位元堂

Wai Yuen Tong Medicine Holdings Limited

(Stock Code : 897)

Preparing medicine with dedications
Growing Strong with reputation

2014 ANNUAL REPORT

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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. Yuen Chi Choi
Mr. Siu Man Ho, Simon
Mr. Cho Wing Mou

AUDIT COMMITTEE

Mr. Yuen Chi Choi, *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. Yuen Chi Choi
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. Yuen Chi Choi
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

LEGAL ADVISERS

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

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
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

10,000 shares

INVESTOR RELATIONS

Email: contact@waiyuentong.com

HOMEPAGE

www.wyth.net

STOCK CODE

897

CHAIRMAN'S STATEMENT

Remaining faithful to the philosophy of "Preparing medicine with dedications, growing strong with reputation", Wai Yuen Tong adheres to its traditional virtues.

On behalf of the board of directors (the "**Board**" or the "**Directors**") of Wai Yuen Tong Medicine Holdings Limited (the "**Company**"), I am pleased to present the audited consolidated financial results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2014.

CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

During the year ended 31 March 2014, the Group reported a steady growth for its results with a turnover amounting to approximately HK$865.3 million (2013: approximately HK$785.6 million), approximately 10.1% higher than that of the corresponding period last year, which also drove the gross profit to approximately HK$389.5 million (2013: approximately HK$361.0 million). As a result, during the year under review, profit attributable to owners of the parent recorded approximately 10.1% growth to approximately HK$163.4 million (2013: approximately HK$148.4 million), with basic earnings per share reaching approximately HK5.57 cents (2013: approximately HK6.88 cents).

The Board recommends the payment of a final dividend of HK0.3 cents (2013: HK0.3 cents) per ordinary share for the year ended 31 March 2014, payable on or around Thursday, 31 July 2014, subject to approval by the shareholders of the Company at the forthcoming annual general meeting to be held on Wednesday, 16 July 2014.

BUSINESS REVIEW

The volatile environment for both global and the People's Republic of China's (the "**PRC**" or "**Mainland China**") domestic economy continued to affect the consumers' desire to spend. Although the number of visitors coming to Hong Kong last year witnessed a year on year growth of approximately 10.0%, and the gross value of the goods sold across the Hong Kong retailing industry amounted to approximately HK$500 billion, during the recent holiday period of "Labor Day on 1 May", the number of tourists from Mainland China to Hong Kong experienced a decline for the first time since the launch of Individual Visit Scheme 11 years ago. The tourism sector believed that the economic slowdown in the PRC and its central government's strengthened efforts in combating corruption were some of the causes for the decline.

In a market environment with looming uncertainties, by building on Wai Yuen Tong's established reputation and popularity, the Group maintained a stable growth in sales of Chinese medicine. In particular, the category of baby products reported a remarkable performance while other coarse and fine medicine and luxurious healthcare products such as cordyceps also recorded strong

sales. In addition to expanding the diversity of products for sales, the Group's new products also tapped into new customer sources and will help the Group to further expand its income stream. With the growing importance towards personal healthcare placed by the general public, the sales of the Group's healthcare food and personal care products business posted solid results during the year under review.

The Group also stepped up its marketing efforts to further enhance its brand popularity and product image. During the year under review, the Group published and broadcasted a series of advertisements focusing on individual products, as well as participating in community services through different channels, such as collaborating with the S.K.H. St. Christopher's Home, so as to promote its brand and corporate image. With the coordinated efforts, the Group's retail stores recorded steady growth in terms of same store sales during the year under review.

The Group's sales of western pharmaceutical products for the upper respiratory tract business under the brand name of "Madame Pearl's" achieved satisfactory improvement during the year under review. Furthermore, sales of personal health care products, which was launched under the brand name of "Pearl's" continued to record satisfactory results. These related products such as Mosquitout Patch not only recorded satisfactory sales, but also successfully expanded customer base by attracting the young generation of customers.

In addition, the Group' land at the Yuen Long Industrial Estate is currently under land clearance work, on which the Group will set up a new factory as a production base for western pharmaceutical and traditional Chinese medicine, which is expected to commence operation in 2017.

FUTURE PROSPECT

There are a number of uncertainties in both international and Mainland China's domestic macro-economic markets, leading to more cautious attitude on spending by tourists from Mainland China. Meanwhile, given the recent trend of such tourists' reduced spending on luxury products, expensive food and medical ingredients, the local retailing market has started to exhibit signs of slow down and the growth in overall consumption spending is expected to shrink. Moreover, the business environment in Hong Kong remains difficult, because not only costs of production continue to rise, the high rent of commercial units are also expected to subsist, all of which put pressure on the Group's medicine production and retailing operations.

In response to the challenges arising from the operating environment, the Group will strengthen its own profitability by enhancing cost control and expanding income sources. Stringent cost control measures will be applied on each and every link in the Group's operation and production procedures. Furthermore, the Group would conduct systematic comparative analysis on suppliers' quotations to ensure that the Group procures products and services from third parties at an ideal value-to-cost ratio. It will also continue to identify and acquire suitable retailing properties that can not only mitigate the effect arising from soaring rental cost but also provide opportunities for long-term capital appreciation.

The safety of medicine and healthcare products is of paramount importance. The Group insists on stringent quality control over raw material. Save for strict surveillance and precise tests for purchases of Chinese herbal medicine, the Group is actively expanding its Chinese herbal plantation in Mainland China so that the purchase sources and raw material quality can be further guaranteed.

In order to enhance production process to meet more rigid regulatory requirements and to respond more flexibly to demands in the market, the Group is speeding up the construction of a factory in Yuen Long Industrial Estate which achieves the Europe Accreditation and is expected to be completed by the end of 2016. Production is expected to commence in 2017 after completion of facility installation and adjustment as well as trial run. On top of advanced production equipments and workshop planning with a design based on production needs, there is a modern research and development centre in the new factory as well. The commencement of the new facility will significantly enhance the Group's capacity in production and research and development. At the same time, the new factory will allow the Group to house both the production of proprietary Chinese medicine and western medicine under one roof. Also, the Group may further leverage the advantages of vertical integration to strengthen new product development, thereby achieving steady expansion of its product lines.

With Mainland China's reform on the birth control policy, consumers are exceptionally concerned with infant's health and care. They are highly confident in the quality of infant food and baby products purchased from Hong Kong. The Group's "Wai Yuen Tong" brand is a brand with long history and excellent reputation. The Group will make the most out of this brand's influence and cater for the needs of majority consumers by continuing to develop even more baby products to cope with the increasing market demand.

The Group's extensive network of sales and retail shops in Hong Kong provides efficient sales platform for the Group's products. In order to expand the Group's products' market penetration, the Group will not only increase its marketing activities, but also actively use social networking and other new media to enhance corporate image and brand promotion, so as to increase interaction with younger customers. The Group has set up a Facebook page and launched specialised apps for smart-phones, which have generated positive results in promoting brand recognition and product awareness.

The Group will continue to foster the development of the Chinese medical and pharmaceutical business. In addition to organic growth, the Group will closely monitor the market dynamics for investments or mergers in Chinese medical and pharmaceutical projects. The Group provides Chinese medicine consultation services in Hong Kong, which put traditional Chinese medicine consultation under modern standardised management and operation model. The Group plans to expand such services to other cities in Mainland China and offer more diversified integrated services to the market.

APPRECIATION

I would like to extend my heartfelt appreciation to management team and all the staff for their dedication and contribution over the years. The Group's remarkable performance in the year is attributable to the continuous effort and contribution of the Group staff and my fellow Board members in the previous year. I would also like to express my sincere gratitude to all the institutional investors, shareholders, customers and suppliers for their unfailing support to the Group.

Tang Ching Ho
Chairman

Hong Kong, 14 May 2014

MANAGEMENT DISCUSSION AND ANALYSIS

Wai Yuen Tong has always made strong commitments to the quality of its products and the medical ingredients used, thereby earning not only trust from its customers, but also the reputation as a prestigious Chinese medicine label.

RESULTS

For the year ended 31 March 2014, the Group recorded a turnover of approximately HK$865.3 million (2013: approximately HK$785.6 million) and profit attributable to owners of the parent of approximately HK$163.4 million (2013: approximately HK$148.4 million).

DIVIDENDS

The Board has recommended the payment of a final dividend of HK0.3 cents (2013: HK0.3 cents) per ordinary share for the year ended 31 March 2014 to shareholders on the register of members of the Company as of Thursday, 24 July 2014. The final dividend will be paid on or around Thursday, 31 July 2014, subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Wednesday, 16 July 2014. No interim dividend was made for the six months ended 30 September 2013 (30 September 2012: Nil).

CLOSURE OF REGISTER

The register of members of the Company will be closed for the following periods:

(a) *for determining eligibility to attend and vote at the 2014 annual general meeting:*

Latest time to lodge transfer documents for registration:	4:30 p.m., Thursday, 10 July 2014
Closure of register of members:	Friday, 11 July 2014 to Wednesday, 16 July 2014
Record date:	Wednesday, 16 July 2014

(b) *for determining entitlement to the proposed final dividend:*

Latest time to lodge transfer documents for registration:	4:30 p.m., Tuesday, 22 July 2014
Closure of register of members:	Wednesday, 23 July 2014 to Thursday, 24 July 2014
Record date:	Thursday, 24 July 2014

In order to be eligible to attend and vote at the 2014 annual general meeting and to qualify for the proposed final dividend, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than the respective latest date and time set out above.

BUSINESS REVIEW

For the year ended 31 March 2014, the Group continued to achieve a satisfactory business growth and recorded a turnover of approximately HK$865.3 million (2013: approximately HK$785.6 million), representing a growth of approximately 10.1% over last year. Besides, the Group recorded an increase in profit attributable to owners of the parent for the year ended 31 March 2014, resulted to approximately HK$163.4 million (2013: approximately HK$148.4 million). Such improvement in result was mainly attributable to, among other things, the increase in gross profit resulting from the increase in the Group's turnover and the gain from change in fair value of investments held-for-trading, although the same has been partly set-off by the decrease in fair value gains on investment properties.

(1) Chinese Pharmaceutical and Health Food Products

Turnover for the year increased by approximately 9.6% from approximately HK$640.2 million for last year to approximately HK$701.6 million. Due to the recent relatively slower overall economy, which placed heavy pressure on the general retail business environment, there was a slowdown in the growth rate of our retail business. Indeed we still recorded a better same store sale growth at a low single digit. On the other hand, sales performance in other channels, such as chain stores, key accounts and open trade, kept on recording remarkable growth rate against last year. This achievement was the result of increasing focus and resources to boost these alternative sale channels which we had previously identified to have good potential. Besides, the growth of our retail business and the increasing number and presence of our retail shops have contributed promotional effect and positive image of our brand, which have also stimulated the sales momentum in these other channels.

The increasing public awareness and concern on personal health and the increasing trend of people consuming health supplements also contributed part of the growth. Throughout the year, we have continued expanding our product range to attract and broaden our customer base. Series of marketing campaigns have been launched to promote brand awareness and product image. Meanwhile, we have kept on maintaining strict production and process control so as to reinforce customers' confidence in our quality products. We believe that all these actions gone through have attracted not just local Hong Kong citizens but also the increased number of Mainland Chinese tourists visiting Hong Kong to buy our products.

In addition, the establishment of integrated Chinese medical centres to provide Chinese medicine consultation services has proven successful and the Group has explored ways to further expand our Chinese medicine consultation services. We believe that this strategic move will help to further strengthen our position in the Chinese pharmaceutical and health food products industry.

(2) Western Pharmaceutical and Health Food Products

Turnover for the year increased by approximately 11.8% from approximately HK$136.0 million for last year to approximately HK$152.0 million. The upsurge in sales was mainly contributed by the cough syrup products under our primary brand "Madame Pearl's". After about half year's prohibition in sales as imposed by the Mainland China government authority, the sales of cough syrup products containing codeine in Mainland China market resumed in May 2013. Customers' demand has been accumulated during the ban period and thus brought forward the sales to the current year.

Meanwhile, the sales performance of the personal care products under our secondary brand "Pearl's" continued to be positive and has shown a stable sales momentum. By means of continuous product development, added promotion effort, increased product penetration and appearance in different sale channels, "Pearl's" has gained customer confidence, becoming more well-known to the public and more well-received by the market. In future, we shall diversify its products portfolio and introduce more new personal care products which target the children and the adult sectors to the market.

Another new product line, sugar-free mint candy, also brought in constant revenue to the Group since its launch in the market, attracting and broadening our customer base, especially among the younger generation. Again, we shall expand this product line and bring in fresher and more energetic products in order to attract more customers from the new generation.

(3) Bottled Birds' Nest Drinks and Herbal Essence Products

Turnover for the year decreased by approximately 26.6% from approximately HK$22.9 million for last year to approximately HK$16.8 million. Mainland China remains putting an embargo on the import of both dry birds' nest and bottled birds' nest caused the continuous sales dip in this segment. Besides, we also experienced sales drop in the Singapore local market due to cautious consumer spending.

The overall drop in popularity of people consuming birds' nest and related products has posed a difficult business environment. Besides, the unpredictability of when Mainland China will lift the ban on the import of birds' nest also caused a great uncertainty. Together with the high labour cost and the ever increasing operating costs in Singapore, management was pessimistic about the future profitability of this business segment. Hence, at the end of January 2014, management decided to close down the factory in Singapore, ceased operations and discontinued this business segment.

(4) Property Investment

On 2 April 2013, the Group completed the acquisition of an investment property located in Jordan, Kowloon, Hong Kong, at a cash consideration of HK$81.0 million. The property is currently leased out to an independent third party for commercial purpose.

Together with the above mentioned, the Group has 11 properties on hand in which all of them are retail shops. Currently, five properties are leased out for commercial purpose while six properties are used by our retail shops. Management believes in the long-term prospects of commercial properties in Hong Kong and considers that our investment property portfolio adds stability and strength to the Group's income base.

Subsequent to the year end, on 8 May 2014, the Group entered into a provisional sale and purchase agreement with an independent third party individual for the acquisition of a property located in To Kwa Wan Road, Kowloon, Hong Kong, at a cash consideration of HK$40.3 million. The acquisition will be completed on or before 6 August 2014. Details of the property acquisition were set out in the Company's announcement dated 9 May 2014.

(5) Investment in PNG Resources Holdings Limited ("PNG")

PNG is 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 19 September 2013, PNG announced the disposal of a subsidiary. This subsidiary company in turn holds the entire issued share capital of another company which is principally engaged in the forestry and timber logging project in Papua New Guinea. For details of the disposal, please refer to PNG's announcement dated 19 September 2013 and PNG's circular dated 7 November 2013.

On 20 November 2013, the Group, PNG and a placing agent entered into a top-up placing and subscription agreement pursuant to which (i) the Group has agreed to place, through the placing agent, 1,538 million PNG top-up placing shares to not less than six independent investors at a top-up placing price of HK$0.1 per PNG top-up placing share; and (ii) the Group has agreed to subscribe for 1,538 million PNG top-up subscription shares at a top-up subscription price of HK$0.1 per PNG top-up subscription share. The top-up placing was completed on 25 November 2013 and the top-up subscription was completed on 27 November 2013. Accordingly, the Group's shareholding interest in PNG has been diluted from 34.63% to 28.86%. Details of the transactions were set out in the Company and PNG's joint announcements dated 20 November 2013 and 27 November 2013.

The Group's share of the profit of PNG amounted to approximately HK$22.8 million for the year (2013: approximately HK$9.7 million). The improvement in result was mainly due to the net effect of the increase in profit realised from PNG's sale of property in the PRC and the increase in fair value of the financial assets at fair value through profit or loss over the loss resulting from the decrease in fair value of the plantation assets in Papua New Guinea during the year.

No impairment loss on the Group's investment in PNG was recognised by the Group during the year (2013: Nil) as the recoverable amount was assessed to be close to the carrying value of the interest in PNG.

(6) Investments held-for-trading

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 investments held-for-trading of approximately HK$46.4 million for the year (2013: approximately HK$1.2 million).

(7) Loan facilities granted to PNG

In August 2013, PNG repaid one of the outstanding loans with the principal amount of HK$15.0 million, together with accrued interest, to the Group upon its maturity.

On 22 August 2013, the Group and PNG entered into two sets of the supplemental loan agreements to each of the previous loan agreements regarding loan principal of HK$10.0 million and HK$190.0 million, respectively, pursuant to which the Group conditionally agreed to extend the respective repayment dates under each of the previous loan agreements for three years upon each of the respective maturity dates in consideration for the increase in interest rate from 8.0% to 10.0% per annum and the interest accrued will be payable on an annual basis. Details of the supplemental loan agreements were set out in the Company's announcement dated 22 August 2013 and the Company's circular dated 9 September 2013.

In view of the development prospects of PNG, the Group considers that it is in the interest of the shareholders to continue to support the development of PNG by way of loan financing with an aim to generate return to the shareholders in long run as a substantial shareholder of PNG. The Group also considers that the continuous provision of the loan facilities to PNG provides the Group a higher and stable interest income in the short to medium term.

(8) Loan facilities granted to China Agri-Products Exchange Limited ("CAP")

On 28 May 2013, the Group entered into a loan agreement with CAP, pursuant to which the Group agreed to grant to CAP a revolving loan facility in an aggregate amount of not exceeding HK$150.0 million at an interest rate of 12.0% per annum for a term of three years. Loan principals of HK$100.0 million and HK$50.0 million were fully drawn down by CAP in May and June 2013, respectively.

Together with the aggregate outstanding loan of HK$175.0 million under previous loan facility agreements, CAP was indebted to the Group in an aggregate loan amount of HK$325.0 million as at 31 March 2014.

The Group considers that the loans granted to CAP provides a higher and stable return of interest income to the Group in the short to medium term.

