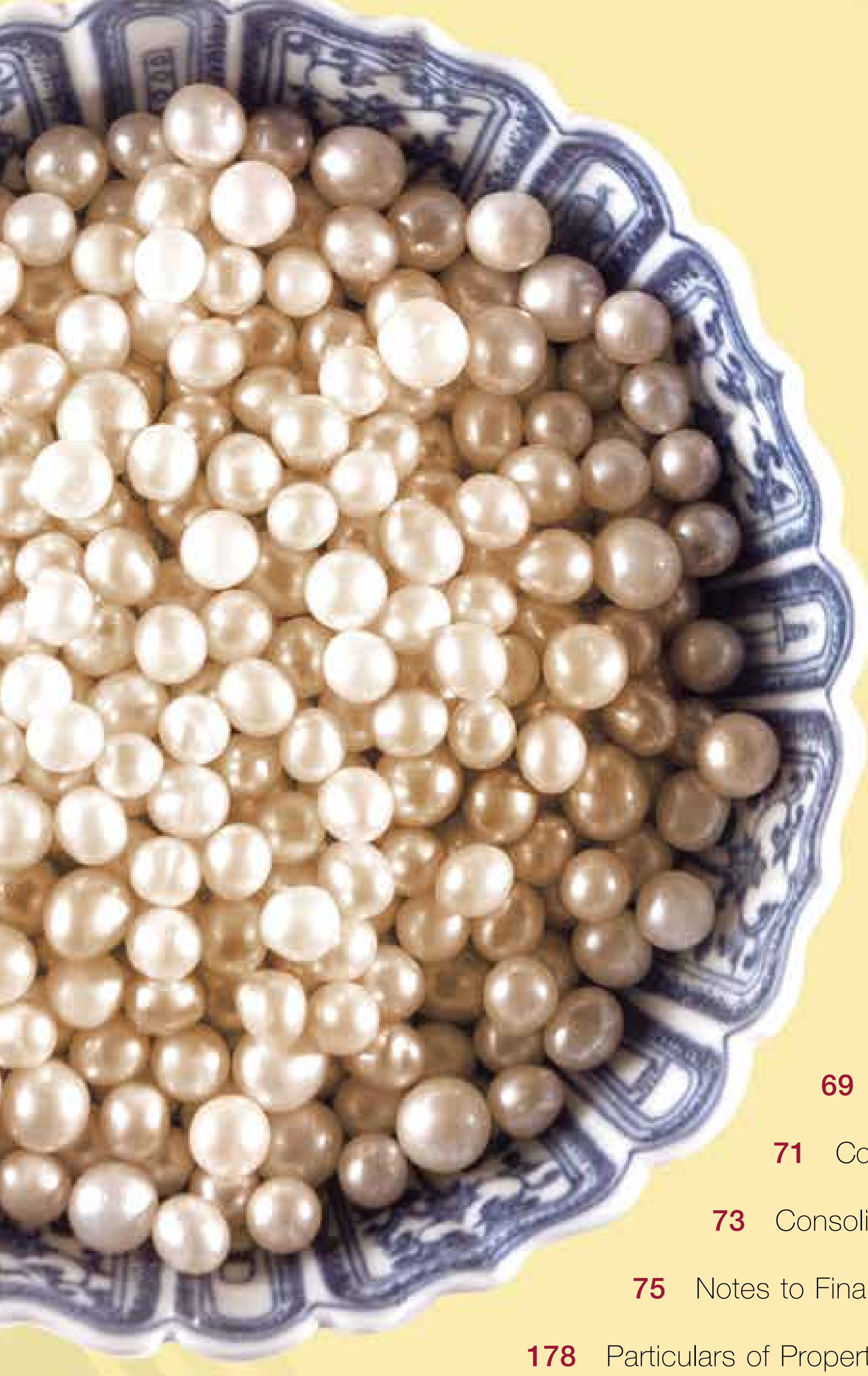
ANNUAL **REPORT 2016**

Wai Yuen Tong Medicine Holdings Limited

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



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

EXECUTIVE COMMITTEE

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

COMPANY SECRETARY

Ms. Mak Yuen Ming, Anita

LEGAL ADVISERS

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

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Bank of East Asia, Limited
China Construction Bank (Asia)
Corporation Limited
DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai
Banking Corporation Limited
United Overseas Bank 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
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

BOARD LOT

5,000 shares

INVESTOR RELATIONS

Email: contact@waiyuentong.com

HOMEPAGE

www.wyth.net

STOCK CODE

897

AWARDS (2015-2016)

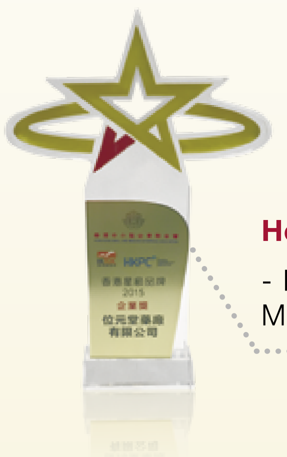
Wai Yuen Tong

Outstanding Import & Export Enterprise Awards 2015
"Market Development Excellence Award"

- The Hong Kong Chinese Importers' & Exporters' Association

Junior Frontline Level in the Service & Courtesy Award 2015

- Hong Kong Chinese Medicine Association



Hong Kong Star Brands Award 2015

- Hong Kong Small and Medium Enterprises Association

Watsons Health & Beauty Awards 2015
"Top 10 Beloved Brands (Public Voting)"

- Watsons

Watsons Health & Beauty Awards
"Health, Wellness & Beauty Awards 2015 Bronze - Chinese Medicine Product (Wai Yuen Tong - Po Ying Dan)"

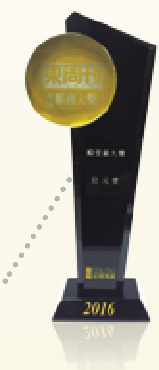
- Watsons

Watsons Health & Beauty Awards
"Health, Wellness & Beauty Awards 2015 Gold - Chinese Medicine Product (Wai Yuen Tong - Monkey Bezoar Powder)"

- Watsons

5 Years Plus Caring Company Logo 2015/16

- The Hong Kong Council of Social Service



Hong Kong Services Award 2016

- East Week Magazine

The Outstanding Corporate Strategy Awards 2015

- East Week Magazine

Luxembourg

5 Years Plus Caring Company Logo 2015/16

- The Hong Kong Council of Social Service

CHAIRMAN'S STATEMENT

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

Dear Shareholders,

With its superb quality and excellent reputation, "Wai Yuen Tong", a hundred years venerable household brand, has earned long-term trust and support from its customers since its establishment in 1897. We acquired this century-old brand in 2000 via Wang On as hereinafter defined and consolidated it under Wai Yuen Tong Medicine Holdings Limited (the "**Company**", together with its subsidiaries, collectively the "**Group**") in 2002. Since then, through modernised technology production as well as scientific and systematic management, it has developed into a large-scale modern medical healthcare group.

In addition, the Group also acquired Luxembourg Medicine Company Limited ("**Luxembourg Medicine**") to develop its Western pharmaceutical business. Its long-established German brand "Madame Pearl's" enjoys the same market position in the Western pharmaceutical sector as our own brand "Wai Yuen Tong" in the Chinese medicine sector. In recent years, Luxembourg Medicine made proactive efforts in developing various types of pharmaceutical and healthcare products, launching the brand-new "Madame Pearl's Professional Series" and "Pearl's". With an aim to offer innovative and functional products, we believe that these two brands will create synergetic value for the Group, so as to promote the diversified development of our business.

Currently, the Group owns the leading Chinese medicine network in Hong Kong, with over 60 stores across Hong Kong, Kowloon and New Territories. Since our entry into the Mainland China market in 2003, the Group currently has over 134 stores across the People's Republic of China (the "**PRC**"). With our extensive outlet network, professional Chinese medicine practitioner team, quality Chinese medicines under the century-old brand "Wai Yuen Tong", and benefiting from the keen market insight of our management which enables the Group to keep abreast of the market trend and formulate appropriate development strategies, the Group has become one of the leading pharmaceutical groups in Mainland China and Hong Kong.

