



Wai Yuen Tong Medicine Holdings Limited

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

2015

INTERIM REPORT

Preparing Medicine with **DEDICATION**
Growing strong with **REPUTATION**



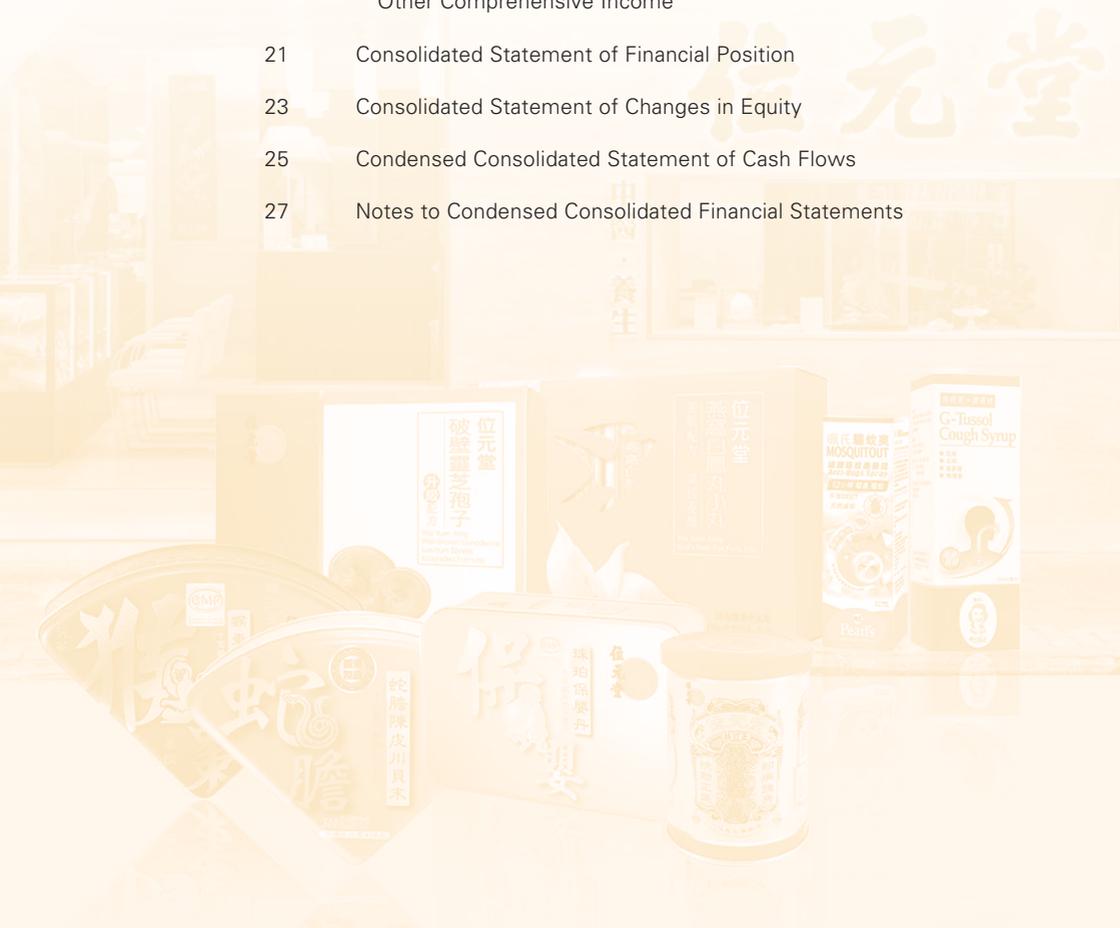
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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

EXECUTIVE COMMITTEE

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

COMPANY SECRETARY

Ms. Mak Yuen Ming, Anita

AUDITORS

Ernst & Young

LEGAL ADVISERS

DLA Piper Hong Kong
Gallant Y. T. Ho & Co.

PRINCIPAL BANKERS

China Construction Bank (Asia)
Corporation Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
United Overseas Bank Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

CORPORATE INFORMATION (CONTINUED)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F., Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

HOMEPAGE

<http://www.wyth.net>

STOCK CODE

897

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

20,000 shares

INVESTOR RELATIONS

Email: contact@waiyuentong.com

INTERIM DIVIDEND

The board of directors (the “**Board**”) of Wai Yuen Tong Medicine Holdings Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) does not recommend the payment of any interim dividend for the six months ended 30 September 2015 (six months ended 30 September 2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six-month period ended 30 September 2015, the Group experienced significant improvement in its performance. Despite a modest decline in turnover of 1.1% from that of the previous year to approximately HK\$376.8 million (2014: approximately HK\$381.0 million), the Group reported approximately 488.7% upsurge in profit attributable to owners of the parent to approximately HK\$67.7 million (2014: approximately HK\$11.5 million). The significant increase in net profit was merely attributable to, among other things, the gain on bargain purchase of additional interest in an associate, despite the decrease in fair value of equity investments and loss on deemed partial disposal of equity interest in an associate.

(1) Chinese Pharmaceutical and Health Food Products

Turnover for the period under review decreased by approximately 3.7% from that of the same period last year to approximately HK\$301.6 million. The operating environment during the period under review had been affected by the ongoing market downtrend and decline in mainland tourists’ as well as the parallel traders spending.

Despite deterioration in macro environment of Hong Kong retail market since March 2015, the Group launched a marketing campaign for rejuvenation its flagship and prestigious product — Young Yum Pills (“**YYP**”) in the second quarter. Ms. Joyce Cheng, a famous local singer and the daughter of **YYP**’s first generation product ambassador in 1970’s, continues her father’s legacy and re-interprets the TVC jingle. Besides, leveraging the power of digital media, Wai Yuen Tong introduced its digital loyalty program — “**WYT Baby Club**” in July 2015 aiming to support marketing of the Group’s infant products. The program also serves to strengthen customer loyalty and push forward the Group’s online business development. Several new products have been rolled out during the period under review with favorable market acceptance. Such products included Korean Red Ginseng series under Wai Yuen Tong’s own brand and throat drop soft candy, catering for different market needs.

