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WAI YUEN TONG MEDICINE HOLDINGS LIMITED
（位元堂藥業控股有限公司*）

(Incorporated in Bermuda with limited liability)

(Stock Code: 897)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

ANNUAL FINANCIAL HIGHLIGHTS			
HK$'million	**FY2019**	FY2018	YoY change
Revenue	**751.4**	845.8	(11.2%)
Gross profit	**301.5**	343.8	(12.3%)
Earnings/(loss) per share *(HK cents)*			
– Basic and diluted	**5.98**	(9.14)	N/A
	As at 31 March 2019	As at 31 March 2018	
Net asset value	**2,448.1**	2,560.0	(4.4%)
Cash and cash equivalents	**171.2**	420.8	(59.3%)
Gearing ratio	**27.9%**	19.8%	8.1%

RESULTS

The board of directors (the "**Board**" or the "**Directors**") of Wai Yuen Tong Medicine Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2019, together with the comparative figures for the previous financial year, as follows:

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	4	**751,443**	845,781
Cost of sales		**(449,915)**	(501,987)
Gross profit		**301,528**	343,794
Other income and gains, net	4	**115,671**	124,002
Selling and distribution expenses		**(281,769)**	(267,344)
Administrative expenses		**(166,170)**	(185,839)
Reversal of impairment losses/(impairment losses) on financial assets, net		**82,767**	(2,327)
Other expenses		**(6,205)**	(19,170)
Finance costs	6	**(28,553)**	(18,926)
Fair value gains/(losses) on financial assets at fair value through profit or loss, net		**593**	(17,800)
Fair value gains on investment properties, net		**17,445**	23,356
Share of profits and losses of associates		**46,387**	(94,633)
PROFIT/(LOSS) BEFORE TAX	5	**81,694**	(114,887)
Income tax expense	7	**(7,448)**	(2,281)
PROFIT/(LOSS) FOR THE YEAR		**74,246**	(117,168)

	2019	2018
	HK$'000	*HK$'000*
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**–**	(6,263)
Debt investments at fair value through other comprehensive income:		
Changes in fair value	**(3,198)**	–
Reclassification adjustments for losses included in profit or loss:		
Impairment losses	**(80,353)**	–
	(83,551)	–
Share of other comprehensive income/(loss) of associates	**(26,917)**	27,633
Release of reserves upon deemed partial disposal of equity interests in an associate	**–**	(973)
Translation reserve:		
Translation of foreign operations	**(13,326)**	7,350
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**(123,794)**	27,747
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of an associate	**(4,240)**	–
Equity investments at fair value through other comprehensive income:		
Changes in fair value	**(39,296)**	–
Deferred tax	**3,521**	–
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(40,015)**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**(163,809)**	27,747
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(89,563)**	(89,421)

	Note	2019 HK$'000	2018 HK$'000
Profit/(loss) attributable to:			
Owners of the parent		**74,627**	(115,581)
Non-controlling interests		**(381)**	(1,587)
		74,246	(117,168)
Total comprehensive loss attributable to:			
Owners of the parent		**(88,025)**	(87,834)
Non-controlling interests		**(1,538)**	(1,587)
		(89,563)	(89,421)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic and diluted		**HK5.98 cents**	HK(9.14) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**957,323**	809,376
Investment properties		**558,000**	503,000
Goodwill		**–**	7,700
Investments in associates		**329,584**	298,148
Financial assets at fair value through other comprehensive income		**228,623**	–
Available-for-sale investments		**–**	911,591
Deposits		**21,702**	49,475
Deferred tax assets		**10,122**	13,196
Total non-current assets		**2,105,354**	2,592,486
CURRENT ASSETS			
Inventories		**161,508**	183,175
Trade and bills receivables	*10*	**92,210**	111,433
Loan and interests receivables		**24,031**	134,087
Prepayments, deposits and other receivables		**46,298**	85,607
Financial assets at fair value through other comprehensive income		**710,788**	–
Financial assets at fair value through profit or loss		**21,289**	127,593
Tax recoverable		**1,157**	1,231
Bank balances and cash		**171,209**	420,849
		1,228,490	1,063,975
Assets classified as held for sale		**120,826**	–
Total current assets		**1,349,316**	1,063,975
CURRENT LIABILITIES			
Trade payables	*11*	**35,959**	60,177
Other payables and accruals		**107,839**	98,372
Interest-bearing bank borrowings		**232,290**	264,790
Tax payable		**4,896**	2,040
		380,984	425,379
Liabilities directly associated with the assets classified as held for sale		**361**	–
Total current liabilities		**381,345**	425,379

	2019 *HK$'000*	2018 *HK$'000*
NET CURRENT ASSETS	**967,971**	638,596
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,073,325**	3,231,082
NON-CURRENT LIABILITIES		
Other payables	**1,883**	2,450
Interest-bearing bank borrowings	**619,937**	662,227
Deferred tax liabilities	**3,416**	6,380
Total non-current liabilities	**625,236**	671,057
Net assets	**2,448,089**	2,560,025
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**12,316**	12,651
Reserves	**2,431,802**	2,541,853
	2,444,118	2,554,504
Non-controlling interests	**3,971**	5,521
Total equity	**2,448,089**	2,560,025

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, debt investments and equity investments which have been measured at fair value. Assets classified as held for sale are stated at the lower of their carrying amount and fair value less costs to sell.

These financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 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

Except for the amendments to HKFRS 4 and *Annual Improvements 2014–2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) Amendments to HKFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) HKFRS 9 *Financial Instruments* 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 recognised the transition adjustments against the applicable opening balances in equity at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the consolidated statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

		HKAS 39 measurement						HKFRS 9 measurement	
	Notes	**Category**	**Amount** *HK$'000*	**Re-classification** *HK$'000*	**ECL** *HK$'000*	**Other** *HK$'000*	**Change in fair value** *HK$'000*	**Amount** *HK$'000*	**Category**
Financial assets									
Available-for-sale investments		AFS[2]	911,591	(911,591)	–	–	–	–	N/A
To: Debt investments at fair value through other comprehensive income	*(i)*			(911,591)	–	–	–		
Financial assets at fair value through other comprehensive income									FVOCI[1]
– Equity investments		N/A	–	125,683	–	–	–	125,683	(equity)
– Debt investments		N/A	–	911,591	(182,134)	–	182,134	911,591	(debt)
From: Financial assets at fair value through profit or loss	*(ii)*			125,683	–	–	–		
From: Available-for-sale investments	*(i)*			911,591	–	–	–		
Financial assets at fair value through profit or loss		FVPL[5]	127,593	(125,683)	–	–	–	1,910	FVPL (mandatory)
To: Financial assets at fair value through other comprehensive income	*(ii)*			(125,683)	–	–	–		
Trade and bills receivables		L&R[3]	111,433	–	(3,581)	–	–	107,852	AC[4]
Loan and interests receivables		L&R	134,087	–	(6,603)	–	–	127,484	AC
Financial assets included in prepayments, deposits and other receivables		L&R	43,903	–	–	–	–	43,903	AC
Bank balances and cash		L&R	420,849	–	–	–	–	420,849	AC
			1,749,456	–	(192,318)	–	182,134	1,739,272	
Other assets									
Investments in associates			298,148	–	–	(280)	–	297,868	
Deferred tax assets			13,196	–	–	49	–	13,245	
			311,344	–	–	(231)	–	311,113	
Total			2,060,800	–	(192,318)	(231)	182,134	2,050,385	

1 FVOCI: Financial assets at fair value through other comprehensive income
2 AFS: Available-for-sale investments
3 L&R: Loans and receivables
4 AC: Financial assets at amortised cost
5 FVPL: Financial assets at fair value through profit or loss

Notes:

(i) As of 1 April 2018, the Group has assessed its liquidity portfolio of debt investments which had previously been classified as available-for-sale investments. The objective of the Group in holding this liquidity portfolio is to earn interest income and, at the same time, manage everyday liquidity needs. The Group concluded that these debt investments are managed within a business model to collect contractual cash flows and to sell the financial assets. Accordingly, the Group has classified these investments as debt investments measured at fair value through other comprehensive income.

(ii) The Group has elected the option to irrevocably designate certain of its previous equity investments at fair value through profit or loss as equity investments at fair value through other comprehensive income.

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9.

	Impairment allowances under HKAS 39 at 31 March 2018	**Re-measurement**	**ECL allowances under HKFRS 9 at 1 April 2018**
	HK$'000	*HK$'000*	*HK$'000*
Available-for-sale investments under HKAS 39/ debt investments at fair value through other comprehensive income under HKFRS 9	–	182,134	182,134
Trade and bills receivables	1,663	3,581	5,244
Loan and interests receivables	–	6,603	6,603
	1,663	192,318	193,981

As a result of an additional impairment of HK$182,134,000 against the debt investments at fair value through other comprehensive income upon the adoption of HKFRS 9, there was a corresponding increase in fair value recognised on these debt investments as at 1 April 2018.

(c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 April 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 April 2018 as a result of the adoption of HKFRS 15:

	Notes	**Increase/ (decrease)** *HK$'000*
Assets		
Prepayments, deposits and other receivables	*(i)*	4,978
		4,978
Liabilities		
Other payables and accruals	*(i), (ii)*	6,980
		6,980
Equity		
Retained profits	*(i), (iii)*	(1,998)
Non-controlling interests	*(iii)*	(4)
		(2,002)

(i) *Rights of return*

For a contract that provides a customer with a right to return the goods within a specified period, the Group previously estimated expected returns based on the average historical return rate.

Upon adoption of HKFRS 15, the Group recognised a right-of-return asset which is included in prepayments, deposits and other receivables and is measured at the former carrying amount of the goods to be returned less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. In addition, a refund liability was recognised based on the amount that the Group expects to return to the customers using the expected value method. Accordingly, the Group recognised refund liabilities of HK$6,980,000 as included in other payables and accruals and recognised right-of-return assets of HK$4,978,000 as included in prepayments, deposits and other receivables, which resulted in a decrease in retained profits of HK$1,998,000 as at 1 April 2018.

(ii) *Consideration received from customers in advance*

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as other payables. Under HKFRS 15, the amount is classified as contract liabilities which are included in other payables and accruals.