During the year under review, in light of the rapid development of cross-border e-commerce market in Mainland China in recent years, the Group decided to enter the newly established cross-border e-commerce platform operated by Chow Tai Fook Group, namely the Qianhai Chow Tai Fook Global Goods Shopping Center ("**CTFHOKO**"), which is a large integrated project combining online and offline resources and connecting Shenzhen and Hong Kong consumer markets, and is expected to offer a brand-new platform for the Group to broaden its distribution channels, diversify its business modes and explore customer base. This also signifies an important move made by the Group to penetrate the Mainland China market and enhance promotion effectiveness and publicity of our products.

Leveraging on the platform, the Group is also able to cater to customers with different shopping preferences, creating complementary effects between the retail stores and online stores. In addition to sales through online and offline channels, smart phone applications have also been applied by CTFHOKO for promotion purpose, which complement Wai Yuen Tong's existing online sales channels, forming a modern integrated distribution promotion network for the Group.

Chairman's Statement

On product production, the major Chinese medicine products of the Group are currently manufactured by its own modernised Chinese medicine production facilities, which have acquired the certification of GMP (Good Manufacturing Practice) and apply modernised technology and scientific management in its production process to ensure the quality and stable supply of our products. On the other hand, the product supply of our Western pharmaceutical and health food business is unstable because we remain dependent on outsourced processing manufacturers who produce products with raw materials and prescription provided by us.

In order to seize the opportunities arising from growing concern with health care and to accommodate the demand from business development and production, the Group invested approximately HK$510 million to construct a new plant with the site area 1.3 times larger than the original one, which shall make up for the production shortfall in the Group's Western pharmaceutical and health food business. The new plant is expected to officially commence operation in 2017, upon which the Group will transfer the production lines of Chinese medicines to the new plant, and will also begin self-production of the "Madame Pearl's" series of Western pharmaceutical products. After commencement of operation of the new plant, the Group will research and develop more quality Chinese medicine products to cater to the needs of the mass public, and the self-production of the "Madame Pearl's" series of Western pharmaceutical products will also ensure the quality and stable supply of our Western pharmaceutical products.

The new plant will be equipped with advanced production equipment and a modern research and development centre, which will significantly enhance the capabilities of the Group in production as well as in research and development. The new plant will also have a sound quality management system that can effectively monitor the entire production process to ensure product quality. Meanwhile, the planning of the new plant fully complies with the PIC/S EU standards, the most technically demanding international pharmaceutical requirements to date, which is favourable to the further expansion of our products into overseas markets and enables the business of the Group to have a stronger global presence.

With the steady growth of the PRC economy and increasing living standard, the scale of our business in Mainland China expanded rapidly. Since the establishment of our first Chinese medicine clinic in Mainland China in 2012, "Wai Yuen Tong" has won widespread recognition and trust among consumers in Mainland China. During the year under review, we set up our flagship Chinese medicine clinic at Nanshan, Shenzhen. Being equipped with a variety of advanced medical facilities and applied with the Hong Kong medical electronic system, the flagship clinic is designed to provide traditional Chinese medical services with a team of 15 seasoned Chinese medicine practitioners and experienced professional therapists in acupuncture and chiropractic massage. The Chinese medicine clinic at Nanshan, Shenzhen demonstrates another success of "Wai Yuen Tong" in inheriting the traditional Chinese medicine and extending its industrial chain.

As to the Hong Kong market, Western pharmaceutical products dominate the market. However, with the growing concern on health care among the mass public, we focus on further promoting the efficacy of traditional Chinese medicines and Chinese patent medicines, and provided more comprehensive experience of Chinese medicine and healthcare services for consumers. With a prime location at Percival Street, Causeway Bay, the first concept store of "Wai Yuen Tong" made its grand opening in April 2015. To provide a brand new experience to the customers, the Group invited an Italian designer to design the concept store. With a view to striving to create business in the emerging field of Chinese healthcare and regimen, diversified services are provided, including one-stop Chinese medicine consultation services ranging from diagnosing by professional Chinese medicine practitioners, formulating prescription to decocting Chinese herbal medicine. In additional to the concept store at Percival Street, Wai Yuen Tong established a chain store at V city in Yuen Long in August 2015, providing healthcare, regimen and Chinese medicine services to the local community residents.

Due to the increasing rent pressure in Hong Kong, the Group entered into an agreement to acquire the properties located in Tsuen Wan and Sham Shui Po respectively during the year under review. The properties are currently leased to an associate and a subsidiary of the Company for operating of "Wai Yuen Tong" stores. Upon completion of the acquisition, the Group will obtain ownership of the properties, thereby saving future rental expenses, while getting the chance to gain from capital appreciation.

Furthermore, in order to accommodate business development of Wai Yuen Tong, the Group had expanded its business to Macao within a short period of time, with presence of Wai Yuen Tong at the Venetian Macao Resort Hotel and Flower City, both of which are strategically located at tourism and shopping centres in prime locations. During the year, our business in Macao was at its initial stage. The Group will seize market opportunities to explore service areas and maintain its competitiveness with respect to its Macao operations, with an aim to bring another stable income source for the Group.

As a pharmaceutical and healthcare group, the Group cares for the public and society and diligently performs its corporate social responsibilities. "Wai Yuen Tong" and "Madame Pearl's" have been actively participating in charitable activities. During the year, "Wai Yuen Tong" collaborated with the S.K.H. St. Christopher's Home in helping children under its care. The two brands were awarded the "5 Years Plus Caring Company Logo" by The Hong Kong Council of Social Service for five years in a row. Upholding its principle of preparing medicine with professionalism and dedication and with its strong corporate strength and excellent corporate governance, the Group has won nearly 20 awards and honors during the year, demonstrating market recognition and approval of our services.

Chairman's Statement

FUTURE PROSPECTS

The Group experienced a challenging environment in the reporting year, resulting in a decrease in revenue and profitability. China's economic slowdown is having ripple effects on various industries, in particular, the retail sector. In the short run, the market environment remains very challenging. The number of tourists from Mainland China and their consumption will continue to drop, while the Hong Kong retail industry will witness an extended downturn.

In the face of the current difficult operating environment, the Group will continue to make efforts to expand its product range, broaden its customer base, strengthen cost and quality control and enhance marketing and promotion activities to further uplift the image and competitiveness of its brands and its products.

Following the granting of the Nobel Prize in medicine sector to Tu Youyou, a Chinese pharmacologist, in 2015, the traditional Chinese medicine has again attracted worldwide attention. Looking into 2016, with the introduction of the Traditional Chinese Medicine Development Strategy Plan Summary (2016-2030) (《中醫藥發展戰略規劃綱要(2016-2030年)》), The Thirteenth Five-Year Plan (《十三五規劃綱要》) and other policies as well as the legislation of China's first laws on traditional Chinese medicine, i.e. the Chinese Medicine Law (draft) (《中醫藥法(草案)》), it is believed that such policies will help drive the development of the Chinese medicine industry. In view of the above, the Group will continue to proactively penetrate the domestic market and broaden its marketing channels in Mainland China so as to diversify its business modes (such as e-commerce).

The new plant of the Group is expected to officially commence operation in 2017, which will have direct and positive effects on the improvement of production capacity, new product research and development, quality inspection and other aspects of the Group. The self-production of the "Madame Pearl's" series of Western pharmaceutical products will not only ensure the stability of the supply chain, but also benefit the Group's internal systematic management and coordination. In the long run, it will help reduce the cost from engaging outsourced processing manufacturers, improve its production efficiency, enhance consumer confidence in the products of the Group and augment our brand value.

Besides, the Group will allocate more resources to explore merger and acquisition opportunities as a means to expedite its growth as well as diversify its investment portfolio for strengthening and broadening its income base. The Group will also keep an eye on suitable retail premises for long term capital appreciation and seek to contain the impact of rental costs on its retail business. The Group will strive to enhance its efficiency and to exercise stringent cost control without compromising the quality of its products.

Thanks to the hard work and commitment by generations of “Wai Yuen Tong Staff”, “Wai Yuen Tong” has won widespread recognition and appreciation among consumers after the century-long establishment, building up a brandname of reliable quality and enduring popularity. Nowadays, the Group’s management also inherit the spirit of “nurturing kindness and virtue, saving lives and bringing benefits to all mankind” as advocated by “Wai Yuen Tong”. Under their leadership, all employees of the Group have been upholding the principle of “preparing medicine with dedication and growing strong with reputation” in propagating the traditional Chinese medicine and healthcare culture.

