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Wai Yuen Tong Medicine Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code : 897)

2018 Interim Report

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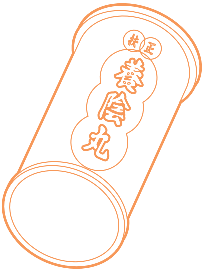

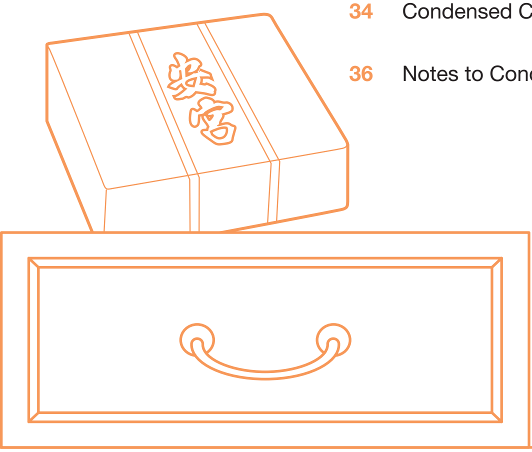

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Tang Ching Ho, *SBS, JP*,
Chairman & Managing Director
Mr. Chan Chun Hong, Thomas
Ms. Tang Mui Fun
Ms. Tang Wai Man
(Appointed on 1 April 2018)

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Siu Man Ho, Simon, *Chairman*
Mr. Leung Wai Ho, *MH*
Mr. Cho Wing Mou
Mr. Tang Ching Ho, *SBS, JP*
Ms. Tang Wai Man

NOMINATION COMMITTEE

Mr. Cho Wing Mou, *Chairman*
Mr. Leung Wai Ho, *MH*
Mr. Siu Man Ho, Simon
Mr. Tang Ching Ho, *SBS, JP*
Ms. Tang Wai Man

EXECUTIVE COMMITTEE

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

AUTHORISED REPRESENTATIVES

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

COMPANY SECRETARY

Ms. Mak Yuen Ming, Anita

AUDITOR

Ernst & Young

LEGAL ADVISERS

DLA Piper Hong Kong
Gallant

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3101, 31/F., Skyline Tower
39 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

BOARD LOT

5,000 shares

INVESTOR RELATIONS

email: contact@waiyuentong.com

HOMEPAGE

www.wyth.net

STOCK CODE

897

Interim Dividend

The board of directors (the "**Board**" or the "**Directors**") of Wai Yuen Tong Medicine Holdings Limited (the "**Company**", together with its subsidiaries, collectively referred to as the "**Group**") does not recommend the payment of any interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

Management Discussion and Analysis

BUSINESS REVIEW

For the six months ended 30 September 2018 (the "**Period**"), the Group managed to resume profitability and maintained steady development in its core business. During the period under review, the Group recorded revenue of HK$343.6 million (2017: approximately HK$382.6 million), representing a decrease of 10.2% from that of the same period last year. Despite a retreat in gross profit due to decline in revenue, the profit attributable to owners of the Company of HK$40.4 million for the Period displayed a significant improvement from a loss recorded in the corresponding period of last year. Such improvement was mainly attributable to a gain on bargain purchase of additional equity interests in an associate, improvement in results of such associate and the revaluation of fair value of the Group's properties.

(1) Chinese Pharmaceutical and Health Food Products

Deteriorating economic environment and weakened consumption sentiment hammered the Group's revenue from the Chinese pharmaceutical and health food products segment. The segment's operating profit retreated modestly as a result of decline in revenue.

During the Period, the Group focused on fine-tuning its market strategy and adjusting its overall business development direction in accordance with the changing economic environment.

With the growing acceptance of traditional Chinese medicine ("**TCM**") as means to enhance health preservation, the Group has developed various series of healthcare and daily-life products with TCM ingredients. One of the new products launched during the Period was Angong Jiangya Wan (安宮降壓丸), which was well received by the market. The product is manufactured in accordance with TCM compound recipe, requiring sophisticated technology and stringent quality control. The product is the one of its kind manufactured in Hong Kong. Initial sales of the product had been encouraging and contributed to improvement in the segment's sales upsurge.

BUSINESS REVIEW (Continued)

(1) Chinese Pharmaceutical and Health Food Products (Continued)

During the Period, the Group continued to intensify its marketing and promotional efforts. The Group appointed Ms. Gigi Leung Wing-kei, a popular Hong Kong singer, and Mr. Ray Lui Leung-wai, a legendary actor, as product ambassadors of two of its key products, namely Wall-broken Ganoderma Lucidum Spores (Upgraded Formula) (破壁靈芝孢子(升級配方)) and Angong Niuhuang Wan (安宮牛黃丸). The two product series target a range of customer groups seeking healthy urban lifestyle.

The Group continued to actively explore ways to escalate its online marketing and distribution during the Period. The Group was in the process of finalising plans to cooperate with certain online platforms specialising in pharmaceutical product sales in mainland China to broaden its distribution channels. These activities served to enhance brand awareness and sales coverage among existing and potential customers. The Group's online sales platform continued to fine-tune its interface, as well as its advertising and shopping functions during the period under review. The Group also applied mobile application to broaden its distribution coverage and promote corporate identity and product visibility. Such approaches allow the Group to reach a broader range of customers who are becoming more inclined to try natural herbal healthcare products.

The Group aimed to enhance cost efficiency through further consolidation of its retail sales network and distribution channels. As at the end of the reporting period, there were over 60 retail outlets in Hong Kong, of which 40 outlets provide TCM consultation services. The "Wai Yuen Tong" brand represented one of the largest TCM retail networks in Hong Kong.

In mainland China, the Group currently has formed a network covering major Chinese cities, such as Beijing, Nanjing, and Hangzhou. This distribution network helps strengthen the Group's sales and brand recognition in mainland China market.

BUSINESS REVIEW (Continued)

(2) Western Pharmaceutical and Health Care Products

Revenue from this business segment for the Period decreased by approximately 14.0% from that of the corresponding period last year, to approximately HK$55.1 million.

The two major product series, namely "Madame Pearl's" and "Pearl's" under this business segment encountered different challenges during the Period. The segment's prime product – cough syrup – under the Madame Pearl's brand was affected by the relocation of production facilities to the Group's new plant in Yuen Long. Installation of equipment and the time required for application of relevant production permits resulted in decline in production volume of Madame Pearl's cough syrup. The Pearl's product series, which comprises MosquitOut spray, hand cream and itching relief products, faced with severe price competition. Despite a highly competitive market environment, Pearl's MosquitOut remained as a leading brand in this product category.

During the Period, the Group placed substantial resources in revamping its western pharmaceutical and health care product distribution channels. To comply with mainland China's relevant regulations, the Group has engaged various local industry players to rejuvenate the penetration of its upper airway product series under "Madame Pearl's" into mainland China.

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

(3) Commissioning of the Yuen Long Factory

The modern TCM and western medicine factory of the Group in Yuen Long Industrial Estate has been commencing operation in phases since April 2017. The plant was granted the standard certification of The Pharmaceutical Inspection Co-operation Scheme ("**the PIC/S**") by the Therapeutic Goods Administration of Australia (TGA) in the first half of 2017. The manufacturing unit of Luxembourg Medicine Company Limited ("**Luxembourg Medicine**"), a subsidiary of the Group, was granted the PIC/S certification by the Pharmacy and Poisons Board of Hong Kong in September 2017. The plant is also Good Manufacturing Practice (GMP) certified. Such certifications signify the production facilities' compliance with local and international industry standards.

BUSINESS REVIEW (Continued)

(3) Commissioning of the Yuen Long Factory (Continued)

The Yuen Long plant utilises the latest technology meeting stringent environment and quality requirements. With the installation of fully automated equipment and clean room facilities, the plant is capable of significantly enhancing the Group's overall production capacity and product quality. The plant's inauguration serves to further reinforce the Group's business concept of having its products "100% made in Hong Kong".