BUSINESS REVIEW (Continued)

(2) Western Pharmaceutical and Health Food Products

Turnover for the period under review increased by approximately 12.1% from that of the corresponding period of the previous year to approximately HK\$69.2 million. Strong sales of key product lines such as “Madame Pearl’s” cough syrup, and healthy growth in both Mainland China and Hong Kong markets, resulted in robust financial contribution to the Group during the half-year period. Pearl’s anti-mosquito products have been a leading brand of the category in Hong Kong for four consecutive years. Both “Madame Pearl’s” and “Pearl’s” products experienced strong growth momentum supported by diligent product development, effective advertising and innovative promotion effort as well as intensified, product penetration of various sales channels. In future, we will continue to expand our revenue base via investments in China market and new product development. We have restructured the operation in China, placing more emphasis on institutional sales to hospital where there is an enormous demand for “Madame Pearl’s” cough syrup.

(3) Property Investment

On 24 April 2015, the Group entered into a provisional sale and purchase agreement for the sale and assignment of the entire issued share capital and the related shareholder loan of Smart Star Investments Limited (“**Smart Star**”), an indirect wholly-owned subsidiary of the Company, for a consideration of HK\$45.0 million. The principle asset of Smart Star was a property in North Point, Hong Kong. The disposal was completed on 23 July 2015.

After the disposal of the aforementioned, the Group owns eleven properties which are all retail premises. Currently, five of the properties are leased out for commercial purpose while six properties are occupied by the Group’s retail shops.

(4) Investment in PNG Resources Holdings Limited (“PNG”)

PNG, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), which is principally engaged in the businesses of property development in the PRC and retailing of the fresh pork meat and related produce in Hong Kong.

On 30 April 2015, the shareholding of the Group in PNG was diluted from 24.37% to 20.33% upon completion of the new issue placing of 220 million shares in PNG at a price of HK\$0.225 per PNG share and a deemed disposal loss of approximately HK\$37.1 million was recognised.

BUSINESS REVIEW (Continued)

(4) Investment in PNG Resources Holdings Limited (“PNG”) (Continued)

On 28 May 2015, the Group, through its wholly-owned subsidiaries, Hearty Limited and Suntech Investment Limited, executed an irrevocable undertaking in favour of PNG (as supplemented on 16 July 2015 and 30 July 2015) pursuant to which the Group agreed to fully subscribe for an aggregate of 674,418,750 rights shares under its provisional entitlement and apply for 380,000,000 rights shares by way of excess application, under the rights issue proposed by PNG in the proportion of five rights shares for every two PNG shares held at HK\$0.168 (which was subsequently changed to HK\$0.105 pursuant to the acknowledgment deed executed in favour of PNG on 16 July 2015) per rights share of PNG. The PNG rights issue was completed on 22 September 2015.

The Group’s share of profit of PNG amounted to approximately HK\$97.6 million including gain on bargain purchase of approximately HK\$88.9 million for the period under review (2014: approximately HK\$14.1 million). The improvement in results of PNG was mainly due to increase in profit realised from PNG’s sales of property in the People’s Republic of China (the “**PRC**”), despite the negative impact of loss on deemed disposal of an associate of PNG during the period under review.

No impairment on the Group’s investment in PNG was recognised by the Group during the period under review (2014: Nil) as the recoverable amount was assessed to be closed to the carrying value of the interest in PNG.

(5) Investment in China Agri-Products Exchange Limited (“CAP”)

Pursuant to the subscription agreement dated 4 October 2014 (as supplemented on 28 November 2014), the Group had subscribed up to a principal amount of HK\$720.0 million 10.0% coupon bonds due 2019 issued by CAP on 28 November 2014 (the “**2019 Bonds**”). As at 30 September 2015, the fair value of the 2019 Bonds held by the Group amounted to approximately HK\$661.3 million (31 March 2015: approximately HK\$613.6 million).

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

The Group has maintained a portfolio of listed equity securities in Hong Kong which are held for trading purpose. The Group has recorded net gain on change in fair value of equity investments at fair value through profit or loss of approximately HK\$8.9 million for the period under review (2014: approximately HK\$29.7 million).

BUSINESS REVIEW (Continued)

(7) New Factory Construction Project in Yuen Long Industrial Estate

The Group has been granted a land lot in Yuen Long Industrial Estate for the construction of a state-of-the-art factory to manufacture both Western pharmaceutical and Chinese traditional medicines. The plant's superstructure and fitting-out works are in progress and are expected to be completed by the end of 2015 or in early 2016, and it is expected that the whole factory construction will be completed in 2016. Operation is scheduled to commence in early 2017.

(8) Acquisitions of Properties after the Reporting Period

For the purpose of expansion of the Group's manufacturing capacity and further strengthen its business in the PRC, on 16 July 2015, the Group entered into a provisional agreement with The Sky High Plastic Works Limited for the acquisition of a factory building and two dormitory buildings erected on the Land Lot No. G12204-0126 located at Nanbu Village, Pingshan Town, Shenzhen, the PRC, with a gross floor area of approximately 19,475 square meters for a total consideration of approximately HK\$81.3 million, completion of which is extended from 16 October 2015 to 31 December 2015, details of which were set out in the Company's announcements dated 20 July 2015 and 20 October 2015, respectively.

In view of the increasing rental expenses, on 13 November 2015, the Group entered into a conditional sale and purchase agreement for the acquisition of two companies which are currently holding two shops located at Tsuen Wan and Sham Shui Po, both are currently used by the Group for retail purpose, for an aggregate consideration of HK\$70.0 million (subject to adjustment upwards or downwards within 20% with reference to the valuation of the such properties as at the date of completion to be valued by an independent valuer), completion of which is subject to, *inter alia*, approval by the shareholders of the Company, details of which were set out in the Company's announcement dated 13 November 2015.