As the Chairman of the Group, I would like to extend my heartfelt appreciation to our colleagues for their loyalty and dedication towards the Group under the demanding business environment in the past year. We wish to continue to work together with our staff at all levels in response to the challenges ahead and create new milestones in business development in the future. Meanwhile, I would also like to express my sincere gratitude to all business partners and shareholders for their continuous support to the Group. In the coming year, we will continue to work hard to seize every opportunity and create greater brand value.

Tang Ching Ho
Chairman

Hong Kong, 8 June 2016

MANAGEMENT DISCUSSION AND ANALYSIS

Wai Yuen Tong Medicine Holdings Limited has become a modern integrated healthcare group today. The diversified business of the two principal subsidiaries "Wai Yuen Tong" & "Luxembourg" create synergistic value for the Group.

RESULTS

For the year ended 31 March 2016, the Group recorded a turnover of approximately HK$825.3 million (2015: approximately HK$831.1 million) and profit attributable to owners of the parent of approximately HK$25.4 million (2015: approximately HK$121.0 million).

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 March 2016 (2015: Nil). No interim dividend was made for the six months ended 30 September 2015 (30 September 2014: Nil).

BUSINESS REVIEW

For the year ended 31 March 2016, the Group recorded a turnover of approximately HK$825.3 million (2015: approximately HK$831.1 million), representing a slight decrease of approximately 0.7% over last year. Besides, the Group recorded a drop in profit attributable to owners of the parent for the year ended 31 March 2016, reaching approximately HK$25.4 million (2015: approximately HK$121.0 million). Such decrease in results was mainly attributable to, among other things, the decrease in fair value of equity investments at fair value through profit or loss (net), the fair value losses on investment properties (net), the increases in selling and distribution expenses and administrative expenses, despite the increase in share of profits and losses of associates and the increase in gross profit and other income.

(1) Chinese Pharmaceutical and Health Food Products

Turnover for the year under review decreased by approximately 4.1% from HK$677.4 million for last year to approximately HK$649.3 million. The operating environment for the year remained acute and continued to dampen consumer confidence, thus causing a decline in the sales performance of our retail business and other channels including key accounts, open trade and overseas. Despite the slight drop in the sales revenue, we managed to achieve an improvement in gross profit margin as a result of better sales mix. In the face of the current challenging business environment, we remain committed to our stringent and comprehensive quality control procedures throughout all our production processes. To respond to the market trend and needs in a timely manner, we continue to strengthen our research efforts for product innovation and expansion of our product range for

Management Discussion and Analysis

consumers. Our Wai Yuen Tong brand's unique combination of quality, price and convenience also helps to solidify our leading position in the market. In addition, modern consumers' increasing concern on their personal health and the growing trend of people consuming health supplements for their well-being will further add impetus to our growth in the long run.

(2) Western Pharmaceutical and Health Food Products

Turnover for the year under review increased by approximately 15.6% from approximately HK$141.3 million of the previous year to HK$163.4 million. While sales in both Mainland China and Hong Kong have achieved encouraging growth, the overall gross profit margin has also improved as a result of better sales mix. Cough syrup products under our "Madame Pearl's" brand posted a rise in turnover. The sales performance of personal care products continued to be positive and has shown a stable sales momentum. "Pearl's" anti-mosquito products, which have been a leading brand of the category in Hong Kong for five consecutive years, have also exhibited healthy growth during the year. The continuous product development, effective advertising and added promotion efforts as well as intensified product penetration all contributed to the positive sales performance for the year. Down the road, we will strive to expand our market share in both Mainland China and Hong Kong by broadening our revenue base through new product development and exploration of various sales channels such as institutional sales to hospitals.

(3) Property Investment

On 24 April 2015, the Group entered into a provisional sale and purchase agreement for the sale and assignment of the entire issued share capital and the related shareholder loan of Smart Star Investments Limited ("**Smart Star**"), an indirect wholly-owned subsidiary of the Company, for a consideration of HK$45.0 million. The principal asset of Smart Star was a property in North Point, Hong Kong. The disposal was completed on 23 July 2015 and a disposal gain of approximately HK$2.5 million was recorded in this regard. Details of the transaction were set out in the company's announcement dated 27 April 2015.

On 13 November 2015, the Group entered into a sale and purchase agreement for the acquisition of the entire issued share capital and the relevant shareholder loans of two companies from an indirect wholly-owned subsidiary of Wang On Group Limited ("**Wang On**"), a substantial shareholder of the Company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), for a consideration of HK$70 million. The acquisition was completed on 23 December 2015. The principal assets of the aforesaid companies are properties located in Tsuen Wan and Sham Shui Po respectively which are currently leased to an associate and a subsidiary of the Company for operating "Wai Yuen Tong" stores. Details of the transaction were set out in the Company's announcement dated 13 November 2015 and circular dated 4 December 2015.

On 25 November 2015, the Group entered into a provisional sale and purchase agreement for the sale of a property located in Sheung Shui ("**Sheung Shui Property**") for a consideration of HK$88.0 million. The disposal was completed on 31 May 2016, details of which were set out in the Company's announcement dated 26 November 2015.

As at the end of the reporting period, the Group owned thirteen properties which are all retail premises. Some of the Group's properties were leased out for commercial purpose whereas some were used by its retail shops. As at the date of this annual report, the Group owns twelve properties as a result of completion of disposal of Sheung Shui Property on 31 May 2016 as mentioned above. We believe in the long-term prospect of commercial properties in Hong Kong and considers that our investment property portfolio adds stability and strength to the Group's income base.

Management Discussion and Analysis

(4) Investment in Easy One Financial Group Limited (formerly known as PNG Resources Holdings Limited)

Easy One Financial Group Limited ("**Easy One**"), a company listed on the Main Board of the Stock Exchange, which is principally engaged in the businesses of property development in the PRC and provision of finance.

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

On 28 May 2015, the Group, through its wholly-owned subsidiaries, Hearty Limited and Suntech Investments Limited, executed an irrevocable undertaking in favour of Easy One (as supplemented on 16 July 2015 and 30 July 2015) pursuant to which the Group agreed to fully subscribe for an aggregate of 674,418,750 rights shares under its provisional entitlement and apply for 380,000,000 rights shares by way of excess application, under the rights issue proposed by Easy One in the proportion of five rights shares for every two Easy One shares held at HK$0.168 per rights share of Easy One (which was subsequently changed to HK$0.105 per rights share pursuant to the acknowledgment deed executed in favour of Easy One on 16 July 2015). Immediately upon completion of the Easy One rights issue on 22 September 2015, the Group's shareholding in Easy One was increased to 28.51%.

The Group's share of profit of Easy One amounted to approximately HK$77.9 million (2015: approximately HK$41.0 million) including gain on bargain purchase of approximately HK$68.1 million for the year ended 31 March 2016 (2015: approximately HK$4.0 million).

No impairment on the investment in Easy One was recognised by the Group during the year under review (2015: Nil) as the recoverable amount was assessed to be closed to the carrying value of the interest in Easy One.

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

Pursuant to the subscription agreement dated 4 October 2014 (as supplemented on 28 November 2014), the Group had subscribed up to a principal amount of HK$720.0 million of unlisted 5-year bonds due in 2019 with coupon interest of 10.0% per annum issued by CAP on 28 November 2014 (the "**2019 Bonds**"). As at 31 March 2016, the fair value of the 2019 Bonds held by the Group amounted to approximately HK$671.5 million (2015: approximately HK$613.6 million).

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

The Group has maintained a portfolio of listed equity securities in Hong Kong which are held for trading purpose. The Group has recorded a net gain on change in fair value of equity investments at fair value through profit or loss of approximately HK$3.1 million for the year under review (2015: approximately HK$79.8 million).

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

The Group has been granted a land lot in Yuen Long Industrial Estate for the construction of a state-of-the-art factory to manufacture both Western pharmaceutical and Chinese traditional medicines. The construction of the plant has been completed and trial production is now underway. Normal production is scheduled to commence in early 2017.