(9) Underwriting Rights Shares of CAP

As disclosed in the Company's announcement and circular dated 19 December 2013 and 23 January 2014, respectively, the Group participated in underwriting 228 million rights shares at HK$0.465 per CAP's rights share under the rights issue proposed by CAP in the proportion of 15 adjusted CAP rights shares for every one adjusted CAP share held on the record date at HK$0.465 per rights share of CAP (the "**CAP Rights Issue**"), in consideration of receiving commission of 2.5% of the aggregate subscription price of the underwritten rights shares, pursuant to the underwriting agreement executed on 4 December 2013.

As a result of the over-subscription of the CAP Rights Issue, completion of which took place on 25 March 2014, the Group was not required to take up any underwritten shares. Thus, at the end of the reporting period, the Group did not hold any equity interest in CAP.

(10) New factory construction project in Yuen Long Industrial Estate

Following the grant lease of a piece of land located at Yuen Long Industrial Estate by Hong Kong Science and Technology Parks Corporation to the Group as mentioned in last year annual report, the preliminary works for the construction of a five-storey factory building to house the Group's pharmaceutical (western drug) manufacturing and traditional Chinese medicine manufacturing already commenced indeed. Foundation work is now underway and will last until mid-2014. Thereafter, superstructure works, fitting out works, equipment ordering, etc. will follow. We expected that the whole factory construction will be completed in 2016, while operation is targeted to begin in early 2017.

FINANCIAL REVIEW

Liquidity and Gearing

As at 31 March 2014, the Group's total borrowings amounted to approximately HK$391.2 million (2013: approximately HK$262.8 million). The gearing ratio, being the ratio of total borrowings to equity attributable to owners of the parent, was approximately 21.3% (2013: approximately 15.7%).

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, Hong Kong dollars, Singapore dollars and Macau Pataca, matches the currency requirements of the Group's operating expenses. The Group therefore does not engage in any hedging activities.

Capital Commitment

As at 31 March 2014, the Group had capital commitment of approximately HK$26.0 million (2013: approximately HK$13.6 million) and nil (2013: approximately HK$37.0 million) in respect of the acquisition of property, plant and equipment and investment property, respectively, which were contracted for but not provided in the consolidated financial statements.

Contingent Liabilities

As at 31 March 2014, the Group had no material contingent liabilities (2013: Nil).

EMPLOYEES

As at 31 March 2014, the Group had 742 (2013: 741) employees, of whom approximately 71% (2013: approximately 66%) were located in Hong Kong. The Group remunerates its employees based on their performance and the prevailing market rates. The Group also operates a share option scheme under which the Board may grant share options to the employees of the Group. The Group's total staff costs for the year were approximately HK$146.0 million (2013: approximately HK$127.6 million).

PROSPECTS

The recent global financial instability and economic slow down has generally affected the business environment in Hong Kong and the PRC, with the retail business being the most vulnerable. In order to minimise the general adverse effect on our business of the worsening global environment as well as the ever changing local government policy, control and measure, the Group will continue to make efforts to expand its product range, broaden its customer base, strengthen quality control and enhance marketing and promotion activities so as to further uplift the image and competitiveness of its brands and its products. Realising that people are attaching greater importance to personal health and well-being, the Group will produce more educational information relating to these topics and will publish in various media which can show to the public our dedication within the industry. Having seen evidence of a strong growth potential in other sale channels, such as chain stores, key accounts, open trade, etc., the Group will further increase its focus and concentration by adding more resources, including manpower, incentives, advertising and promotion budget to develop these alternative sale channels, with the aim of balancing the risks and reliance on retail business and shifting towards a more healthy sale channel mix. Besides, the Group will also make use of the cyber world, such as online shopping, cooperate with other agencies focusing on group purchase business, set up a fans page on Facebook and launch iPhone apps, which have already been recognised as an effective and efficient way to promote our brands and products and bring in potential new customers from the younger generation. On the other hand, the Group will also evaluate merger and acquisition opportunities as a means to speed up growth if it can bring synergy to our existing business, as well as diversification of our investment portfolio for strengthening and broadening our income base.

Continuously rising labour, raw materials and rental costs all add burden to the Group as they form a significant portion of the Group's operating costs. By adopting various cost control measures, such as exploring new suppliers to ensure raw materials purchased are of high quality and at competitive prices, reviewing various operating cycles and processes so as to improve our production efficiency and restructuring some of our retail shops, whether location or shop size, to achieve greater sales revenue deriving from lower overall rental costs, the Group's management seeks to maintain its profitability. The Group will also consider acquiring suitable retail premises, both for long term capital appreciation purpose and to minimise the effect of the rising trend in rental costs.

Going forward, to expand the Group's pharmaceutical manufacturing business as well as to fulfill the stringent change of quality system in the pharmaceutical industry is the next milestone of the Group. Taking the opportunity that the Group has been granted the lease of a piece of land located at Yuen Long Industrial Estate, the Group is keen to construct a new and modernised five-storey factory building to house its pharmaceutical (western drug) manufacturing and traditional Chinese medicine manufacturing. The Group will also introduce the latest technologies and incorporate a research and development centre into this new factory. To prepare for the commencement of production of this new factory in 2017 and to ensure its capacity could be utilised efficiently, the Group has enhanced the effort on new products development and registration, especially focus on those Chinese and western medicinal products, which we believe that their uniqueness and curative effect are the key attraction to consumers and considering to be the future continuous income source to the Group. As such, the Group is confident that our leading position as a local Hong Kong brand in the pharmaceutical industry will be further strengthened.

BOARD OF DIRECTORS
AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tang Ching Ho, *JP*, aged 52, was appointed as the Chairman of the Company in August 2001. He is also an authorised representative and a member of the remuneration committee, the nomination committee and the executive committee of the Company. He is responsible for the strategic planning, policy making and business development of the Group. He has extensive experience in corporate management. He is also the chairman of Wang On Group Limited ("**Wang On**"), a company listed on the Stock Exchange. Mr. Tang is the committee member of the 12th National Committee of the Chinese People's Political Consultative Conference ("**CPPCC**") and is also appointed as a standing committee member and convener of the tenth CPPCC Guangxi Zhuang Autonomous Region Committee and the president of Federation of Hong Kong Guangxi Community Organisations Limited and a standing committee member of the third CPPCC Guangxi Yulin City Committee. He is the brother of Ms. Tang Mui Fun, an executive Director.

Mr. Chan Chun Hong, Thomas, aged 50, was appointed as the Managing Director of the Company in August 2001. He is also an authorised representative and a member of the remuneration committee, the nomination committee and the executive committee of the Company. He is responsible for managing the corporate matters and overall management and supervision of the Group. He is also the managing director of Wang On, the chairman and managing director of PNG, the chairman and chief executive officer of CAP and an independent non-executive director of Shanghai Prime Machinery Company Limited, all companies are listed on the main board of the Stock Exchange. He graduated from the Hong Kong Polytechnic University (then known as the Hong Kong Polytechnic) with a degree in Accountancy and is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

Ms. Tang Mui Fun, aged 43, joined the Group in 2000 and was appointed as the Executive Director in September 2007. Ms. Tang is a member of the executive committee of the Company and acts as directors of certain subsidiaries of the Group. She is responsible for the overall strategic planning and development and policy making for the core business of the Group. She graduated from the University of Hull (England) with a bachelor degree in accountancy. Prior to joining the Group, she had four years of experience in the accounting and auditing fields and five years of experience in general management. She is a sister of Mr. Tang Ching Ho, the Chairman of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wai Ho, *MH*, aged 64, was re-designated as an Independent Non-executive Director in April 2006 from a non-executive Director and he joined the Group in 1994. Mr. Leung is a member of the audit committee, the remuneration committee and the nomination committee of the Company. He has more than 48 years and 18 years of experiences in the watch industry and financial industry respectively. He is a National Committee Member of the Chinese People's Political Consultative Conference, a Standing Committee Member of The Chinese General Chamber of Commerce, a Committee Member of The Chinese Manufacturers' Association of Hong Kong, the chairman of the Watches and Clocks Advisory Committee of the Hong Kong Trade Development Council, the Honorary President of the Hong Kong Chamber of Commerce in China — Guangdong and the Chartered President of the Dongguan City Association of Enterprises with Foreign Investment.

BOARD OF DIRECTORS
AND SENIOR MANAGEMENT

Mr. Yuen Chi Choi, aged 53, joined the Company as an Independent Non-executive Director in August 2001. He is the chairman of the audit committee of the Company and a member of the remuneration committee and the nomination committee of the Company. Mr. Yuen is a certified public accountant in Hong Kong and an associate member of The Hong Kong Institute of Certified Public Accountants. He has more than 21 years of audit experience.

Mr. Siu Man Ho, Simon, aged 40, joined the Company as an Independent Non-executive Director in August 2001. He is a member of the audit committee and the nomination committee of the Company and the chairman of the remuneration committee of the Company. Mr. Siu is a practising solicitor of the High Court of Hong Kong. He obtained a bachelor of Laws degree from the University of Hong Kong in 1996 and is a partner of a law firm, namely Sit, Fung, Kwong & Shum, and a China-Appointed Attesting Officer. His areas of practice include corporate finance, capital markets, securities, mergers and acquisitions, joint ventures and general commercial matters. Mr. Siu is also an independent non-executive director of Brilliant Circle Holdings International Limited, a company listed on the main board of the Stock Exchange.

Mr. Cho Wing Mou, aged 73, joined the Company as an Independent Non-executive Director in September 2001. He is a member of the audit committee and the remuneration committee of the Company and the chairman of nomination committee of the Company. Mr. Cho has over 42 years of experience in banking industry and was formerly as a director and deputy general manager of Hua Chiao Commercial Bank Limited and The China State Bank Limited. He is a committee member of the 8th Political Consultative Conference Guangxi, a committee member of the 1st to 3rd Political Consultative Conference of Yulin City, Guangxi Province and a committee member of Political Consultative Conference of Maoming City, Guangdong Province and also the Chairman of Supervisor Gee Tuck General Association Hong Kong Limited and the vice president of Gee Tuck World Association Limited.

SENIOR MANAGEMENT

Mr. Chiu Kwok Ho, **Benedict** joined the Group in April 2005 and is currently the Director of Luxembourg Medicine Group ("**Luxembourg Group**"), a principal subsidiary of the Group. He is responsible for the Luxembourg Group's overall Western pharmaceutical business in both Hong Kong and the PRC. Mr. Chiu graduated from Bradford University with a bachelor's degree in pharmacy and is a registered pharmacist in Hong Kong and the United Kingdom. He has 28 years of experience in the pharmaceutical industry.

Ms. Wong Shuk Fong, Jaime joined the Group in April 2003 and is currently the General Manager of Wai Yuen Tong Medicine Company Limited ("**WYT Medicine**"), a principal subsidiary of the Group, and is responsible for the overall operation of WYT Medicine, including retail business. Ms. Wong graduated from The Hong Kong Polytechnic University with a master degree in business administration. Ms. Wong has extensive experience in strategic management, sales and marketing management, and had been engaged in the strategic direction in FMCG and Chinese medicinal industries for over 26 years. With her innovative marketing initiatives, such companies have successfully established their brands with a strong position among their counterparts. Ms. Wong has also been stationed in the PRC, the U.S. and Australia prior to joining WYT Medicine. The Group is hence expecting further growth with her international horizon and extensive marketing practice.

Mr. Yuen Chung Ho, David joined the Group in March 2013 and is currently the Associate Director of the Luxembourg Group, a principal subsidiary of the group. He is responsible for the overall operation of Luxembourg Group in Hong Kong and business development. Mr. Yuen graduated from Manchester University with a bachelor's degree in pharmacy and is a registered pharmacist in Hong Kong. He has more than 12 years of working experience in several multi-international listed companies of pharmaceutical products and FMCG. Prior to joining the Luxembourg Group, Mr. Yuen has more than 20 years of experience in key management role including buying, sales and marketing, local and international business management.

Ms. Law Yin Man is currently the General Manager of WYT Medicine — the PRC. Ms. Law joined the Group in 2001 as the General Manager of Luxembourg Group. She was responsible for business development of Madame Pearl's products in the PRC and successfully established different sales channels. In 2006, Ms. Law was transferred to manage the overall operation of WYT Medicine — the PRC. As Ms. Law has extensive experience in sales and marketing in the PRC, the operation under her supervision has achieved rapid growth and the sales point of our Group in the PRC is over 100.

Mr. Lau Lai Chi is the Financial Controller of the Group since September 2011. Mr. Lau graduated from The Chinese University of Hong Kong with a bachelor's degree in Business Administration (Professional Accountancy). He is a fellow member of both of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. Mr. Lau had 5 years working experience in an international firm of certified public accountants and over 13 years of experience in key financial position in Hong Kong listed companies and multi-national companies.

CORPORATE GOVERNANCE REPORT

We continue to combine heritage with modern management methodologies in order to pursue diversification and internationalisation of its operations.

CORPORATE GOVERNANCE PRACTICES

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

The Company continued to adopt the principles and comply with the code provision of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Board has reviewed periodically the compliance of the CG Code and is in the view that throughout the year ended 31 March 2014, the Company has complied with the code provisions of the CG Code.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

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

In accordance with code provision A.6.4 of the CG Code, the Company also adopted a code of conduct regarding securities transactions on no less exacting terms than the Model Code by the relevant employees of the Company or any of its subsidiaries who are considered likely to be in possession of unpublished inside information in relation to the Company or its securities. To the best knowledge and belief of the Directors, all relevant employees had complied with the required standards of such code.

BUSINESS MODEL AND STRATEGY

The Group is principally engaged in the manufacturing, processing and retailing of traditional Chinese medicine, the processing and retailing of western pharmaceutical, health food and personal care products and property investment. The Group continues its proactive expansion strategy for generating and preserving shareholder value over the longer term.

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

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

On the other hand, the Group will closely monitor the market for merger and acquisition opportunities if it can bring synergy to our existing business, as well as diversification of its investment portfolio for strengthening and broadening its income base. The Group also takes active and prompt measures from time to time, reviewing and adjusting its business strategy and adopting various controls over costs, if necessary, so as to maintain the Group's profitability. Besides, the Group strives to maintain a healthy financial structure and devotes effort to securing banking facilities which is regarded as an important element for supporting continuous business development of the Group.

THE BOARD

Composition

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

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. Yuen Chi Choi
Mr. Siu Man Ho, Simon
Mr. Cho Wing Mou

Ms. Tang Mui Fun is a sister of Mr. Tang Ching Ho and the biographical details of the Directors are set out on pages 17 to 18 of this annual report.

The Board possesses a mix and balance of skills and experience which are appropriate for the requirements of the business of the Company. The opinions raised by the INEDs in Board meetings facilitate the maintenance of good corporate governance practices. The Board has four INEDs, representing more than one-third of the Board, and at least one of the INEDs has the appropriate professional qualification and/or accounting and audit experience expertise as required by Rules 3.10(1) and (2) and 3.10A of the Listing Rules. A balanced composition of executive and non-executive Directors also generates a strong independent element on the Board, which allows for an independent and objective decision making process for the best interests of the Company and its shareholders. All Directors are aware of the required levels of fiduciary duties, care, skill and diligence under Rule 3.08 of the Listing Rules.

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

Appointment and Re-election of the Directors

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

Independence of INEDs

The INEDs are required to confirm their independence upon their appointment and on an annual basis. All INEDs are free from any business or other relationship with the Company, except that Mr. Siu Man Ho, Simon is the son of Mr. Siu Yim Kwan, Sidney, an independent non-executive director of Wang On, a substantial shareholder of the Company. Such relationship will not affect his independence in relation to his position as an INED.

The Company has received from each INED an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules for the year ended 31 March 2014. Save as disclosed herein, the Company continues to consider the four INEDs to be independent for the year and up to the date of this annual report.

Roles and Responsibilities of the Board and the Senior Management

The Board is accountable to stakeholders for the activities and performance of the Group and its primary functions cover, among other things, the formulation of overall strategy, the review corporate and financial policies and the oversight of the management of the Group's business and affairs. Apart from these, the Board reserved for its consideration and decision on major acquisitions and disposals, review of interim and annual financial results, appointments/removals of directors and auditors, evaluation on the performance and compensation of senior management, any material capital transactions and other significant operational and financial affairs. With a review to maintaining an appropriate balance between authority and responsibility, such functions are either carried out directly by the Board or indirectly through various committees established by the Board, with respective functions set out in their terms of reference.

INEDs account for diverse industry expertise but are not involved in the day-to-day management of the Group. The general management and day-to-day management are delegated to the management, including but not limited to the preparation of regular financial information, execution of designated assignments, implementation of sustainability practices.

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

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

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

Chairman and Chief Executive

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

Corporate Governance

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

In June 2013, the Board has adopted a Board diversity policy (the "**Diversity Policy**") stipulating the composition of the Board, reviewed the policies and measures on the Group's corporate governance, reviewing a code of conduct applicable to the Directors and employees, monitoring the Company's legal and regulatory compliance, training and continuing professional development of Directors and reviewing the Company's compliance with the CG Code and the disclosure in this annual report.

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

Board Diversity

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

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

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

Having reviewed the Board Diversity Policy and the Board's composition, the Nomination Committee is satisfied that the requirements set out in the Diversity Policy had been met.

Continuous Professional Development

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

In addition, the company secretary provides and circulates the Directors with monthly and regular updates relating to the Group's business, financial position and business environment, in which the Group operates. During the year, all Directors have complied with the code provisions in relation to continuous professional development by reading materials relevant to the Company's business, director's duties and responsibilities. Apart from that Mr. Chan Chun Hong, Thomas, Ms. Tang Mui Fun, Mr. Siu Man Ho, Simon and Mr. Yuen Chi Choi also attended and/or gave presentation in seminars/forums.