Therefore, upon adoption of HKFRS 15, the Group reclassified HK$7,434,000 from other payables to contract liabilities as at 1 April 2018 in relation to the consideration received from customers in advance as at 1 April 2018.

(iii) *Other adjustments*

In addition to the adjustments described above, non-controlling interests were adjusted as necessary. Retained profits were adjusted accordingly.

(d) Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

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 prescriptions, 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 names of "Madame Pearl's" and "Pearl's", respectively; and

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that other income and gains, net, finance costs, fair value gains/(losses) on 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 sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Segment revenue and results

Year ended 31 March

	Production and sale of Chinese pharmaceutical and health food products		Production and sale of Western pharmaceutical and health food products		Property investment		Eliminations		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**624,744**	700,217	**115,953**	135,888	**10,746**	9,676	**–**	–	**751,443**	845,781
Intersegment sales	**87**	112	**–**	–	**13,883**	6,729	**(13,970)**	(6,841)	**–**	–
Total	**624,831**	700,329	**115,953**	135,888	**24,629**	16,405	**(13,970)**	(6,841)	**751,443**	845,781
Segment results	**(64,924)**	(54,526)	**(75,419)**	(52,853)	**35,429**	26,088	**–**	–	**(104,914)**	(81,291)
Other income and gains, net									**115,671**	124,002
Unallocated income/(expenses), net									**52,510**	(26,239)
Finance costs									**(28,553)**	(18,926)
Fair value gains/(losses) on financial assets at fair value through profit or loss, net									**593**	(17,800)
Share of profits and losses of associates									**46,387**	(94,633)
Profit/(loss) before tax									**81,694**	(114,887)
Income tax expense									**(7,448)**	(2,281)
Profit/(loss) for the year									**74,246**	(117,168)

Geographical information

(a) Revenue from external customers

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**557,749**	606,449
Mainland China	**156,925**	208,153
Macau	**32,005**	13,431
Others	**4,764**	17,748
	751,443	845,781

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

(b) Non-current assets

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**1,746,008**	1,540,689
Mainland China	**98,504**	113,083
Macau	**395**	231
	1,844,907	1,654,003

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

Information about major customers

During the years ended 31 March 2019 and 2018, no revenue from transactions with a single external customer amounted to 10% or more of the total revenue of the Group.

4. REVENUE AND OTHER INCOME AND GAINS, NET

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

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sales of goods	**739,401**	835,166
Management and promotion fees	**1,296**	939
Revenue from other sources		
Rental income from investment properties	**10,746**	9,676
	751,443	845,781

	2019	2018
	HK$'000	*HK$'000*
Other income		
Interest income on a loan receivable from an associate	**4,203**	6,464
Interest income on financial assets at fair value through profit or loss	**349**	–
Interest income on financial assets at fair value through other comprehensive income/available-for-sale investments	**90,179**	99,143
Interest income on bank deposits	**1,208**	1,028
Dividends from financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss	**3,145**	3,353
Sub-lease rental income	**13,075**	12,964
Others	**2,333**	1,050
	114,492	124,002
Gains, net		
Gain on early repayment of a debt investment at fair value through other comprehensive income	**1,179**	–
	1,179	–
Other income and gains, net	**115,671**	124,002

5. PROFIT/(LOSS) BEFORE TAX

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

	2019 *HK$'000*	2018 *HK$'000*
Cost of inventories recognised as an expense (including allowance for obsolete inventories of HK$9,454,000 (2018: HK$4,840,000))	**449,915**	501,987
Depreciation	**51,323**	46,813
Research and development costs	**7,902**	15,705
Lease payments under operating leases in respect of land and buildings:		
Minimum lease payments	**77,205**	101,544
Contingent rents	**10,441**	13,296
Auditor's remuneration	**6,000**	2,400
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries and other benefits	**163,315**	171,722
Pension scheme contributions	**11,831**	11,550
	175,146	183,272
Foreign exchange differences, net	**3,723**	2,610
Impairment losses/(reversal of impairment losses) of financial assets, net:		
Impairment losses of trade and bills receivables, net	**726**	2,327
Reversal of impairment losses of debt investments at fair value through other comprehensive income, net	**(80,353)**	–
Reversal of impairment losses of loan and interests receivables, net	**(3,140)**	–
	(82,767)	2,327
Gross rental income	**(10,746)**	(9,676)
Less: direct outgoing expenses	**491**	58
	(10,255)	(9,618)
Gain on bargain purchase of additional equity interests in an associate*	**(38,026)**	–
Loss on deemed partial disposal of equity interests in an associate*	**–**	52,170
Loss on disposal of items of property, plant and equipment	**4**	–
Impairment of goodwill**	**7,700**	7,635
Impairment losses/(reversal of impairment losses) of items of property, plant and equipment, net**	**(1,495)**	11,535

* Gain on bargain purchase of additional equity interests in an associate for the year ended 31 March 2019 and loss on deemed partial disposal of equity interests in an associate for the year ended 31 March 2018 are included in "Share of profits and losses of associates" in the consolidated statement of profit or loss and other comprehensive income.