(8) Acquisition of a Factory Building and Two Dormitory Buildings in the PRC

To expand the Group's manufacturing capacity and further strengthen its business in the PRC, on 16 July 2015, the Group entered into a provisional agreement with The Sky High Plastic Works Limited (the "**Vendor**"), a third party independent of and not connected with the Company and its connected persons, for the acquisition of a factory building and two dormitory buildings erected on the Land Lot No. G12204-0126 located at Nanbu Village, Pingshan Town, Shenzhen, the PRC, with a gross floor area of approximately 19,475 square meters for a total consideration of approximately HK$81.3 million. HK$32.5 million have been paid on or before 23 October 2015 as part of the consideration and the balance of HK$48.8 million paid on 9 December 2015 to the Vendor's solicitors as stakeholder shall be released to the Vendor upon completion on or before 31 July 2016. Given that additional time is required for arranging the formalities for completing the acquisition, completion of the acquisition has been extended from 16 October 2015 to 31 July 2016, details of which were set out in the Company's announcements dated 20 July 2015, 20 October 2015, 30 December 2015, 24 February 2016 and 27 April 2016 respectively.

Management Discussion and Analysis

FINANCIAL REVIEW

Fund Raising

On 19 May 2015, the Company completed a rights issue of one rights share for every two existing shares held by qualifying shareholders at an issue price of HK$0.108 per rights share (the "**Rights Issue**") and a total of 2,108,571,484 rights shares were issued. The net proceeds from the Rights Issue amounted to approximately HK$222.4 million. The Group intended to utilise as to approximately HK$70.0 million for the payment of construction costs of the Group's new factory at Yuen Long Industrial Estate for pharmaceutical manufacturing business; approximately HK$60.0 million for potential property acquisition opportunities; approximately HK$50.0 million for the repayment of bank borrowings and interests; and the remaining balance of approximately HK$42.4 million for general working capital of the Group. As at 31 March 2016, approximately HK$70.0 million were utilised for the payment of construction costs for the Group's new factory at Yuen Long Industrial Estate; approximately HK$50.0 million were applied for the repayment of bank borrowings and interests; approximately HK$42.4 million were utilised for the Group's general working capital for the settlement to suppliers and payment of salaries; and approximately HK$60.0 million were utilised as the deposit for property acquisition.

Liquidity and Gearing and Financial Resources

As at 31 March 2016, the Group had total assets of approximately HK$3,237.5 million (2015: approximately HK$2,823.9 million) which were financed by current liabilities of approximately HK$320.8 million (2015: approximately HK$425.5 million), non-current liabilities of approximately HK$587.1 million (2015: approximately HK$352.4 million) and shareholders' equity of approximately HK$2,329.6 million (2015: approximately HK$2,046.0 million).

As at 31 March 2016, the Group's bank balances and cash were approximately HK$205.6 million (2015: approximately HK$251.0 million). As at 31 March 2016, the Group's total bank borrowings amounted to approximately HK$738.7 million (2015: approximately HK$550.1 million), all of which bore interest at floating interest rates and were denominated in Hong Kong dollars. As at 31 March 2016, the maturity profile of all bank borrowings based on the scheduled repayment dates set out in the relevant loan agreements was shown below, together with the corresponding figures as at 31 March 2015:

	2016 HK$'000	2015 HK$'000
Repayable:		
Within one year	**130,040**	85,035
In the second year	**154,522**	86,489
In the third to fifth years, inclusive	**331,638**	221,972
Beyond five years	**122,486**	156,600
	738,686	550,096

The Group maintained a healthy liquidity position. The current ratio, being a ratio of total current assets to total current liabilities, was approximately 2.6 (2015: approximately 2.0). The gearing ratio, being the ratio of total borrowings to equity attributable to owners of the parent, was approximately 31.8% (2015: approximately 27.0%). The Group always adopts a conservative approach in its financial management.

Significant Investments Held

As at 31 March 2016, the Group had available-for-sale investment of approximately HK$671.5 million and equity investments at fair value through profit or loss of approximately HK$197.1 million. Details of which are set out in the following table:

	As at 31 March 2016				For the year ended 31 March 2016			Fair value/ carrying amount		Investment cost
Nature of investments	Number of shares held	Amount/ units held	Percentage of shareholding in such stock	Percentage to the Group's total assets	Change in fair value	Imputed interest income	Interests/ Dividends received	As at 31 March 2016	As at 31 March 2015	
	'000	HK$'000	%	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Available-for-sale investment (unlisted securities debenture):										
CAP	–	671,521	–	20.74%	54,880	3,026	72,158	671,521	613,615	720,000
	–	671,521	–	20.74%	54,880	3,026	72,158	671,521	613,615	720,000

Management Discussion and Analysis

Nature of investments	Number of shares held	Amount/ units held	Percentage of shareholding in such stock	Percentage to the Group's total assets	Change in fair value	Imputed interest income	Interests/ Dividends received	Fair value/ carrying amount As at 31 March 2016	Fair value/ carrying amount As at 31 March 2015	Investment cost
	As at 31 March 2016				For the year ended 31 March 2016					
	'000	HK$'000	%	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Equity investments at fair value through profit or loss:										
A. Listed Investments										
Landing International Development Limited ("**Landing**")	–	–	–	–	(1,565)	–	–	–	4,752	9,921
Kingston Financial Group Limited ("**Kingston**")	12,336	45,520	0.09%	1.41%	34,664	–	–	45,520	10,856	9,413
Jun Yang Financial Holdings Limited ("**Jun Yang**")	1,333	426	0.01%	0.01%	(3,238)	–	–	426	3,664	9,705
Town Health International Medical Group Limited ("**Town Health**")	52,500	76,650	0.68%	2.37%	(46,725)	–	173	76,650	123,375	16,434
Sino Harbour Holdings Group Limited ("**Sino Harbour**")	18,000	28,260	1.46%	0.87%	16,020	–	–	28,260	12,240	20,049
Wang On	423,000	40,608	2.19%	1.25%	3,948	–	1,833	40,608	36,660	16,819
B. Mutual Funds										
Emerging Market Bond Fund	33	494	–	0.02%	(6)	–	–	494	500	519
China Growth Fund	13	110	–	0.01%	(22)	–	–	110	132	130
Asian Equity Plus Fund	20	232	–	0.01%	(26)	–	–	232	258	212
ASEAN Frontiers Fund	21	221	–	0.01%	(24)	–	–	221	245	212
USD Money Fund	57	539	–	0.02%	(1)	–	–	539	540	541
Opus Mezzanine Fund 1 LP		4,015	–	0.11%	115	–	–	4,015	–	3,900
		197,075		6.09%	3,140	–	2,006	197,075	193,222	87,855

The principal activities of the abovementioned investments are set out below:

(a) CAP is principally engaged in the management and sales of properties in agricultural produce exchange markets in the PRC;

(b) Landing is principally engaged in the design, manufacturing and sales of the light-emitting diode business; property development business; and development and operation of the integrated resort and casino business;

(c) Kingston is principally engaged in the provision of securities brokerage, underwriting and placements, margin and initial public offering financing and other financial services; and hotel ownership and management, food and beverage, casino and securities investment business;

(d) Jun Yang is principally engaged in the financial services business; solar energy business with a current focus on development, construction, operation and maintenance of power station projects; money lending business; and assets investment business;

(e) Town Health is principally engaged in healthcare business investments; the provision and management of medical, dental and other healthcare related services; and the investments and trading in properties and securities;

(f) Sino Harbour is principally engaged in the property development business with a focus on residential properties in Jiangxi Province, the PRC; and

(g) Wang On is principally engaged in property development, property investment, management and sub-licensing of Chinese wet markets and provision of finance in Hong Kong and the PRC.

Management Discussion and Analysis

Financial Review and Prospect of Significant Investments Held:

Available-for-sale investment

Pursuant to the subscription agreement dated 4 October 2014 (as supplemented on 28 November 2014), the Group had subscribed up to a principal amount of HK$720.0 million of the 2019 Bonds. As at 31 March 2016, the fair value of the 2019 Bonds held by the Group amounted to approximately HK$671.5 million (2015: approximately HK$613.6 million). During the year ended 31 March 2016, the 2019 Bonds provide a reasonable and stable cash income stream to the Group and the Group intends to hold the 2019 Bonds until its maturity.