The Company continuously updates Directors constantly on the latest developments regarding the Group's business and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

All Directors have provided to the Company with their training records on a regular basis, and such records have been maintained by the Company for accurate and comprehensive record keeping.

Liability Insurance for the Directors

The Company has arranged for appropriate directors and officers liability insurance to indemnify its Directors against liabilities arising out of legal action on corporate activities. Such insurance coverage is reviewed and renewed with consultant advice on an annual basis.

BOARD COMMITTEES

The Board has established various committees, including executive committee (the "**Executive Committee**"), audit committee (the "**Audit Committee**"), remuneration committee (the "**Remuneration Committee**") and nomination committee (the "**Nomination Committee**"), each of which has the specific written terms of reference that will be reviewed and updated, where necessary. Copies of minutes of all meetings and resolutions of the committees are kept by the company secretary of the Company and open for inspection at any reasonable time on reasonable notice by any Director. Each committee is required to report to the Board on its decisions and recommendations, where appropriate.

Executive Committee

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

Audit Committee

The Audit Committee has been established with specific written terms of reference stipulating its authorities and duties in compliance with Rule 3.21 of the Listing Rules, which are available on the websites of the Company and the HKExnews. Currently, the Audit Committee comprises four INEDs, namely, Mr. Yuen Chi Choi, Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon and Mr. Cho Wing Mou. Mr. Yuen Chi Choi was elected as the chairman of the Audit Committee.

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

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

During the year and up to the date of this annual report, the Audit Committee members met twice with the external auditors and the Group's senior management to discuss and review, among other things, the following matters:

(a) the interim results for the six-month ended 30 September 2013 and the annual results for the years ended 31 March 2014 and 2013 to ensure the full, complete and accurate disclosure in the aforesaid financial statements pursuant to the accounting standards and other legal requirements for presenting the same to the Board for approval;

(b) the term and remuneration for the appointment of Ernst & Young as external auditors to perform the general review on the interim results for the six months ended 30 September 2013 and the audit of final results for the years ended 31 March 2014 and 2013;

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

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

(e) the continuing connected transactions of the Group;

(f) the overall effectiveness of internal controls; and

(g) the adequacy of resources, qualifications and experience of staff and the accounting and financial reporting matters and their training programmes and budget.

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

Remuneration Committee

The Board has established the Remuneration Committee since September 2005 with specific written terms of reference, as revised from time to time, stipulating its authorities and duties, which are available on the websites of the Company and the HKExnews. It currently consists of six members, including Messrs. Siu Man Ho, Simon, Yuen Chi Choi, Cho Wing Mou, Leung Wai Ho, Tang Ching Ho and Chan Chun Hong, Thomas, a majority of whom are INEDs. Mr. Siu Man Ho, Simon was elected as the chairman of the Remuneration Committee.

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

The roles and functions of the Remuneration Committee includes:

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

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

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

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

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

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

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

The Remuneration Committee has discharged or will continue to discharge its major roles to, among other things, approve the terms of the service agreements of the Directors and the senior management, make recommendations with respect to the remuneration and policies of the Directors and senior management of the Company and to review the remuneration package and recommend salaries, bonuses, including the incentive awards for Directors and senior management.

Details of the Directors' remuneration are set out in note 8 to the consolidated financial statements. In addition, pursuant to the code provision B.1.5, the annual remuneration of other members of the senior management by bands for the year ended 31 March 2014 is set out below:

Remuneration to the senior management by bands	**Number of individual**
HK$500,000 to HK$1,000,000	1
HK$1,000,001 to HK$2,000,000	4

Nomination Committee

The Nomination Committee has been established since September 2005 with specific written terms of reference, as revised in June 2013, stipulating its authorities and duties, which are available on the websites of the Company and the HKExnews. It currently consists of six members, including Messrs. Cho Wing Mou, Yuen Chi Choi, Siu Man Ho, Simon, Leung Wai Ho, Tang Ching Ho and Chan Chun Hong, Thomas, a majority of whom are INEDs. Mr. Cho Wing Mou was elected as the chairman of the Nomination Committee.

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

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

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

(c) to assess the independence of INEDs;

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

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

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

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

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

During the year under review, the Nomination Committee held one meeting, in which it determined the criteria and procedures for retirement by rotation and recommended to the Board for re-appointment of Mr. Chan Chun Hong, Thomas, Mr. Leung Wai Ho and Mr. Siu Man Ho, Simon at the forthcoming annual general meeting. The Nomination Committee also reviewed the Diversity Policy and evaluated the Board performance and succession planning.

ATTENDANCE OF DIRECTORS AT VARIOUS MEETINGS

Details of the attendance of individual Directors at Board meetings, committee meetings and shareholder meetings held during the year ended 31 March 2014 are as follows:

	Number of meetings held/attended					
Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual general meeting	General meeting
Mr. Tang Ching Ho	4/4	N/A	1/1	1/1	1/1	0/2
Mr. Chan Chun Hong, Thomas	4/4	N/A	1/1	1/1	1/1	2/2
Ms. Tang Mui Fun	4/4	N/A	N/A	N/A	1/1	0/2
Mr. Leung Wai Ho	4/4	2/2	1/1	1/1	1/1	0/2
Mr. Yuen Chi Choi	4/4	2/2	1/1	1/1	1/1	0/2
Mr. Siu Man Ho, Simon	4/4	2/2	1/1	1/1	1/1	0/2
Mr. Cho Wing Mou	4/4	2/2	1/1	1/1	1/1	0/2

EXTERNAL AUDITORS' REMUNERATION

The remuneration paid/payable to the Company's external auditors, Ernst & Young and FTO CPA Limited for the year ended 31 March 2014 are set out as follows:

Services rendered for the Group	Fees paid/payable to external auditors HK$'000
Audit services	
— For annual financial statements	2,204
Non-audit services:	
— Taxation and other professional services	932
Total	3,136

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparation and publication of the timely financial statements and ensure that they are prepared in accordance with the statutory requirements and applicable accounting standards. In preparing the accounts for the year ended 31 March 2014, the Directors have adopted suitable accounting policies which are pertinent to the Group's operations and relevant to the financial statements and have presented an understandable assessment of the Group's position and prospects.

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

INTERNAL CONTROLS

The Board has undertaken the overall responsibility for maintaining sound and effective internal control systems to safeguard the Company's assets and shareholders' interests, as well as, with the Audit Committee, for reviewing the effectiveness of these systems. The Group's internal control section is delegated to ensuring and maintaining sound internal control functions by monitoring such internal control systems and procedures constantly so as to ensure that they can provide reasonable assurance against misstatement or loss and to manage risks of failure in the Group's operational systems. In addition, the Company will engage independent consultants to conduct review of the internal control system and risk management of the Group as and when necessary. The Board is responsible for approving and overall reviewing internal control policy while the responsibility of day-to-day management of operational risks lies with the management.

The internal control system is designed to provide reasonable, but not absolute, assurance against material loss; and to manage rather than completely eliminate the risk of system failure. In addition, it should provide a basis for the maintenance of proper and fair accounting records and assist in the compliance with relevant rules and regulations. During the financial year ended 31 March 2014, the Audit Committee and the Board respectively reviewed all material internal control, including financial, operational and compliance control and risk management functions. It also reviewed with Audit Committee and the reports from internal control section the effectiveness of the Group's internal control system, adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function and satisfied that they were effective and in compliance with the Group's policies.

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

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

Disclosures in Corporate Website

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

General Meeting with Shareholders

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

In order to let shareholders to make an informed decision at the general meetings, sufficient notices with not less than 10 clear business days for every general meeting and 20 clear business days for every annual general meeting were given to the shareholders of the Company pursuant to E.1.3 of the CG Code, the Bye-laws and any other applicable laws. The chairman will explain the detailed procedures for conducting a poll vote during the proceedings of meetings and answered all questions raised by shareholders. All resolutions put to vote at general meetings are taken by poll and the poll results are posted on the websites of the Company and the HKExnews immediately following the holding of the general meetings.

Investor Relations

The Group also has a proactive investor relations programme that keeps investors and shareholders abreast the Group's latest development and discloses relevant information to the public in a timely manner. During the year, we held various meetings with investors and participated in investor/media conferences.

Shareholders' Rights Convening a Special General Meeting

Pursuant to Section 74 of the Bermuda Companies Act 1981 (the "**Companies Act**") and Bye-law 58 of the Bye-laws, the Board whenever it thinks fit call special general meetings and shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the company secretary of the Company to require a special general meeting (the "**SGM**") to be called by the Board. The written requisition (i) must state the purposes of the SGM, and (ii) must be signed by the requisitionists and deposited at the principal place of business of the Company in Hong Kong for attention of the Board or the company secretary of the Company, and may consist of several documents in like form, each signed by one or more requisitionists. Such meeting shall be held within two months after the deposit of such requisition.

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

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

Putting Forward Proposals at General Meetings

Pursuant to Sections 79 and 80 of the Companies Act, either any number of shareholders representing not less than one-twentieth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, or not less than 100 shareholders, can request the Company in writing to (a) give to shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The requisition signed by all the requisitionists must be deposited at the principal place of business of the Company in Hong Kong at 5/F., Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong or the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, with a sum reasonably sufficient to meet the Company's relevant expenses and not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in case of any other requisition.

Proposing a Person for Election as a Director

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

Enquiries to the Board

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

In respect of the corporate affairs:
The Board/Company Secretary/PR Manager
Wai Yuen Tong Medicine Holdings Limited
5/F., Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

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

WHISTLEBLOWING POLICY

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

COMPANY SECRETARY

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

During the year ended 31 March 2014, Ms. Mak has complied with Rule 3.29 of the Listing Rules and taken no less than 15 hours of relevant professional training.

FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the financial statements which give a true and fair view and are in compliance with Hong Kong Financial Reporting Standards, statutory requirements and other regulatory requirements. As at 31 March 2014, the Board was not aware of any material misstatement or uncertainties that might put doubt on the Group's financial position or continue as a going concern. The Board endeavours to ensure a balanced, clear and understandable assessment of the Group's performance, position and prospects in financial reporting.

A statement by the auditors about their reporting responsibilities is set out on pages 45 to 46 of this annual report. There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

CORPORATE SOCIAL RESPONSIBILITY

The Group is conscious of its role as a socially responsible group of companies. It has made donations for community wellbeing from time to time, supports the communities and encourages its employees to participate in any charitable events and caring services.

CONSTITUTIONAL DOCUMENT

Pursuant to a special resolution passed by the shareholders at the annual general meeting held on 22 August 2013 to approve the amendments to the Bye-laws to enhance the efficiency and cost effectiveness and in compliance with the requirements of the Listing Rules, the amended and restated Bye-laws were adopted. Save as disclosed above, during the year ended 31 March 2014, there was no other change in the constitutional document.

The Memorandum of Association and the amended and restated Bye-laws are available on the website of the HKExnews and the website of the Company.

CONCLUSION

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

REPORT OF THE DIRECTORS

Cultivating personal growth is one of our top priorities, only when we have high quality employees, we can deliver the best products and professional services to our customers.

The Directors present their report and the audited consolidated financial statements of the Company and of the Group for the year ended 31 March 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Principal activities of the principal subsidiaries comprise the production and sales of traditional Chinese and Western pharmaceutical products, health food and personal care products and property investment, details of which are set out in note 19 to the financial statements. During the year under review, the Group discontinued its production and sales of bottled birds' nest drinks and herbal essence products. Save as disclosed herein, there were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2014 and the state of affairs of the Company and of the Group at that date are set out in the consolidated financial statements on pages 47 to 134.

For the year ended 31 March 2014, the Group recorded a turnover of approximately HK$865.3 million (2013: approximately HK$785.6 million) and a profit attributable to owners of the parent of approximately HK$163.4 million (2013: approximately HK$148.4 million).

The Board has recommended the payment of a final dividend of HK0.3 cents (2013: HK0.3 cents) per ordinary share for the year ended 31 March 2014 to shareholders on the register of members of the Company as of Thursday, 24 July 2014. The final dividend will be paid on or around Thursday, 31 July 2014, subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Wednesday, 16 July 2014. No interim dividend was made for the six months ended 30 September 2013 (30 September 2012: Nil).

SHARE CAPITAL AND SHARE OPTION SCHEME

Details of movements in share capital and share option scheme of the Company during the year, together with the reasons therefor, are set out in notes 31 and 32 to the financial statements, respectively.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the Company's audited financial statements, is set out on page 136 of this annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 15 and 16 to the financial statements, respectively.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2014.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2014, the Company's reserves available for distribution to equity holders of the parent, calculated in accordance with the Companies Act, amounted to approximately HK$289.40 million (2013: approximately HK$266.6 million) which represented the net balance of general reserves of approximately HK$215.6 million (2013: approximately HK$215.6 million) and retained profits of approximately HK$73.8 million (2013: approximately HK$51.0 million).

PLEDGE OF ASSETS

As at 31 March 2014, the Group's total borrowings amounted to approximately HK$391.2 million (2013: approximately HK$262.8 million). As at 31 March 2014, the Group's investment properties with carrying value of approximately HK$467.0 million (2013: approximately HK$356.0 million) were pledged to secure the Group's general banking facilities.

DIRECTORS

The Directors of the Company during the year and up to the date of this annual report were:

Executive Directors:

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

Independent non-executive Directors:

Mr. Leung Wai Ho, *MH*
Mr. Siu Man Ho, Simon
Mr. Yuen Chi Choi
Mr. Cho Wing Mou

In accordance with Bye-law 87 of the Bye-laws, Mr. Chan Chun Hong, Thomas, Mr. Leung Wai Ho and Mr. Siu Man Ho, Simon will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from all INEDs, namely Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon, Mr. Yuen Chi Choi and Mr. Cho Wing Mou, and as at the date of this annual report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 17 to 19 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in notes 8 and 40 to the financial statements, no Directors had a material interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTOR'S INTEREST IN COMPETING BUSINESS

None of the Directors nor their respective associates had an interest in a business, apart from the businesses of the Group, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules during the year.

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

As at 31 March 2014, the interests and short positions of the Directors and chief executive of the Company and/or any of their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code under Listing Rules, were as follows:

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

Name of Director	Date of grant	Exercise price per share HK$	Number of share options outstanding	Exercisable period *(Note 1)*	Number of underlying shares	Approximate percentage of the Company's total issued share capital *(Note 2)* %
Ms. Tang Mui Fun	8.1.2009	1.2050	78,214	8.1.2010 – 7.1.2019	78,214	0.003

Notes:

(1) These shares represented such shares which may fall to be issued upon the exercise of the share options by Ms. Tang Mui Fun during the period from 8 January 2010 to 7 January 2019, which number and exercise prices thereof are subject to adjustment in accordance with the share option scheme adopted by the Company on 18 September 2003, and such share options 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

(2) The percentage represented the number of shares over the total issued share capital of the Company as at 31 March 2014 of 2,931,142,969 shares.

(b) Long positions in shares of an associated corporation, namely PNG:

Name of Director	Number of share held	Nature of interest	Approximate percentage of PNG's total issued share capital *(Note)* %
Mr. Cho Wing Mou	96,000	Personal interest	0.001

Note: PNG is an associated corporation of the Company in which the Company held 28.86% equity interest as at 31 March 2014. The percentage represented the number of shares over the total issued share capital of PNG as at 31 March 2014 of 9,229,500,000 shares.

Save as disclosed above, as at 31 March 2014, none of the Directors and chief executive of the Company and/or any of their respective associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

SHARE OPTION SCHEME

On 18 September 2003, the Company adopted a share option scheme (the "**2003 Scheme**") for the primary purpose of providing incentives to eligible participants who contribute to the success of the Group. During the year under review, no share options under the 2003 Scheme were granted, exercised or cancelled and 137,178 share options lapsed during the year. The 2003 Scheme was terminated immediately upon approval by the shareholders at the annual general meeting held on 22 August 2013, no further share options was granted under it since then but the share options granted prior to such termination will continue to be valid and exercisable during the prescribed exercisable period in accordance with the terms of the 2003 Scheme.

The Company adopted a new share option scheme (the "**2013 Scheme**") with the approval of the shareholders of the Company at the annual general meeting of the Company held on 22 August 2013 for the primary purpose of providing incentives or rewards for the eligible persons for their contribution or potential contribution to the development and the growth of the Group with the same terms as the 2003 Scheme as detailed below. During the year under review, no share options were granted, exercised, lapsed or cancelled under the 2013 Scheme.

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

The 2013 Scheme became effective on 22 August 2013 and, unless otherwise terminated earlier by shareholders in a general meeting, will remain in force for a period of 10 years from that date. Under the 2013 Scheme, the Board may grant share options to the Participants to subscribe for shares of the Company for a consideration of HK$1.0 for each lot of share options granted which must be accepted within 30 days from the date offer. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

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

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

Share options granted to a Director, chief executive or substantial shareholder of the Company (or any of their respective associates) must be approved by the INEDs (excluding any INED who is the grantee of the option). Where any grant of share options to a substantial shareholder or an INED (or any of their respective associates) will result in the total number of shares issued and to be issued upon exercise of share options already granted and to be granted to such person under the 2013 Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant representing in aggregate over 0.1% of the shares in issue, and having an aggregate value, based on the closing price of the Company's shares at each date of grant, in excess of HK$5.0 million, such further grant of share options is required to be approved by shareholders in a general meeting in accordance with the Listing Rules. Any change in the terms of a share option granted to a substantial shareholder or an INED (or any of their respective associates) is also required to be approved by shareholders.