** Impairment of goodwill and impairment losses/(reversal of impairment losses) of items of property, plant and equipment are included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
	HK$'000	*HK$'000*
Interest on bank borrowings	**28,553**	18,926

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2019	2018
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the year	**920**	1,844
Under-provision/(over-provision) in prior years	**2,848**	(1,207)
Current — other jurisdiction		
Charge for the year	**–**	569
Deferred taxation	**3,680**	1,075
Total tax charge for the year	**7,448**	2,281

8. DIVIDENDS

The Board does not recommend the payment of any dividend in respect of the year ended 31 March 2019 (2018: Nil).

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

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year of 1,248,141,518 (2018: 1,265,142,888).

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 March 2019 and 2018 in respect of a dilution as the impact of the share options outstanding had no dilutive effect on the basic earnings/(loss) per share amounts presented.

10. TRADE AND BILLS RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**97,323**	112,456
Bills receivable	**–**	640
Less: Accumulated impairment	**(5,113)**	(1,663)
	92,210	111,433

The Group's trading terms with its retail customers are mainly cash on delivery whereas the trading terms with wholesale customers are mainly on credit. The credit period ranges from 7 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.

Included in the Group's trade receivables are amounts due from the Group's associates of HK$13,871,000 (2018: HK$7,480,000) which are repayable on credit terms similar to those offered to the major customers of the Group.

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

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**46,305**	43,120
1 to 3 months	**29,108**	40,212
3 to 6 months	**13,173**	21,307
Over 6 months	**3,624**	6,154
	92,210	110,793

11. TRADE PAYABLES

	2019	2018
	HK\$'000	*HK\$'000*
Trade payables	**35,959**	60,177

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

	2019	2018
	HK\$'000	*HK\$'000*
Within 1 month	**14,923**	52,661
1 to 3 months	**6,547**	5,254
3 to 6 months	**7,608**	1,704
Over 6 months	**6,881**	558
	35,959	60,177

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

12. EVENTS AFTER THE REPORTING PERIOD

(i) On 18 April 2019, the Group entered into a provisional sale and purchase agreement with an independent third party to dispose of an investment property and a property classified as leasehold land and buildings included in property, plant and equipment at an aggregate consideration of HK$60,500,000. The transaction was completed on 28 June 2019.

Further details of this disposal are set out in the Company's announcement dated 19 April 2019.

(ii) On 30 April 2019, the Group entered into a provisional sale and purchase agreement with an independent third party to dispose of the entire equity interests in Wang To Investments Limited, an indirect wholly-owned subsidiary of the Company, and the shareholder loan owed to the Group at a consideration of HK$47,000,000. The transaction is expected to be completed in July 2019.

Further details of this disposal are set out in the Company's announcement dated 30 April 2019.

(iii) On 9 May 2019, the Group entered into a provisional sale and purchase agreement with an independent third party to dispose of the entire equity interests in Shiny World Investment Limited, an indirect wholly-owned subsidiary of the Company, and the shareholder loan owed to the Group at a consideration of HK$52,800,000. The transaction is expected to be completed in August 2019.

Further details of this disposal are set out in the Company's announcement dated 9 May 2019.

13. COMPARATIVE AMOUNTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the financial year ended 31 March 2019, the Group recorded a revenue of HK$751.4 million (2018: HK$845.8 million) and a profit attributable to owners of the parent of HK$74.6 million (2018: a loss of HK$115.6 million). Such improvement was mainly attributable to a gain on bargain purchase of additional equity interests in an associate, improvement in results of such associate, the revaluation gain of the Group's properties and the reversal of impairment losses on financial assets due to adoption of HKFRS 9.

DIVIDENDS

The Board does not recommend the payment of any final dividend for the year ended 31 March 2019 (2018: Nil). No interim dividend was made for the six months ended 30 September 2018 (30 September 2017: Nil).

BUSINESS REVIEW

The Group's revenue for the year ended 31 March 2019 decreased by 11.2% to HK$751.4 million (2018: HK$845.8 million). Against the backdrop of consolidating distribution channels and relocation of production, total revenue of the Chinese and Western pharmaceutical and health food products decreased by 11.4% to HK$740.7 million (2018: HK$836.1 million). Various new products were launched to enrich our product offerings during the year. A solid foundation was laid down for future growth. The profit attributable to owners of the parent was HK$74.6 million (2018: a loss of HK$115.6 million).

(1) Chinese Pharmaceutical and Health Food Products

During the year under review, revenue of the Chinese pharmaceutical and health food products decreased by 10.8% year-on-year to HK$624.7 million. It implemented various initiatives during the year for the long term growth of the Group, including enriching the product range and consolidating distribution channels. Revenue of this business segment accounted for 83.1% of total revenue of the Group.