Equity investments at fair value through profit or loss

With a view to optimise its use of cash resources, the Group selectively invests in various listed equity securities and mutual funds. As at 31 March 2016, the Group has maintained a portfolio of listed equity securities in Hong Kong and mutual funds which are held for trading purpose. The Group has recorded a net gain on change in fair value of equity investments at fair value through profit or loss of approximately HK$3.1 million for the year under review (2015: approximately HK$79.8 million). The Group always adopts a prudent investment strategy and will closely monitor the market changes and adjust its investment portfolio as and when necessary.

Foreign Exchange

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

Capital Commitment

As at 31 March 2016, the Group had capital commitment of approximately HK$57.9 million (2015: approximately HK$249.5 million) in respect of the acquisition of property, plant and equipment, which were contracted for but not provided in the consolidated financial statements.

Pledge of Assets

As at 31 March 2016, the Group's bank borrowings were secured by the Group's land and buildings and investment properties, with a total carrying value of approximately HK$619.5 million (2015: approximately HK$688.4 million).

Contingent Liabilities

As at 31 March 2016, the Group had no material contingent liabilities (2015: Nil).

POSSIBLE RISKS AND UNCERTAINTIES

The Group has examined all of the risks identified by the Group based on our risk management system and considered that the major risks and uncertainties that may affect the Group included (i) industrial policy risk: with the deepening of medical system reform and the issuance of a number of industrial policies and laws in respect of medical charge control and control of medicines and certification for Traditional Chinese Medicine significant effect may be brought to the future development of the pharmaceutical industry; (ii) low growth of customer base: due to reducing the number of mainland tourists and Hong Kong economy recession this year; (iii) environmental protection policies: environmental impact, efficiency and security of key infrastructure; (iv) cost control; (v) impairment of inventory: impairment value of inventory due to weather, expiry date and other damages; (vi) supply chain disruption: due to industrial issues, risks of supplier control and flexibilities, to deal with competitive pricings; (vii) inability to penetrate emerging markets: with potential difficulties to effectively penetrate traditional industries and traditional products into emerging markets; (viii) respond to customer behaviour: economy recession, consumers reduced consumption, reduction in consumer spendings and change of impulsive shopping behavior; (ix) sourcing: less globalised sourcing, the impact on the relative competitiveness of costs; (x) volatility in retail rental: continue increasing in retail rental; and (xi) foreign exchange: fluctuations in the exchange rate affecting the Group's cashflow and profits.

Management Discussion and Analysis

In response to the abovementioned possible risks, the Group had a close monitor to the policy changes, strengthen our interpretation and analysis of policies and adjust strategies in advance to cope with the ever-changing operating environment. In particular, the Group will strengthen the marketing management to cope with changes in consumer behavior and needs, closely control inventories, establish our own sales policies and product development, safety management and environmental protection level, and push forward the construction of lean management and risk control system. For possible risks, the Company actively proposed solutions to lower down their impacts on the business of the Company.

PROSPECTS

The Group expects the market environment in the near term to remain very challenging. The uncertain macro-economic conditions around the world and the economic slowdown in both Hong Kong and the PRC continue to hamper consumer confidence and the retail sector. Moreover, in April 2015, the PRC and Hong Kong governments announced the change of Shenzhen permanent residents' multiple-entry permits to one-visit-one-week permits upon renewal, which has been further exacerbating the currently declining flow of mainland tourist arrivals in Hong Kong. The relatively stronger Hong Kong dollar and depreciating yuan have also weakened the consumption sentiment of mainland visitors in Hong Kong.

In the face of the current difficult operating environment, 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 to further uplift the image and competitiveness of its brands and its products. In addition, the Group will increase its focus and devote more resources in other sale channels, such as chain stores, key accounts, open trade, overseas, so as to widen and enrich the channel mix of its sales. Recognising the importance of the cyber world nowadays, the Group will also invest more in online shopping platforms and digital marketing.

Besides, the Group will explore merger and acquisition opportunities as a means to expedite its growth as well as diversify its investment portfolio for strengthening and broadening its income base. The Group will also keep an eye on suitable retail premises for long term capital appreciation and seek to contain the impact of rental costs on its retail business. The Group will strive to enhance its efficiency and to exercise stringent cost control without compromising the quality of its products.

The inauguration of the modern manufacturing plant at Yuen Long Industrial Estate in early 2017 will greatly enhance the production and research capacity of the Group. The Group will hence have greater flexibility to meet different market demands and be able to manufacture more diverse pharmaceutical and healthy food products to cater for various market segments.

Looking forward, the Group sees opportunities as well as challenges in the market. With its quality products and established foundation, the Group is well-positioned to tackle the upcoming challenges and seize the opportunities ahead. The Group is confident and optimistic about its future outlook.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

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.

BOARD OF DIRECTORS

Executive Directors

Mr. Tang Ching Ho, *JP*, aged 54, 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, a company listed on the Main Board of 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 52, 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 Easy One, the chairman and chief executive officer of CAP, all companies are listed on the Main Board of the Stock Exchange. Mr. Chan was appointed as the non-executive chairman of Wang On Properties Limited on 23 December 2015, which has been listed on the Main Board of the Stock Exchange since 12 April 2016. Mr. Chan resigned as an independent non-executive director of Shanghai Prime Machinery Company Limited with effect from 27 June 2014. He graduated from the Hong Kong Polytechnic University 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 44, 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.

Board of Directors and Senior Management

Independent Non-Executive Directors

Mr. Leung Wai Ho, *MH,* aged 66, 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 50 years and 20 years of experiences in the watch industry and financial industry respectively. He is a National Committee Member of the CPPCC, a Standing Committee Member of The Chinese General Chamber of Commerce, a Committee Member of The Chinese Manufacturers' Association of Hong Kong, 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.

Mr. Siu Man Ho, Simon, aged 42, 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 each of Brilliant Circle Holdings International Limited (stock code: 1008) and Weiye Holdings Limited (stock code: 1570), both of which are listed on the Main Board of the Stock Exchange. Mr. Siu was appointed as the independent non-executive director of Jiashili Group Limited (stock code: 1285) with effect from 12 June 2015 and resigned from the position on 1 December 2015. Mr. Siu was appointed as the independent non-executive director of Weiye Holdings Limited on 10 March 2016.

Mr. Cho Wing Mou, aged 75, 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 the 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.

Mr. Li Ka Fai, David, aged 61, joined the Company as an Independent Non-executive Director on 17 March 2015. He is the chairman of the audit committee of the Company. Mr. Li is currently the deputy managing partner of Li, Tang, Chen & Co. CPA (Practising). He is a fellow member of the Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants, U.K., The Institute of Chartered Secretaries and Administrators, U.K., as well as The Institute of Chartered Accountants in England and Wales. Mr. Li is an independent non-executive director and the chairman of the audit committee of Shanghai Industrial Urban Development Group Limited. Mr. Li is also an independent non-executive director, the chairman of the audit committee, member of the nomination committee and member of the remuneration committee of China-Hongkong Photo Products Holdings Limited, Cosmopolitan International Holdings Limited and Goldlion Holdings Limited, an independent non-executive director, member of the audit committee, member of the nomination committee and the chairman of the remuneration committee of China Merchants Holdings (International) Company Limited, and an independent non-executive director, member of the audit committee and member of the remuneration committee of AVIC International Holding (HK) Limited, all of such companies are being listed in Hong Kong. With effect from 21 August 2015, Mr. Li has also been appointed as a member of the nomination committee and a member of the remuneration committee of China-Hongkong Photo Products Holdings Limited.

Board of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Chiu Kwok Ho, Benedict joined the Group in April 2005 and is currently the Director of Luxembourg Medicine, a principal subsidiary of the Group. He is responsible for the Luxembourg Medicine'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 30 years of experience in the pharmaceutical industry.