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

Details of the movements of the share options under the 2003 Scheme during the year ended 31 March 2014 were as follows:

	Number of share options							
Name or category of the Participant	**Outstanding as at 1 April 2013**	**Granted during the year**	**Exercised during the year**	**Lapsed/ cancelled during the year**	**Outstanding as at 31 March 2014**	**Date of grant**	**Exercise price per share** HK$	**Exercisable period***
Executive Director								
Ms. Tang Mui Fun	78,214	–	–	–	78,214	8.1.2009	1.2050	8.1.2010 – 7.1.2019
	78,214	–	–	–	78,214			
Other employees								
In aggregate	504,185	–	–	(52,946)	451,239	8.1.2009	1.2050	8.1.2010 – 7.1.2019
	807,417	–	–	(84,232)	723,185	12.5.2010	0.4321	12.5.2011 – 11.5.2020
	1,311,602	–	–	(137,178)	1,174,424			
	1,389,816	–	–	(137,178)	1,252,638			

* 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

At the end of the reporting period, the Company had 1,252,638 share options outstanding under the 2003 Scheme, which represented approximately 0.04% of the Company's shares in issue. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 1,252,638 additional ordinary shares of the Company and additional share capital of HK$12,526.38 and share premium of HK$937,952.72 (before issue expenses).

As at the date of this annual report, the total number of shares available for issue under the 2013 Scheme is 293,114,296 shares, representing 10.0% of the Company's total issued share capital.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares and underlying shares in, or debentures of, the Company or any other body corporate.

Other particulars of the 2003 Scheme and the 2013 Scheme are set out in note 32 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the headings "Directors' interests and short positions in shares, underlying shares or debentures of the Company and its associated corporations" and "Share option scheme" above and in the share option scheme disclosures in note 32 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares, or underlying shares in, or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

As at 31 March 2014, to the best knowledge of the Directors, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that the following shareholders (other than Directors or chief executive of the Company) had notified the Company and the Stock Exchange of relevant interests and short positions in the shares and underlying shares of the Company:

Long positions in the shares of the Company:

Name of shareholder	**Capacity**	**Number of shares**	**Approximate percentage of the Company's total issued share capital** *(Note 3)* (%)
Wang On *(Note 1)*	Interest of controlled corporation	729,042,034	24.87
Wang On Enterprises (BVI) Limited ("**WOE**") *(Note 1)*	Interest of controlled corporation	729,042,034	24.87
Rich Time Strategy Limited ("**Rich Time**") *(Note 1)*	Beneficial owner	729,042,034	24.87
Kwela International Limited *(Note 2)*	Beneficial owner	271,870,000	9.28

Notes:

1. Rich Time is wholly owned by WOE, which is a wholly-owned subsidiary of Wang On. WOE and Wang On are deemed to be interested in 729,042,034 shares of the Company held by Rich Time.

2. Kwela International Limited is a company 99% owned by Mr. Andy Wei.

3. The percentages represented the number of shares over the total issued share capital of the Company as at 31 March 2014 of 2,931,142,969 shares.

Save as disclosed above, as at 31 March 2014, there were no other persons (other than the Directors or chief executive of the Company) 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.

CONNECTED TRANSACTIONS

The Company is an associate of Wang On since end November 2011. During the year under review, the following transactions continued to constitute continuing connected transactions for the Company under Rule 14A.38 of the Listing Rules:

(a) on 30 June 2012, the Company entered into a sub-lease agreement (the "**2012 Sub-lease Agreement**") with Wang On Management Limited ("**WOM**"), a wholly-owned subsidiary of Wang On, to lease portions of the premises located at 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong (the "**Office**") for a term of three years commencing from 1 July 2012 and expiring on 30 June 2015 at a monthly license fee of HK$154,000. During the year, total annual rental received by the Company in respect of leasing of the Office was HK$1,848,000;

(b) on 15 November 2010, Wai Yuen Tong (Retail) Limited ("**WYTR**"), a 99.79%-owned subsidiary of the Company, as a tenant, and Good Excellent Limited ("**Good Excellent**"), a wholly-owned subsidiary of Wang On, as a landlord, entered into a tenancy agreement (the "**Tenancy Agreement I**") for leasing a shop located at that Shop on Ground Floor with the Cockloft, 60A Yen Chow Street, Kowloon, Hong Kong (the "**Shop I**") for a term of three years at a monthly rental of HK$62,500, which expired on 30 September 2013. During the year, total annual rental paid by WYTR to Good Excellent in respect of leasing the Shop I under the Tenancy Agreement I was HK$375,000;

(c) On 8 March 2011, WYTR, as a tenant, and Hovan Investments Limited, a wholly-owned subsidiary of Wang On, as a landlord, entered into a tenancy agreement (the "**Tenancy Agreement II**") for leasing a shop located at Shop Front Portion, G/F., Nathan Apartments, 510 Nathan Road, Kowloon (the "**Shop II**") for a term of three years at a monthly rental of HK$60,000, which expired on 10 March 2014. During the year, total annual rental paid by WYTR to Hovan in respect of leasing the Shop II under the Tenancy Agreement II was approximately HK$679,000; and

(d) on 14 January 2013, Wai Yuen Tong Medicine Company Limited, a 99.79%-owned subsidiary of the Company, as the supplier, and WOM, as the purchaser, entered into the master sales agreement for supplying Chinese and western pharmaceutical products, health food and personal care products, bottled bird's nest drinks and herbal essence products by the Group's to WOM (for itself and on behalf of other members of Wang On) for the three financial years ending 31 March 2015 at annual caps of HK$5.8 million, HK$7.2 million and HK$9.0 million, respectively. During the year, total sale proceeds paid by WOM to the Group was approximately HK$431,000.

The Directors (including all of the INEDs) and the auditors have reviewed and confirmed that the abovementioned continuing connected transactions were entered into (i) in the ordinary and usual course of the Group's business; (ii) in accordance with the terms of the respective agreements governing such transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole; (iii) either on normal commercial terms or on terms no less favorable to the Group than those available to or from independent third parties; and (iv) have not exceeded the respective caps.

The Company engaged its auditors, Ernst & Young, to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*" and with reference to Practice Note 740 "*Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange as stipulated in the Listing Rules.

Further details of other related party transactions undertaken by the Group in the ordinary course of business, which fell under Rule 14A.33 of the Listing Rules, during the year are set out in note 40 to the financial statements.

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

EMOLUMENT POLICY

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

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

Immediately upon termination of the 2003 Scheme, the Company has adopted the 2013 Scheme at the annual general meeting held on 22 August 2013, as an incentives to Directors and eligible employees, details of the 2013 Scheme are set out in note 32 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for less than 15.0% (2013: 15.0%) of the Group's revenue.

During the year, the largest supplier accounted for approximately 17.0% (2013: approximately 19.0%) of the Group's purchases and the five largest suppliers of the Group accounted for approximately 43.0% (2013: approximately 46.0%) of the Group's purchases.

At no time during the year did a Director or any of their associates or a shareholder of the Company, which to the best knowledge of the Directors, owns more than 5% of the Company's issued share, had any beneficial interest in any of the Group's five largest customers or the largest suppliers.

DISCLOSURES PURSUANT TO RULE 13.20 OF THE LISTING RULES

At the end of the reporting period, the Group, through various of its wholly-owned subsidiaries, had advanced financial assistance to PNG and CAP. At the end of the reporting period, PNG and CAP were indebted to the Group an aggregate outstanding principal amount of HK$200.0 million and HK$325.0 million, respectively, to the Group pursuant to the following loan agreements, supplemental agreements and/or assignments:

(a) a loan agreement dated 10 July 2009 (as supplemented and amended by supplemental agreements dated 11 July 2011 and 22 August 2013 and an assignment dated 1 July 2013), the Group agreed to advance an unsecured loan facility of HK$10.0 million to PNG and, with the approval of the shareholders of the Company at the special general meeting held on 26 September 2013, the Group agreed to extend the repayment date for three years upon its maturity date, being 8 July 2014, in consideration for the increase in interest rate payable by PNG from 8.0% to 10.0% per annum and the interest to be payable on an annual basis therefrom, details of which were set out in the Company's announcement and circular dated 22 August 2013 and 9 September 2013, respectively;

(b) a loan agreement dated 28 August 2009 (as supplemented and amended by a supplemental agreement dated 22 August 2013 and an assignment dated 1 July 2013), the Group agreed to advance an unsecured loan facility of HK$190.0 million to PNG and, with the approval of the shareholders of the Company at the special general meeting held on 26 September 2013, the Group agreed to extend the repayment date for three years upon its maturity date, being 12 November 2013, in consideration for the increase in interest rate payable by PNG from 8.0% to 10.0% per annum and the interest to be payable on an annual basis therefrom, details of which were set out in the Company's announcement and circular dated 22 August 2013 and 9 September 2013, respectively;

(c) loan agreements dated 11 January 2011 and 10 March 2011 (both were supplemented on 6 September 2012 and amended by an assignment dated 25 June 2013), the Group agreed to provide unsecured loan facilities of an aggregate of HK$75.0 million to CAP for a period up to 30 September 2014 at an interest rate of 10.0% per annum, details of which were set out in the Company's announcement dated 6 September 2012;

(d) a loan agreement dated 22 November 2012 (as amended by an assignment dated 25 June 2013), and with the approval by the shareholders of the Company at a special general meeting held on 27 December 2012, the Group agreed to provide an unsecured revolving loan facility of an aggregate of HK$100.0 million to CAP for a period of three years up to 27 December 2015 at an interest rate of 10.0% per annum, details of which were set out in the Company' s announcement and circular dated 22 November 2012 and 10 December 2012; and

(e) a loan agreement dated 28 May 2013 (as amended by an assignment dated 25 June 2013), the Group agreed to provide an unsecured revolving loan facility of an aggregate of HK$150.0 million to CAP for a period of three years expiring on 27 May 2016 at an interest rate of 12.0% per annum, details of which were set out in the Company's announcement dated 28 May 2013.

DONATIONS

During the year, the Group made charitable and other donations totaling approximately HK$0.5 million (2013: approximately HK$1.1 million).

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

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

In the opinion of the Directors, the Company has complied with the code provisions under the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the financial year under review. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 20 to 33 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The Company has established its Audit Committee with specific written terms of reference in compliance with Rule 3.21 of the Listing Rules. The Audit Committee comprises Mr. Yuen Chi Choi, Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon and Mr. Cho Wing Mou, all of them are the INEDs, and Mr. Yuen Chi Choi was elected as the chairman of the Audit Committee.

During the year, the Audit Committee met twice with the management and the external auditors to review and consider, among other things, the accounting principles and practices adopted by the Group, the financial reporting matters (including the review of consolidated interim results for the six-month ended 30 September 2013 and the audited consolidated final results for the years ended 31 March 2014 and 2013), the statutory compliance, internal controls, 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.

EVENT AFTER THE REPORTING PERIOD

Details of significant event after the reporting period of the Group are set out in note 42 to the financial statements.

AUDITORS

Ernst & Young were appointed as the new auditors of the Company at the special general meeting of the Company held on 7 March 2013 pursuant to Bye-law 157 of the then Bye-laws to fill the casual vacancy arising from the resignation of Deloitte Touche Tohmatsu on 28 January 2013.

The consolidated financial statements for the year ended 31 March 2014 have been audited by Ernst & Young, who retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Tang Ching Ho
Chairman

Hong Kong, 14 May 2014

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF WAI YUEN TONG MEDICINE HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Wai Yuen Tong Medicine Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 47 to 134, which comprise the consolidated and company statements of financial position as at 31 March 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

TO THE SHAREHOLDERS OF WAI YUEN TONG MEDICINE HOLDINGS LIMITED (CONTINUED)
(Incorporated in Bermuda with limited liability)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

14 May 2014

CONSOLIDATED STATEMENT
OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
CONTINUING OPERATIONS			
REVENUE	5	**865,258**	785,581
Cost of sales		**(475,768)**	(424,572)
Gross profit		**389,490**	361,009
Other income	5	**61,404**	33,409
Selling and distribution expenses		**(259,493)**	(241,236)
Administrative expenses		**(108,022)**	(98,797)
Finance costs	7	**(7,748)**	(2,503)
Change in fair value of investments held-for-trading, net		**46,397**	1,218
Fair value gains on investment properties, net	16	**25,663**	72,000
Gain on disposal of subsidiaries	35	**–**	661
Gain on partial disposal of equity interests in an associate		**–**	12,787
Gain on deemed partial disposal of equity interests in an associate		**1,436**	–
Share of results of associates		**22,747**	10,139
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**171,874**	148,687
Income tax expense	10	**(3,676)**	(291)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**168,198**	148,396
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	12	**(5,096)**	(77)
PROFIT FOR THE YEAR		**163,102**	148,319
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**562**	177
Release of translation reserve upon partial disposal of equity interests in an associate		**–**	(11,596)
Release of translation reserve upon deemed partial disposal of equity interests in an associate		**(6,017)**	–
Share of other comprehensive income of an associate		**7,123**	4,443
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**1,668**	(6,976)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**164,770**	141,343

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

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
PROFIT ATTRIBUTABLE TO:			
Owners of the parent	11	**163,374**	148,433
Non-controlling interests		**(272)**	(114)
		163,102	148,319
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	11	**165,052**	141,449
Non-controlling interests		**(282)**	(106)
		164,770	141,343
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
Basic and diluted			
— For profit for the year		**HK5.57 cents**	HK6.88 cents
— For profit from continuing operations		**HK5.74 cents**	HK6.89 cents

Details of dividends for the year are disclosed in note 13 to the financial statements.

CONSOLIDATED
STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**247,333**	210,933
Investment properties	16	**467,000**	356,000
Goodwill	17	**15,335**	15,335
Investments in associates	18	**301,644**	279,195
Other intangible assets	20	**435**	547
Loans and interests receivable	25	**450,000**	186,379
Deferred tax assets	30	**5,249**	4,384
Deposit for acquisition of an investment property		**–**	47,527
		1,486,996	1,100,300
CURRENT ASSETS			
Inventories	21	**147,254**	152,419
Trade and other receivables	22	**199,126**	154,787
Amounts due from associates	23	**6,146**	3,931
Investments held-for-trading	24	**103,528**	57,132
Loans and interests receivable	25	**105,446**	218,249
Tax recoverable		**7,941**	9,324
Bank balances and cash	26	**292,511**	356,145
		861,952	951,987
CURRENT LIABILITIES			
Trade and other payables	27	**111,321**	101,544
Bank borrowings	28	**201,803**	222,674
Deferred franchise income	29	**18**	18
Tax payable		**2,864**	1,369
		316,006	325,605
NET CURRENT ASSETS		**545,946**	626,382
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,032,942**	1,726,682

CONSOLIDATED
STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT LIABILITIES			
Bank borrowings	28	**189,412**	40,105
Deferred tax liabilities	30	**2,629**	1,628
		192,041	41,733
NET ASSETS		**1,840,901**	1,684,949
EQUITY			
Issued capital	31	**29,311**	29,311
Reserves	33(a)	**1,804,236**	1,647,973
Equity attributable to owners of the parent		**1,833,547**	1,677,284
Non-controlling interests		**7,354**	7,665
TOTAL EQUITY		**1,840,901**	1,684,949

Tang Ching Ho
DIRECTOR

Chan Chun Hong, Thomas
DIRECTOR

CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

		Attributable to owners of the parent											
Group	Notes	**Issued capital** HK$'000	**Share premium** HK$'000	**Special reserve** HK$'000 (note 33(a)(i))	**General reserve** HK$'000 (note 33(a)(ii))	**Share option reserve** HK$'000	**Translation reserve** HK$'000	**Other reserve** HK$'000 (note 33(a)(iii))	**Asset revaluation reserve** HK$'000	**Retained profits/ (accumulated losses)** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1 April 2012		20,361	1,195,767	(27,150)	215,599	1,200	39,369	(2,104)	28,014	(88,959)	1,382,097	7,810	1,389,907
Profit/(loss) for the year		–	–	–	–	–	–	–	–	148,433	148,433	(114)	148,319
Exchange differences arising on translation of foreign operations		–	–	–	–	–	169	–	–	–	169	8	177
Release upon partial disposal of equity interests in an associate		–	–	–	–	–	(11,596)	–	–	–	(11,596)	–	(11,596)
Share of other comprehensive income of an associate		–	–	–	–	–	4,443	–	–	–	4,443	–	4,443
Total comprehensive income/(loss) for the year		–	–	–	–	–	(6,984)	–	–	148,433	141,449	(106)	141,343
Issue of shares	31	8,950	149,285	–	–	–	–	–	–	–	158,235	–	158,235
Share issue expense	31	–	(4,542)	–	–	–	–	–	–	–	(4,542)	–	(4,542)
Recognition of share-based payment	32	–	–	–	–	45	–	–	–	–	45	–	45
Lapse/forfeiture of share options		–	–	–	–	(606)	–	–	–	606	–	–	–
Dividends paid to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	(39)	(39)
Release upon partial disposal of equity interests in an associate		–	–	–	–	–	–	633	–	(633)	–	–	–
At 31 March 2013		29,311	1,340,510*	(27,150)*	215,599*	639*	32,385*	(1,471)*	28,014*	59,447*	1,677,284	7,665	1,684,949
At 1 April 2013		29,311	1,340,510	(27,150)	215,599	639	32,385	(1,471)	28,014	59,447	1,677,284	7,665	1,684,949
Profit/(loss) for the year		–	–	–	–	–	–	–	–	163,374	163,374	(272)	163,102
Exchange differences arising on translation of foreign operations		–	–	–	–	–	572	–	–	–	572	(10)	562
Release upon deemed partial disposal of equity interests in an associate		–	–	–	–	–	(6,017)	–	–	–	(6,017)	–	(6,017)
Share of other comprehensive income of an associate		–	–	–	–	–	7,123	–	–	–	7,123	–	7,123
Total comprehensive income/(loss) for the year		–	–	–	–	–	1,678	–	–	163,374	165,052	(282)	164,770
Recognition of share-based payment	32	–	–	–	–	4	–	–	–	–	4	–	4
Forfeiture of share options		–	–	–	–	(61)	–	–	–	61	–	–	–
Dividends paid to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	(29)	(29)
Final 2013 dividend declared		–	–	–	–	–	–	–	–	(8,793)	(8,793)	–	(8,793)
Release upon deemed partial disposal of equity interest in an associate		–	–	–	–	–	–	245	–	(245)	–	–	–
At 31 March 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

* These reserve accounts comprise the consolidated reserves of approximately HK$1,804,236,000 (2013: approximately HK$1,647,973,000) in the consolidated statement of financial position.