With the world's aging population and ardent demand for healthy living, the Group continued to promote and develop a series of traditional Chinese medicine ("**TCM**") healthcare products for common diseases of urban people. This year, Angong Sanbao (安宮三寶) has been successfully completed: Angong Niuhuang Wan (安宮牛黃丸), Angong Jiangya Wan (安宮降壓丸) and Angong Zaizao Wan (安宮再造丸), which are gatekeepers of cardiovascular health of the public based on the overall concept of emergency-prevention-rehabilitation. The series is registered in Hong Kong according to ancient prescriptions/nationally recognised prescription and its whole production process is carried out at the Group's Good Manufacturing Practice ("**GMP**")/The Pharmaceutical Inspection Co-operation Scheme ("**PIC/S**") factory in Yuen Long, Hong Kong. The Group has launched a series of product promotion, which successfully drew public attention to cerebrovascular health information through health talks and event promotional vehicles in various districts.

At the same time, the Group actively developed various Chinese patent medicine products for urban diseases, such as “three-hypers” and “gastrointestinal disorder”. Among them, Gastrointestinal Pills (整腸正氣丸) and Stomach Relief Granules (香砂正胃方), for the treatment of gastrointestinal discomfort, both registered as Chinese patent medicines, were launched. During the current year, the Group continued to promote the Ganoderma Lucidum Spores Lipid (靈芝孢子油) for assisting patients with refractory diseases, and cooperated with scientific research institutions to further establish its auxiliary effects and disseminated product information to those in need through health talks jointly organised with medical institutions. In the healthcare sector, main products of this year included Golden Dura-Gizer (金裝剛勁) for men’s vitality and Colla Corii Asini (阿膠) products for women’s beauty and blood nourishing which provided suitable health food products for various consumer groups.

The Group targeted better cost efficiency through further optimisation of its retail sales network and distribution channels. We had enhanced the distribution channel by partnering with a strong distributor in the fourth quarter of 2018 which will focus on distributing our products to the key accounts in Hong Kong. By the end of the year, we had over 60 retail outlets in Hong Kong. The enhanced distribution network helps strengthen the Group’s sales and brand recognition. A strong network has been laid down for a sustainable growth in the future.

The Group is well aware of the importance of networks nowadays and therefore has intensified its efforts to explore other sales channels, major customers, distributors and overseas regions to expand and enrich its sales channels. Increased investment will be also made in the development of online shopping platform.

Last but not least, the Group will continue to work with renowned universities and research institutes to promote and develop various types of Chinese medicine health products. In face of future challenges, the Group will insist on strict monitoring on product quality and a sincere service attitude.

(2) Western Pharmaceutical and Health Food Products

Revenue of the Western pharmaceutical and health food products decreased by 14.7% to HK$116.0 million amidst the process of relocating production to our GMP/PIC/S factory in Yuen Long, Hong Kong.

The two major product series, namely "Madame Pearl's" and "Pearl's" under this business segment encountered different challenges during the year. 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 GMP/PIC/S plant in Yuen Long which was gradually put in production since April 2017. 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 relocation of production was completed by the end of 2018.

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 year, the Group placed substantial resources in revamping its Western pharmaceutical and health food product distribution channels in order to improve efficiency. More resources were put on branding aiming to strengthen the brand loyalty for both "Madame Pearl's" and "Pearl's" product series. 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) Property Investment

At the end of the reporting period, the Group owned 16 properties which are all retail properties. Majority of those properties were self-used as retail shops while some were leased out for generating rental income. The net fair value gains on investment properties amounted to HK$17.4 million (2018: fair value gains of HK$23.4 million).

In April 2018, the Group acquired four retail shops located in Causeway Bay, Shau Kei Wan, Mong Kok and Tai Po, for a total consideration of approximately HK$350.0 million.

On 28 February 2019, the Group reached a provisional sale and purchase agreement with independent third parties to sell the retail shop at Hip Wo Street, Kwun Tong at a consideration of HK$53.1 million, completion of which took place in June 2019. On 28 March 2019, the Group also concluded a preliminary sale and purchase agreement with another independent third party to sell the retail shop at No. 166 Sai Yeung Choi Street South, Mong Kok at a consideration of HK$102.8 million, completion of which took place in May 2019. These two properties were reclassified as assets classified as held for sale as at 31 March 2019.

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

Easy One (Stock Code: 221), 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 31 March 2019, the Group held 29.06% (2018: 23.8%) of the issued shares of Easy One. Easy One is an associate of the Group. The increase in equity interests in Easy One during the year resulted in a gain on bargain purchase which was recognised in share of profit of associate. The Group's share of profit of Easy One during the year amounted to HK$49.0 million included a gain on bargain purchase of additional equity interests of Easy One of HK$38.0 million (2018: share of loss of HK$96.1 million included a loss on deemed partial disposal of equity interests in Easy One of HK$52.2 million). The improvement on Easy One's performance was one of the reasons for the Group's favourable results for the year.

On 18 September 2018, the Group entered into a loan agreement for granting of not exceeding a sum of HK$65.0 million to Easy One for a term of 36 months at an interest rate of 7.0% per annum. As at 31 March 2019, the loan was fully repaid by Easy One.

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

CAP (Stock Code: 149), 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.

In 2014 and 2016, the Group subscribed the unlisted 5-year bond due November 2019 with coupon rate of 10.0% per annum issued by CAP (the "**2019 CAP Bonds**"). During the year, CAP had early redemption part of the principal amounted to HK$220.0 million to the Group. As at 31 March 2019, the remaining principal amount held by the Group was HK$700.0 million (2018: HK$920.0 million).