With the pure water system conforming to the specifications of the British Pharmacopoeia, Luxembourg Medicine's products are ensured to be complied with the Hong Kong Hospital Authority's medicine tender requirement, as well as the indicators of the prescription medicines by local doctors. The new factory is also equipped with state-of-the-art laboratory in microbiology and testing equipments.

(4) Factory Building in Mainland China

To complement the Group's manufacturing capacity in Hong Kong and further strengthen its operations in mainland China, the Group acquired a factory building and two dormitory buildings located at Nanbu Village, Pingshan Town, Shenzhen, China, with a gross floor area of approximately 19,475 square meters.

The Group completed the renovation of the factory building and began certain product processing and package work through a GMP licensed manufacturer in the premises, under subcontracting arrangement.

(5) Property Investment

As at the end of the Period, the Group owned 16 retail properties. Some of these properties were leased to the third parties while the rest were used by the Group as retail outlets. During the Period, the net fair value gain on investment properties of the Group amounted to HK$11.8 million. The Group will continue to seek opportunities to diversify its property investment portfolio. The investment property portfolio serves to stabilise the Group's retail operating cost and provides it with steady recurrent income.

BUSINESS REVIEW (Continued)

(6) Investment in Easy One Financial Group Limited ("Easy One")

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

As at 30 September 2018, the Group held 161,718,625 shares, representing approximately 29.06% of the issued share capital of Easy One. The Group's share of earnings of Easy One during the period under review amounted to approximately HK$61.6 million (2017: share of loss amounted to approximately HK$34.0 million).

The turnaround on Easy One's performance was one of the reasons for the Group's favourable results for the Period.

On 18 September 2018, the Group entered into a loan agreement (the "**2018 Loan Agreement**") of not exceeding a sum of HK$65.0 million for a term of 36 months at an interest rate of 7.0% per annum to replace a loan facility offered to Easy One in 2016. The Board believes that the 2018 Loan Agreement will generate a stable and higher return to the shareholders comparing with the interests earned by making a Hong Kong dollar time deposit with financial institutions in Hong Kong.

(7) Loan to China Agri-Products Exchange Limited ("CAP")

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

CAP had early repaid a principal amount of HK$132.0 million to the Group during the Period and as at 30 September 2018, the Group held a principal amount of HK$788.0 million (31 March 2018: HK$920.0 million) of five-year 10.0% coupon interest bonds due 2019 issued by CAP (the "**2019 CAP Bonds**") and the fair value of the 2019 CAP Bonds held by the Group amounted to approximately HK$774.0 million (31 March 2018: approximately HK$909.6 million).

BUSINESS REVIEW (Continued)

(8) Financial Assets at Fair Value through Profit or Loss and at Fair Value through Other Comprehensive Income

The Group has maintained a portfolio of listed equity securities and mutual funds in Hong Kong which are held for investment purpose. During the Period, the Group has recorded a net loss on change in fair value of financial assets at fair value through profit or loss of approximately HK$0.1 million for the Period (2017: a net loss of approximately HK$8.8 million) and a net loss on change in fair value of financial assets at fair value through other comprehensive income of approximately HK$41.9 million (2017: Nil) for the Period.

(9) Material Acquisitions

On 7 February 2018, Guidepost Investments Limited, an indirect wholly-owned subsidiary of the Company, entered into an agreement with East Run Investments Limited and Wang On Properties Limited (Stock Code: 1243) ("**WOP**") for the acquisitions of the entire issued share capital in, and their respective shareholder's loans, four target companies for a total cash consideration of approximately HK$350.0 million. These companies held retail properties located in Causeway Bay, Shau Kei Wan, Mong Kok and Tai Po, respectively. Upon completion of the acquisitions on 25 April 2018 and expiry of the existing tenancies, if any, the Company intended to use the properties for retail purpose. The acquisitions presented an opportunity for the Group not only to further enhance and expand its business presence at strategic retail locations, but also to reduce its rental burden.

FINANCIAL REVIEW

Liquidity and Gearing and Financial Resources

As at 30 September 2018, the Group had total assets of approximately HK$3,597.7 million (31 March 2018: approximately HK$3,656.5 million) which were financed by current liabilities of approximately HK$439.2 million (31 March 2018: approximately HK$425.4 million), non-current liabilities of approximately HK$651.1 million (31 March 2018: approximately HK$671.1 million) and shareholders' equity of approximately HK$2,507.4 million (31 March 2018: approximately HK$2,560.0 million).

As at 30 September 2018, the Group's bank balances and cash were approximately HK$230.6 million (31 March 2018: approximately HK$420.8 million). As at 30 September 2018, the Group's total bank borrowings amounted to approximately HK$929.6 million (31 March 2018: approximately HK$927.0 million), all of which bore interest at floating interest rates and were denominated in Hong Kong dollars.

FINANCIAL REVIEW (Continued)

Liquidity and Gearing and Financial Resources (Continued)

As at 30 September 2018, the maturity profile of all bank borrowings based on the dates set out in the relevant loan agreements was shown below, together with the corresponding figures as at 31 March 2018:

	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
Bank loans repayable:		
Within one year	**287,290**	264,790
In the second year	**44,790**	42,290
In the third to fifth years, inclusive	**156,869**	151,869
Beyond five years	**440,673**	468,068
	929,622	927,017

The Group maintained a healthy liquidity position. The current ratio, being a ratio of total current assets to total current liabilities, was approximately 1.6 (31 March 2018: approximately 2.5). The gearing ratio, being the ratio of total borrowings net of bank balances and cash to equity attributable to owners of the parent, was approximately 27.9% (31 March 2018: approximately 19.8%). The Group always adopts a conservative approach in its financial management.

FINANCIAL REVIEW (Continued)

Significant Investments Held

As at 30 September 2018, the Group had financial assets at fair value through other comprehensive income of approximately HK$893.6 million and financial assets at fair value through profit or loss of approximately HK$1.8 million, details of which were set out as follows:

Nature of investments	As at 30 September 2018				For the Period ended 30 September 2018				Fair value/carrying amount		
	Number of shares held '000	Amount held HK$'000	Percentage to share-holding in such stock %	Percentage to the Group's net assets %	Addition/ (disposal) HK$'000	Fair value gain/ (loss) HK$'000	Bond interest income HK$'000	Dividends received HK$'000	As at 30 September 2018 HK$'000	As at 31 March 2018 HK$'000	Investment cost HK$'000
Financial assets at fair value through other comprehensive income:											
A. List investments											
Kingston Financial Group Limited ("**Kingston**")	12,336	25,659	0.09	1.02	–	(17,640)	–	247	25,659	43,299	9,413
Wang On Group Limited ("**Wang On**")	423,000	39,339	2.23	1.57	–	(4,653)	–	2,115	39,339	43,992	16,819
Others	–	25,415	–	1.01	–	(12,978)	–	360	25,415	38,392	46,188
B. Bonds											
2019 CAP Bonds	–	773,952	–	30.87	(129,031)	(6,579)	48,420	–	773,952	909,562	788,000
Others	–	29,240	–	1.17	27,258	(40)	76	–	29,240	2,029	29,280
Sub-total	–	893,605	–	35.6	(101,773)	(41,890)	48,496	2,722	893,605	1,037,274	889,700
Financial assets at fair value through profit or loss:											
A. Funds	–	1,839	–	0.07	–	(70)	–	–	1,839	1,910	5,515
Total	–	895,444	–	35.71	(101,773)	(41,960)	48,496	2,722	895,444	1,039,184	895,215

FINANCIAL REVIEW (Continued)

Significant Investments Held (Continued)

The principal activities of the securities are as follows:

1. ***Kingston***

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

2. ***Wang On***

   Wang On is principally engaged in property development, property investment, management and sub-licensing of fresh markets, treasury management and production and sale of pharmaceutical products in Hong Kong and mainland China.