FINANCIAL REVIEW

Fund Raising

On 19 May 2015, the Company completed a rights issue of one rights share for every two existing shares held by qualifying shareholders at an issue price of HK\$0.108 per rights share (the “**Rights Issue**”) and a total of 2,108,571,484 rights shares were issued. The net proceeds from the Rights Issue amounted to approximately HK\$222.4 million. The Group intended to utilise as to approximately HK\$70.0 million for the payment of construction costs of the Group’s new factory at Yuen Long Industrial Estate for pharmaceutical manufacturing business; approximately HK\$60.0 million for potential property acquisition opportunities; approximately HK\$50.0 million for the repayment of bank borrowings and interests; and the remaining balance of approximately HK\$42.4 million for general working capital of the Group.

As at 30 September 2015, approximately HK\$70.0 million were utilised for the payment of construction costs for the Group’s new factory; approximately HK\$50.0 million were applied for the repayment of bank borrowings and interests; approximately HK\$42.4 million were utilised for the Group’s general working capital for the settlement to suppliers and salaries; and approximately HK\$16.3 million were utilised as the deposit for property acquisition. The balance of approximately HK\$43.7 million were being deposited in the Group’s bank accounts and to be utilised as intended.

Liquidity and Gearing

As at 30 September 2015, the Group’s total borrowings amounted to approximately HK\$594.3 million (31 March 2015: approximately HK\$550.1 million). The gearing ratio, being the ratio of total borrowings to equity attributable to owners of the parent, was approximately 25.0% (31 March 2015: approximately 27.0%). As at 30 September 2015, the Group’s buildings and investment properties, with carrying value of approximately HK\$157.1 million and HK\$487.0 million (31 March 2015: approximately HK\$178.4 million and HK\$510.0 million), respectively, were pledged to secure the Group’s general banking facilities.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW (Continued)

Foreign Exchange

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

Capital Commitment

As at 30 September 2015, the Group had capital commitment of approximately HK\$182.0 million (31 March 2015: approximately HK\$249.5 million) in respect of the acquisition of property, plant and equipment, which were contracted for but not provided in the consolidated financial statements.

Contingent Liabilities

As at 30 September 2015, the Group had no material contingent liabilities (31 March 2015: Nil).

EMPLOYEES

As at 30 September 2015, the Group had 795 (31 March 2015: 757) employees, of whom approximately 72% (31 March 2015: approximately 71%) 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 selected staff by reference to the Group's performance as well as the individual performance. Other benefits such as medical and retirement benefits and structured training programs are also provided.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PROSPECTS

The Group expects the market environment in the near future to remain challenging and difficult. We expect continue decline Mainland China tourist arrivals as well as spending, while local consumption sentiment will stay weak. The new travel restrictions to Hong Kong imposed by the Chinese government are expected to affect Mainland consumers' spending in the territory. In reaction to such impact, the Group has beefed up its online to offline platforms (“**O2O**”) catering for cross-border procurement. Wai Yuen Tong online shop (位易網) just completed its revamping in November 2015.

Realising the strong potential of non-traditional sales channels for the Group's Chinese pharmaceutical and health food products, such as e-commerce, the Group will further increase its resources, including manpower, incentives, and advertising and promotion budget to develop these alternative sales channels, with the aim of developing a more diversified sales platform. The Group will also explore merger and acquisition opportunities to speed up its growth, by incorporating entities offering synergetic effect. The Group believes it can further strengthen its income base by broadening its business portfolio.

We are launching a series of ambitious marketing program for different range of flagship and high profit margin products. More emphasis is being placed on the Group's wholesale operations with an aim to support cross-border distribution.

The inauguration of the Group's modern manufacturing plant in Yuen Long, Hong Kong in early 2017, will provide the Group with the physical space and latest equipment to escalate its research and development capability and significantly enhance its production capacity.

Leveraging on the Group's long-established brand name and the reputation of Hong Kong-made products, the Group will further expand the range of products manufactured in Hong Kong to intensify market penetration.

To maintain the Group's efficiency and competitiveness, we have embarked on a series of measures to tighten out internal control for cost saving. Thorough review is being conducted to optimise efficiency in production process with minimum wastage. During the process, we are also making an effort to ensure that a tighter budget is achieved without compromising the quality of our products.

DISCLOSURE OF INTERESTS

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

As at 30 September 2015, 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:

Long positions in underlying shares of share options of the Company:

Name of director	Date of grant	Exercise price per share (Note 1) HK\$	Number of share options outstanding (Note 1)	Exercisable period (Note 2)	Number of underlying shares	Approximate percentage of the Company's total issued share capital (Note 3) %
Ms. Tang Mui Fun	8.1.2009	1.1560	81,528	8.1.2010 – 7.1.2019	81,528	0.001

Notes:

- (1) The numbers and exercise prices of the share options were adjusted immediately upon completion of the Rights Issue, as detailed in the Company's announcement dated 18 May 2015.
- (2) The exercisable period of the above share options beneficially held by Ms. Tang Mui Fun was vested as follows:

On 1st anniversary of the date of grant:	30% vest
On 2nd anniversary of the date of grant:	Further 30% vest
On 3rd anniversary of the date of grant:	Remaining 40% vest
- (3) The percentage represented the number of shares over the total issued share capital of the Company as at 30 September 2015 of 6,325,714,453 shares.

DISCLOSURE OF INTERESTS (CONTINUED)

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

Save as disclosed above, as at 30 September 2015, none of the directors and chief executive of the Company and/or any of their respective associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the headings "Directors' interests and short positions in shares, underlying shares or debentures of the Company and its associated corporations" above, 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 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.