The investment in the 2019 CAP Bonds was classified as financial assets at fair value through other comprehensive income as at 31 March 2019 which had previously been classified as available-for-sale investments.

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

The Group has maintained a portfolio of equity investments and debt investments which are held for long term investment purpose aiming to generating a stable income.

The equity investments are investments in companies listed on the Stock Exchange and were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature. The fair value of equity investments at 31 March 2019 was HK$87.4 million (2018: HK$125.7 million). During the year, the Group had recorded a net loss on change in fair value of equity investments at fair value through other comprehensive income of HK$39.3 million (2018: net loss on change in fair value through profit or loss of HK$18.8 million).

The debt investments (excluding the 2019 CAP Bonds) are investments in listed bonds. The Group increased the investments in listed bonds by HK$177.2 million which carried annual interest rates ranging from 5.375% to 15.500% in order to generating a stable income. The fair value of investments in listed bonds of HK$184.5 million (2018: available-for-sale investments of HK$2.0 million), of which HK$165.1 million were designated at fair value through other comprehensive income, investment on listed perpetual bonds amounted to HK$19.4 million were classified as debt investments at fair value through profit or loss. During the year, the Group recorded a net gain on change in fair value of debt investments at fair value through other comprehensive income of HK$4.6 million (2018: Nil) and a net gain on change in fair value of debt investments at fair value through profit or loss of HK$0.6 million (2018: Nil).

(7) Commissioning of the Yuen Long Factory

The modern TCM and Western medicine factory of the Group in Yuen Long Industrial Estate has commenced operation in phases since April 2017. The plant was granted the standard certification of 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 GMP certified. Such certifications signify the production facilities' compliance with local and international industry standards.

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 purified 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 equipment.

By the end of 2018, the production of "Madame Pearl's" cough syrup was relocated to Yuen Long factory successfully. After obtaining the relevant production permits, mass production is possible to meet the market demand.

FINANCIAL REVIEW

(1) Liquidity and Gearing and Financial Resources

As at 31 March 2019, the Group had total assets of HK$3,454.7 million (2018: HK$3,656.5 million) which were financed by current liabilities of HK$381.3 million (2018: HK$425.4 million), non-current liabilities of HK$625.2 million (2018: HK$671.1 million) and shareholders' equity of HK$2,448.1 million (2018: HK$2,560.0 million).

As at 31 March 2019, the Group's bank balances and cash were HK$171.2 million (2018: HK$420.8 million).

As at 31 March 2019, the Group's total bank borrowings amounted to HK$852.2 million (2018: HK$927.0 million), all of which bore interest at floating interest rates and were denominated in Hong Kong dollars.

	At 31 March 2019		At 31 March 2018	
	HK$ Million	***% of Total***	*HK$ Million*	*% of Total*
Bank loans repayable:				
Within one year	**232**	**27.2%**	265	28.6%
In the second year	**45**	**5.3%**	42	4.5%
In the third to fifth years, inclusive	**164**	**19.3%**	152	16.4%
Beyond five years	**411**	**48.2%**	468	50.5%
Total	**852**	**100%**	927	100%

The Group maintained a healthy liquidity position. The current ratio, being a ratio of total current assets to total current liabilities, was 3.5 (2018: 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 27.9% (2018: 19.8%). The Group always adopts a conservative approach in its financial management.

(2) Significant Investments Held

As at 31 March 2019, the Group had financial assets at fair value through other comprehensive income of HK$939.4 million and financial assets at fair value through profit or loss of HK$21.3 million, details of which were set out as follows:

	As at 31 March 2019				For the year ended 31 March 2019			Fair value/carrying amount		
Nature of investments	Number of shares held	Amount held	Percentage to share-holding in such stock	Percentage to the Group's net assets	Fair value gain/(loss)	Bond interest income	Dividends received	As at 31 March 2019	As at 1 April 2018	Investment cost
	'000	HK$'000	%	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at fair value through other comprehensive income:										
A. Equity investments										
Wang On Group Limited ("Wang On")	423,000	39,339	2.37	1.61	(4,653)	–	2,538	39,339	43,992	16,819
Others		48,049		1.96	(34,643)	–	607	48,049	81,691	56,603
B. Debt investments										
2019 CAP Bond		686,877		28.06	(7,810)	86,162	–	686,877	909,562	700,000
Others		165,146		6.75	4,612	4,017	–	165,146	2,029	160,447
Sub-total		939,411		38.37	(42,494)	90,179	3,145	939,411	1,037,274	933,869
Financial assets at fair value through profit or loss:										
A. Listed perpetual bonds		19,403		0.79	617	349	–	19,403	–	18,786
B. Unlisted mutual funds		1,886		0.08	(24)	–	–	1,886	1,910	1,614
Sub-total		21,289		0.87	593	349	–	21,289	1,910	20,400
Total		960,700		39.24	(41,901)	90,528	3,145	960,700	1,039,184	954,269

The principal activities of the securities are as follows:

(a) *Wang On*

Wang On (Stock Code: 1222), a company listed on the Main Board of the Stock Exchange, 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.