Mr. Lung Chi Ho, Markus is currently the Director (Technical) of both Wai Yuen Tong Medicine Company Limited ("**WYT Medicine**") and Luxembourg Medicine, principal subsidiaries of the Group. He is responsible for technical operations of the Group including quality control, quality assurance, production, research and development, engineering, warehouse and logistic issues. Prior to joining the Group in August 2014, he has more than 18 years of experience in key management in local GMP pharmaceutical industries of Western medicine and Chinese medicine. He graduated from The Chinese University of Hong Kong with a bachelor degree in Pharmacy and also obtained a bachelor degree in Pharmacy in Chinese Medicines at the University of Hong Kong. He is now being in-charge of supervising and management of construction of new pharmaceutical manufacturing plants of WYT Medicine and Luxembourg Medicine with PIC/S EU standard. He has been a registered Pharmacist of The Pharmacy and Poisons Board of Hong Kong since July 1997 and a registered authorised person with the board since 2009.

Mr. Chan Kwok Ming, Kenny re-joined the Group in March 2016 and is currently holding the position as the General Manager of WYT Medicine and is responsible for the overall sales and marketing, channel sales and retail operation functions both in Hong Kong and Macau. Mr. Chan graduated from the Hong Kong Polytechnic University and further obtained the Master Degree in Business Administration from the University of Santa Barbara. Mr. Chan has broad experiences in retail management, business development and strategic planning in various industries and FMCG businesses for over 25 years. Prior to joining WYT Medicine, Mr. Chan has extensive marketing and retail initiatives in the Greater China region with illustrious achievements.

Mr. Yuen Chung Ho, David joined the Group in March 2013 and is currently the Associate Director of Luxembourg Medicine. He is responsible for the overall operation of Luxembourg Medicine 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 Luxembourg Medicine, Mr. Yuen has more than 20 years of experience in key management role including buying, sales and marketing, and local and international business management.

Mr. Chan Hon Hung, Larry joined the Group in December 2015 and is currently the Financial Controller of the Group. Mr. Chan holds a bachelor degree in Accountancy. Mr. Chan is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators. He has about 24 years' experience in accounting, financial management and auditing.

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 2016, the Company has complied with the applicable 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 (the "**Model Code**"), as amended from time to time, 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 have complied with the required standard of such code.

BUSINESS MODEL AND STRATEGY

The Group is principally engaged in (i) the manufacturing, processing and retailing of traditional Chinese medicine; (ii) the processing and retailing of Western pharmaceutical, health food and personal care products; and (iii) 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 products business, the Group will further leverage its edge in vertical integration. In order to achieve this objective, the Group invested in the construction of a modernised factory in Yuen Long Industrial Estate to ensure its (Western drug and traditional Chinese medicine) production capacity and 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.

Corporate Governance Report

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 financing structure and devotes effort to securing banking facilities which is regarded as an important element for supporting continuous business development of the Group.

THE BOARD

Composition

The Board currently 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. Siu Man Ho, Simon
Mr. Cho Wing Mou
Mr. Li Ka Fai, David

Ms. Tang Mui Fun is a sister of Mr. Tang Ching Ho and the biographical details of the Directors are set out on pages 27 to 29 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. As at the date of the annual report, 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. The Company has reviewed the composition of the Board and discussed 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. 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 Stock Exchange *(www.hkexnews.hk)*. The Company will review the composition of the Board from time to time to ensure that the Board possesses the appropriate and necessary expertise, skills and experience to meet the needs of the Group's business and to enhance the shareholders' value.

Appointment and Re-election of the Directors

All INEDs are appointed with specific term 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 is appointed by the Board to fill casual vacancy or as an addition to the existing Board is 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.

Corporate Governance Report

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 2016. Save as disclosed herein, the Company continues to consider the four INEDs to be independent for the year ended 31 March 2016 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 and 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 view 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 written terms of reference.

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

The Directors having material interest in the matter(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 and risk management 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 shall be open for inspection at any reasonable time on reasonable notice by any Director. Apart from the regular Board meetings and pursuant to code provision A.2.7 of the CG Code, the chairman of the Board also met with the INEDs without the presence of any executive Director during the year.

Chairman and Chief Executive

The role of the chairman of the Company is being held by Mr. Tang Ching Ho and the role of the managing director of the Company is being 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 the managing director of the Company 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.

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") stipulating the composition of the Board, reviewing 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. In June 2013, the Company adopted the Board Diversity Policy which sets out the approach to diversify the Board and was reviewed annually. The nomination committee of the Company reviews and assesses the Board composition on behalf of the Board and will recommend the appointment of new Director, when necessary, pursuant to the Board Diversity Policy.

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

Corporate Governance Report

At the end of the reporting period, 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 of the Company is satisfied that the requirements set out in the Board 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 the Directors and benefit for them to discharge their duties.

In addition, the Company 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. Apart from reading materials relevant to the Company's business, director's duties and responsibilities, Mr. Tang Ching Ho, Mr. Chan Chun Hong, Thomas, Ms. Tang Mui Fun, Mr. Siu Man Ho, Simon and Mr. Li Ka Fai, David also attended and/or gave presentation in seminars and/or forums.

The Company 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 committee meetings are kept by the company secretary of the Company and shall be 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 (as amended for time to time) setting out authorities delegated by the Board and is responsible for general management, supervising the day-to-day management, performance and operations in accordance with the business strategy and keeping under review strategy and business development initiatives of the Group and monitoring their implementation. The Executive Committee comprises three members, namely, Mr. Tang Ching Ho, Mr. Chan Chun Hong, Thomas and Ms. Tang 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 has been amended in December 2015 and are available on the websites of the Company and the Stock Exchange. Currently, the Audit Committee comprises the four INEDs, namely, Mr. Li Ka Fai, David, Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon and Mr. Cho Wing Mou. Mr. Li Ka Fai, David 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 and monitor the integrity of the financial reporting, including interim and final results, to supervise over the Group's internal control and risk management systems, to monitor the internal and external audit functions, and the appointment, reappointment and removal of auditors and to make relevant recommendations to the Board to ensure effective and efficient operation and reliable reporting. The functions of the Audit Committee will be reviewed regularly by the Board and amended from time to time, as and when appropriate, in order to be in compliance with the code provisions of the CG Code (as amended from time to time) so as to ensure that the management has discharged its duty to have an effective internal control and risk management systems including the adequacy of resources, qualifications and experience of staff to implement the Group's accounting, internal audit and financial reporting function.

Corporate Governance Report

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 under review 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 2015 and the annual results for the year ended 31 March 2016 to ensure the full, complete and accurate disclosure in the aforesaid financial statements pursuant to the accounting standards and other legal requirement for presenting the same to the Board for approval;

(b) the term and remuneration for the appointment of Ernst & Young as external auditors to perform the agreed-upon procedures on the interim results for the six months ended 30 September 2015 and the audit of final results for the year ended 31 March 2016;

(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 control and risk management systems; and

(g) the adequacy of resources, qualifications and experience of staff and the accounting, internal audit 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.

With effect from 1 April 2016, the fee for Mr. Li Ka Fai, David to act as the chairman of the Audit Committee was increased from HK$30,000 per annum to HK$60,000 per annum; and the fee for each of Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon and Mr. Cho Wing Mou to act as the member of the Audit Committee was increased from HK$20,000 per annum to HK$40,000 per annum. The adjustments to the said audit committee fees were recommended by the Remuneration Committee and approved by the Board in accordance with the Bye-laws with reference to their responsibilities and respective contribution to the Group.

Remuneration Committee

The Board has established the Remuneration Committee since September 2005 with specific written terms of reference, as revised from time to time, stipulating its authorities and duties, which are available on the websites of the Company and the Stock Exchange. It currently consists of five members, including Messrs. Siu Man Ho, Simon, 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 written terms of reference, if considered necessary.

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

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

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

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

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

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

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

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

Corporate Governance Report

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, recommended amendments to the existing remuneration policies and performance-based bonus and approved the remuneration package and performance-based bonus paid to the other Directors and senior management of the Company, including considering and recommending the revised remuneration package to each of the INEDs as members of the Audit Committee for the Board's approval. 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 financial statements. In addition, pursuant to the code provision B.1.5 of the CG Code, the annual remuneration of other members of the senior management by bands for the year ended 31 March 2016 is set out below:

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

Nomination Committee

The Nomination Committee has been established since September 2005 with specific written terms of reference, as revised from time to time, stipulating its authorities and duties, which are available on the websites of the Company and the Stock Exchange. It currently consists of five members, including Messrs. Cho Wing Mou, 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 Nomination 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 Nomination Committee shall attend the Company's annual general meetings and be prepared to respond to questions raised by shareholders on the Nomination 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 Board Diversity Policy and its written terms of reference, if considered necessary.