DISCLOSURE OF INTERESTS (CONTINUED)

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

As at 30 September 2015, to the best knowledge of the directors, the following persons (other than the directors or chief executive of the Company) 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 shares of the Company:

Name of shareholders	Number of shares	Approximate percentage of the Company's total issued share capital (Note 1) %
Rich Time Strategy Limited (" Rich Time ") (Note 2)	1,396,614,737	22.08
Wang On Enterprises (BVI) Limited (" WOE ") (Note 2)	1,396,614,737	22.08
Wang On Group Limited (" Wang On ") (Note 2)	1,396,614,737	22.08

Notes:

1. The percentage represented the number of shares over the total number of issued shares of the Company as at 30 September 2015 of 6,325,714,453 shares.
2. Rich Time, a wholly-owned subsidiary of WOE, which is a wholly-owned subsidiary of Wang On, beneficially owned 1,396,614,737 shares of the Company. WOE and Wang On are taken to be interested in 1,396,614,737 shares of the Company held by Rich Time.

Save as disclosed above, as at 30 September 2015, there were no other persons who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

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 the 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), secondee, 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 or any substantial shareholder or company controlled by a substantial shareholder, or any company controlled by one or more persons belonging to any of the above classes of participants. The 2013 Scheme became effective on 22 August 2013 and, unless otherwise terminated earlier by shareholders at a general meeting, will remain in force for a period of 10 years from that date.

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				Adjusted during the period (Note 1)	Outstanding as at 30 September 2015	Date of grant	Adjusted exercise price per share (Note 1) HK\$	Exercisable period*
	Outstanding as at 1 April 2015	Granted during the period	Exercised during the period	Lapsed during the period					
<i>Executive director</i>									
Ms. Tang Mui Fun	78,214	-	-	-	3,314	81,528	8.1.2009	1.1560	8.1.2010 – 7.1.2019
	78,214	-	-	-	3,314	81,528			
<i>Other employees</i>									
In aggregate	388,667	-	-	-	16,469	405,136	8.1.2009	1.1560	8.1.2010 – 7.1.2019
	590,821	-	-	(24,066)	24,015	590,770	12.5.2010	0.4145	12.5.2011 – 11.5.2020
	979,488	-	-	(24,066)	40,484	995,906			
	1,057,702	-	-	(24,066)	43,798	1,077,434			

SHARE OPTION SCHEME (CONTINUED)

Note:

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

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

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

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 24,066 share options lapsed under the 2003 Scheme. As at 30 September 2015, the Company had 1,077,434 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 1,077,434 additional ordinary shares of the Company and additional share capital of approximately HK\$10,774.34 and share premium of approximately HK\$796,683.41 (before issue expenses).

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 set out in Appendix 14 to the Listing Rules throughout the period for the six months ended 30 September 2015.

The Group is committed to maintaining a high standard of corporate governance within a sensible framework with a strong emphasis on transparency, accountability, integrity and independence and enhancing the Company's competitiveness and operating efficiency, to ensure its sustainable development and to generate greater returns for the shareholders of the Company.

UPDATE ON DIRECTORS' INFORMATION

The changes in the information of Directors since the publication of the 2015 annual report are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

- (i) With effect from 21 August 2015, Mr. Li Ka Fai, David has also been appointed as a member of the nomination committee and a member of the remuneration committee of China-Hongkong Photo Products Holdings Limited (a company listed on the Main Board of the Stock Exchange), of which he is currently an independent non-executive director and the chairman of the audit committee of this company.

Save for the above, during the period under review, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DISCLOSURES PURSUANT TO RULES 13.13 AND 13.20 OF THE LISTING RULES

During the period under review, the Group, through its wholly-owned subsidiary, Winning Rich Investments Limited, had granted the following loan facilities to, or subscribed for the following debt securities from, CAP:

- (a) by way of subscription of up to an aggregate principal amount of HK\$720.0 million 10.0% coupon bonds due 2019 issued by CAP pursuant to the subscription agreement dated 4 October 2014 (as supplemented on 28 November 2014); and

DISCLOSURES PURSUANT TO RULE(S) 13.13 AND 13.20 OF THE LISTING RULES (Continued)

- (b) an extension of the accrued interest in a sum of approximately HK\$19.0 million on the repayment of the previous loan facilities pursuant to the facility letter dated 28 November 2014 which had already been repaid by CAP by 31 May 2015.

Therefore, as at 30 September 2015, CAP was indebted to the Group of an aggregate outstanding principal amount of HK\$720.0 million.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 September 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiries 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 no incident of non-compliance by the directors was noted by the Company during the period.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with 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 and other corporate governance issues. The Audit Committee has reviewed with management the unaudited condensed consolidated financial statements for the six months ended 30 September 2015 of the Group. The Audit Committee comprises the four independent non-executive directors of the Company, 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

Hong Kong, 19 November 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 30 September 2015

	Notes	Six months ended 30 September	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
REVENUE	4	376,845	381,045
Cost of sales		(213,830)	(220,393)
Gross profit		163,015	160,652
Other income	4	47,935	33,667
Selling and distribution expenses		(143,232)	(130,396)
Administrative expenses		(64,088)	(60,784)
Finance costs	6	(6,765)	(4,682)
Change in fair value of equity investments at fair value through profit or loss, net		8,859	29,670
Fair value gains on investment properties, net		–	2,568
Gain on disposal of a subsidiary	18	2,484	–
Loss on deemed partial disposal of equity interests in an associate		(37,101)	(32,928)
Share of profits and losses of associates	12	97,025	13,951
PROFIT BEFORE TAX	5	68,132	11,718
Income tax expense	7	(590)	(287)
PROFIT FOR THE PERIOD		67,542	11,431
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Change in fair value of an available-for-sale investment		46,208	–
Exchange differences on translation of foreign operations		(1,798)	–
Release of reserves upon deemed partial disposal of equity interests in an associate		(2,537)	(3,926)
Share of other comprehensive income/(loss) of an associate		2,132	(5,178)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

