085,400**
Transfer from Level 1 to Level 3 *(Note)*	**48,160**
Total loss recognised in profit or loss	**(36,763)**
Total loss recognised in other comprehensive income	**(2,889)**
At 31 March 2018	**1,093,908**

The Group did not have any financial liabilities measured at fair value as at 31 March 2018 and 2017.

Note: The transfer from Level 1 to Level 3 is due to the suspension of share trading of an equity investment at FVTPL during the year. The Group's policy is to recognise transfer into and transfer out of Level 3 as at the date of event or change in circumstances that caused the transfer.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include equity investments, debt securities, available-for-sale investments, trade and other receivables, loans and interest receivables, deposits, trade and other payables, accruals, deposits received, cash and bank balances and bank and other borrowings.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and price risk. The board of directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

31 March 2018

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group's exposure to changes in market interest rates relates primarily to the Group's bank loans with floating interest rates. The Group has not used any interest rate swaps to hedge its interest rate risk, and will consider hedging significant interest rate risk should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before tax. There is no material impact on other components of the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax
		HK$'000
2018		
HK$	**100**	**(46,617)**
HK$	**(100)**	**46,617**
2017		
HK$	100	(40,524)
HK$	(100)	40,524

Foreign currency risk

The Group has minimal transactional currency exposure arising from sales or purchases by operating units in currencies other than the units' functional currencies, and hence it does not have any foreign currency hedging policies.

Part of the Group's operating expenses are denominated in RMB, which is currently not a freely convertible currency. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of Mainland China. Shortages in the availability of foreign currencies may restrict the ability of the Group's PRC subsidiaries and joint venture to remit sufficient foreign currencies to pay dividends or other amounts to the Group.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

Under the PRC existing foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration for Foreign Exchange Bureau by complying with certain procedural requirements. However, approval from appropriate PRC governmental authorities is required where RMB is to be converted into a foreign currency and remitted out of Mainland China to pay capital account items, such as the repayment of bank loans denominated in foreign currencies.

Currently, the Group's PRC subsidiaries and joint venture may purchase foreign exchange for settlement of current account transactions, including payment of dividends to the Company, without prior approval of the State Administration for Foreign Exchange Bureau. The Group's PRC subsidiaries and joint venture may also retain foreign currencies in their current accounts to satisfy foreign currency liabilities or to pay dividends. Since foreign currency transactions on the capital account are still subject to limitations and require approval from the State Administration for Foreign Exchange Bureau, this could affect the Group's subsidiaries and joint venture's ability to obtain required foreign exchange through debt or equity financing, including by means of loans or capital contributions from the Group.

There are limited hedging instruments available in Mainland China to reduce the Group's exposure to exchange rate fluctuations between RMB and other currencies. To date, the Group has not entered into any hedging transactions in an effort to reduce the Group's exposure to foreign currency exchange risks. While the Group may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and the Group may not be able to hedge the Group's exposure successfully, or at all.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Euro and RMB exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax HK$'000
2018		
If Euro strengthens against HK$	**14,593**	**14**
If Euro weakens against HK$	**(14,593)**	**(14)**
If HK$ strengthens against RMB	**10,858**	**6**
If HK$ weakens against RMB	**(10,858)**	**(6)**
2017		
If Euro strengthens against HK$	8.869	8
If Euro weakens against HK$	(8.869)	(8)
If HK$ strengthens against RMB	7.319	3
If HK$ weakens against RMB	(7.319)	(3)

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, loans and interest receivables and debt securities. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The maximum exposure of these financial assets is equal to the carrying amounts of these instruments.

In respect of trade and other receivables, the management of the Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

In respect of loans and interest receivables, individual credit evaluations are performed on all borrowers requiring credit over a certain amount. These evaluations focus on the borrowers' past history of making payments when due and the current ability to pay, and take into account information specific to the borrowers. Certain of these loans and interest receivable are secured by share charges in respect of the equity interests of certain subsidiaries and unlisted equity investments of the respective borrowers.

The credit risk of debt securities mainly arises from the risk that the issuer might default on a payment or go into liquidation. Debt securities by different types of issuers are generally subject to different degrees of credit risk. Management regularly reviews the credit exposure and does not expect any investment counterparty to fail to meet its obligations.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and certain listed equity securities, with the maximum exposure equal to the carrying amounts of these instruments.

At the end of the reporting period, the Group has certain concentration of credit risk of 47% and 78% of the Group's loans and interest receivables were due from the Group's largest and the five largest customers, respectively.

As at 31 March 2017, since these loans receivables relate to a number of different borrowers, the directors of the Company are of the opinion that there is no concentration of credit risk over these loans receivable.