CONSOLIDATED
STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:			
From continuing operations		**171,874**	148,687
From a discontinued operation	12	**(5,146)**	171
Adjustments for:			
Finance costs	7	**7,748**	2,503
Change in fair value of investments held-for-trading, net		**(46,397)**	(6,792)
Fair value gains on investment properties, net	16	**(25,663)**	(72,000)
Share of results of associates		**(22,747)**	(10,139)
Recognition of share-based payment	32	**4**	45
Gain on disposal of subsidiaries	35	**–**	(661)
Gain on partial disposal of equity interests in an associate		**–**	(12,787)
Gain on deemed partial disposal of equity interests in an associate		**(1,436)**	–
Loss on disposal of items of property, plant and equipment		**143**	–
Effective interest income on loans receivable	5	**(50,136)**	(26,478)
Interest income on bank deposits	5	**(3,163)**	(735)
Recognition of deferred franchise income	5	**(90)**	(90)
Allowance/(reversal of allowance) for obsolete inventories		**5,783**	(490)
Depreciation	15	**18,902**	16,320
Amortisation of other intangible assets	6	**213**	204
Recognition of impairment losses of trade and other receivables	22	**383**	200
		50,272	37,958
Increase in inventories		**(733)**	(39,096)
Increase in trade and other receivables		**(44,590)**	(14,636)
Increase in amounts due from associates		**(2,215)**	(1,130)
Decrease in investments held-for-trading		**–**	7,754
Increase in trade and other payables		**9,927**	10,541
Increase in deferred franchise income		**90**	90
Cash generated from operations		**12,751**	1,481
Interest received		**3,163**	735
Hong Kong profits tax refunded/(paid)		**30**	(11,613)
Overseas taxes paid		**(650)**	(487)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		**15,294**	(9,884)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	15	**(55,503)**	(34,672)
Purchases of an investment property		**(37,810)**	–
Deposits paid for acquisition of an investment property		**–**	(47,527)
Additions of cost of trademarks	20	**(101)**	(19)
Interest received		**34,319**	25,211
Dividends received from associates		**2,839**	200
Repayments of loans receivable		**15,000**	–
New advances of loans receivable		**(150,000)**	(100,000)
Net proceeds from partial disposal of equity interests in an associate		**–**	108,849
Disposal of subsidiaries	35	**–**	715
Proceeds from disposal of items of property, plant and equipment		**50**	–
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(191,206)**	(47,243)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings		**166,191**	180,000
Repayments of bank borrowings		**(37,755)**	(57,341)
Dividends paid		**(8,793)**	–
Interest paid		**(7,748)**	(2,503)
Dividends paid to non-controlling shareholders of subsidiaries		**(29)**	(39)
Proceeds from issue of shares	31	**–**	158,235
Share issue expenses	31	**–**	(4,542)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**111,866**	273,810
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(64,046)**	216,683
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**356,145**	139,387
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		**412**	75
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Bank balances and cash		**292,511**	356,145

STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSET			
Investment in a subsidiary	19	**–**	–
		–	–
CURRENT ASSETS			
Due from subsidiaries	19	**1,755,856**	1,634,207
Other receivables	22	**7,866**	6,102
Investment held-for-trading	24	**9,622**	6,785
Bank balances and cash	26	**213,621**	301,378
		1,986,965	1,948,472
CURRENT LIABILITIES			
Due to subsidiaries	19	**352,165**	336,462
Other payables	27	**2,113**	2,078
		354,278	338,540
NET CURRENT ASSETS		**1,632,687**	1,609,932
NET ASSETS		**1,632,687**	1,609,932
EQUITY			
Issued capital	31	**29,311**	29,311
Reserves	33(b)	**1,603,376**	1,580,621
TOTAL EQUITY		**1,632,687**	1,609,932

Tang Ching Ho
DIRECTOR

Chan Chun Hong, Thomas
DIRECTOR

1. CORPORATE INFORMATION

Wai Yuen Tong Medicine Holdings Limited (the "**Company**") is incorporated in Bermuda as an exempted company with limited liability. The address of the head office and principal place of business of the Company is 5th Floor, Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.

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

- production and sale of Chinese pharmaceutical and health food products
- production and sale of Western pharmaceutical and health food products
- production and sale of bottled birds' nest drinks and herbal essence products (discontinued during the year ended 31 March 2014 (note 12))
- property investment

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and investments held-for-trading, which have been measured at fair value. 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 2014. 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 the 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 in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *— Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 12, HKFRS 13, amendments to HKFRS 10, HKFRS 11, HKFRS 12, HKAS 1 and HKAS 36, and certain amendments included in *Annual Improvements 2009–2011 Cycle*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 April 2013.

(b) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for associates and subsidiaries are included in notes 18 and 19, respectively to the financial statements.

(c) The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

(d) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of investment properties are included in note 16 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(e) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("**OCI**"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. In addition, the Group has chosen to use the new title "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

(f) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 April 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

(g) *Annual Improvements 2009–2011 Cycle* issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual Improvements 2010–2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
Annual Improvements 2011–2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016 and not applicable to the Group
4 No mandatory effective date yet determined but is available for adoption

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

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "**Additions**") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("**FVO**"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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 results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Investments in associates

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

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

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5.

Business combinations and goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

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

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Fair value measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

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

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

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

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

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

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

Trademarks

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

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

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

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

The Group's financial assets include bank balances and cash, trade and other receivables, amounts due from associates, investments held-for-trading and loans and interests receivable.

Subsequent measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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

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

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

Loans and receivables

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

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as loans and borrowings.

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

The Group's financial liabilities include trade and other payables and bank borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

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

Loans and borrowings

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

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

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

For the purpose of the statement of financial position, bank balances and cash comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

Revenue recognition

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

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

(b) processing fee income when services are provided;

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

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

(e) rental income, on a time proportion basis over the lease terms;

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 32 to the financial statements.

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

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Pension schemes

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

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

Borrowing costs

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

Dividends

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Final dividends are recognised as a liability when they have been approved by the shareholders.

Foreign currencies

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their profit or loss and other comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year.

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements

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

Operating lease commitments — Group as lessor

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

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 17 to the financial statements.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location or subject to different leases or other contracts, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimation of fair value of investment properties (continued)

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 16 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment of all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of loans and interests receivable

When there is objective evidence of an impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. Further details of loans and interests receivable are included in note 25 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details of deferred tax assets are included in note 30 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Allowance on trade and other receivables

The provision policy for doubtful debts of the Group is based on the ongoing evaluation of the collectability and the aged analysis of the outstanding receivables and on management's estimation.

A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Provision against obsolete and slow-moving inventories

The Group reviews the condition of its inventories and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at the end of the reporting period and makes provision against obsolete and slow-moving items. Management reassesses the estimation at the end of the reporting period.

The provision against obsolete and slow-moving inventories requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying value of inventories and the write-down of inventories recognised in the periods in which such estimates have been changed.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their operations and the goods and services they provide and has four 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;

(c) production and sale of bottled birds' nest drinks and herbal essence products — processing and sale of bottled birds' nest drinks, dried birds' nest, herbal essence, health tonics and other health products ("**Birds' Nest Sub-group**") (discontinued during the year ended 31 March 2014 (note 12); and

(d) 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, net changes in fair values of investments held-for-trading and investment properties, gain on disposal of subsidiaries, gain on partial disposal of equity interests in an associate, gain on deemed partial disposal of equity interests in an associate and share of results 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.

4. OPERATING SEGMENT INFORMATION (continued)

Segment revenue and results

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

	Continuing operations								Discontinued operation					
	Production and sale of Chinese pharmaceutical and health food products		Production and sale of Western pharmaceutical and health food products		Property investment		Total continuing operations		Production and sale of bottled birds' nest drinks and herbal essence products		Eliminations		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
SEGMENT REVENUE:														
Sales to external customers	**701,620**	640,244	**152,042**	135,975	**11,596**	9,362	**865,258**	785,581	**16,847**	22,936	**–**	–	**882,105**	808,517
Intersegment sales	**–**	–	**–**	–	**6,391**	5,082	**6,391**	5,082	**23,503**	33,605	**(29,894)**	(38,687)	**–**	–
Total	**701,620**	640,244	**152,042**	135,975	**17,987**	14,444	**871,649**	790,663	**40,350**	56,541	**(29,894)**	(38,687)	**882,105**	808,517
SEGMENT RESULTS	**53,502**	57,599	**(9,052)**	(12,830)	**6,602**	2,671	**51,052**	47,440	**(6,641)**	(1,359)	**–**	–	**44,411**	46,081
Other income							**61,404**	33,409	**1,495**	1,530			**62,899**	34,939
Unallocated expenses							**(29,077)**	(26,464)	**–**	–			**(29,077)**	(26,464)
Finance costs							**(7,748)**	(2,503)	**–**	–			**(7,748)**	(2,503)
Change in fair value of investments held-for-trading, net							**46,397**	1,218	**–**	–			**46,397**	1,218
Fair value gains on investment properties, net							**25,663**	72,000	**–**	–			**25,663**	72,000
Gain on disposal of subsidiaries							**–**	661	**–**	–			**–**	661
Gain on partial disposal of equity interests in an associate							**–**	12,787	**–**	–			**–**	12,787
Gain on deemed partial disposal of equity interests in an associate							**1,436**	–	**–**	–			**1,436**	–
Share of results of associates							**22,747**	10,139	**–**	–			**22,747**	10,139
Profit/(loss) before tax							**171,874**	148,687	**(5,146)**	171			**166,728**	148,858
Income tax credit/(expense)							**(3,676)**	(291)	**50**	(248)			**(3,626)**	(539)
Profit/(loss) for the year							**168,198**	148,396	**(5,096)**	(77)			**163,102**	148,319

4. OPERATING SEGMENT INFORMATION (continued)

Segment assets and liabilities

	Continuing operations								Discontinued operation			
	Production and sale of Chinese pharmaceutical and health food products		Production and sale of Western pharmaceutical and health food products		Property investment		Total continuing operations		Production and sale of bottled birds' nest drinks and herbal essence products		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS												
Assets excluding goodwill	**257,976**	239,084	**103,826**	76,040	**622,939**	562,875	**984,741**	877,999	**2,739**	13,164	**987,480**	891,163
Goodwill	**7,700**	7,700	**7,635**	7,635	**–**	–	**15,335**	15,335	**–**	–	**15,335**	15,335
Segment assets	**265,676**	246,784	**111,461**	83,675	**622,939**	562,875	**1,000,076**	893,334	**2,739**	13,164	**1,002,815**	906,498
Investments in associates							**301,644**	279,195	**–**	–	**301,644**	279,195
Loans and interests receivable							**555,446**	404,628	**–**	–	**555,446**	404,628
Investments held-for-trading							**103,528**	57,132	**–**	–	**103,528**	57,132
Tax recoverable							**7,941**	9,324	**–**	–	**7,941**	9,324
Deferred tax assets							**5,249**	4,384	**–**	–	**5,249**	4,384
Bank balances and cash							**283,103**	345,340	**9,408**	10,805	**292,511**	356,145
Unallocated assets							**79,814**	34,981	**–**	–	**79,814**	34,981
Consolidated total assets							**2,336,801**	2,028,318	**12,147**	23,969	**2,348,948**	2,052,287
LIABILITIES												
Segment liabilities	**83,437**	80,498	**13,357**	9,172	**3,621**	3,835	**100,415**	93,505	**654**	3,749	**101,069**	97,254
Bank borrowings							**391,215**	262,779	**–**	–	**391,215**	262,779
Tax payable							**2,714**	1,178	**150**	191	**2,864**	1,369
Deferred tax liabilities							**2,367**	1,363	**262**	265	**2,629**	1,628
Unallocated liabilities							**10,270**	4,308	**–**	–	**10,270**	4,308
Consolidated total liabilities							**506,981**	363,133	**1,066**	4,205	**508,047**	367,338

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

- all assets are allocated to operating segments other than investments in associates, loans and interests receivable, investments held-for-trading, tax recoverable, deferred tax assets, bank balances and cash and unallocated assets representing property, plant and equipment and other receivables of investment holding companies.

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

4. OPERATING SEGMENT INFORMATION (continued)

Other segment information

	Continuing operations								Discontinued operation					
	Production and sale of Chinese pharmaceutical and health food products		Production and sale of Western pharmaceutical and health food products		Property investment		Total continuing operations		Production and sale of bottled birds' nest drinks and herbal essence products		Unallocated		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts included in the measure of segment profit or loss or segment assets:														
Additions to non-current assets (Note (i))	**7,833**	10,786	**31**	88	**85,337**	–	**93,201**	10,874	**1,102**	82	**46,638**	23,735	**140,941**	34,691
Depreciation	**11,119**	9,584	**45**	29	**4,652**	4,064	**15,816**	13,677	**1,791**	1,157	**1,295**	1,486	**18,902**	16,320
Amortisation of other intangible assets	**213**	204	**–**	–	**–**	–	**213**	204	**–**	–	**–**	–	**213**	204
Recognition/(reversal) of impairment losses of trade and other receivables	**194**	186	**(6)**	6	**–**	–	**188**	192	**195**	8	**–**	–	**383**	200
Allowance/(reversal of allowance) for obsolete inventories	**243**	(1,167)	**3,790**	164	**–**	–	**4,033**	(1,003)	**1,750**	513	**–**	–	**5,783**	(490)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:														
Finance costs	**1,188**	103	**247**	141	**6,313**	2,259	**7,748**	2,503	**–**	–	**–**	–	**7,748**	2,503
Interest income (Note (ii))	**22**	129	**–**	–	**–**	16	**22**	145	**–**	–	**53,277**	27,068	**53,299**	27,213

Notes:

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

(ii) Interest income consists of effective interest income on loans receivable and bank deposits.

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2014	2013
	HK$'000	HK$'000
Hong Kong	**656,971**	608,424
The PRC	**172,403**	151,777
Singapore	**216**	426
Macau	**9,710**	–
Others	**25,958**	24,954
	865,258	785,581

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

(b) Non-current assets

	2014	2013
	HK$'000	HK$'000
Hong Kong	**1,029,661**	907,855
The PRC	**734**	369
Singapore	**413**	1,313
Macau	**939**	–
	1,031,747	909,537

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

Information about major customers

During the years ended 31 March 2014 and 2013, no revenue from transactions with a single external customer contributed over 10% of the total sales of the Group.

5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, 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 from continuing operations is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
REVENUE		
Sales of goods	**852,758**	775,384
Rental income from investment properties	**11,596**	9,362
Management and promotion fees	**904**	835
	865,258	785,581
OTHER INCOME		
Effective interest income on loans receivable	**50,136**	26,478
Interest income on bank deposits	**3,163**	735
Dividends from investments held-for-trading	**1,760**	1,578
Franchise income	**90**	90
Sub-lease rental income	**2,780**	2,933
Gain on disposal of items of property, plant and equipment	**50**	–
Others	**3,425**	1,595
	61,404	33,409

6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	Note	2014 HK$'000	2013 HK$'000
Cost of inventories recognised as an expense (including allowance for obsolete inventories of approximately HK$4,033,000 (2013: reversal of allowance of approximately HK$1,003,000))		**475,768**	424,572
Depreciation		**17,111**	15,163
Amortisation of other intangible assets	20	**213**	204
Research and development costs		**692**	837
Auditors' remuneration:			
Current year		**2,050**	1,897
Underprovision in prior years		**–**	164
		2,050	2,061
Employee benefit expense (excluding directors' remuneration (note 8)):			
Wages and salaries and other benefits		**124,523**	107,949
Share-based payment		**4**	45
Pension scheme contributions		**9,391**	6,552
		133,918	114,546
Exchange losses, net		**92**	83
Recognition of impairment losses of trade and other receivables		**188**	192
Gross rental income		**(11,596)**	(9,362)
Less: direct outgoing expenses		**244**	188
		(11,352)	(9,174)

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**2,862**	1,720
Bank borrowings not wholly repayable within five years	**4,886**	783
	7,748	2,503

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Fees	**560**	560
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	**2,952**	3,221
Discretionary bonuses*	**757**	1,179
Pension scheme contributions	**66**	66
	3,775	4,466
	4,335	5,026

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

8. DIRECTORS' REMUNERATION (continued)

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

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2014					
Executive directors:					
Mr. Tang Ching Ho	**–**	**649**	**54**	**15**	**718**
Mr. Chan Chun Hong, Thomas	**–**	**649**	**54**	**15**	**718**
Ms. Tang Mui Fun	**–**	**1,654**	**649**	**36**	**2,339**
	–	**2,952**	**757**	**66**	**3,775**
Independent non-executive directors:					
Mr. Leung Wai Ho	**140**	**–**	**–**	**–**	**140**
Mr. Yuen Chi Choi	**140**	**–**	**–**	**–**	**140**
Mr. Siu Man Ho, Simon	**140**	**–**	**–**	**–**	**140**
Mr. Cho Wing Mou	**140**	**–**	**–**	**–**	**140**
	560	**–**	**–**	**–**	**560**
2013					
Executive directors:					
Mr. Tang Ching Ho	–	635	66	15	716
Mr. Chan Chun Hong, Thomas	–	635	66	15	716
Ms. Tang Mui Fun	–	1,951	1,047	36	3,034
	–	3,221	1,179	66	4,466
Independent non-executive directors:					
Mr. Leung Wai Ho	140	–	–	–	140
Mr. Yuen Chi Choi	140	–	–	–	140
Mr. Siu Man Ho, Simon	140	–	–	–	140
Mr. Cho Wing Mou	140	–	–	–	140
	560	–	–	–	560

There were no emoluments payable to the independent non-executive directors during the year (2013: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 March 2014 and 2013.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2013: one) director, details of whose remuneration are disclosed in note 8 above. Details of the remuneration for the year of the remaining four (2013: four) non-director, highest paid employees are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**4,154**	3,765
Discretionary performance related bonuses	**699**	1,020
Share-based payment	**1**	10
Pension scheme contributions	**59**	58
	4,913	4,853

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

	Number of employees	
	2014	2013
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**4**	3
	4	4

In prior years, share options were granted to these non-directors, highest paid employees, in respect of their services to the Group, further details of which are set out in note 32 to the financial statements. The fair value of these options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the Enterprise Income Tax ("**EIT**") rate of two of the Group's subsidiaries established in the PRC is 25% (2013: 25%).