Six months ended 30 September 2015

	<i>Note</i>	Six months ended 30 September	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		44,005	(9,104)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		111,547	2,327
Profit attributable to:			
Owners of the parent		67,650	11,490
Non-controlling interests		(108)	(59)
		67,542	11,431
Total comprehensive income attributable to:			
Owners of the parent		111,655	2,386
Non-controlling interests		(108)	(59)
		111,547	2,327
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	<i>9</i>		(Restated)
Basic and diluted — For profit for the period		HK1.15 cents	HK0.34 cent

Details of interim dividend declared for the period are disclosed in note 8 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2015

	<i>Notes</i>	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	565,175	516,741
Investment properties	11	487,000	510,000
Goodwill		15,335	15,335
Other intangible assets		381	408
Investments in associates	12	465,178	294,945
Available-for-sale investment		661,288	613,615
Deferred tax assets		6,929	6,929
Total non-current assets		2,201,286	1,957,973
CURRENT ASSETS			
Inventories		166,855	151,385
Trade and other receivables	14	277,045	237,907
Amounts due from associates	15	11,719	10,640
Equity investments at fair value through profit or loss		198,894	193,222
Loans and interest receivables		–	18,951
Tax recoverable		2,510	2,874
Bank balances and cash		245,939	250,951
Total current assets		902,962	865,930
CURRENT LIABILITIES			
Trade and other payables	16	127,341	225,717
Bank borrowings		231,165	199,223
Deferred franchise income		48	18
Tax payable		1,032	587
Total current liabilities		359,586	425,545
NET CURRENT ASSETS		543,376	440,385
TOTAL ASSETS LESS CURRENT LIABILITIES		2,744,662	2,398,358

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 September 2015

	<i>Note</i>	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Bank borrowings		363,183	350,873
Deferred tax liabilities		1,530	1,530
Total non-current liabilities		364,713	352,403
NET ASSETS			
2,379,949			
EQUITY			
Issued capital	17	63,257	42,171
Reserves		2,309,574	1,996,558
Equity attributable to owners of the parent		2,372,831	2,038,729
Non-controlling interests		7,118	7,226
TOTAL EQUITY			
2,379,949			

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 September 2015

	Attributable to owners of the parent											
	Share capital	Share premium	Special reserve	General reserve	Share option reserve	Translation reserve	Other reserve	Asset revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000 <i>(note a)</i>	(Unaudited) HK\$'000 <i>(note b)</i>	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000 <i>(note c)</i>	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
At 1 April 2014	29,311	1,340,510	(27,150)	215,599	582	34,063	(1,226)	28,014	213,844	1,833,547	7,354	1,840,901
Profit/(loss) for the period	-	-	-	-	-	-	-	-	11,490	11,490	(59)	11,431
Other comprehensive income for the period:												
Share of other comprehensive loss of an associate	-	-	-	-	-	(5,178)	-	-	-	(5,178)	-	(5,178)
Release upon partial disposal of equity interests in an associate	-	-	-	-	-	(3,926)	-	-	-	(3,926)	-	(3,926)
Total comprehensive income/(loss) for the period	-	-	-	-	-	(9,104)	-	-	11,490	2,386	(59)	2,327
Issue of shares	5,860	103,136	-	-	-	-	-	-	-	108,996	-	108,996
Share issue expenses	-	(3,326)	-	-	-	-	-	-	-	(3,326)	-	(3,326)
Forfeiture of share options	-	-	-	-	(72)	-	-	-	72	-	-	-
Final 2014 dividend declared	-	-	-	-	-	-	-	-	(8,793)	(8,793)	-	(8,793)
Release upon partial disposal of equity interests in an associate	-	-	-	-	-	-	204	-	(204)	-	-	-
At 30 September 2014	35,171	1,440,320	(27,150)	215,599	510	24,959	(1,022)	28,014	216,409	1,932,810	7,295	1,940,105

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Six months ended 30 September 2015

	Attributable to owners of the parent											Total equity HK\$'000	
	Share capital	Share premium	Special reserve	General reserve	Share option reserve	Translation reserve	Other reserve	Asset revaluation reserve	Available-for-sale investment revaluation reserve	Retained profits	Total		Non-controlling interests
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000 (note a)	(Unaudited) HK\$'000 (note b)	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000 (note c)	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000		(Unaudited) HK\$'000
At 1 April 2015	42,171	1,523,882	(27,150)	215,599	499	24,226	(1,022)	28,014	(93,399)	325,909	2,038,729	7,226	2,045,955
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	67,650	67,650	(108)	67,542
Other comprehensive income/(loss) for the period:													
Change in fair value of an available-for-sale investment	-	-	-	-	-	-	-	-	46,208	-	46,208	-	46,208
Exchange differences on translation of foreign operations	-	-	-	-	-	(1,798)	-	-	-	-	(1,798)	-	(1,798)
Release upon deemed partial disposal of equity interests in an associate	-	-	-	-	-	(3,287)	-	750	-	-	(2,537)	-	(2,537)
Share of other comprehensive income/(loss) of an associate	-	-	-	-	-	(1,077)	-	3,209	-	-	2,132	-	2,132
Total comprehensive income/(loss) for the period	-	-	-	-	-	(6,162)	-	3,959	46,208	67,650	111,655	(108)	111,547
Rights issue (note 17)	21,086	206,640	-	-	-	-	-	-	-	-	227,726	-	227,726
Share issue expenses (note 17)	-	(5,279)	-	-	-	-	-	-	-	-	(5,279)	-	(5,279)
Release upon deemed partial disposal of equity interests in an associate	-	-	-	-	-	-	169	-	-	(169)	-	-	-
At 30 September 2015	63,257	1,725,243*	(27,150)*	215,599*	499*	18,064*	(853)*	31,973*	(47,191)*	393,390*	2,372,931	7,118	2,379,949

* These reserve accounts comprise the consolidated reserves of approximately HK\$2,309,574,000 (31 March 2015: approximately HK\$1,996,558,000) in the consolidated statement of financial position.