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

Corporate Governance Report

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 2016 are as follows:

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

EXTERNAL AUDITORS' REMUNERATION

During the year and up to the date of this annual report, the remuneration paid/payable to the Company's external auditors, Ernst & Young, for the year ended 31 March 2016 which has been reviewed and approved by the Audit Committee, details of which are set out as follows:

Services rendered for the Group	Fees paid/payable to external auditors HK$'000
Audit services:	
— annual financial statements	2,080
Non-audit services:	
— agreed-upon procedures	270
— taxation and professional services	309
— other professional services	400
Total	3,059

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 2016, 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 are 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 and risk management 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 internal control department is delegated to ensuring and maintaining sound internal control functions by monitoring such internal control and risk management 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 may 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 2016, the Board reviewed all material internal controls, including financial, operational and compliance control and risk management functions. It also reviewed with Audit Committee and the reports from internal control department 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 our policies.

Corporate Governance Report

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

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

Disclosures in Corporate Website

Extensive information on the Group's activities and financial position will be disclosed in the annual reports, interim reports, announcements, circulars and other corporate communications which will be sent to shareholders and/or published on the websites of the Stock Exchange *(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 with the shareholders. 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 code provision E.1.3 of the CG Code, the Bye-laws and any other applicable laws. The chairman will explain the detailed procedures for conducting a poll vote during the proceedings of meetings and answered all questions raised by shareholders. All resolutions put to vote at general meetings are taken by poll and the poll results are posted on the websites of the Company and the Stock Exchange immediately following the holding of the general meetings.

Investor Relations

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

Shareholders' Rights Convening a Special General Meeting

Pursuant to Section 74 of the Bermuda Companies Act 1981 (the "**Companies Act**") and Bye-law 58 of the Bye-laws, the Board whenever it thinks fit call special general meetings and shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the company secretary of the Company to require a special general meeting (the "**SGM**") to be called by the Board. The written requisition (i) must state the purposes of the SGM, and (ii) must be signed by the requisitionists and deposited at the principal place of business of the Company in Hong Kong at 5/F., Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong for attention of the Board or the company secretary of the Company, and may consist of several documents in like form, each signed by one or more requisitionists. Such meeting shall be held within two (2) months after the deposit of such requisition.

Such requisitions will be verified by the Company's branch 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 Company's principal place of business 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.

Corporate Governance Report

Proposing a Person for Election as a Director

The procedures for proposing candidate(s) for election as director(s) at a general meeting are set out in the "Corporate Governance" under section headed under "Corporate Profile" on the website of the 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 secretary 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 2016, 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 2016, 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 65 to 66 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

During the year ended 31 March 2016, there was no change in the constitutional document.

The Memorandum of Association and the amended and restated Bye-laws are available on the websites of the Stock Exchange and the Company at *(www.hkexnews.com.hk)* and *(www.wyth.net)*, respectively.

CONCLUSION

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

REPORT OF THE DIRECTORS

By fulfilling our corporate mission of full brand implementation, we have succeeded in positioning the Group as a shining beacon and strong pillar of the industry. Apart from keeping its finest tradition, the Group also follows the trend to ensure shareholder's value are promoted and protected.

The Directors present their report and the audited consolidated financial statements of the Company and of the Group for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Principal activities of the principal subsidiaries and associates 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 1 and note 19 to the financial statements. During the year under review, there were no significant changes in the nature of the Group's principal activities.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2016 and the Group's financial position at that date are set out in the consolidated financial statements on pages 67 to 177.

For the year ended 31 March 2016, the Group recorded a turnover of approximately HK$825.3 million (2015: approximately HK$831.1 million) and a profit attributable to owners of the parent of approximately HK$25.4 million (2015: approximately HK$121.0 million).

The Board does not recommend the payment of a final dividend for the year ended 31 March 2016 (2015: Nil). No interim dividend was made for the six months ended 30 September 2015 (30 September 2014: Nil).

BUSINESS REVIEW AND ANALYSIS OF KEY FINANCIAL PERFORMANCE INDICATORS

The business review and the key financial performance indicators to the business of the Group, including, among other things, the information set out below, are disclosed in the "Management Discussion and Analysis" on pages 12 to 25 of this report:–

(a) a fair review of the Group's business;

(b) possible risks and uncertainties;

(c) an analysis using financial key performance indicators; and

(d) future development in the Group's business.

SHARE CAPITAL AND SHARE OPTION SCHEME

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

Report of the Directors

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements as restated as appropriate, is set out on pages 179 to 180 of this annual report. This summary does not form part of the audited consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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 2016.

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 under review are set out in notes 15 and 16 to the financial statements, respectively.

PERMITTED INDEMNITY PROVISION

The Bye-laws provides that for the time being acting in relation to any of the affairs of the Company, every Director and other officers shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, losses, damages and expenses which they may incur or sustain by or by reason of any act done about the execution of the duties of their respective office or otherwise in relation thereto. The Company had arranged appropriate directors' and officers' liability insurance coverage for the Directors and other officers of the Group for the year under review.

RESERVES

Details of movements in the reserves of the Company and the Group during the year under review 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 2016, the Company's reserves available for distribution to equity holders of the parent, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to approximately HK$315.4 million (2015: approximately HK$242.2 million) which represented the net balance of contributed surplus of approximately HK$275.7 million (2015: approximately HK$215.6 million) and retained profits of approximately HK$39.7 million (2015: approximately HK$26.6 million).

PLEDGE OF ASSETS

As at 31 March 2016, the Group's total bank borrowings amounted to approximately HK$738.7 million (2015: approximately HK$550.1 million). As at 31 March 2016, the Group's investment properties and property, plant and equipment, with carrying value of approximately HK$464.8 million and HK$154.7 million, respectively, (2015: approximately HK$510.0 million and HK$178.4 million, respectively) 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. Cho Wing Mou
Mr. Li Ka Fai, David

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, will 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. Cho Wing Mou and Mr. Li Ka Fai, David. As at the date of this annual report, the Company 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 26 to 31 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' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in notes 8 and 41 to the financial statements, no Directors nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS 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.

Report of the Directors

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

As at 31 March 2016, the interests and short positions of the Directors and chief executive of the Company and/or any of their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code under the Listing Rules, were as follows:

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

Name of Director	Date of grant	Exercise price per share *(Note 1)* *HK$*	Number of share options outstanding *(Note 1)*	Exercisable period *(Note 2)*	Number of underlying shares	Approximate percentage of the Company's total issued share capital *(Note 3)* %
Ms. Tang Mui Fun	8.1.2009	23.12	4,077	8.1.2010 – 7.1.2019	4,077	0.001

Notes:

*(1) The number and exercise price of the share options were adjusted immediately upon completion of (i) the rights issue of two shares for every one existing share at a price of HK$0.108 per rights share (the "**Rights Issue**") (as detailed in the Company's announcements dated 26 March 2015 and 18 May 2015 and the prospectus dated 24 April 2015); and (ii) capital reorganisation for, among others, consolidation of every 20 existing shares into one new share (the "**Capital Reorganisation**") (as detailed in the Company's announcements dated 1 February 2016 and 15 March 2016 and the circular dated 19 February 2016).*

(2) These shares represent 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*

(3) The percentage represented the number of shares over the total issued share capital of the Company as at 31 March 2016 of 316,285,722 shares.

Save as disclosed above, as at 31 March 2016, 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. 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. During the year under review, no share options under the 2003 Scheme were exercised or cancelled and 24,066 share options lapsed during the year.

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. 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$1.00 for each lot of share options granted which must be accepted within 30 days from the offer date. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Report of the Directors

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 the number, 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, which was refreshed at the last annual general meeting held on 20 August 2015.