3. Save as disclosed above, the Group also invested in other listed shares 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 30 September 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 30 September 2018.

FINANCIAL REVIEW (Continued)

Financial Review and Prospect of Significant Investments Held

Financial assets at fair value through profit or loss and at fair value through other comprehensive income

As at 30 September 2018, the Group held the 2019 CAP Bonds in the principal amount of HK$788.0 million (31 March 2018: HK$920.0 million). As at 30 September 2018, the fair value of the 2019 CAP Bonds amounted to approximately HK$774.0 million (31 March 2018: approximately HK$909.6 million). The aforesaid bond has provided a reasonable and stable cash income stream to the Group and the Group intended to hold it to maturity.

With a view to optimising its use of cash resources, the Group invested in various listed equity securities and mutual funds with prudence and in a cautious manner. As at 30 September 2018, the Group maintained an investment portfolio of listed equity securities in Hong Kong and mutual funds. The Group had recorded a net loss on change in fair value of financial assets at fair value through profit or loss of approximately HK$0.1 million for the period under review (2017: a net loss of approximately HK$8.8 million) and a net loss on change in fair value of financial assets at fair value through other comprehensive income of approximately HK$41.9 million for the period under review (2017: Nil). The Group has always adopted a prudent investment strategy and would closely monitor the market changes and adjust its investment portfolio as and when necessary.

Foreign Exchange

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

Capital Commitment

As at 30 September 2018, the Group had capital commitment of approximately HK$7.5 million (31 March 2018: approximately HK$317.6 million) in respect of the acquisition of property, plant and equipment, which were contracted for but not provided for in the consolidated financial statements.

FINANCIAL REVIEW (Continued)

Pledge of Assets

As at 30 September 2018, the Group's bank borrowings were secured by the Group's land and buildings and investment properties, with a total carrying value of approximately HK$654.9 million (31 March 2018: approximately HK$645.7 million).

Contingent Liabilities

As at 30 September 2018, the Group had no material contingent liabilities (31 March 2018: Nil).

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

Save as disclosed above, during the Period, the Group did not have any other significant investments held, material acquisitions and disposals of subsidiaries and future plans for material investments or capital assets.

EMPLOYEES

As at 30 September 2018, the Group had 711 (31 March 2018: 721) employees, of whom approximately 76.2% (31 March 2018: approximately 75.5%) were located in Hong Kong and the rest were located in mainland China. The Group remunerates its employees based on industry practices and individual performance and experience. On top of the regular remuneration, discretionary bonus and share options may be granted to eligible staff by reference to the Group's performance as well as the individual performance. The Group also provides a defined contribution to the Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for our eligible employees in Hong Kong. Other benefits such as medical and retirement benefits and structured training programs are also provided.

PROSPECTS

According to the statistics published by the Census and Statistics Department of Hong Kong, there was an increase in value of total retail sales by approximately 12.2% for the first eight months of 2018 compared to that of the same period of 2017. With the arrival of festive seasons in the fourth quarter of 2018 and the first quarter of 2019, the Group is expected to benefit from increased domestic consumption as well as tourist purchase, particularly for healthcare products. The opening of Hong Kong-Zhuhai-Macau Bridge and Guangzhou-Shenzhen-Hong Kong Express Rail Link are going to shorten the distance between various mainland China cities and Hong Kong and facilitates cross-border consumption. With a strong brand recognition of “Wai Yuen Tong” brand and consumers’ faith in “made in Hong Kong” health food products, the Group is well-poised to benefit from these latest developments.

Mainland China’s strong consumption power and its ever-growing middle class’ pursuit for healthy and safe pharmaceutical and health products together constitute enormous market opportunities for the Group. Over the past decade, the Group has established an advancing bridgehead in the mainland China market, supported by an extensive sales and distribution network, and massive advertising campaigns. The national promotion of “Healthy China” and the State’s supporting policies are expected to help driving the Group’s deepened penetration into this huge market.

The smooth operation of the TCM and western medicine factory in Yuen Long Industrial Estate helps to gradually expand the category diversity and production capacity of the Group’s products. More importantly, the plant’s research and development facilities enable the Group to carry out a broad range of product development and study on commercial production of TCM from traditional compound recipe. High value-added products such as “Angong Niuhuang Wan” (安宮牛黃丸) and “Angong Jiangya Wan” (安宮降壓丸) have been launched and are well accepted by the market. The Group will further leverage its success in introducing the “Angong” (安宮) series and explore opportunities for intensified market penetration of this series of products and extension of the series’ product line. At present, the series has two products for preventive healthcare and treatment respectively. The Group is in the process of developing a new product for recovery healthcare under the series. The Group will continue to expand product mix to enlarge its product series of TCM and western pharmaceutical products.

PROSPECTS (Continued)

To cater for the consumption habit of younger generation and to enhance product distribution utilising latest cyber technology, the Group will allocate further resources in digital marketing. In addition to traditional approaches of engaging celebrities as product ambassadors and above-the-line advertising, the Group will devote significant effort to social media interactive communications and mobile application promotions to optimise cross-border marketing.

Looking forward, albeit the uncertainties in domestic economy under the shadow of intensifying China-US trade war and volatility of the capital market, the sale of healthcare and pharmaceutical products are generally less sensitive to economic performance. The Group will maintain a cautious approach in its sales network consolidation and product range expansion.

As “a century-old well-established brand and a Hong Kong brand”, “Wai Yuen Tong” will, based on its solid foundation and trusted position amongst customers, continue to develop its core business and take up the challenges with flexibility, innovative ideas and operational mechanisms, in order to provide our customers in both mainland China and Hong Kong, and even from overseas, with quality products and services.

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

As at 30 September 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 Securities and Futures Ordinance (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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), were as follows:

(i) Long positions in the ordinary shares of the Company:

Name of Director	Number of shares	Approximate percentage of the Company's total issued share capital %
Mr. Tang Ching Ho *(Note 1)*	715,322,940	56.54 *(Note 2)*

(ii) Long positions in the ordinary shares of Wang On, an associated corporation of the Company:

Name of Director	Name of corporation	Number of shares	Approximate percentage of Wang On's total issued share capital %
Mr. Tang Ching Ho *(Note 1)*	Wang On	9,984,356,772	52.75 *(Note 3)*

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

(Continued)

Notes:

(1) Under the SFO, Mr. Tang Ching Ho is taken to be interested in the interests of the Company as he is taken to be interested in an aggregate of 9,984,356,772 shares in Wang On, representing approximately 52.75% of all the issued Wang On's shares, by virtue of his own beneficial shareholding, the shareholding interests of his spouse in Wang On, the shareholding interests of a company wholly and beneficially owned by him, and his deemed interests by virtue of being the founder of Tang's Family Trust. Wang On is taken to be interested in the interests in shares held by Rich Time Strategy Limited ("**Rich Time**"). Rich Time, an indirect wholly-owned subsidiary of Wang On, which was the beneficial owner of 715,322,940 shares of the Company. Therefore, Mr. Tang Ching Ho was deemed to be interested in 715,322,940 shares of the Company held by Wang On for the sole purpose of Part XV of the SFO.

(2) The percentage represented the number of shares over the total issued share capital of the Company as at 30 September 2018 was 1,265,142,888 shares.

(3) The percentage represented the number of shares over the total issued share capital of Wang On as at 30 September 2018 was 18,928,520,047 shares.