Notes:

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 September 2015

		Six months ended 30 September	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
<i>Notes</i>			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations		(144,560)	(798)
Interest received		2,135	2,162
Hong Kong profits tax refunded		–	7,045
Overseas taxes paid/(refunded)		212	(3)
Net cash flows from/(used in) operating activities		(142,213)	8,406
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	10	(74,533)	(81,541)
Purchase of an investment property		–	(16,132)
Additions of cost of trademarks		(60)	(21)
Interest received		–	27,916
Dividend received from associates		–	2,664
Net proceeds from disposal of a subsidiary		44,161	–
Investment in an associate		(110,714)	–
Proceeds of disposal of items of property, plant and equipment		–	404
Net cash flows used in investing activities		(141,146)	(66,710)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	17	227,726	108,996
Share issue expenses	17	(5,279)	(3,326)
New bank borrowings		100,000	95,255
Repayments of bank borrowings		(55,748)	(20,748)
Repayments of interest receivable		18,951	–
Dividends paid		–	(8,793)
Interest paid		(6,765)	(4,682)
Net cash flows from financing activities		278,885	166,702

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Six months ended 30 September 2015

	Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(4,474)	108,398
Cash and cash equivalents at beginning of the period	250,951	292,511
Effect of foreign exchange rate changes, net	(538)	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Bank balances and cash	245,939	400,909

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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 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 2015.

The accounting policies and the basis of preparation adopted in the preparation of these unaudited interim condensed financial statements are consistent with those adopted in the Group’s audited financial statements for the year ended 31 March 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622), except for the adoption of the 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 investment and equity investments at fair value through profit or loss, which have been measured at fair value. These condensed 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 amendments to HKFRSs for the first time for the current period’s unaudited interim condensed consolidated financial statements:

Amendments to HKAS 19 <i>Annual Improvements</i> <i>2010–2012 Cycle</i>	<i>Defined Benefit Plans: Employee Contributions</i>
<i>Annual Improvements</i> <i>2011–2013 Cycle</i>	Amendments to a number of HKFRSs
	Amendments to a number of HKFRSs

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(Continued)

The adoption of these HKFRSs has had no significant financial effect on the unaudited interim condensed consolidated financial statements and these have been no significant changes to the accounting policies in the unaudited interim condensed consolidated financial statements.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

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

- (a) production and sale of Chinese pharmaceutical and health food products — manufacturing, processing and retailing of traditional Chinese medicine which includes Chinese medicinal products sold under the brand name of “Wai Yuen Tong” and a range of products manufactured by selected medicinal materials with traditional prescription, mainly in the PRC and Hong Kong;
- (b) production and sale of Western pharmaceutical and health food products — processing and sale of Western pharmaceutical products and personal care products under the brand 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 before tax except that other income, unallocated expenses, finance costs, gain on disposal of a subsidiary, net changes in fair values of equity investments at fair value through profit or loss, loss on deemed partial disposal of equity interests in an associate and share of profits and losses of associates are excluded from such measurement.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. OPERATING SEGMENT INFORMATION (Continued)

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

Six months ended 30 September

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

	Production and sale of Chinese pharmaceutical and health food products		Production and sale of Western pharmaceutical and health food products		Property investment		Eliminations		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	301,582	313,256	69,157	61,696	6,106	6,093	-	-	376,845	381,045
Intersegment sales	-	-	-	-	3,949	3,646	(3,949)	(3,646)	-	-
Total	301,582	313,256	69,157	61,696	10,055	9,739	(3,949)	(3,646)	376,845	381,045
Segment results	(12,970)	(675)	(6,839)	(14,572)	2,800	5,651			(17,009)	(9,596)
Other income									47,935	33,667
Unallocated expenses									(27,296)	(18,364)
Finance costs									(6,765)	(4,682)
Change in fair value of equity investments at fair value through profit or loss, net									8,859	29,670
Gain on disposal of a subsidiary									2,484	-
Loss on deemed partial disposal of equity interests in an associate									(37,101)	(32,928)
Share of profits and losses of associates									97,025	13,951
Profit before tax									68,132	11,718
Income tax expense									(590)	(287)
Profit for the period									67,542	11,431

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

4. REVENUE AND OTHER INCOME

Revenue represents the aggregate of the net invoiced value of goods sold, after allowances for returns and trade discounts; gross rental income received and receivable from investment properties; and management and promotion fees received.

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

	Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Revenue		
Sales of goods	370,276	374,520
Rental income from investment properties	6,106	6,093
Management and promotion fees	463	432
	376,845	381,045
Other income		
Effective interest income on loan receivables	–	27,772
Interest income on an available-for-sale investment	36,079	–
Imputed interest income on an available-for-sale investment	1,465	–
Interest income on bank deposits	2,135	2,162
Dividends from equity investments at fair value through profit or loss	1,583	1,609
Sub-lease rental income	1,308	1,267
Exchange gains, net	–	435
Others	5,365	422
	47,935	33,667

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

5. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Cost of inventories recognised as an expense (including reversal of allowance for obsolete inventories of approximately HK\$986,000 (2014: approximately HK\$1,944,000))	213,830	220,393
Depreciation	7,401	7,744
Amortisation of other intangible assets	86	109
Exchange losses/(gains), net	3,075	(435)
Impairment of trade receivables*	41	5,329
Management fee paid to a shareholder	60	60
Gross rental income	(6,106)	(6,093)
Less: direct outgoing expenses	139	139
	(5,967)	(5,954)

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Interest on bank borrowings	6,765	4,682

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rates of 16.5% (six months ended 30 September 2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the Enterprise Income Tax rate of two of the Group's subsidiaries established in the PRC is 25% (six months ended 30 September 2014: 25%).

	Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Current — Hong Kong		
Charge for the period	590	350
Underprovision in prior periods	—	322
Current — other jurisdiction		
Overprovision in prior periods	—	(140)
Deferred taxation	—	(245)
Total tax charge for the period	590	287

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

8. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2015 (six month ended 30 September 2014: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 5,903,087,072 (30 September 2014: 3,398,509,890 (restated)) in issue during the period.