	2014	2013
	HK$'000	HK$'000
Group:		
Current — Hong Kong		
Charge for the year	**3,128**	944
Underprovision in prior years	**117**	9
Current — other jurisdiction		
Charge for the year	**480**	1,093
Overprovision in prior years	**(189)**	–
Deferred taxation (note 30)	**140**	(1,755)
Total tax charge for the year	**3,676**	291

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

	2014	2013
	HK$'000	HK$'000
Profit before tax from continuing operations	**171,874**	148,687
Tax at the domestic income tax of 16.5% (2013: 16.5%)	**28,359**	24,533
Effect of different tax rates of subsidiaries operating in other jurisdictions	**63**	371
Underprovision/(overprovision) in prior years	**(72)**	9
Profits and losses attributable to associates	**(3,753)**	(1,673)
Income not subject to tax	**(18,032)**	(19,123)
Expenses not deductible for tax	**3,036**	2,954
Tax losses utilised from previous periods	**(10,518)**	(14,118)
Tax losses not recognised	**4,826**	9,621
Utilisation of deductible temporary differences previously not recognised	**(750)**	(2,292)
Deductible temporary differences not recognised	**617**	79
Effect of tax concession	**(100)**	(70)
Tax charge at the Group's effective rate	**3,676**	291

10. INCOME TAX EXPENSE (continued)

The share of tax attributable to associates amounted to tax credit of approximately HK$12,573,000 (2013: tax charge of approximately HK$4,226,000) is included in "Share of results of associates" in profit or loss of the consolidated statement of profit or loss and other comprehensive income.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 March 2014 includes a loss of approximately HK$9,110,000 (2013: approximately HK$7,040,000) which has been dealt with in the financial statements of the Company, which is included in note 33(b).

12. DISCONTINUED OPERATION

During the year, the Group significantly scaled down the operation of its Birds' Nest Sub-group due to the continuous decline in demand for its products. The Group is winding up the subsidiaries in the Birds' Nest Sub-group. As such, the business of the Birds' Nest Sub-group was classified as a discontinued operation in the Group's consolidated financial statements.

The results of the discontinued operation for the year are presented below:

	2014 **HK$'000**	2013 HK$'000
Revenue	**16,847**	22,936
Cost of sales	**(17,308)**	(18,635)
Gross profit/(loss)	**(461)**	4,301
Other income	**1,495**	1,530
Selling and distribution expenses	**(1,670)**	(2,112)
Administrative expense	**(4,510)**	(3,548)
Profit/(loss) before tax from the discontinued operation	**(5,146)**	171
Income tax credit/(expense)	**50**	(248)
Loss for the year from the discontinued operation	**(5,096)**	(77)
Attributable to:		
Owners of the parent	**(4,831)**	(83)
Non-controlling interests	**(265)**	6
	(5,096)	(77)

12. DISCONTINUED OPERATION (continued)

The net cash flows incurred by the discontinued operation are as follows:

	2014 HK$'000	2013 HK$'000
Operating activities	**(1,443)**	(2,687)
Investing activities	**188**	(82)
Net cash outflow	**(1,255)**	(2,769)

	2014	2013
Basic and diluted loss per share from the discontinued operation	**HK0.17 cents**	HK0.01 cents

The calculations of basic and diluted loss per share (note 14) from the discontinued operation are based on:

	2014	2013
Loss attributable to ordinary equity holders of the parent from the discontinued operation	**HK$4,831,000**	HK$83,000
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**2,931,142,969**	2,156,323,791

13. DIVIDENDS

	2014 HK$'000	2013 HK$'000
Proposed final — HK0.3 cents (2013: HK0.3 cents) per ordinary share	**8,793**	8,793

No interim dividend was declared in respect of the years ended 31 March 2014 and 2013.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

14. 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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,931,142,969 (2013: 2,156,323,791) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2014 and 2013 in respect of a dilution as the share options outstanding had no dilutive effect on the basic earnings per share amounts presented.

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

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

	2014 HK$'000	2013 HK$'000
EARNINGS		
Profit/(loss) attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculations		
From continuing operations	**168,205**	148,516
From a discontinued operation (note 12)	**(4,831)**	(83)
	163,374	148,433

	Number of shares 2014	 2013
SHARES		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculations	**2,931,142,969**	2,156,323,791

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Computer system HK$'000	Construction in progress HK$'000	Total HK$'000
COST:								
At 1 April 2012	157,310	47,605	34,583	36,425	1,748	10,931	–	288,602
Additions	–	5,291	2,723	2,496	–	428	23,734	34,672
Transfer from investment properties (note 16)	20,000	–	–	–	–	–	–	20,000
Disposals	–	–	–	(7)	–	(16)	–	(23)
Exchange realignment	–	32	70	15	11	3	–	131
At 31 March 2013 and 1 April 2013	177,310	52,928	37,376	38,929	1,759	11,346	23,734	343,382
Additions	–	2,565	1,966	1,501	1,712	4,235	43,524	55,503
Disposals	–	(4,232)	(40)	(1,717)	(433)	(280)	–	(6,702)
Exchange realignment	–	(36)	(80)	(14)	(6)	12	–	(124)
At 31 March 2014	177,310	51,225	39,222	38,699	3,032	15,313	67,258	392,059
DEPRECIATION:								
At 1 April 2012	7,706	36,271	28,679	32,426	1,190	9,776	–	116,048
Provided for the year	4,224	6,600	2,367	2,308	185	636	–	16,320
Disposals	–	–	–	(7)	–	(16)	–	(23)
Exchange realignment	–	23	53	14	12	2	–	104
At 31 March 2013 and 1 April 2013	11,930	42,894	31,099	34,741	1,387	10,398	–	132,449
Provided for the year	4,812	6,261	3,356	2,559	794	1,120	–	18,902
Disposals	–	(4,160)	–	(1,655)	(433)	(261)	–	(6,509)
Exchange realignment	–	(33)	(68)	(13)	(9)	7	–	(116)
At 31 March 2014	16,742	44,962	34,387	35,632	1,739	11,264	–	144,726
CARRYING AMOUNT:								
At 31 March 2014	160,568	6,263	4,835	3,067	1,293	4,049	67,258	247,333
At 31 March 2013	165,380	10,034	6,277	4,188	372	948	23,734	210,933

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's land and buildings as at 31 March 2014 and 2013 are situated in Hong Kong and are held under the following lease terms:

	Group	
	2014	2013
	HK$'000	HK$'000
Long term leases	**72,783**	74,960
Medium term leases	**87,785**	90,420
	160,568	165,380

At 31 March 2014, certain of the Group's land and buildings with a net carrying amount of approximately HK$155,733,000 (2013: approximately HK$160,385,000) were pledged to secure general banking facilities granted to the Group (note 28).

16. INVESTMENT PROPERTIES

		Group	
		2014	2013
	Note	**HK$'000**	HK$'000
Carrying amount at 1 April		**356,000**	304,000
Additions		**85,337**	–
Transfer to owner-occupied property	15	**–**	(20,000)
Net gains from fair value adjustments		**25,663**	72,000
Carrying amount at 31 March		**467,000**	356,000

The Group's investment properties as at 31 March 2014 and 2013 are situated in Hong Kong and are held under the following lease terms:

	Group	
	2014	2013
	HK$'000	HK$'000
Long term leases	**22,000**	21,000
Medium term leases	**445,000**	335,000
	467,000	356,000

16. INVESTMENT PROPERTIES (continued)

All of the Group's investment properties are commercial properties in Hong Kong. The Group's investment properties were revalued on 31 March 2014 based on valuations performed by Vigers Appraisal and Consulting Limited, an independent professionally qualified valuer, at HK$467,000,000 (2013: HK$356,000,000).

The investment properties are leased to third parties under operating leases, further details of which are included in note 38(a) to the financial statements.

At 31 March 2014, the Group's investment properties with an aggregate carrying value of HK$467,000,000 (2013: HK$356,000,000) and certain rental income generated from there were pledged to secure the general banking facilities granted to the Group (note 28).

Further particulars of the Group's investment properties are included on page 135.

Fair value hierarchy

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

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

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

	Total HK$'000
Carrying amount at 1 April 2013	356,000
Additions	85,337
Net gains from fair value adjustments	25,663
Carrying amount at 31 March 2014	467,000

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

	Valuation technique	**Significant unobservable inputs**	**Range (weighted average)**
Commercial properties	Investment method and direct comparison method	Estimated rental value per square metre and per month (HK$)	226 to 262
		Capitalisation rate	2.4% to 2.9%
		Price per square metre (HK$)	93,000 to 131,000

16. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

As at 31 March 2014, the valuations of investment properties were based on either the investment method which capitalises the rent receivable from the existing tenancies and the potential reversionary market rent of the properties or the direct comparison method by reference to comparable market transactions.

Significant increases/(decreases) in the estimated rental value per square metre in isolation would result in a significantly higher/(lower) fair value of the investment properties. Significant increases/(decreases) in the capitalisation rate in isolation would result in a significantly lower/(higher) fair value of the investment properties. Significant increases/(decreases) in the price per square metre in isolation would result in a significantly higher/(lower) fair value of the investment properties.

Generally, a change in the assumption made for the estimated rental value per square metre and price per square metre are accompanied by a directionally opposite change in the capitalisation rate.

17. GOODWILL

Group

	HK$'000
At 1 April 2012, 31 March 2013, 1 April 2013 and 31 March 2014:	
Cost	298,964
Accumulated impairment	(283,629)
Net carrying amount	15,335

Impairment testing of goodwill

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

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

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

The recoverable amounts of both cash-generating units were determined based on value in use calculations using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rates applied to the cash flow projections for the CGUs of Subsidiary A and Subsidiary B were 13.00% (2013: 14.80%) and 13.00% (2013: 12.99%), respectively. The cash flows beyond the five-year period were extrapolated using a steady growth rate of 3% (2013: 3%).

17. GOODWILL (continued)

Impairment testing of goodwill (continued)

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

	Total HK$'000
At 31 March 2014 and 2013:	
Subsidiary A	7,700
Subsidiary B	7,635
	15,335

Assumptions were used in the value in use calculation of the CGU for the years ended 31 March 2014 and 2013. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Forecasted growth rates — The forecasted growth rates are based on industry forecasts.

Expected changes in selling prices and direct costs — The expected amounts are based on historical operating records and expectation of future changes in the market.

Discount rates — The discount rates are based on estimates of the required rate of returns that reflect the current market assessment of the time value of money, general market risks and the risks specific to the CGUs.

During the years ended 31 March 2014 and 2013, management of the Group determines that there was no impairment of goodwill on any of its CGUs.

18. INVESTMENTS IN ASSOCIATES

	Notes	Group 2014 HK$'000	2013 HK$'000
Cost of investments in associates:	(a)		
Shares listed in Hong Kong, at cost	(b), (c)	**473,824**	473,824
Unlisted shares, at cost	(d)	**3,831**	3,831
Less: impairment losses recognised		**(214,815)**	(214,815)
		262,840	262,840
Share of post-acquisition profits and other comprehensive income, net of dividends received		**40,030**	17,826
Share of other reserve		**(1,226)**	(1,471)
		301,644	279,195
Market value of listed investments		**181,141**	719,235

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

Particulars of all the associates are as follows:

Name	Place of incorporation/ business	Nominal value of issued share capital	Percentage of equity attributable to the Group 2014	2013	Principal activity
Creation Sino Limited	Hong Kong	Ordinary HK$2,500,000	**49.90%**	49.90%	Retailing of Chinese pharmaceutical products
Fortune Way Trading Limited	Hong Kong	Ordinary HK$1,000,000	**49.90%**	49.90%	Retailing of Chinese pharmaceutical products
PNG Resources Holdings Limited ("**PNG**")*	Cayman Islands/ Hong Kong	Ordinary HK$92,295,000	**28.86% (Note (b))**	34.63%	Investment holding
Winning Forever Limited	Hong Kong	Ordinary HK$2,500,000	**49.90%**	49.90%	Retailing of Chinese pharmaceutical products

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

* Listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The principal activities of its subsidiaries are the sale of fresh pork meat and related products, property development in the PRC, and forestry and logging operations in Papua New Guinea.

18. INVESTMENTS IN ASSOCIATES (continued)

Notes:

(a) Included in the cost of investments in associates is goodwill arising on acquisition of PNG and on unlisted associates. The movement of the cost of investment attributable to goodwill is set out below.

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 April	**41,776**	59,806
Disposal of partial interests in PNG	**–**	(18,030)
At 31 March	**41,776**	41,776

(b) **Year ended 31 March 2013**

On 22 November 2012, the Group entered into a sale and purchase agreement with an indirect wholly-owned subsidiary of Wang On Group Limited ("**Wang On**"), pursuant to which the Group transferred 1,150,000,000 shares of PNG, being approximately 14.95% of the Group's equity interest in PNG, at an aggregate consideration of HK$110,400,000 to the indirect wholly-owned subsidiary of Wang On. The transfer was completed on 27 December 2012 and a gain on partial disposal of equity interests in PNG of approximately HK$12,787,000 was recognised for the year ended 31 March 2013 and included in "Gain on partial disposal of equity interests in an associate" in the consolidated statement of profit or loss and other comprehensive income.

Year ended 31 March 2014

On 20 November 2013, the Group, PNG and Kingston Securities Limited ("**Kingston**"), the placing agent, entered into a placing and subscription agreement, pursuant to which (i) the Group agreed to place, through Kingston, 1,538,000,000 PNG shares to certain placees at a price of HK$0.1 per share; and (ii) PNG agreed to issue to the Group and the Group agreed to subscribe for an aggregate of 1,538,000,000 PNG shares at a price of HK$0.1 per share (the "**PNG Top-Up Placing and Subscription**"). The PNG Top-Up Placing and Subscription was completed on 27 November 2013.

Consequently, the Group's equity interests in PNG were diluted from 34.63% to 28.86% and an aggregate gain on deemed partial disposal of equity interests in PNG of approximately HK$1,436,000 was recognised for the year ended 31 March 2014 and included in "Gain on deemed partial disposal of equity interests in an associate" in the consolidated statement of profit or loss and other comprehensive income.

18. INVESTMENTS IN ASSOCIATES (continued)

Notes: (continued)

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

	2014 HK$'000	2013 HK$'000
Current assets	**1,610,828**	937,707
Non-current assets	**824,282**	1,043,094
Current liabilities	**(1,186,181)**	(845,159)
Non-current liabilities	**(309,891)**	(331,640)
Net assets (including non-controlling interests)	**939,038**	804,002
Net assets attributable to the Group	**891,389**	677,491
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**28.86%**	34.63%
Group's share of net assets of the associate, excluding goodwill	**257,255**	234,615
Goodwill on acquisition (less cumulative impairment)	**41,776**	41,776
Carrying amount of the investment	**299,031**	276,391

	2014 HK$'000	2013 HK$'000
Revenue	**1,034,155**	953,450
Profit/(loss) for the year	**(24,954)**	20,950
Post-tax loss from a discontinued operation	**(208,070)**	(43,495)
Other comprehensive income	**18,554**	10,410
Total comprehensive income/(loss) for the year	**(6,400)**	31,360

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

	2014 HK$'000	2013 HK$'000
Share of the associates' profits/(losses) for the year	**(16)**	473
Aggregate carrying amount of the Group's investments in these associates	**2,613**	2,804

19. INVESTMENTS IN SUBSIDIARIES

	Notes	Company 2014 HK$'000	2013 HK$'000
Unlisted shares, at cost		–	–
Due from subsidiaries	(i)	2,057,915	1,945,838
Due to subsidiaries	(i)	(352,165)	(336,462)
		1,705,750	1,609,376
Less: accumulated impairment	(ii)	(302,059)	(311,631)
		1,403,691	1,297,745

Notes:

(i) The amounts are unsecured, interest-free and have no fixed terms of repayment, except for amounts due from subsidiaries of approximately HK$158,121,000 (2013: approximately HK$162,912,000), which bear interest at 5% (2013: 5%) per annum. The carrying amounts of these amounts approximate to their fair values.