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

Name of Director	Date of grant	Exercise price per share HK$	Number of share options outstanding	Exercisable period *(Note 4)*	Number of underlying shares	Approximate percentage of the Company's total issued share capital *(Note 5)* %
Ms. Tang Mui Fun	8.1.2009	20.6927	4,554	8.1.2010 – 7.1.2019	4,554	0.0004

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

(Continued)

(iv) Long positions in underlying shares of share options of Easy One, an associated 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 6)* %
Mr. Chan Chun Hong, Thomas	23.2.2018	0.48	4,600,000	23.02.2018 – 22.02.2025	4,600,000	0.83

Notes:

(4) 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

(5) The percentage represented the number of shares over the total issued share capital of the Company as at 30 September 2018 was 1,265,142,888 shares.

(6) The percentage represented the number of shares over the total issued share capital of Easy One as at 30 September 2018 was 556,432,500 shares.

Save as disclosed above, as at 30 September 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' and chief executive's interests and short positions in shares, underlying shares or debentures of the Company and its associated corporations" above, at no time during the Period were rights to acquire benefits by means of the acquisition of shares, or underlying shares in, or debentures of the Company granted to any Director, chief executive of the Company 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 or chief executive of the Company to acquire such rights in any other body corporate.

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

As at 30 September 2018, to the best knowledge of the Directors, the following persons had, or were deemed or taken to have, interests 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 required to be kept by the Company under Section 336 of the SFO:

Long positions in the ordinary shares of the Company:

Name of shareholders	Number of shares	Approximate percentage of the Company's total issued share capital *(Note 3)* %
Rich Time *(Note 1)*	715,322,940	56.54
Wang On Enterprises (BVI) Limited ("**WOE**") *(Note 1)*	715,322,940	56.54
Wang On *(Note 1)*	715,322,940	56.54
Ms. Yau Yuk Yin *(Note 2)*	715,322,940	56.54

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

Long positions in the ordinary shares of the Company: (Continued)

Notes:

1. Rich Time, a wholly-owned subsidiary of WOE, which is a wholly-owned subsidiary of Wang On, beneficially owned 715,322,940 shares of the Company. WOE and Wang On are taken to be interested in 715,322,940 shares of the Company held by Rich Time.

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

3. The percentage represented the number of shares over the total issued share capital of the Company as at 30 September 2018 was 1,265,142,888 shares.

Save as disclosed above, as at 30 September 2018, there were no other persons who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Share Option Scheme

At the annual general meeting of the Company held on 22 August 2013, the shareholders of the Company approved the adoption of a new share option scheme (the "**2013 Scheme**") and the termination of the share option scheme previously adopted by the Company on 18 September 2003 (the "**2003 Scheme**"). Upon termination of the 2003 Scheme, no share options was granted thereunder but the subsisting share options granted prior to the termination will continue to be valid and exercisable during the prescribed exercisable period in accordance with the terms of the 2003 Scheme.

Under the 2013 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) or any secondee works for any member of the Group or any of its substantial shareholder or any company controlled by its substantial shareholder, or any holder of any 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 and any company controlled by one or more persons belonging to any of the above classes of participants.

The 2013 Scheme became effective on 22 August 2013 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.

The movement in the share options under the 2003 Scheme during the period under review was as follows:

Name or category of participant	Number of share options					Date of grant	Exercise price per share *(Note 1)* HK$	Exercisable period *(Note 2)*
	Outstanding as at 1 April 2018	Granted during the Period	Exercised during the Period	Lapsed during the Period	Outstanding as at 30 September 2018			
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								
In aggregate	15,276	–	–	(1,401)	13,875	8.1.2009	20.6927	8.1.2010 – 7.1.2019
	19,340	–	–	(2,102)	17,238	12.5.2010	7.4197	12.5.2011 – 11.5.2020
	34,616	–	–	(3,503)	31,113			
	39,170	–	–	(3,503)	35,667			

Notes:

1. The numbers and exercise prices of the share options were adjusted immediately upon issue of bonus shares.

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

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

Save as disclosed above, during the period under review, no share option was granted, exercised or cancelled under the 2003 Scheme and the 2013 Scheme and an aggregate of 3,503 share options lapsed under the 2003 Scheme. As at 30 September 2018, the Company had 35,667 share options outstanding under the 2003 Scheme. Upon expiry of the vesting periods, the exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 35,667 additional ordinary shares of the Company and additional share capital of approximately HK$356.7 and share premium of approximately HK$508,889.9 (before expenses).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules throughout the Period for the six months ended 30 September 2018, except for the following deviation:

Code provision A.2.1

Mr. Tang Ching Ho, the chairman of the Board, also assumed the role of managing Director after the re-designation of Mr. Chan Chun Hong, Thomas to executive Director with effect from 1 April 2018 which deviates from code provision A.2.1 of the CG Code. Mr. Tang has extensive management experience in corporate management and is responsible for overall corporate planning, strategic policy making of the Group which is of great value in enhancing the efficiency to cope with the dynamic business environment. Furthermore, there are various experienced individuals in charge of the daily business operation and the Board comprises four executive Directors and four independent non-executive Directors with balance of skill and experience appropriate for the Group's further development. The Company does not propose to comply with code provision A.2.1 of the CG Code for the time being but will continue to review such deviation to enhance the best interest of the Group as a whole.

The Group continues to review and propose, as and when appropriate, by taking into consideration of such deviation and any other relevant factors, so as to maintain a high standard of corporate governance within a sensible framework with a strong emphasis on transparency, accountability, integrity and independence and enhancing the Company's competitiveness and operating efficiency, to ensure its sustainable development and to generate greater returns for the shareholders of the Company.

UPDATE ON INFORMATION OF DIRECTORS

During the period under review, there is no change in information of Directors since the publication of the 2018 annual report which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DISCLOSURES PURSUANT TO RULE(S) 13.12 AND 13.20 OF THE LISTING RULES

The Group through Winning Rich Investments Limited ("**Winning Rich**"), an indirect wholly-owned subsidiary of the Company, advanced an aggregate outstanding principal amount of HK$920.0 million to CAP by way of (i) subscription of up to an aggregate principal amount of HK$720.0 million of the 2019 CAP Bonds pursuant to the subscription agreement dated 4 October 2014 (as supplemented on 28 November 2014) entered into, among others, CAP, Winning Rich and Double Leads Investments Limited ("**Double Leads**"), an indirect wholly-owned subsidiary of Wang On; and (ii) acquisition of HK$200.0 million of the 2019 CAP Bonds from Double Leads, pursuant to the agreement dated 5 July 2016 (as supplemented on 8 July 2016) entered into between Winning Rich, Double Leads and Wang On.

At the end of the reporting period and up to the date of this report, CAP was indebted to Winning Rich principal sums of HK$788.0 million and HK$744.0 million, respectively, for principal sums, together with relevant interest incurred thereto, of HK$132.0 million and HK$44.0 million, respectively, were early repaid by CAP to Winning Rich during the Period and subsequent to the period under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period between 24 September 2018 and 2 October 2018, the Company repurchased a total of 33.5 million shares of HK$0.01 each of the Company (the "**Shares**") on the Stock Exchange. All the repurchased Shares were subsequently cancelled by the Company on 8 October 2018. Details of the share repurchases during the Period and subsequent to the period under review are as follows:

		Purchase price per Share		
Period of repurchase	Number of Share repurchased (in million)	Highest HK$	Lowest HK$	Approximate aggregate amount HK$ (in million)
24 to 27 September 2018	24.0	0.300	0.275	7.0
2 October 2018	9.5	0.310	0.305	3.0
	33.5			10.0

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY (Continued)

During the period under review, the Company repurchased an aggregate sum of 24.0 million Shares and the remaining of 9.5 million Shares was repurchased subsequent to the reporting period. All of 33.5 million Shares of the Company were repurchased pursuant to the mandate granted by shareholders at the annual general meeting of the Company held on 29 August 2018 and were officially cancelled on 8 October 2018, with a view to benefiting shareholders as a whole by enhancing the net asset value per Share and earnings per Share.