The weighted average number of ordinary shares adopted in the calculation of the basic and diluted earnings per share for both years has been adjusted retrospectively to reflect the impact of Rights Issue (as defined in note 17 to the financial statements) completed on 19 May 2015.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 September 2015 and 2014 in respect of a dilution as the impact of share options outstanding had no dilutive effect on the basic earnings per share amounts presented.

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

	Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in basic and diluted earnings per share calculations	67,650	11,490

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

	Number of shares Six months ended 30 September	
	2015 (Unaudited)	2014 (Restated) (Unaudited)
Shares Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculations	5,903,087,072	3,398,509,890

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2015, the Group incurred approximately HK\$74,533,000 (six months ended 30 September 2014: approximately HK\$81,541,000) on the additions of items of property, plant and equipment.

11. INVESTMENT PROPERTIES

	HK\$'000
Carrying amount at 1 April 2015 (Audited)	510,000
Disposal of a subsidiary (<i>note 18</i>)	(23,000)
Carrying amount at 30 September 2015 (Unaudited)	487,000

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 an independent professional qualified valuer.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. INVESTMENTS IN ASSOCIATES

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

Upon completion of the PNG Placing, the Group's equity interests in PNG were diluted from 24.37% to 20.33% and an aggregate loss on deemed partial disposal of equity interests in PNG of approximately HK\$37,101,000 was recognised for the period ended 30 September 2015 and included in "Loss on deemed partial disposal of equity interests in an associate" in the consolidated statement of profit or loss and other comprehensive income.

- (ii) On 28 May 2015, PNG announced a rights issue of five rights shares for every two existing shares held by qualifying shareholders at an issue price of HK\$0.168 per rights share (the "**PNG Rights Issue**"). Hearty Limited and Suntech Investments Limited, which both are the indirect wholly-owned subsidiaries of the Company, have jointly and severally and irrevocably granted an undertaking in favour of PNG under which they agreed (i) to subscribe for 665,958,750 rights shares and 8,460,000 rights shares, respectively (in aggregate 674,418,750 rights shares) and (ii) that Hearty would apply, by way of excess application, for 380,000,000 rights shares (the "**WYT Irrevocably Undertaking**"). On 16 July 2015, PNG announced to change the subscription price from HK\$0.168 per rights share to HK\$0.105 per rights share. The PNG Rights Issue was completed on 23 September 2015.

Upon completion of the PNG Rights Issue, pursuant to the WYT Irrevocably Undertaking, the Group subscribed for the 380,000,000 under-subscribed rights shares. The Group's equity interests in PNG increased from 20.33% to 28.51% and an aggregate gain on bargain purchase of equity interests in PNG of approximately HK\$88,887,000 was recognised for the period ended 30 September 2015 and included in "Share of profits and losses of associates" in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

13. PLEDGED OF ASSETS

At the end of the reporting period, the Group pledged certain of its assets as securities for banking facilities granted to the Group. The aggregate carrying values of the assets are listed below:

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Land and buildings	157,108	178,385
Investment properties	487,000	510,000
	644,108	688,385

14. TRADE AND OTHER RECEIVABLES

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Trade receivables	125,866	126,256
Less: accumulated impairment	(11,176)	(11,135)
	114,690	115,121
Rental and other deposits	47,256	26,832
Prepayments	83,904	55,925
Other receivables	31,195	40,029
	162,355	122,786
Total trade and other receivables	277,045	237,907

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. TRADE AND OTHER RECEIVABLES (Continued)

The Group's trading terms with its customers are mainly on credit. The credit period ranges from 60 to 120 days. Each customer has a maximum credit limit and credit limit are 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.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

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 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
0–30 days	29,652	35,948
31–60 days	21,592	19,772
61–120 days	24,991	37,602
121–180 days	11,334	7,986
Over 180 days	27,121	13,813
	114,690	115,121

The Group had provided fully for all receivables that was past due over 180 days because historical experience shows that receivables that are past due beyond 180 days are generally not recoverable, except for a receivable that were past due over 180 days but not impaired and was related to the sales to a PRC customer that had made continuous settlements subsequent to the reporting date. The directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

15. AMOUNTS DUE FROM ASSOCIATES

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Trade receivables due from associates	11,719	10,640

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

As at 30 September 2015 and 31 March 2015, substantially all of the trade receivables are neither past due nor impaired. The directors of the Company are of the opinion that no provision for impairment is necessary as the directors assessed that the balances will be fully recoverable based on their settlement records. The Group does not hold any collateral over these balances.

16. TRADE AND OTHER PAYABLES

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Trade payables	52,713	81,517
Accrual of salaries and commission	23,487	22,365
Accrual of advertising and promotion	8,036	10,170
Rental deposits received	2,931	2,799
Other payables and accruals	40,174	108,866
	127,341	225,717

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

16. TRADE AND OTHER PAYABLES (Continued)

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

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
0–30 days	24,751	19,598
31–60 days	25,011	22,398
61–120 days	1,808	38,767
Over 120 days	1,143	754
	52,713	81,517

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.

17. SHARE CAPITAL

Shares

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Authorised: 60,000,000,000 ordinary shares of HK\$0.01 each	600,000	600,000
Issued and fully paid: 6,325,714,453 (31 March 2015: 4,217,142,969) ordinary shares of HK\$0.01 (31 March 2015: HK\$0.01) each	63,257	42,171

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. SHARE CAPITAL (Continued)

A summary of the transactions during the period in the Company's issued share capital is as follows:

	Number of share in issue	Issued capital HK\$000	Share premium HK\$000	Total HK\$000
At 1 April 2015	4,217,142,969	42,171	1,523,882	1,566,053
Rights issue (Note)	2,108,571,484	21,086	206,640	227,726
Rights issue expenses	-	-	(5,279)	(5,279)
At 30 September 2015	6,325,714,453	63,257	1,725,243	1,788,500

Note: On 19 May 2015, the Company completed a rights issue of one rights share for every two existing shares held by qualifying shareholders at an issue price of HK\$0.108 per rights share (the "Rights Issue") and a total of 2,108,571,484 rights shares were issued at a total cash consideration, before expenses, of approximately HK\$227,726,000.