Further quantitative data in respect of the Group's exposure to credit risk arising from available-for-sale investments (note 19), trade and other receivables (notes 22 and 24) are disclosed in the corresponding notes to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual and undiscounted payments, was as follows:

	2018					
	On demand *HK$'000*	Within 1 year *HK$'000*	1 to 2 years *HK$'000*	3 to 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
Bank loans *(Note)*	939,151	943,412	1,668,785	1,278,385	425,005	5,254,738
Other loans *(Note 30)*	—	14,201	—	—	—	14,201
Trade payables *(Note 28)*	—	252,656	—	—	—	252,656
Other payables and accruals *(Note 29)*	—	42,218	164,958	—	—	207,176
	939,151	1,252,487	1,833,743	1,278,385	425,005	5,728,771

	2017					
	On demand *HK$'000*	Within 1 year *HK$'000*	1 to 2 years *HK$'000*	3 to 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
Bank loans *(Note)*	337,856	525,650	838,451	2,033,158	522,858	4,257,973
Other loans *(Note 30)*	—	30,576	—	—	—	30,576
Trade payables *(Note 28)*	—	124,289	—	—	—	124,289
Other payables and accruals *(Note 29)*	—	120,369	—	—	—	120,369
	337,856	800,884	838,451	2,033,158	522,858	4,533,207

Note:

Included in interest-bearing bank loans of the Group are term loans with an aggregate principal amounting to HK$567,961,000 (2017: HK$337,856,000), of which the respective loan agreements contain a repayment on-demand clause giving the bank the unconditional right to call in the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Note: (continued)

Notwithstanding the above clause, the directors do not believe that these loans will be called in their entirety within 12 months, and they consider that the loans will be repaid in accordance with the maturity dates as set out in the respective loan agreements. This evaluation was made considering: the financial position of the Group at the date of approval of the financial statements; the Group's compliance with the loan covenants; the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the loans, the contractual undiscounted payments are as follows:

	Within 1 year *HK$'000*	1 to 2 years *HK$'000*	3 to 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
31 March 2018	**378,132**	**76,041**	**224,709**	**3,064**	**681,946**
31 March 2017	179,639	65,610	102,568	4,948	352,765

Price risk

Price risk is the risk that the fair values of financial investments decrease as a result of changes in the levels of equity indices and the value of individual debt securities. The Group was exposed to price risk arising from individual financial investments classified as available-for-sale investments (note 19) and financial assets at fair value through profit or loss (note 25) as at 31 March 2018.

The Group's debt securities are traded in the over-the-counter market and are valued at fair value at each year end date with reference to the trading prices quoted in the market. The Group's listed equity investments are listed on the Hong Kong Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 March 2018	High/low 2018	31 March 2017	High/low 2017
Hong Kong — Hang Seng Index	**30,093**	**33,154/23,826**	24,112	24,593/19,694

The Group manages its exposure by closely monitoring the price movements and the changes in market conditions that may affect the value of these financial investments.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Price risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the financial investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of financial investments	Increase/ (decrease) in price	Increase/ (decrease) in profit before tax
	HK$'000	*%*	*HK$'000*
2018			
Equity securities listed in Hong Kong:			
Held-for-trading	**268,797**	**22.26**	**59,822**
Held-for-trading	**268,797**	**(22.26)**	**(59,822)**
Equity securities unlisted in Hong Kong:			
Held-for-trading	**3,662**	**22.26**	**815**
Held-for-trading	**3,662**	**(22.26)**	**(815)**
2017			
Equity securities listed in Hong Kong:			
Held-for-trading	299,047	24.88	74,403
Held-for-trading	299,047	(24.88)	(74,403)
Equity securities unlisted in Hong Kong:			
Held-for-trading	41,225	24.88	10,257
Held-for-trading	41,225	(24.88)	(10,257)

31 March 2018

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 March 2018.

The Group monitors capital using a net gearing ratio, which is net debt divided by equity attributable to owners of the parent. Net debt is calculated as a total of interest-bearing bank and other loans, less cash and cash equivalents. The gearing ratios as at the end of the reporting periods were as follows:

	2018 ***HK$'000***	2017 *HK$'000*
Interest-bearing bank and other loans *(Note 30)*	**4,675,097**	4,081,274
Less: Cash and cash equivalents *(Note 26)*	**(2,664,364)**	(2,369,308)
Net debt	**2,010,733**	1,711,966
Equity attributable to owners of the parent	**5,799,522**	4,612,980
Gearing ratio	**34.67%**	37.11%

49. EVENT AFTER THE REPORTING PERIOD

On 19 April 2018, the Group entered into a sale and purchase agreement with a connected person to dispose of 30% equity interest in a subsidiary which is engaged in property development in Hong Kong. The transaction was completed on 19 April 2018. Further details of this disposal are set out in the joint announcement of the Company and Wang On Properties Limited ("WOP", together with its subsidiaries, collectively the "WOP Group") dated 19 April 2018.