As at 30 September 2018, the total number of Shares in issue was 1,265,142,888, which was reduced to 1,231,642,888 Shares immediately upon the cancellation of 33.5 million Shares on 8 October 2018.

Save as disclosed above, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period under review.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its code of conduct regarding the securities transactions by the Directors on terms no less exacting terms than the required standards set forth in the Model Code set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all Directors, the Company confirmed that all Directors had complied with the required standards set out in the Model Code throughout the period under review and up to the date of this report and no incident of non-compliance by the Directors was noted by the Company during the period under review.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with specific written terms of reference in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over, among other things, the Group's financial reporting process, internal controls, risk management and other corporate governance issues. The Audit Committee has reviewed with the management the unaudited condensed consolidated financial statements for the six months ended 30 September 2018 of the Group. The Audit Committee comprises four independent non-executive Directors, namely Messrs. Li Ka Fai, David, Leung Wai Ho, Siu Man Ho, Simon and Cho Wing Mou, and is chaired by Mr. Li Ka Fai, David.

APPRECIATIONS

I would like to take this opportunity to thank our customers, suppliers, business partners, shareholders and institutional investors for their continued support given to the Group during the Period. I would also like to thank my fellow members of the Board and all staff for their contribution to the Group.

By Order of the Board
Tang Ching Ho
Chairman and Managing Director

Hong Kong, 20 November 2018

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Six months ended 30 September 2018

	Notes	Six months ended 30 September 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
REVENUE	*4*	**343,592**	382,552
Cost of sales		**(207,086)**	(232,027)
Gross profit		**136,506**	150,525
Other income and gains, net	*4*	**62,306**	62,494
Selling and distribution expenses		**(140,495)**	(121,700)
Administrative expenses		**(77,167)**	(83,538)
Finance costs	*6*	**(14,088)**	(9,720)
Change in fair value of financial assets at fair value through profit or loss, net		**(70)**	(8,817)
Fair value gains on investment properties, net		**11,800**	4,200
Share of profits/(losses) of associates		**61,412**	(33,997)
PROFIT/(LOSS) BEFORE TAX	*5*	**40,204**	(40,553)
Income tax	*7*	**–**	–
PROFIT/(LOSS) FOR THE PERIOD		**40,204**	(40,553)
OTHER COMPREHENSIVE (LOSS)/ INCOME			
Items to be reclassified to profit or loss in subsequent periods:			
Change in fair value of an available-for-sale investment		**–**	(4,806)
Debt investments at fair value through other comprehensive income – net movement in fair value reserve (recycling)		**(6,619)**	–
Share of other comprehensive (loss)/ income of an associate		**(29,695)**	5,973
Exchange differences on translation of foreign operations		**(13,449)**	5,851
Items that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		**(35,271)**	–

	Note	Six months ended 30 September 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
OTHER COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD		**(85,034)**	7,018
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(44,830)**	(33,535)
Profit/(loss) attributable to:			
Owners of the parent		**40,386**	(40,492)
Non-controlling interests		**(182)**	(61)
		40,204	(40,553)
Total comprehensive loss attributable to:			
Owners of the parent		**(44,648)**	(33,474)
Non-controlling interests		**(182)**	(61)
		(44,830)	(33,535)
PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic and diluted		**HK 3.19 cents**	HK(3.20) cents

Condensed Consolidated Statement of Financial Position

30 September 2018

	Notes	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**1,130,457**	809,376
Investment properties	*11*	**514,800**	503,000
Goodwill		**7,700**	7,700
Investments in associates		**343,857**	298,148
Available-for-sale investments		**–**	911,591
Financial assets at fair value through other comprehensive income		**803,192**	–
Loan and interests receivables	*14*	**65,000**	–
Deposits	*12*	**14,475**	49,475
Deferred tax assets		**13,196**	13,196
Total non-current assets		**2,892,677**	2,592,486
CURRENT ASSETS			
Inventories		**200,211**	183,175
Trade and other receivables	*12*	**143,951**	189,560
Amounts due from associates	*13*	**9,805**	7,480
Financial assets at fair value through profit or loss		**1,839**	127,593
Financial assets at fair value through other comprehensive income		**90,413**	–
Loan and interests receivables	*14*	**27,530**	134,087
Tax recoverable		**634**	1,231
Bank balances and cash		**230,612**	420,849
Total current assets		**704,995**	1,063,975

30 September 2018

	Notes	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
CURRENT LIABILITIES			
Trade and other payables	*15*	**150,199**	158,549
Interest-bearing bank borrowings		**287,290**	264,790
Tax payable		**1,731**	2,040
Total current liabilities		**439,220**	425,379
NET CURRENT ASSETS		**265,775**	638,596
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,158,452**	3,231,082
NON-CURRENT LIABILITIES			
Trade and other payables	*15*	**2,340**	2,450
Interest-bearing bank borrowings		**642,332**	662,227
Deferred tax liabilities		**6,380**	6,380
Total non-current liabilities		**651,052**	671,057
NET ASSETS		**2,507,400**	2,560,025
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*16*	**12,651**	12,651
Reserves		**2,489,410**	2,541,853
		2,502,061	2,554,504
Non-controlling interests		**5,339**	5,521
TOTAL EQUITY		**2,507,400**	2,560,025

Condensed Consolidated Statement of Changes in Equity

Six months ended 30 September 2018

	Attributable to owners of the parent														
	Issued capital (Unaudited) HK$'000	Share premium (Unaudited) HK$'000	Treasury shares (Unaudited) HK$'000	Special reserve (Unaudited) HK$'000 *(note a)*	Contributed surplus (Unaudited) HK$'000 *(note b)*	Share option reserve (Unaudited) HK$'000	Translation reserve (Unaudited) HK$'000	Reserve funds (Unaudited) HK$'000 *(note c)*	Other reserve (Unaudited) HK$'000 *(note d)*	Available-for-sale investment revaluation reserve (Unaudited) HK$'000	Asset revaluation reserve (Unaudited) HK$'000	Retained profits (Unaudited) HK$'000	Total (Unaudited) HK$'000	Non-controlling interests (Unaudited) HK$'000	Total equity (Unaudited) HK$'000
At 1 April 2017	12,651	2,116,420	–	(27,150)	275,693	383	(27,266)	359	11,463	3,643	28,014	257,581	2,651,791	5,932	2,657,723
Loss for the period	–	–	–	–	–	–	–	–	–	–	–	(40,492)	(40,492)	(61)	(40,553)
Other comprehensive income/(loss) for the period:															
Change in fair value of an available-for-sale investment	–	–	–	–	–	–	–	–	–	(4,806)	–	–	(4,806)	–	(4,806)
Share of other comprehensive income/(loss) of an associate	–	–	–	–	–	–	9,316	–	(3,620)	277	–	–	5,973	–	5,973
Translation reserve: Exchange differences on translation of foreign operations	–	–	–	–	–	–	5,851	–	–	–	–	–	5,851	–	5,851
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	15,167	–	(3,620)	(4,529)	–	(40,492)	(33,474)	(61)	(33,535)
At 30 September 2017	12,651	2,116,420	–	(27,150)	275,693	383	(12,099)	359	7,843	(886)	28,014	217,089	2,618,317	5,871	2,624,188