(ii) The impairment relates primarily to amounts due from subsidiaries that had suffered from losses for years or ceased operations.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation and business	Nominal value of issued share capital	Percentage of equity attributable to the Company: Directly 2014	Directly 2013	Indirectly 2014	Indirectly 2013	Principal activity
Asia Brighter Investment Limited	Hong Kong	Ordinary share HK$1	–	–	100.00%	100.00%	Property investment
Billion Good Investment Limited	Hong Kong	Ordinary share HK$2	–	–	99.79%	99.79%	Property holding
CNT Health Food Pte Limited	Singapore	Ordinary share Singapore dollar ("**SGD**") 1,694,737	–	–	95.00%	95.00%	Production and sale of bottled birds' nest drinks and herbal essence products
Full Gainer Investment Limited	Hong Kong	Ordinary share HK$1	–	–	100.00%	100.00%	Property investment
Grand Quality Development Limited	Hong Kong	Ordinary share HK$2	–	–	100.00%	100.00%	Property investment
Guidepost Investments Limited	British Virgin Islands	Ordinary share United States dollar ("**USD**") 1	–	–	100.00%	100.00%	Investment holding
Info World Investment Limited	Hong Kong	Ordinary share HK$1	–	–	100.00%	100.00%	Property investment
Luxembourg Medicine Company Limited	Hong Kong	Ordinary share HK$434,747	–	–	99.79%	99.79%	Production and sale of Western pharmaceutical and health food products

19. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation and business	Nominal value of issued share capital	Percentage of equity attributable to the Company				Principal activity
			Directly		Indirectly		
			2014	2013	**2014**	2013	
New Supreme Investment Limited	Hong Kong	Ordinary share HK$1	**–**	–	**100.00%**	100.00%	Construction project of a factory
Richest Ever Limited	Hong Kong	Ordinary share HK$2	**–**	–	**99.79%**	99.79%	Trading of Chinese pharmaceutical and health food products
Sino Fame Investments Limited	Hong Kong	Ordinary share HK$1	**–**	–	**100.00%**	100.00%	Property investment
Smart First Investment Limited	Hong Kong	Ordinary share HK$1	**–**	–	**100.00%**	100.00%	Property investment
Smart Star Investments Limited	Hong Kong	Ordinary share HK$1	**–**	–	**100.00%**	100.00%	Property investment
Star Sense Limited	Hong Kong	Ordinary share HK$1	**–**	–	**100.00%**	100.00%	Property investment
Union Target Limited	Hong Kong	Ordinary share HK$1	**–**	–	**100.00%**	100.00%	Property investment
Topmate Investment Limited	Hong Kong	Ordinary share HK$1	**–**	–	**100.00%**	100.00%	Property investment
Total Smart Investments Limited	British Virgin Islands	Ordinary share USD1	**100.00%**	100.00%	**–**	–	Investment holding
Wai Yuen Tong Company Limited	Hong Kong	Ordinary share HK$1	**–**	–	**100.00%**	100.00%	Property holding
Wai Yuen Tong (Macao) Limited	Macau	Ordinary share Macau Pataca 25,000	**–**	–	**99.79%**	99.79%	Retail and sale of Chinese pharmaceutical and health food products
Wai Yuen Tong (Retail) Limited	Hong Kong	Ordinary share HK$2	**–**	–	**99.79%**	99.79%	Retail and sale of Chinese pharmaceutical and health food products
Wai Yuen Tong Medicine Company Limited ("**WYT Medicine Company**")	Hong Kong	Ordinary share HK$217,374 Non-voting deferred shares* HK$17,373,750	**–**	–	**99.79%**	99.79%	Production and sale of Chinese pharmaceutical and health food products
深圳市延養堂醫藥有限公司#	PRC	Registered capital Renminbi ("**RMB**") 17,000,000	**–**	–	**99.79%**	99.79%	Retail and sale of Chinese pharmaceutical and health food products

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

A wholly-owned foreign enterprise under PRC law.

19. INVESTMENTS IN SUBSIDIARIES (continued)

None of the subsidiaries had issued any debt securities at the end of the reporting period.

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

20. OTHER INTANGIBLE ASSET

Group

	Trademarks HK$'000
31 March 2014	
Cost at 1 April 2013, net of accumulated amortisation	547
Additions	101
Amortisation provided during the year	(213)
At 31 March 2014	435
At 31 March 2014:	
Cost	2,168
Accumulated amortisation	(1,733)
Net carrying amount	435
31 March 2013	
Cost at 1 April 2012, net of accumulated amortisation	732
Additions	19
Amortisation provided during the year	(204)
At 31 March 2013	547
At 31 March 2013 and at 1 April 2013:	
Cost	2,067
Accumulated amortisation	(1,520)
Net carrying amount	547

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

21. INVENTORIES

	Group	
	2014	2013
	HK$'000	HK$'000
Raw materials and consumables	**35,980**	38,678
Work in progress	**3,354**	13,766
Finished goods	**107,920**	99,975
	147,254	152,419

22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**139,509**	98,787	**–**	–
Less: accumulated impairment	**(3,790)**	(3,408)	**–**	–
	135,719	95,379	**–**	–
Rental and other deposits	**25,703**	25,336	**4,387**	4,387
Prepayments	**22,056**	18,925	**2,410**	1,689
Other receivables	**15,648**	15,147	**1,069**	26
	63,407	59,408	**7,866**	6,102
Total trade and other receivables	**199,126**	154,787	**7,866**	6,102

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

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. 77% (2013: 76%) of the trade receivables that are neither past due nor impaired are with good credit quality in view of good historical repayment records.

22. TRADE AND OTHER RECEIVABLES (continued)

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

	Group	
	2014	2013
	HK$'000	HK$'000
0–30 days	**46,931**	41,111
31–60 days	**29,811**	18,635
61–120 days	**37,414**	25,438
121–180 days	**21,563**	10,195
	135,719	95,379

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of approximately HK$30,679,000 (2013: approximately HK$22,966,000) which were past due at the end of the reporting period for which the Group has not provided for impairment loss as the directors assessed that the balances will be recovered based on their settlement records. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables which were past due but not impaired based on the due date:

	Group	
	2014	2013
	HK$'000	HK$'000
0–30 days	**6,892**	11,770
31–60 days	**7,631**	5,512
61–120 days	**15,698**	3,422
121–180 days	**425**	994
Over 180 days	**33**	1,268
	30,679	22,966

The Group has provided fully for all receivables that were 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 was past due over 180 days but not impaired and was related to the sales to a PRC customer who has 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.

22. TRADE AND OTHER RECEIVABLES (continued)

Movements in the allowance for doubtful debts

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 April	**3,408**	18,207
Recognition of impairment losses of trade and other receivables	**383**	200
Amount written off as uncollectible	**–**	(15,000)
Exchange realignment	**(1)**	1
At 31 March	**3,790**	3,408

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$3,790,000 (2013: approximately HK$3,408,000) that are considered irrecoverable by management after consideration of the credit quality of those individual customers based on their settlement records. The Group does not hold any collateral over these balances.

At the end of the reporting period, the trade and other receivables that are denominated in currencies, other than the functional currencies of the respective group entities, are set out below:

	Group	
	2014	2013
	HK$'000	HK$'000
SGD	**216**	208
USD	**12**	4

23. AMOUNTS DUE FROM ASSOCIATES

	Group	
	2014	2013
	HK$'000	HK$'000
Trade receivables due from associates	**6,146**	3,931

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

As at 31 March 2014 and 2013, 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.

24. INVESTMENTS HELD-FOR-TRADING

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Listed equity investments in Hong Kong, at market value	**101,933**	55,352	**9,622**	6,785
Unlisted mutual funds outside Hong Kong, at fair value	**1,595**	1,780	**–**	–
	103,528	57,132	**9,622**	6,785

The above investments at 31 March 2014 and 2013 were held for trading and were classified as financial assets at fair value through profit or loss.

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

At the end of the reporting period, the investments held-for-trading that are denominated in USD, other than the functional currencies of the respective group entities, amounted to approximately HK$1,595,000 (2013: approximately HK$1,780,000).

25. LOANS AND INTERESTS RECEIVABLE

Details of the loans and interests receivable are as follows:

Loan	Name of borrower	Maturity date	Effective interest rate per annum	Group 2014 HK$'000	Group 2013 HK$'000
10% unsecured HK$190 million loan (Note)	PNG	12 November 2016 (Note)	9.14%	**197,236**	193,748
8% unsecured HK$10 million loan (Note)	PNG	8 July 2017 (Note)	7.43%	**12,179**	11,379
8% unsecured HK$15 million loan	PNG	10 August 2013	7.43%	**–**	18,166
				209,415	223,293
10% unsecured HK$60 million loan	China Agri-Products Exchange Limited ("**CAP**")*	30 September 2014	9.54%	**63,008**	63,008
10% unsecured HK$15 million loan	CAP	30 September 2014	9.54%	**15,752**	15,752
10% unsecured HK$100 million loan	CAP	27 December 2015	9.15%	**102,575**	102,575
12% unsecured HK$100 million loan	CAP	27 May 2016	11.34%	**110,093**	–
12% unsecured HK$50 million loan	CAP	27 May 2016	11.40%	**54,603**	–
				346,031	181,335
				555,446	404,628
Less: Loans and interests receivable classified as non-current assets				**(450,000)**	(186,379)
				105,446	218,249

* CAP is an associate of PNG and is listed on the Stock Exchange.

Note: The loans with principal amounts of HK$190,000,000 and HK$10,000,000 granted to PNG are unsecured, bear interest at 8% per annum and are repayable on 12 November 2013 and 8 July 2014 (the "**Original Maturity Dates**"), respectively. On 22 August 2013, the Group and PNG entered into two supplemental agreements, and pursuant to which the Group agreed to extend the repayment dates of these loans for another three years from respective Original Maturity Dates (the "**New Repayment Dates**") and the interest rates are increased from 8% to 10% per annum which will be applicable for the period from the Original Maturity Dates to the New Repayment Dates. These two loans are classified as non-current assets as at 31 March 2014.

25. LOANS AND INTERESTS RECEIVABLE (continued)

Loans and interests receivable were neither past due nor impaired. The credit quality of these loans is considered good as the directors assessed that PNG and CAP could generate sufficient funds from their normal course of business for repayment of the loans upon maturity. There was no significant change in the credit quality during the year. The aggregate fair value of the loans and interests receivable was approximately HK$468,611,000 as at 31 March 2014 (2013: approximately HK$352,713,000). The fair values have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

26. BANK BALANCES AND CASH

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank balances and cash	**90,909**	52,194	**22,019**	2,427
Time deposits	**201,602**	303,951	**191,602**	298,951
	292,511	356,145	**213,621**	301,378

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of six months or less depending on the immediate cash requirements of the Group, and earn interest at the effective short term time deposit rates ranging from 0.01% to 3.15% (2013: 0.01% to 1.3%) per annum. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the bank balances and cash approximate to their fair values.

At the end of the reporting period, the bank and cash balances that are denominated in currencies, other than the functional currencies of the respective group entities, are set out below:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**51**	68	**17**	17
Euro ("**EUR**")	**141**	145	**–**	–
SGD	**5,083**	4,848	**4,465**	4,522
RMB	**102,159**	908	**101,938**	–
HK$	**–**	84	**–**	–

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**64,937**	64,857	**–**	–
Accrual of salaries and commission	**14,789**	13,292	**155**	115
Accrual of advertising and promotion	**2,651**	3,694	**–**	–
Rental deposits received	**2,627**	2,244	**154**	154
Other payables and accruals	**26,317**	17,457	**1,804**	1,809
	111,321	101,544	**2,113**	2,078

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

	Group	
	2014	2013
	HK$'000	HK$'000
0–30 days	**26,782**	19,117
31–60 days	**20,710**	19,319
61–120 days	**16,379**	25,247
Over 120 days	**1,066**	1,174
	64,937	64,857

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.

At the end of the reporting period, the trade and other payables that are denominated in currencies, other than the functional currencies of the respective group entities, are set out below:

	Group	
	2014	2013
	HK$'000	HK$'000
RMB	**16,074**	17,055
New Taiwan Dollar ("**NTD**")	**844**	1,647
USD	**233**	833
HK$	**–**	594
EUR	**–**	645

28. BANK BORROWINGS

Group

	2014			2013		
	Contractual interest rate (%)	**Maturity**	**HK$'000**	Contractual interest rate (%)	Maturity	HK$'000
Current:						
Bank loans — secured	**Prime rate – 2.90/HIBOR + 1.95**	**2023 – 2028**	**14,392**	HIBOR+ (1.28 – 1.70)	2023 – 2031	3,284
Long term bank loans repayable on demand — secured	**Prime rate – 2.50/ HIBOR + (1.28 – 2.50)**	**On demand**	**182,744**	Prime rate – 2.90/HIBOR + (1.25 – 2.50)	On demand	212,057
Long term bank loan repayable on demand — unsecured	**HIBOR + 1.28**	**On demand**	**4,667**	HIBOR+1.28	On demand	7,333
			201,803			222,674
Non-current: Bank loans — secured	**Prime rate – 2.90/ HIBOR + 1.95**	**2023 – 2028**	**189,412**	HIBOR+ (1.28 – 1.70)	2023 – 2031	40,105
			391,215			262,779

	2014	2013
	HK$'000	HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand (Note)	**201,803**	222,674
In the second year	**14,392**	3,284
In the third to fifth years, inclusive	**43,176**	9,852
Beyond five years	**131,844**	26,969
	391,215	262,779

Note: As further explained in note 41(b) to the financial statements, the Group's term loans with an aggregate amount of approximately HK$187,411,000 (2013: approximately HK$219,390,000) containing a repayment on demand clause have been classified as current liabilities. For the purpose of the above analysis, the loans are included within current interest-bearing bank loans and analysed into bank loans repayable within one year or on demand.

28. BANK BORROWINGS (continued)

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

	2014 **HK$'000**	2013 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year	**38,812**	20,317
In the second year	**40,623**	20,317
In the third to fifth years, inclusive	**124,840**	54,951
Beyond five years	**186,940**	167,194
	391,215	262,779

Notes:

(a) Certain bank loans of the Group are secured by the Group's land and buildings (note 15) and investment properties (note 16) and certain rental income generated from there amounted to approximately HK$155,733,000 (2013: approximately HK$160,385,000) and HK$467,000,000 (2013: approximately HK$356,000,000), respectively.

In addition, the Company has guaranteed the Group's bank loans up to approximately HK$391,215,000 (2013: approximately HK$262,779,000) as at the end of the reporting period.

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

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

29. DEFERRED FRANCHISE INCOME

	Group	
	2014	2013
	HK$'000	HK$'000
Carrying amount at 1 April	**18**	18
Additions during the year	**90**	90
Recognised during the year	**(90)**	(90)
Carrying amount at 31 March	**18**	18

30. DEFERRED TAXATION

Group

The following are the major net deferred tax assets recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation	**Allowance for bad and doubtful debts**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 April 2012	486	515	1,001
Deferred tax credited to profit or loss during the year (note 10)	1,755	–	1,755
At 31 March 2013 and 1 April 2013	2,241	515	2,756
Deferred tax credited/(charged) to profit or loss during the year (note 10)	(156)	16	(140)
Exchange realignment	4	–	4
At 31 March 2014	2,089	531	2,620

30. DEFERRED TAXATION (continued)

Group (continued)

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

	2014 **HK$'000**	2013 HK$'000
Deferred tax assets	**5,249**	4,384
Deferred tax liabilities	**(2,629)**	(1,628)
	2,620	2,756

At the end of the reporting period, the Group has unused tax losses arising in Hong Kong of approximately HK$158,322,000 (2013: approximately HK$194,222,000) that are available indefinitely for offsetting against future profits of the companies in which the losses arose. The Group also has unused tax loss arising in PRC of approximately HK$1,636,000 (2013: approximately HK$230,000) that will expire in two to five years for offsetting against future taxable profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

Pursuant to the EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

At 31 March 2014 and 2013, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised totalled approximately HK$7,944,000 at 31 March 2014 (2013: approximately HK$7,334,000).

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

31. SHARE CAPITAL

Shares

	2014 HK$'000	2013 HK$'000
Authorised:		
60,000,000,000 (2013: 60,000,000,000) ordinary shares of HK$0.01 (2013: HK$0.01) each	**600,000**	600,000
Issued and fully paid:		
2,931,142,969 (2013: 2,931,142,969) ordinary shares of HK$0.01 (2013: HK$0.01) each	**29,311**	29,311

There was no movement in share capital during the year. During the prior year, the movements in share capital of the Company were as follows:

	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 April 2012	2,036,142,969	20,361	1,195,767	1,216,128
Issue of shares (Note)	895,000,000	8,950	149,285	158,235
Share issue expense (Note)	–	–	(4,542)	(4,542)
At 31 March 2013, 1 April 2013 and 31 March 2014	2,931,142,969	29,311	1,340,510	1,369,821

Note: On 30 November 2012, the Company, Rich Time Strategy Limited ("**Rich Time**"), an indirect wholly-owned subsidiary of Wang On, and Kingston, the placing agent, entered into a placing and subscription agreement pursuant to which Rich Time agreed to place through Kingston 250,000,000 shares of the Company to certain independent parties at a price of HK$0.125 per share; and (ii) Rich Time has conditionally agreed to subscribe for an aggregate of 250,000,000 shares at a price of HK$0.125 per share (the "**WYT Top-up Placing and Subscription**"). The WYT Top-up Placing and Subscription was completed on 11 December 2012.

In addition, on 30 November 2012 and 8 March 2013, the Company and Kingston entered into placing agreements pursuant to which the Company agreed to allot and issue through Kingston, 157,000,000 and 488,000,000 shares of the Company to certain independent parties at prices of HK$0.125 and HK$0.22 per share, respectively. The completion dates of these two transactions were 7 January 2013 and 26 March 2013, respectively.

Share options

Details of the Company's share option scheme are set out in note 32 to the financial statements.

32. SHARE OPTION SCHEME

The share option scheme adopted by the Company on 18 September 2003 (the "**2003 Scheme**") were terminated with the approval by the shareholders of the Company at the annual general meeting held on 22 August 2013 and a new share option scheme (the "**2013 Scheme**") was approved to be adopted by the shareholders of the Company on 22 August 2013. The 2013 Scheme will remain in force for a period of 10 years from that day, unless otherwise terminated earlier by shareholders in a general meeting. As a result, the Company can no longer grant any further options under the 2003 Scheme.