31 March 2018

50. 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:

	2018 *HK$'000*	2017 *HK$'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	**2,796,043**	2,638,609
CURRENT ASSETS		
Prepayments, deposits and other receivables	**2,386**	2,683
Financial assets at fair value through profit or loss	**65,876**	47,483
Cash and cash equivalents	**412,247**	585,039
Tax recoverable	**1,108**	1,108
Total current assets	**481,617**	636,313
CURRENT LIABILITIES		
Other payables and accruals	**73,613**	19,055
Interest-bearing bank and other loans	**411,806**	235,525
Total current liabilities	**485,419**	254,580
NET CURRENT ASSETS/(LIABILITIES)	**(3,802)**	381,733
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,792,241**	3,020,342
NON-CURRENT LIABILITIES		
Interest-bearing bank and other loans	**132,399**	221,644
Deferred tax liabilities	**8,144**	4,543
Total non-current liabilities	**140,543**	226,187
Net assets	**2,651,698**	2,794,155
EQUITY		
Issued capital	**189,285**	192,885
Reserves *(Note)*	**2,462,413**	2,601,270
Total equity	**2,651,698**	2,794,155

Tang Ching Ho
Director

Chan Chun Hong, Thomas
Director

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

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

	Notes	Share premium account HK$'000	Contributed surplus HK$'000 (Note)	Retained profits HK$'000	Total HK$'000
At 1 April 2016		1,435,381	321,388	982,094	2,738,863
Loss and total comprehensive loss for the year		–	–	(21,860)	(21,860)
Final 2016 dividend	11	–	–	(96,444)	(96,444)
Interim 2017 dividend	11	–	–	(19,289)	(19,289)
At 31 March 2017 and 1 April 2017		**1,435,381**	**321,388**	**844,501**	**2,601,270**
Profit and total comprehensive income for the year		**–**	**–**	**17,901**	**17,901**
Shares repurchased and cancelled	33(a)	**(41,256)**	**–**	**–**	**(41,256)**
Final 2017 dividend	11	**–**	**–**	**(96,443)**	**(96,443)**
Interim 2018 dividend	11	**–**	**–**	**(19,059)**	**(19,059)**
At 31 March 2018		**1,394,125**	**321,388**	**746,900**	**2,462,413**

Note: The contributed surplus of the Company originally derived from the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to the Group's reorganisation on 6 February 1995 and the par value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

51. COMPARATIVES

Certain comparative amounts have been reclassified to conform to the current year's presentation.

52. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 20 June 2018.

PARTICULARS OF PROPERTIES

PARTICULARS OF INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
Office on 30th Floor, United Centre, No. 95 Queensway, Hong Kong	Commercial premises for rental	Long term lease	75.00%

PARTICULARS OF PROPERTIES UNDER DEVELOPMENT

Location	Approximate site area *(sq ft)*	Estimated approximate GFA *(sq ft)*	Use	Estimated completion date	Stage of completion	Attributable interest of the Group
Ma Kam Street, Ma On Shan (The Met. Blossom)	33,000	200,000	Residential	2018	Construction in progress	45%
Tai Po Road — Tai Wai (The Met. Acappella)	71,000	148,000	Residential	2019	Construction in progress	75%

PARTICULARS OF PROPERTY HELD FOR SALE

Location	Approximate site area *(sq ft)*	Approximate GFA *(sq ft)*	Use	Attributable interest to the Group
Nos. 575-575A, Nathan Road (Ladder Dundas)	2,100	25,000	Commercial	75%
Hang Kwong Street, Ma On Shan (The Met. Bliss)	33,000	115,000	Residential	45%

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, is set out below.

RESULTS

	Year ended 31 March				
	2018	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**2,620,998**	869,357	916,947	1,500,023	1,686,606
PROFIT AFTER FINANCE COSTS	**1,866,385**	379,356	412,608	559,196	629,649
Share of profits and losses of:					
Joint ventures	**3,672**	10,101	514	4,788	8,057
Associates	**(35,008)**	(29,787)	31,695	135,658	43,038
PROFIT BEFORE TAX	**1,835,049**	359,670	444,817	699,642	680,744
Income tax credit/(expense)	**(69,055)**	17,599	3,641	(111,629)	(87,535)
PROFIT FOR THE YEAR	**1,765,994**	377,269	448,458	588,013	593,209
Attributable to:					
Owners of the parent	**1,223,444**	423,690	449,077	588,188	593,521
Non-controlling interests	**542,550**	(46,421)	(619)	(175)	(312)
	1,765,994	377,269	448,458	588,013	593,209

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	31 March				
	2018	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**15,916,528**	13,625,034	7,044,469	7,345,186	5,788,783
TOTAL LIABILITIES	**(7,917,083)**	(7,198,776)	(2,488,502)	(3,154,754)	(1,876,576)
NON-CONTROLLING INTERESTS	**(2,199,923)**	(1,813,278)	1,303	22	(153)
	5,799,522	4,612,980	4,557,270	4,190,454	3,912,054