(b) Save as disclosed above, the Group also invested in other listed equity securities and listed bond investments in Hong Kong. The fair value of each of which represented less than 1.00% of the net assets of the Group as at 31 March 2019.

(c) Save as disclosed above, the Group also invested in other mutual funds, the fair value of each of which represented less than 1.00% of the net assets of the Group as at 31 March 2019.

(3) Financial Review and Prospect of Significant Investments Held

(a) *Financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income include the 2019 CAP Bonds, listed equity securities and other listed debt investments. 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. The Group intended to hold these investments for long term purpose aiming to generating a stable income.

As at 31 March 2019, the Group held the 2019 CAP Bonds in the principal amount of HK$700.0 million (2018: HK$920.0 million). As at 31 March 2019, the fair value of the 2019 CAP Bonds amounted to HK$686.9 million (2018: HK$909.6 million).

With a view to optimising its use of cash resources, the Group increased the investments in debt investments by HK$158.4 million which carried annual interest rates ranging from 5.375% to 15.500% during the year. As at 31 March 2019, the fair value of the debt investments (excluding the 2019 CAP Bonds) amounted to HK$165.1 million.

As at 31 March 2019, the fair value of the Group's investments in listed equity securities amounted to HK$87.4 million (2018: HK$125.7 million).

The Group had recorded a net loss on change in fair value of financial assets at fair value through other comprehensive income of HK$42.5 million for the year (2018: a net loss in respect of available-for-sale investments recognised in other comprehensive income of HK$6.3 million).

(b) Financial assets at fair value through profit or loss

As at 31 March 2019, the Group maintained an investment portfolio of unlisted mutual funds and certain listed perpetual bonds. 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.

With a review to optimise its use of cash resources, the Group increased the investments in listed perpetual bonds by HK$18.8 million which carried annual interest rates ranging form 6.000% to 6.625% during the year. As at 31 March 2019, the fair value of the listed perpetual bonds amounted to HK$19.4 million.

The Group had recorded a net gain on change in fair value of financial assets at fair value through profit or loss of HK$0.6 million for the year (2018: a net loss of HK$17.8 million).

(4) Foreign Exchange

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

The activities of the Group are exposed to foreign currency risks mainly arising from its operations in mainland China. The RMB exposure of the Group is mainly derived from currency translation risk arising from the net assets of the Group's mainland China subsidiaries. The loss on translation of foreign operations was HK$13.3 million (2018: gain of HK$7.4 million).

(5) Capital Commitment

As at 31 March 2019, the Group had capital commitment of HK$2.5 million (2018: HK$317.6 million) in respect of the acquisitions of property, plant and equipment, which were contracted for but not provided for in the consolidated financial statements.

(6) Pledge of Assets

As at 31 March 2019, the Group's bank borrowings were secured by the Group's land and buildings and investment properties, with a total carrying value of HK$1,010.0 million (2018: HK$645.7 million).

As at 31 March 2019, the Group pledged certain of its financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, with an aggregate carrying amount of HK$211.6 million (2018: Nil) and HK$19.4 million (2018: Nil), respectively, as securities for general banking facilities granted to the Group.

(7) Contingent Liabilities

As at 31 March 2019, the Group had no material contingent liabilities (2018: Nil).

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group recognises our employees as the key element that contributes to the Group's success. As at 31 March 2019, the Group had 685 (2018: 721) employees, among them approximately 78.8% (2018: approximately 75.5%) were located in Hong Kong and the rest were located in mainland China. The Group remunerated its employees based on industry practices and individual performance and experience. On top of the regular remuneration, discretionary bonus and share options would also be granted to selected staff by reference to the Group's performance as well as the individual's 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 were also provided. Meanwhile, the Group endeavours to provide a safe workplace to our employees. The Board believes that the Group maintains admirable relations with the employees.

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

(ii) low growth of customer base: this risk is primarily brought by the decrease in the number of mainland tourists and Hong Kong economy recession this year;

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

(iv) cost control: in face of rising costs, the Group may be able to absorb cost increase entirely via cost control measures which may in turn reduce the Group's profit;

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

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

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

(viii) changes in customer behaviour: economy recession may lead to reduced consumption by customers, which in turn causes reduction in consumer spending and change of impulsive shopping behavior;

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

(x) volatility in retail rental: continuously increasing in retail rental may drive down profits; and

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

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

PROSPECTS

Against the backdrop of China-US trade disputes, we are cautiously optimistic of the coming year. The overall retail sales in Hong Kong for the first four months of 2019 slipped 2% year-on-year, showing that the retailers are facing challenging environment. On the other hand, we expect our Western pharmaceutical business to record a favourable growth as the cough syrup under the "Madame Pearl's" brand has obtained government approval to sell to the clinical market in Hong Kong. The national policy for Guangdong-Hong Kong-Macau Greater Bay Area, as a key development area, also provides a bright prospect for TCM development.