As a result of the Rights Issue, the issued share capital of the Company increased from 4,217,142,969 shares of HK\$0.01 each to 6,325,714,453 shares of HK\$0.01 each. Details of the Rights Issue were disclosed in the Company's announcements dated 26 March 2015 and 18 May 2015 and prospectus dated 24 April 2015.

Share option

Details of the Company's share option scheme are set out in the Section "Share Option Scheme" of the interim report 2015.

18. DISPOSAL OF A SUBSIDIARY

On 24 April 2015, Guidepost Investments Limited, an indirect wholly-owned subsidiary of the Company, entered into a provisional sale and purchase agreement with an independent third party to dispose of Smart Star Investments Limited, an indirect wholly-owned subsidiary of the Company, which is principally engaged in property holding in Hong Kong, at a consideration of HK\$45,000,000. The transaction was completed on 23 July 2015. The gain on disposal of a subsidiary of approximately HK\$2,484,000 was recognised for the period ended 30 September 2015 and included in "gain on disposal of a subsidiary" in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

19. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases and sub-leases its investment properties (note 11) and office properties, respectively, under operating lease arrangements, with leases negotiated for terms ranging from one to three 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. Property rental income and sub-lease income earned during the period were approximately HK\$6,106,000 (six months ended 30 September 2014: approximately HK\$6,093,000) and approximately HK\$1,308,000 (six months ended 30 September 2014: approximately HK\$1,267,000), respectively. The properties are expected to generate rental yield of 2.0% (six months ended 30 September 2014: 2.6%) on an ongoing basis.

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 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Within one year	11,870	11,905
In the second to fifth years, inclusive	3,358	3,781
	15,228	15,686

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

19. 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 three years.

Certain leases have contingent rental payable which is based on turnover of the relevant retail shops. The contingent rent paid for the period was approximately HK\$7,048,000 (six months ended 30 September 2014: approximately HK\$8,933,000).

The Group made minimum lease payments of approximately HK\$59,599,000 (six months ended 30 September 2014: approximately HK\$39,250,000) under operating leases during the period in respect of its office properties and retail shops.

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 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Within one year	97,762	93,676
In the second to fifth years, inclusive	105,406	110,513
After five years	–	1,512
	203,168	205,701

20. COMMITMENTS

In addition to the operating lease commitments detailed in note 19(b) above, the Group had the following capital commitments at the end of the reporting period:

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Contracted, but not provided for: — Property, plant and equipment	182,029	249,545

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

21. 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:

		Six months ended 30 September	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Wang On and its subsidiaries			
— Rental received by the Group	<i>(i)</i>	1,031	996
— Rental paid by the Group	<i>(i)</i>	5,513	413
— Management fee paid by the Group	<i>(i)</i>	60	60
— Sales of Chinese pharmaceutical products by the Group	<i>(ii)</i>	2,653	1,666
Associates			
— Sales of Chinese pharmaceutical products by the Group	<i>(ii)</i>	11,573	10,494
— Rental received by the Group	<i>(i)</i>	779	722
— Effective interest income on loans received by the Group	<i>(iii)</i>	—	9,973
— Management and promotion fees received by the Group	<i>(i)</i>	463	432

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 loans advanced to PNG.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

21. RELATED PARTY TRANSACTIONS (Continued)

- (b) Compensation of key management personnel of the Group

	Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Short-term employment benefits	7,180	4,567
Post-employment benefits	36	35
	7,216	4,602

22. 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 value of the equity investments at fair value through profit or loss is determined based on quoted market bid prices in the active market.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the unaudited consolidated of financial position approximate to their fair values.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

22. FAIR VALUE HIERARCHY (Continued)

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

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- 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

Assets measured at fair value:

As at 30 September 2015

	Fair value measurement using			Total (Unaudited) HK\$'000
	Quoted prices in active markets Level 1 (Unaudited) HK\$'000	Significant observable inputs Level 2 (Unaudited) HK\$'000	Significant unobservable inputs Level 3 (Unaudited) HK\$'000	
Available-for-sale investment	–	–	661,288	661,288
Equity investments at fair value through profit or loss	197,346	1,548	–	198,894

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. FAIR VALUE HIERARCHY (Continued)

As at 31 March 2015

	Quoted prices in active markets Level 1 (Audited) HK\$'000	Fair value measurement using		Total (Audited) HK\$'000
		Significant observable inputs Level 2 (Audited) HK\$'000	Significant unobservable inputs Level 3 (Audited) HK\$'000	
Available-for-sale investment	-	-	613,615	613,615
Equity investments at fair value through profit or loss	191,547	1,675	-	193,222

The Group did not have any financial liabilities measured at fair value as at 30 September 2015 (31 March 2015: Nil).

During the six months ended 30 September 2015, 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 2014: Nil).

23. EVENT AFTER THE REPORTING PERIOD

On 13 November 2015, Guidepost Investments Limited, an indirect wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with East Run Investments Limited ("**East Run**"), a company indirectly wholly owned by Wang On, to acquire the entire equity interests in and the shareholder loans of Sunbo Investment Limited ("**Sunbo**") and Good Excellent Limited ("**Good Excellent**"), both are wholly-owned subsidiaries of East Run and principally engaged in property investment in Hong Kong, at a total consideration of HK\$70,000,000 (subject to adjustment upwards or downwards within 20% with reference to the valuation of the properties owned by Sunbo and Good Excellent as at the date of completion to be valued by an independent valuer). Details of the transaction were set out in the Company's announcement dated 13 November 2015. The transaction is subject to the approval by the shareholders of the Company at a special general meeting.

24. 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 on 19 November 2015.