Six months ended 30 September 2018

	Attributable to owners of the parent																
	Issued capital (Unaudited) HK$'000	Share premium (Unaudited) HK$'000	Treasury shares (Unaudited) HK$'000	Special reserve (Unaudited) HK$'000 *(note a)*	Contributed surplus (Unaudited) HK$'000 *(note b)*	Share option reserve (Unaudited) HK$'000	Translation reserve (Unaudited) HK$'000	Reserve funds (Unaudited) HK$'000 *(note c)*	Other reserve (Unaudited) HK$'000 *(note d)*	Available-for-sale investment revaluation reverse (Unaudited) HK$'000	Fair value reserve (recycling) (Unaudited) HK$'000	Fair value reserve (non-recycling) (Unaudited) HK$'000	Asset revaluation reserve (Unaudited) HK$'000	Retained profits (Unaudited) HK$'000	Total (Unaudited) HK$'000	Non-controlling interests (Unaudited) HK$'000	Total equity (Unaudited) HK$'000
At 31 March 2018	12,651	2,116,420	-	(27,150)	275,693	332	3,200	359	1,501	1,433	-	-	28,014	142,051	2,554,504	5,521	2,560,025
Impact on initial application of HKFRS 9	-	-	-	-	-	-	-	-	-	(1,433)	1,433	49,915	-	(50,710)	(795)	-	(795)
Adjusted at 1 April 2018	12,651	2,116,420	-	(27,150)	275,693	332	3,200	359	1,501	-	1,433	49,915	28,014	91,341	2,553,709	5,521	2,559,230
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	40,386	40,386	(182)	40,204
Other comprehensive loss for the period:																	
Debt investments at fair value through other comprehensive income (recycling)	-	-	-	-	-	-	-	-	-	-	(6,619)	-	-	-	(6,619)	-	(6,619)
Equity investments at fair value through other comprehensive income (non-recycling)	-	-	-	-	-	-	-	-	-	-	-	(35,271)	-	-	(35,271)	-	(35,271)
Share of other comprehensive loss of an associate	-	-	-	-	-	-	(22,130)	-	(4,188)	-	-	(3,377)	-	-	(29,695)	-	(29,695)
Translation reserve:																	
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(13,449)	-	-	-	-	-	-	-	(13,449)	-	(13,449)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(35,579)	-	(4,188)	-	(6,619)	(38,648)	-	40,386	(44,648)	(182)	(44,830)
Shares repurchase	-	-	(7,000)	-	-	-	-	-	-	-	-	-	-	-	(7,000)	-	(7,000)
At 30 September 2018	12,651	2,116,420*	(7,000)*	(27,150)*	275,693*	332*	(32,379)*	359*	(2,687)*	-	(5,186)*	11,267*	28,014*	131,727*	2,502,061	5,339	2,507,400

* *These reserve accounts comprise the consolidated reserves of approximately HK$2,489,410,000 (31 March 2018: approximately HK$2,541,853,000) in the condensed consolidated statement of financial position.*

Notes:

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

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

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

(d) The other reserve represents the Group's share of other reserve of its associate.

Condensed Consolidated Statement of Cash Flows

Six months ended 30 September 2018

	Note	Six months ended 30 September 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations		**(23,737)**	(24,081)
Interest received		**286**	757
Profits tax refunded		**279**	–
Net cash flows used in operating activities		**(23,172)**	(23,324)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(7,692)**	(17,321)
Purchase of debt investments at fair value through other comprehensive income		**(27,258)**	–
Purchase of additional interest in an associate		**(14,787)**	–
Decrease/(increase) in a loan receivable		**35,000**	(20,000)
Interest received		**51,685**	–
Dividends received from listed securities		**2,722**	–
Proceeds of redemption of debt investments at fair value through other comprehensive income		**129,031**	–
Prepayments for acquisition of items of property, plant and equipment		**–**	(2,402)
Acquisition of subsidiaries, net of cash acquired	*17*	**(311,663)**	–
Net cash flows used in investing activities		**(142,962)**	(39,723)

Six months ended 30 September 2018

	Six months ended 30 September 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares repurchase	**(7,000)**	–
New bank borrowings	**40,000**	250,000
Repayments of bank borrowings	**(37,395)**	(295,000)
Interest paid	**(14,088)**	(9,615)
Net cash flows used in financing activities	**(18,483)**	(54,615)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(184,617)**	(117,662)
Cash and cash equivalents at beginning of period	**420,849**	323,695
Effect of foreign exchange rate changes, net	**(5,620)**	4,911
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**230,612**	210,944
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**230,612**	210,944

1. BASIS OF PREPARATION

The Company is a limited liability company incorporated in Bermuda and whose shares are publicly traded on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The principal activities of the Group are described in note 3 to the unaudited interim condensed consolidated financial statements.

These unaudited interim condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2018.

The accounting policies and the basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group's audited financial statements for the year ended 31 March 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the new and revised HKFRSs as disclosed in note 2 below.

These unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for investment properties, available-for-sale investments, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, which have been measured at fair value. These unaudited interim condensed consolidated financial statements are presented in Hong Kong dollar ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial statements:

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9, HKFRS 15 and Amendments to HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on the unaudited interim condensed consolidated financial statements.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

The following table gives a summary of the opening balance adjustments recognised for each line item in the condensed consolidated statement of financial position that has been impacted by HKFRS 9:

	As at 31 March 2018 HK$'000	Impact on initial application of HKFRS 9 HK$'000	As at 1 April 2018 HK$'000
Available-for-sale investments	911,591	(911,591)	–
Financial assets at fair value through other comprehensive income	–	1,037,274	1,037,274
Financial assets at fair value through profit and loss	127,593	(125,683)	1,910
Investments in associates	298,148	(795)	297,353
Available-for-sale investment revaluation reserve	1,433	(1,433)	–
Fair value reserve (recycling)	–	1,433	1,433
Fair value reserve (non-recycling)	–	49,915	49,915
Retained profits	142,051	(50,710)	91,341

HKFRS 9 Financial Instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

HKFRS 9 Financial Instruments (Continued)

	HK$'000
Retained profits	
Transferred to fair value reserve (non-recycling) relating to equity investments now measured at FVOCI (non-recycling)	(53,263)
Transferred to fair value reserve (non-recycling) relating to investments in associates	2,553
Net decrease in retained profits at 1 April 2018	(50,710)
Fair value reserve (recycling)	
Transferred from available-for-sale investment revaluation reserve relating to debt investments now measured at FVOCI (recycling)	1,433
Fair value reserve (non-recycling)	
Transferred from retained profits relating to equity investments now measured at FVOCI (non-recycling)	53,263
Transferred from retained profits relating to investments in associates	(3,348)
Net increase in fair value reserve (non-recycling) at 1 April 2018	49,915
Available-for-sale investment revaluation reserve	
Transferred to fair value reserve (recycling) related to debt investments now measured at FVOCI (recycling)	(1,433)

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

HKFRS 9 Financial Instruments (Continued)

(i) Classification and measurement

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("**FVOCI**") and at fair value through profit or loss ("**FVPL**"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

HKFRS 9 Financial Instruments (Continued)

(i) Classification and measurement *(Continued)*

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those impacted by and determined in accordance with HKFRS 9.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

HKFRS 9 Financial Instruments (Continued)

(i) Classification and measurement (Continued)

	HKAS 39 carrying amount at 31 March 2018 HK$'000	Reclassification HK$'000	HKFRS 9 carrying amount at 1 April 2018 HK$'000
Financial assets carried at amortised cost			
Loan and interests receivables	134,087	–	134,087
Trade and other receivables	189,560	–	189,560
Bank balances and cash	420,849	–	420,849
	744,496	–	744,496
Financial assets measured at FVOCI (recycling)			
Debt investments *(Note (ii))*	–	911,591	911,591
Financial assets measured at FVOCI (non-recycling)			
Equity investments *(Note (i))*	–	125,683	125,683
Financial assets measured at FVPL			
Equity investments *(Note (i))*	125,683	(125,683)	–
Fund investments	1,910	–	1,910
	127,593	(125,683)	1,910
Financial assets classified as available-for-sale under HKAS 39			
Debt investments *(Note (ii))*	911,591	(911,591)	–

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

HKFRS 9 Financial Instruments (Continued)

(i) Classification and measurement *(Continued)*

Notes:

(i) Under HKAS 39, equity investments were classified as financial assets measured at FVPL. These equity investments are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI (non-recycling) by the Group. At 1 April 2018, the Group designated certain equity investments at FVOCI (non-recycling), as the investment is held for strategic purposes.