In order to promote future development and business growth, the Group will grasp the opportunities for development of TCM in the Greater Bay Area. The Greater Bay Area, comprising 11 cities covering 56,000 km^2 and having an estimated total population of 70 million, has a strong demand for TCM. Mainland China has been attaching great importance to and spending efforts to promote the development of TCM in the area. With the reputation "Wai Yuen Tong" brand established in Hong Kong and overseas over the past century, and given that its production factory was granted the certificate of GMP for Proprietary Chinese Medicine of Hong Kong and the standard certificate of the PIC/S by the Therapeutic Goods Administration of Australia, in the future when product regulation and market sale of Proprietary Chinese Medicine in the Greater Bay Area integrate, the Group will realise its great potential.

The Group will continuously expand cooperation with scientific research institutes and, based on TCM formulas and taking "Made in Hong Kong" as quality control, promote scientific development in terms of regulation of Chinese Medicine. We will continue to enhance our distribution network by penetrating into more local communities and diversify our product range to meet the needs of customers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to enhancing and strengthening efforts on environmental protection, so as to facilitate industrial upgrading. We proactively implement environmental protection policies, gradually adjust its portfolio, conduct energy-saving, using recycled paper, emission reduction and pollution prevention strategies and so forth. The Group has not only improved the quality management system but also strengthened the quality of the audit to ensure the quality and safety of Chinese and Western pharmaceutical project control.

CORPORATE SOCIAL RESPONSIBILITY

While the Group endeavours to promote business development and strives for greater rewards for our stakeholders, we acknowledge our corporate social responsibility to share some burden in building the society where our business has been established and thrived. The Group is conscious of its role as a socially responsible group of companies, it had made donations for community wellbeing from time to time, supports the communities and encourages its employees to participate in any charitable events and caring services. Given the support from the management, the Group built up a team of staff volunteers to get involved in volunteer work.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, the Company repurchased a total of 33.5 million shares of HK$0.01 each of the Company on the Stock Exchange. All the repurchased shares were subsequently cancelled on 8 October 2018 by the Company during the year. Details of the share repurchases during the year are as follows:

Month	Number of shares repurchased	Purchase price per share		Aggregate amount
		Highest	Lowest	
	(in million)	*HK$*	*HK$*	*HK$ (in million)*
September 2018	24.0	0.300	0.275	7.0
October 2018	9.5	0.310	0.305	3.0
	33.5			10.0

The repurchase of the Company's shares by the Directors during the year was made pursuant to the mandate granted by shareholders at the last annual general meeting of the Company held on 29 August 2018, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company. As at 31 March 2019 and up to the date of this announcement, the total number of shares of the Company in issue was 1,231,642,888 shares.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Board has reviewed the corporate governance practices of the Company and is satisfied that the Company had applied the principles and complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") throughout the financial year ended 31 March 2019, except for the following deviation:

Code provision A.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the year under review, 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.

Further details of the Company's corporate governance practices will be set out in the corporate governance report to be contained in the Company's 2019 Annual Report.

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 than the required standard set forth in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as 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 standard set out in the Model Code throughout the financial year under review and up to the date hereof. No incident of non-compliance by the Directors was noted by the Company during the year.

AUDIT COMMITTEE

The Company has established its audit committee (the "**Audit Committee**") with specific written terms of reference (as amended from time to time) in accordance with the requirements of the Listing Rules. The Audit Committee comprises Mr. Li Ka Fai, David, Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon and Mr. Cho Wing Mou, all of them are the independent non-executive Directors, and Mr. Li Ka Fai, David was elected as the chairman of the Audit Committee.

During the year, the Audit Committee held two regular meetings with the management and the external auditor to review and consider, amongst other things, the accounting principles and practices adopted by the Group, the financial reporting matters (including the review of interim and final results), the statutory compliance, internal controls and risk management, continuing connected transactions and the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function as well as their training programmes and budget.

The Audit Committee has reviewed with the Company's management approved the Group's consolidated financial statements for the year ended 31 March 2019.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2019 as set out in this announcement have been agreed by the Company's independent auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, *Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants* and consequently no assurance has been expressed by Ernst & Young on this announcement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 26 August 2019 to Friday, 30 August 2019 (both days inclusive) for determining eligibility to attend and vote at the 2019 annual general meeting. In order to be eligible to attend and vote at the 2019 annual general meeting, all transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m., Friday, 23 August 2019.

ANNUAL GENERAL MEETING

The 2019 annual general meeting of the shareholders of the Company will be held at Garden Room A–D, 2/F, New World Millennium Hong Kong Hotel, 72 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Friday, 30 August 2019 at 11:30 a.m. and the notice convening such meeting will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

PUBLICATION OF FINAL RESULTS AND DESPATCH OF ANNUAL REPORT

This final results announcement is published on the websites of HKEXnews (www.hkexnews.hk) and the Company (www.wyth.net). The 2019 annual report containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

By Order of the Board
WAI YUEN TONG MEDICINE HOLDINGS LIMITED
(位元堂藥業控股有限公司*)
Tang Ching Ho
Chairman and Managing Director

Hong Kong, 28 June 2019

As at the date of this announcement, the executive Directors are Mr. Tang Ching Ho, Mr. Chan Chun Hong, Thomas, Ms. Tang Mui Fun and Ms. Tang Wai Man and the independent non-executive Directors are Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon, Mr. Cho Wing Mou and Mr. Li Ka Fai, David.

* *For identification purpose only*