Upon the termination of the 2003 Scheme, no share options were granted thereunder but the subsisting share options granted prior to the termination will continue to be valid and exercisable during the prescribed exercise period in accordance with the terms of the 2003 Scheme.

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

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

Options granted must be taken up within 30 days from the date of grant, upon payment of HK$1. Options may be exercised at any time from the date of grant of the share options up to the tenth anniversary of the date of grant as determined by the directors at their discretion.

The maximum number of shares of the Company in respect of which options may be granted, when aggregated with any other share option scheme of the Company, shall not exceed 30% of the issued share capital of the Company from time to time excluding any shares issued upon the exercise of options granted pursuant to the 2013 Scheme. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2013 Scheme shall not exceed 10% of the shares in issue as at the date of approval of the 2013 Scheme.

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

32. SHARE OPTION SCHEME (continued)

The following share options were outstanding under the 2003 Scheme during the year:

	2014		2013	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 April	**0.756**	**1,390**	1.023	2,160
Lapsed/forfeited during the year	**0.730**	**(137)**	1.504	(770)
At 31 March	**0.759**	**1,253**	0.756	1,390

There were no share options granted or exercised for the years ended 31 March 2014 and 2013. The Group recognised a share-based payment of approximately HK$4,000 (2013: approximately HK$45,000) during the year ended 31 March 2014.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2014

Number of options '000	**Exercise price* HK$ per share**	**Exercise period#**
530	**1.2050**	**8.1.2010 to 7.1.2019**
723	**0.4321**	**12.5.2011 to 11.5.2020**
1,253		

2013

Number of options '000	Exercise price* HK$ per share	Exercise period#
582	1.2050	8.1.2010 to 7.1.2019
808	0.4321	12.5.2011 to 11.5.2020
1,390		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

\# The options granted were vest as follows:

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

32. SHARE OPTION SCHEME (continued)

At the end of the reporting period, the Company had 1,252,638 (2013: 1,389,816) share options outstanding under the 2003 Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 1,252,638 additional ordinary shares of the Company and additional share capital of approximately HK$13,000 (2013: approximately HK$14,000) and share premium of approximately HK$938,000 (2013: approximately HK$1,037,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 1,252,638 share options outstanding under the 2003 Scheme, which represented approximately 0.043% of the Company's shares in issue at that date.

33. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 51 of the consolidated financial statements.

(i) Special reserve

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

(ii) General reserve

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

(iii) Other reserve

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

33. RESERVES (continued)

(b) Company

	Share premium HK$'000	Special reserve HK$'000	General reserve HK$'000	Share option reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 April 2012	1,195,767	(27,150)	215,599	1,200	(58,743)	1,326,673
Profit and total comprehensive income for the year	–	–	–	–	109,160	109,160
Issue of shares	149,285	–	–	–	–	149,285
Share issue expenses	(4,542)	–	–	–	–	(4,542)
Recognition of share-based payment	–	–	–	45	–	45
Lapse/forfeiture of share options	–	–	–	(606)	606	–
At 31 March and 1 April 2013	1,340,510	(27,150)	215,599	639	51,023	1,580,621
Profit and total comprehensive income for the year	–	–	–	–	31,544	31,544
Recognition of share-based payment	–	–	–	4	–	4
Forfeiture of share options	–	–	–	(61)	61	–
Final 2013 dividend declared	–	–	–	–	(8,793)	(8,793)
At 31 March 2014	1,340,510	(27,150)	215,599	582	73,835	1,603,376

34. RETIREMENT BENEFIT PLANS

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

For members of the MPF Scheme, the Group contributes the lower of HK$1,250 and 5% of the relevant monthly payroll costs to the MPF Scheme (save for a director of the Company to whom the Group contributes HK$3,000 per month), which contribution is matched by the employees.

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

The total cost of approximately HK$9,457,000 (2013: approximately HK$6,618,000) charged to profit or loss represents contributions paid and payable to these schemes of continuing operations of the Group in respect of the current accounting year. As at 31 March 2014, contributions of approximately HK$341,000 (2013: approximately HK$393,000) due in respect of the reporting period had not been paid over to the schemes.

35. DISPOSAL OF SUBSIDIARIES

Year ended 31 March 2013

On 28 August 2012, the Group disposed of its entire equity interests in Source Millennium Limited, Geswin Limited and WOD Investments Limited, wholly-owned subsidiaries of the Group, to a subsidiary of Wang On at an aggregate cash consideration of HK$730,000.

Details of the net assets disposed of and the financial impact are summarised below:

	2013 HK$'000
Net assets disposed of:	
Other receivables	54
Bank balances and cash	15
	69
Gain on disposal of subsidiaries	661
Satisfied by:	
Cash	730

35. DISPOSAL OF SUBSIDIARIES (continued)

Year ended 31 March 2013 (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	Total HK$'000
Cash consideration	730
Bank balances and cash disposed of	(15)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	715

36. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the consolidated financial statements were as follows:

	Group		Company	
	2014 **HK$'000**	2013 HK$'000	**2014** **HK$'000**	2013 HK$'000
Guarantees given to banks in connection with banking facilities granted to subsidiaries	**–**	–	**459,043**	459,743

As at 31 March 2014, the banking facilities granted to subsidiaries subject to guarantees given to banks by the Company were utilised to the extent of approximately HK$391,215,000 (2013: approximately HK$262,779,000).

37. PLEDGE OF ASSETS

Details of the Group's bank borrowings which are secured by the assets of the Group are included in notes 15, 16 and 28 to the financial statements.

38. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases and sub-leases its investment properties (note 16) 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 year were approximately HK$11,596,000 (2013: approximately HK$9,362,000) and approximately HK$2,780,000 (2013: approximately HK$2,933,000), respectively. The properties are expected to generate rental yield of 2.1% (2013: 2.8%) on an ongoing basis.

At 31 March 2014, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**13,225**	11,063	**2,598**	1,848
In the second to fifth years, inclusive	**11,767**	18,752	**462**	2,310
	24,992	29,815	**3,060**	4,158

(b) As lessee

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

Certain leases have contingent rental payable which is based on the turnover of the relevant retail shops. The contingent rent paid for the year was approximately HK$19,948,000 (2013: approximately HK$19,933,000).

The Group made minimum lease payments of approximately HK$100,078,000 (2013: approximately HK$91,101,000) under operating leases during the year in respect of its office properties and retail shops.

38. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee (continued)

At 31 March 2014, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**70,509**	73,789	**13,160**	13,160
In the second to fifth years, inclusive	**74,083**	86,073	**26,320**	39,480
	144,592	159,862	**39,480**	52,640

39. COMMITMENTS

In addition to the operating lease commitments detailed in note 38(b) above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2014	2013
	HK$'000	HK$'000
Contracted, but not provided for:		
— Property, plant and equipment	**25,974**	13,555
— Investment property	**–**	37,000
	25,974	50,555

At the end of the reporting period, the Company did not have any significant commitments.

40. 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 year:

	Notes	2014 HK$'000	2013 HK$'000
Wang On and its subsidiaries			
— Rental received by the Group	(i)	**1,992**	1,950
— Rental paid by the Group	(i)	**1,507**	1,470
— Management fee paid by the Group	(i)	**960**	960
— Sales of Chinese pharmaceutical products by the Group	(ii)	**431**	889
Associates			
— Sales of Chinese pharmaceutical products by the Group	(ii)	**22,127**	19,354
— Rental received by the Group	(i)	**1,385**	1,330
— Effective interest income on loans received by the Group	(iii)	**17,940**	17,151
— Management and promotion fees received by the Group	(i)	**904**	835

Notes:

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

(ii) The sales to one of the subsidiaries of Wang On and PNG 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. Details of the terms of the relevant loans are set out in note 25 to the financial statements.

(b) Compensation of key management personnel of the Group

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

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

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 28, net of cash and cash equivalents and equity attributable to owners of the parent, comprising issued share capital, reserves and retained profits.

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

(a) Categories of financial instruments

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
FINANCIAL ASSETS				
Investments held-for-trading	**103,528**	57,132	**9,622**	6,785
Loans, trade and other receivables (including cash and cash equivalents)	**1,031,173**	900,566	**1,974,933**	1,939,998
FINANCIAL LIABILITIES				
Amortised cost	**472,823**	338,019	**352,342**	336,632

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from associates, loans and interests receivable, investments held-for-trading, bank balances and cash, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and price risk), liquidity risk and credit risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Financial risk management objectives and policies (continued)

Market risk

(i) *Currency risk*

The Company and several subsidiaries of the Company have foreign currency sales and purchases and foreign currency bank deposits, which expose the Group to foreign currency risk. Approximately 36.7% (2013: 1.7%) of the Group's bank deposits are denominated in currencies other than the functional currencies of the group entities. Substantially all of the Group's sales are denominated in the relevant group entities' functional currencies, whilst almost 68% (2013: 63.7%) of the purchase costs are denominated in the relevant group entities' functional currencies.

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		**Assets**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**–**	594	**–**	84
RMB	**16,074**	17,054	**102,159**	908
USD	**233**	833	**1,658**	1,852
SGD	**–**	–	**5,299**	5,056
EUR	**–**	645	**141**	145
NTD	**844**	1,647	**–**	–

Sensitivity analysis

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

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

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) *Interest rate risk*

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings (see note 28) and bank deposits (see note 26) at prevailing market interest rates. The Group has not used any interest rate swaps to hedge its interest rate risk and will consider hedging significant interest rate risk should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of one to three months Hong Kong Interbank Offered Rate. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

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

If interest rates had been increased/decreased by 50 basis points and all other variables were held constant, the Group's profit for the year ended 31 March 2014 would decrease/increase by approximately HK$792,000 (2013: profit decrease/increase by approximately HK$172,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

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

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

(iii) *Price risk*

The Group is exposed to price risk because the fair value of investments held-for-trading is measured by reference to the prevailing market price. Details of investments held-for-trading are set out in note 24.

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

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to investments held-for-trading at the end of the reporting period. The analysis is prepared assuming the amount outstanding at the end of the reporting period was outstanding for the whole year. A 10% (2013: 10%) increase or decrease is used when reporting price risk internally to key management personnel and represents management's assessment of the reasonably possible change in the prevailing market price.

If the market price of investments held-for-trading had been increased/decreased by 10% (2013: 10%) and all other variables were held constant, the Group's profit for the year ended 31 March 2014 would increase/decrease by approximately HK$8,645,000 (2013: profit increase/decrease by approximately HK$4,771,000).

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

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

Liquidity and interest risk tables

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

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

Group

	Weighted average interest rate	On demand or less than 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2014								
Trade and other payables	**–**	**78,981**	**154**	**2,473**	**–**	**–**	**81,608**	**81,608**
Bank borrowings								
– variable rate	**2.18**	**192,517**	**5,084**	**10,099**	**77,538**	**138,187**	**423,425**	**391,215**
		271,498	**5,238**	**12,572**	**77,538**	**138,187**	**505,033**	**472,823**
As at 31 March 2013								
Trade and other payables	–	72,837	313	2,090	–	–	75,240	75,240
Bank borrowings								
– variable rate	2.12	220,397	1,004	1,998	15,476	29,131	268,006	262,779
		293,234	1,317	4,088	15,476	29,131	343,246	338,019

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

Company

	On demand or less than 3 months HK$'000	3 to 6 months HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2014				
Due to subsidiaries (note 19)	**352,165**	**–**	**352,165**	**352,165**
Other payables	**23**	**154**	**177**	**177**
	352,188	**154**	**352,342**	**352,342**
As at 31 March 2013				
Due to subsidiaries (note 19)	336,462	–	336,462	336,462
Other payables	170	–	170	170
	336,632	–	336,632	336,632

All of the Company's financial liabilities at the end of the reporting period are repayable within one year or on demand. In addition, as disclosed in note 36, the Company has given financial guarantees to banks in respect of banking facilities granted to subsidiaries of the Company, of which approximately HK$391,215,000 (2013: approximately HK$262,779,000) was utilised at the reporting date. In the event of the failure of those subsidiaries to fulfil their obligations under these banking facilities, the Company may be required to pay up to the guaranteed amounts to the banks upon demand. Management considers it is not probable that the Company will be required to pay for any claim under these financial guarantees.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

Bank loans with a repayment on demand clause are included in the "on demand or less than 3 months" time band in the above maturity analysis. As at 31 March 2014, the aggregate undiscounted principal amounts of these bank loans amounted to approximately HK$187,411,000 (2013: approximately HK$219,390,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in three months to over five years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. The aggregate principal and interest cash outflows are repayable as follows:

	2014	2013
	HK$'000	HK$'000
Less than 3 months	**6,737**	5,666
3 to 6 months	**7,083**	5,641
Over 6 months to 1 year	**14,466**	11,209
Over 1 to 5 years	**117,068**	80,197
Over 5 years	**57,767**	153,694
Total undiscounted cash flows	**203,121**	256,407

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

Credit risk

As at 31 March 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge obligations by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group has concentration of credit risk in loans to PNG of approximately HK$209,415,000 (2013: HK$223,293,000) and loans to CAP of approximately HK$346,031,000 (2013: HK$181,335,000) as detailed in note 25. As PNG and CAP are listed entities, management of the Group reviews their published financial information regularly to ensure that such loans are recoverable at the respective maturity dates.

In order to minimise the credit risk on trade and other receivables, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk is significantly reduced.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk (continued)

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

(c) Fair value

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

The Group's finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance team reports directly to the financial controller and the audit committee. At each reporting date, the finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the financial controller. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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 investments held-for-trading in note 24 is determined based on quoted market bid prices in the active market.

The fair values of loans and interests receivable and interest-bearing bank borrowings are measured using significant unobservable inputs (level 3). The Group's own non-performance risk for bank borrowings as at 31 March 2014 was assessed to be insignificant.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Fair value (continued)

Fair value measurements recognised in the consolidated statement of financial position

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

As at 31 March 2014	**Fair value measurement using**			
	Group			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Financial assets at FVTPL				
Investments held-for-trading	**101,933**	**1,595**	**–**	**103,528**

As at 31 March 2013	Fair value measurement using			
	Group			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets at FVTPL				
Investments held-for-trading	55,352	1,780	–	57,132

As at March 2014	**Fair value measurement using**			
	Company			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Financial assets at FVTPL				
Investments held-for-trading	**9,622**	**–**	**–**	**9,622**

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Fair value (continued)

Fair value measurements recognised in the consolidated statement of financial position (continued)

As at March 2013	Fair value measurement using			
	Company			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets at FVTPL				
Investments held-for-trading	6,785	–	–	6,785

The Group and the Company did not have any financial liabilities measured at fair value as at 31 March 2014 and 2013.

During the year, there were no transfers of fair value measurements between Level 1 and 2 and no transfer into or out of Level 3 for both financial assets and financial liabilities (2013: Nil).

42. EVENT AFTER THE REPORTING PERIOD

On 8 May 2014, Sky Success Limited, an indirect wholly-owned subsidiary of the Company, entered into a provisional sale and purchase agreement with an independent third party to purchase an investment property at a consideration of HK$40,300,000. Details of the transaction were set out in the Company's announcement dated 9 May 2014. The transaction is expected to be completed on or before 6 August 2014.

43. COMPARATIVE AMOUNTS

The comparative consolidated statement of profit or loss and other comprehensive income has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 12).

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 14 May 2014.

PARTICULARS OF PROPERTIES

For the year ended 31 March 2014

INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
Shop B, G/F, Nos. 23-33 Shui Wo Street, Kwun Tong, Kowloon	Commercial premises for rental	Medium term lease	100%
Shop G, 103 Hip Wo Street, Kwun Tong, Kowloon	Commercial premises for rental	Medium term lease	100%
G/F, 581 Nathan Road, Mongkok, Kowloon	Commercial premises for rental	Medium term lease	100%
Shop B, G/F, 296 Electric Road, North Point, Kowloon	Commercial premises for rental	Long term lease	100%
G/F, Bowring Building, No. 14 Bowring Street, Kowloon	Commercial premises for rental	Medium term lease	100%

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified/re-presented as appropriate, is set out below.

RESULTS

	Year ended 31 March				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CONTINUING OPERATIONS					
Revenue	**865,258**	785,581	720,716	605,136	507,734
Profit/(loss) before tax from continuing operations	**171,874**	148,687	(214,065)	124,228	48,893
Income tax expense	**(3,676)**	(291)	(6,867)	(12,211)	(3,055)
Profit/(loss) for the year from continuing operations	**168,198**	148,396	(220,932)	112,017	45,838
DISCONTINUED OPERATION					
Profit for the year from a discontinued operation	**(5,096)**	(77)	173	1,386	(807)
PROFIT/(LOSS) FOR THE YEAR	**163,102**	148,319	(220,759)	113,403	45,031
Attributable to:					
Owners of the parent	**163,344**	148,433	(220,838)	107,641	45,797
Non-controlling interests	**(242)**	(114)	79	5,762	(766)
	163,102	148,319	(220,759)	113,403	45,031

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	At 31 March				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**2,348,948**	2,052,287	1,628,625	1,801,236	1,236,901
Total liabilities	**(508,047)**	(367,338)	(238,718)	(199,117)	(131,832)
	1,840,901	1,684,949	1,389,907	1,602,119	1,105,069
Equity attributable to owners of the parent	**1,833,517**	1,677,284	1,382,097	1,594,383	1,098,988
Non-controlling interests	**7,384**	7,665	7,810	7,736	6,081
	1,840,901	1,684,949	1,389,907	1,602,119	1,105,069