(ii) Under HKAS 39, debt investments were classified as available-for-sale financial assets. They are classified as at FVOCI (recycling) under HKFRS 9.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in profit or loss.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by HKAS 39.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

HKFRS 9 Financial Instruments (Continued)

(ii) Impairment

HKFRS 9 requires an impairment on trades receivables, contract assets, other receivables and amounts due from joint ventures and associates 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 applied the simplified approach and recorded lifetime expected losses on its trade receivables and contract assets. The Group applied general approach and recorded twelve-month expected losses on its other receivables and amounts due from associates. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a 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 standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

The Group adopted HKFRS 15 using the modified retrospective method which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits at 1 April 2018. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 April 2018, thus the comparative figures have not been restated.

The directors of the Company have assessed the impacts of the application of HKFRS 15, primarily on the sale of the Chinese and western pharmaceutical and health food products, are summarised as follows:

(i) Variable consideration

The Group provides trade discounts and/or volume rebates for some of its key customers. Previously, the Group recognised 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 could not be reliably measured, revenue recognition was deferred until the uncertainty was 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 considerations subsequently resolved. The Group uses 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. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

(ii) Rights of return

Previously when the customers were allowed to return the Group's products, the Group estimated the level of expected returns and made 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.

(iii) 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 allocates a portion of the transaction price to the loyalty programme based on the 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 has assessed that the above adoption of HKFRS 15 did not have material impact on the timing and measurement of revenue recognised for the period.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

Revenue recognition

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

3. OPERATING SEGMENT INFORMATION

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

(a) production and sale of Chinese pharmaceutical and health food products – manufacturing, processing and sale of traditional Chinese medicine which includes Chinese medicinal products sold under the brand name of "Wai Yuen Tong" and a range of products manufactured using selected medicinal materials with traditional prescription, mainly in the People's Republic of China (the "**PRC**") and Hong Kong;

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

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

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

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

3. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 September

	Production and sale of Chinese pharmaceutical and health food products		Production and sale of western pharmaceutical and health food products		Property investment		Eliminations		Total	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Segment revenue:										
Sale to external customers	280,958	312,064	55,088	64,027	7,546	6,461	–	–	343,592	382,552
Intersegment sales	–	–	–	–	6,738	3,666	(6,738)	(3,666)	–	–
Total	280,958	312,064	55,088	64,027	14,284	10,127	(6,738)	(3,666)	343,592	382,552
Segment results	(21,579)	(7,664)	(37,236)	(23,963)	14,192	4,865			(44,623)	(26,762)
Other income and gains, net									62,306	62,494
Unallocated expenses									(24,733)	(23,751)
Finance costs									(14,088)	(9,720)
Change in fair value of financial assets at fair value through profit or loss, net									(70)	(8,817)
Share of profits/(losses) of associates									61,412	(33,997)
Profit/(loss) before tax									40,204	(40,553)
Income tax									–	–
Profit/(loss) for the period									40,204	(40,553)

4. REVENUE FROM CONTRACTS WITH CUSTOMERS AND OTHER INCOME AND GAINS, NET

An analysis of the Group's disaggregation of revenue from contracts with customers, other income and gains, net is as follows:

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Revenue from contracts with customers		
Sales of goods	**335,420**	375,613
Rental income from investment properties	**7,546**	6,461
Management and promotion fees	**626**	478
	343,592	382,552
Other income, net		
Interest income on a loan receivable from an associate	**3,189**	3,223
Interest income on an available-for-sale investment	**–**	47,985
Imputed interest income on an available-for-sale investment	**–**	1,812
Interest income on debt investments at fair value through other comprehensive income	**48,496**	–
Interest income on bank deposits	**286**	757
Dividends from equity investments at fair value through profit or loss	**–**	2,930
Dividends from equity investments at fair value through other comprehensive income	**2,722**	–
Sub-lease rental income	**4,852**	4,820
Others	**2,038**	967
	61,583	62,494
Gains, net		
Exchange gains, net	**723**	–
	62,306	62,494

5. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 September 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Cost of inventories	**207,086**	232,027
Depreciation	**28,663**	25,850
Exchange (gains)/losses, net	**(723)**	1,353
Impairment of trade receivables*	**3,847**	1,430
Write-off of items of property, plant and equipment	**126**	1,217
Gain on bargain purchase of additional interest in an associate**	**(43,917)**	–
Lease payments under operating leases in respect of land and buildings:		
Minimum lease payments	**39,437**	48,524
Contingent rents	**4,804**	6,210
	44,241	54,734
Gross rental income	**(5,117)**	(6,461)
Less: direct outgoing expenses	**215**	77
	(4,902)	(6,384)

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

** Gain on bargain purchase of additional interest in an associate is included in "Share of profits/(losses) of associates" in the condensed consolidated statement of profit or loss and other comprehensive income.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank borrowings	**14,088**	9,720

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profit arising in Hong Kong in the current and prior periods. Tax on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Total tax charge for the period	**–**	–

8. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

9. PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic profit/(loss) per share amount for the period is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue less the weighted average number of treasury shares held by the Group of 317,000 (31 March 2018: Nil) during the period.

No adjustment has been made to the basic profit/(loss) per share amount presented for the periods ended 30 September 2018 and 2017 in respect of a dilution as the impact of share options outstanding had no dilutive effect on the basic profit/(loss) per share amount presented.

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

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in basic and diluted profit/(loss) per share calculation	**40,386**	(40,492)

9. PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

	Number of shares Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	'000	'000
Shares		
Weighted average number of ordinary shares in issue	**1,265,143**	1,265,143
Less: Weighted average number of treasury shares	**(317)**	–
Weighted average number of ordinary shares used in the basic and diluted profit/(loss) per share calculation	**1,264,826**	1,265,143

10. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group incurred approximately HK$7,692,000 (six months ended 30 September 2017: approximately HK$19,597,000) on the additions of items of property, plant and equipment, excluding property, plant and equipment acquired through acquisition of subsidiaries that are not business of HK$350,000,000 (note 17), and there were write-off of property, plant and equipment of approximately HK$126,000 (six months ended 30 September 2017: approximately HK$1,217,000).

11. INVESTMENT PROPERTIES

	HK$'000
Carrying amount at 1 April 2018	503,000
Net gains from fair value adjustments recognised in profit or loss	11,800
Carrying amount at 30 September 2018 (Unaudited)	514,800

The fair values of the Group's investment properties at the end of the reporting period were determined by reference to the valuation conducted by Asset Appraisal Limited, an independent professionally qualified valuer.

Fair value hierarchy

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

During the six months ended 30 September 2018, there were no transfers of fair value measurements between Level 1 and 2 and no transfer into or out of Level 3 (six months ended 30 September 2017: Nil).

12. TRADE AND OTHER RECEIVABLES

	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
Trade receivables	**75,434**	104,976
Bill receivables	**–**	640
Less: Accumulated impairment	**(5,510)**	(1,663)
	69,924	103,953
Rental and other deposits	**27,955**	35,901
Prepayments	**52,450**	54,250
Other receivables	**8,097**	8,002
Deposit paid for the acquisition of property, plant and equipment	**–**	36,929
	88,502	135,082
Total trade and other receivables	**158,426**	239,035
Less: Deposits classified as a non-current assets	**(14,475)**	(49,475)
Portion classified as current assets	**143,951**	189,560

The Group's trading terms with its retail customers are mainly by cash on delivery whereas the credit terms to wholesale customers are mainly on credit. The credit period ranges from 60 to 120 days. Each customer has a maximum credit limit and the credit limit is reviewed regularly. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

12. TRADE AND OTHER RECEIVABLES (Continued)

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

	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
Within 1 month	**16,368**	40,676
1 to 3 months	**27,712**	35,176
3 to 6 months	**17,233**	21,307
Over 6 months	**8,611**	6,154
	69,924	103,313

13. AMOUNTS DUE FROM ASSOCIATES

	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
Trade receivables due from associates	**9,805**	7,480

An aged analysis of the amounts due from associates as at the end of the reporting period based on the invoice date is as follows:

	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
Within 1 month	**2,821**	2,444
1 to 3 months	**5,357**	5,036
3 to 6 months	**1,627**	–
	9,805	7,480

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

14. LOAN AND INTERESTS RECEIVABLES

	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
Loan receivable, unsecured	**65,000**	100,000
Interests receivables	**27,530**	34,087
	92,530	134,087
Less: Loan receivable classified as non-current assets	**(65,000)**	–
Portion classified as current assets	**27,530**	134,087

The loan receivable is stated at amortised cost with a principal amount of HK$65,000,000 (31 March 2018: HK$100,000,000) and an effective interest rate of 7% (31 March 2018: 6.5%) per annum, and will be due on September 2021 (31 March 2018: due on October 2018). The carrying amount of the loan receivable approximates to its fair value.

15. TRADE AND OTHER PAYABLES

	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
Trade payables	**55,881**	60,177
Rental deposits received	**4,938**	3,857
Other payables	**30,702**	24,259
Accruals	**54,733**	59,719
Receipts in advance	**6,285**	12,987
	152,539	160,999
Less: Portion classified as non-current liabilities	**(2,340)**	(2,450)
Portion classified as current liabilities	**150,199**	158,549

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

	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
Within 1 month	**29,397**	52,661
1 to 3 months	**24,785**	5,254
3 to 6 months	**535**	1,704
Over 6 months	**1,164**	558
	55,881	60,177

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

16. SHARE CAPITAL

Shares

	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
Authorised:		
60,000,000,000 ordinary shares of HK$0.01 each	**600,000**	600,000
Issued and fully paid:		
1,265,142,888 (31 March 2018: 1,265,142,888) ordinary shares of HK$0.01 each	**12,651**	12,651

The Company purchased 24,000,000 of its shares on the Stock Exchange at a total consideration of approximately HK$7,000,000 during the period. The purchased shares were subsequently cancelled on 8 October 2018.

Details of the shares repurchased by the Company during the period are summarised below:

Period of repurchase	Number of share repurchased '000	Highest price per share HK$	Lowest price per share HK$	Aggregate price HK$'000
24 to 27 September 2018	24,000	0.300	0.275	7,000

Share options

Details of the Company's share option scheme are set out in the section headed "Share Option Scheme" of this report.

17. ACQUISITION OF SUBSIDIARIES THAT ARE NOT BUSINESS

The net assets of the subsidiaries acquired by the Group during the period are as follows:

	Total HK$'000
Net assets acquired:	
Property, plant and equipment	350,000
Other receivables	208
Bank balances	146
Other payables	(3,536)
Tax payable	(9)
	346,809
Satisfied by:	
Cash	346,809

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	Total HK$'000
Cash consideration	(350,000)
Deposits paid as at 31 March 2018	35,000
Bank balances acquired	146
Refund of partial consideration	3,191
Net outflow of cash and cash equivalents included in cash flows from investing activities for the period	(311,663)
Transaction costs of the acquisition included in cash flows from operating activities	(341)
	(312,004)

17. ACQUISITION OF SUBSIDIARIES THAT ARE NOT BUSINESS (Continued)

Notes:

On 7 February 2018, the Group entered into a provisional sale and purchase agreement with East Run Investments Limited, an indirectly wholly-owned subsidiary of Wang On Properties Limited (a 75%-owned listed subsidiary of Wang On Group Limited), to acquire the entire equity interest in subsidiaries, which is engaged in property investment in Hong Kong, for a total cash consideration of HK$350,000,000. The acquisition was completed on 25 April 2018.

Pursuant to the relevant sale and purchase agreements, the cash consideration was adjusted to HK$346,809,000 based on the net assets value of these subsidiaries as at 25 April 2018 (the date of completion).

18. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 11) and sub-leases office premises under operating lease arrangements, with leases negotiated for terms ranging from one to four years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 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:

	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
Within one year	**19,931**	20,085
In the second to fifth years, inclusive	**12,625**	9,844
	32,556	29,929

18. OPERATING LEASE ARRANGEMENTS (Continued)

(b) As lessee

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

	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
Within one year	**50,710**	59,758
In the second to fifth years, inclusive	**56,221**	66,299
	106,931	126,057

19. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 18(b) above, the Group had the following capital commitments at the end of the reporting period:

	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
Contracted, but not provided for:		
Property, plant and equipment	**7,534**	2,575
Acquisition of subsidiaries	**–**	315,000
	7,534	317,575

20. RELATED PARTY TRANSACTIONS

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

	Notes	Six months ended 30 September 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Wang On Group Limited and its subsidiaries (other than the Group)			
– Rental income earned by the Group	*(i)*	**4,837**	4,820
– Rental expense incurred by the Group	*(i)*	**2,068**	5,400
– Sales of Chinese pharmaceutical products by the Group	*(ii)*	**2,270**	5,191
Associates			
– Sales of Chinese pharmaceutical products by the Group	*(ii)*	**12,229**	12,360
– Rental income earned by the Group	*(i)*	**1,072**	956
– Management and promotion fees earned by the Group	*(i)*	**458**	478
– Interest income on a loan earned by the Group	*(iii)*	**3,189**	3,223

20. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes:

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

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

(iii) Interest was charged by the Group on a loan advanced to Easy One Financial Group Limited at an effective interest rate ranging from 6.5% to 7% (six months ended 30 September 2017: 6.5%) per annum.

(b) Compensation of key management personnel of the Group

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Short-term employment benefits	**3,200**	7,180
Post-employment benefits	**44**	36
	3,244	7,216

(c) Outstanding balances with a related party

The Group's loan and interests receivables owed from its associate as at 30 September 2018 are HK$65,000,000 and HK$162,000, respectively (31 March 2018: HK$100,000,000 and HK$2,849,000, respectively).

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

21. FAIR VALUE HIERARCHY

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

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

- the fair values of the financial assets at fair value through profit or loss and at fair value through other comprehensive income are determined based on quoted market bid prices in the active market.

Fair value measurements recognised in the unaudited consolidated statement of financial position

The directors consider that the carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

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 which 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

21. FAIR VALUE HIERARCHY (Continued)

Assets measured at fair value:

As at 30 September 2018	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	Total
	(Unaudited) HK$'000	(Unaudited) HK$'000	(Unaudited) HK$'000	(Unaudited) HK$'000
Financial assets at fair value through other comprehensive income				
Debt investments	29,240	–	773,952	803,192
Equity investments	72,279	–	18,134	90,413
	101,519	–	792,086	893,605
Financial assets at fair value through profit or loss				
Fund investments	–	1,839	–	1,839

21. FAIR VALUE HIERARCHY (Continued)

As at 31 March 2018	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	Total
	(Audited) HK$'000	(Audited) HK$'000	(Audited) HK$'000	(Audited) HK$'000
Available-for-sale investments	2,029	–	909,562	911,591
Financial assets at fair value through profit or loss	102,163	1,910	23,520	127,593
	104,192	1,910	933,082	1,039,184

The Group did not have any financial liabilities measured at fair value as at 30 September 2018 and 31 March 2018.

During the six months ended 30 September 2018, there were no transfers of fair value measurements between Level 1 and 2 and no transfer into or out of Level 3 (six months ended 30 September 2017: Nil).

22. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 20 November 2018.