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 number of 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 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 2016 were as follows:

	Number of share options									
Name or category of Participant	Outstanding as at 1 April 2015	Granted during the year	Exercised during the year	Expired/ forfeited during the year	Adjusted upon completion of the Rights Issue *(Note 1)*	Adjusted upon the Capital Reorganisation becoming effective *(Note 1)*	Outstanding as at 31 March 2016	Date of grant	Adjusted exercise price per share *(Note 1)* *HK$*	Exercisable period *(Note 2)*
Executive Director										
Ms. Tang Mui Fun	78,214	–	–	–	3,314	(77,451)	4,077	8.1.2009	23.12	8.1.2010 – 7.1.2019
	78,214	–	–	–	3,314	(77,451)	4,077			
Other employees										
In aggregate	388,667	–	–	–	16,469	(384,880)	20,256	8.1.2009	23.12	8.1.2010 – 7.1.2019
	590,821	–	–	(24,066)	24,015	(561,232)	29,538	12.5.2010	8.29	12.5.2011 – 11.5.2020
	979,488	–	–	(24,066)	40,484	(946,112)	49,794			
	1,057,702	–	–	(24,066)	43,798	(1,023,563)	53,871			

Notes:

1. *The number and exercise price of the share options were adjusted immediately upon completion of (i) the Rights Issue; and (ii) the Capital Reorganisation.*

2. *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 53,871 share options outstanding under the 2003 Scheme. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 53,871 additional ordinary shares of the Company and additional share capital of HK$538.71 and share premium of HK$806,910.27 (before expenses).

Report of the Directors

As at the date of this annual report, the total number of shares available for issue under the 2013 Scheme is 31,628,572 shares (being adjusted upon completion of the Capital Reorganisation), 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 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' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2016, 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 ordinary shares of the Company:

Name of shareholders	**Number of shares**	**Approximate percentage of the Company's total issued share capital** *(Note 1)* %
Rich Time Strategy Limited ("**Rich Time**") *(Note 2)*	69,830,735	22.08
Wang On Enterprises (BVI) Limited ("**WOE**") *(Note 2)*	69,830,735	22.08
Wang On *(Note 2)*	69,830,735	22.08

Notes:

1. *The percentage represented the number of shares over the total number of issued shares of the Company as at 31 March 2016 of 316,285,722 shares.*

2. *Rich Time, a wholly-owned subsidiary of WOE, which is a wholly-owned subsidiary of Wang On, beneficially owned 69,830,735 shares of the Company. WOE and Wang On are taken to be interested in 69,830,735 shares of the Company held by Rich Time.*

Save as disclosed above, as at 31 March 2016, there were no other persons who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group recognises our employees as the key element that contributes to the Group's success. As at 31 March 2016, the Group had 778 (2015: 757) employees, of whom approximately 75.0% (2015: 71%) were located in Hong Kong and the rest were located in Mainland China. The Group remunerates its employees mainly based on industry practices and individual performance and experience. On top of the regular remuneration, discretionary bonus and share options may be granted to selected staff by reference to the Group's performance as well as the individual's performance. Other benefits such as medical and retirement benefits and structured training programs are also provided. Meanwhile, the Group endeavours to provide a safe workplace to our employees. The Board believes that the Group maintains admirable relations with the employees.

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

Report of the Directors

CORPORATE SOCIAL RESPONSIBILITY

The Group involved in community and charitable activities such as sponsoring school fairs and carnivals, university orientation camps, the Personal Emergency Link Service for the elderly and activities for the elderly organised by Culture Homes. Given the support from the management, the Group built up a team of staff volunteers to get involved in volunteer work.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group continues to commit to comply with the relevant laws and regulations, such as the Bermuda Companies Act 1981, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the SFO, the Listing Rules and other rules and regulations implemented in relevant jurisdictions. As far as the Board is concerned, the Group has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the year ended 31 March 2016.

CONTINUING CONNECTED TRANSACTIONS

The Company is an associate of Wang On. During the year under review, the following transactions continued to constitute continuing connected transactions for the Company under Rules 14A.55 and 14A.56 of the Listing Rules:

(a) on 14 November 2013, Wai Yuen Tong (Retail) Limited ("**WYTR**"), a 99.79%-owned subsidiary of the Company, as a tenant, and Good Excellent Limited ("**Good Excellent**"), a then wholly-owned subsidiary of Wang On, as a landlord, entered into a tenancy agreement for leasing a shop located at Shop on Ground Floor with the Cockloft, 60A Yen Chow Street, Kowloon, Hong Kong (the "**Shop**") for a term of two years commencing from 4 October 2013 and expiring on 3 October 2015 at a monthly rental of HK$68,750. On 16 November 2015, WYTR entered into a tenancy agreement with Good Excellent to rent the Shop for a term of one year commencing from 4 October 2015 and expiring on 3 October 2016 at a monthly rental of HK$85,000; and Good Excellent became a wholly-owned subsidiary of the Company on 23 December 2015. For the period up to 22 December 2015, the actual rental expenses paid by WYTR amounted to HK$665,927;

(b) on 18 February 2015, WYTR, as a tenant, and Oriental Sino Investments Limited ("**Oriental Sino**"), a wholly-owned subsidiary of Wang On, as a landlord, entered into a tenancy agreement to rent a shop located at Shop AB on Ground Floor, Po Wing Building, Nos. 61, 63, 65, 67, 71 & 73 Lee Garden Road, Nos. 108, 110, 112, 116, 118 & 120 Percival Street, Hong Kong for a term of three years commencing from 16 February 2015 and expiring on 15 February 2018 at a monthly rental of HK$900,000 (with rent free period commencing from 16 February 2015 to 15 April 2015), with an option exercisable by WYTR to renew the tenancy for further three years at the monthly rental of HK$1,020,000, details of which were set out in the announcement of the Company dated 18 February 2015. During the financial year, total annual rental paid by WYTR to Oriental Sino under the abovementioned tenancy was HK$10,350,000;

(c) on 30 June 2012, the Company entered into a 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 "**Premises**") 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. For the period up to 30 June 2015, the actual rental income in respect of leasing of the Premises received by the Company from WOM amounted to HK$462,000; and

(d) on 23 October 2015, WYT Medicine, a 99.79%-owned subsidiary of the Company, as the supplier, and WOM, as the purchaser, entered into a new master sales agreement for supplying Chinese and Western pharmaceutical products, health food and personal care products by the Group to WOM (for itself and on behalf of other members of Wang On) for the three financial years ending 31 March 2018 at annual caps of HK$8.0 million, HK$9.0 million and HK$9.8 million, respectively. During the year, total sales proceeds received by the Group from WOM was HK$6,827,846.

The Directors (including all of the INEDs) 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 favourable to the Group than those available to or from independent third parties; and (iv) have not exceeded the respective caps.

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged its auditors, Ernst & Young, to perform certain review procedures in order 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.56 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.73 of the Listing Rules, during the year are set out in note 41 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.

Report of the Directors

EMOLUMENT POLICY

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

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

The Company has adopted the 2013 Share Option 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 financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2016, sales to the Group's five largest customers accounted for less than approximately 12.3% (2015: approximately 14.0%) of the Group's total sales and the sales to the Group's largest customer included therein accounted to approximately 4.7% (2015: approximately 4.7%).

During the year, the largest supplier accounted for approximately 15.7% (2015: approximately 19.1%) of the Group's purchases and the five largest suppliers of the Group accounted for approximately 40.8% (2015: approximately 41.7%) 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 5.0% of the Company's issued shares, 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

During the year under review, the Group, through Winning Rich Investments Limited ("**Winning Rich**"), an indirect wholly-owned subsidiary of the Company, had advanced or continued to advance the following financial assistance to CAP:

(a) by way of subscription of the 2019 Bonds up to an aggregate maximum principal amount of HK$720.0 million pursuant to the subscription agreement dated 4 October 2014 (as supplemented on 28 November 2014); and

(b) a loan facility dated 28 November 2014 to CAP, under which Winning Rich agreed to extend the accrued interest in a sum of approximately HK$19.0 million on the repayment of the previous loan facilities, which was due to be repaid and had actually been repaid by 31 May 2015.

At the end of the reporting period, CAP was indebted to the Group an aggregate outstanding principal amount of HK$720.0 million.

CHARITABLE DONATIONS

During the year, the Group made charitable and other donations totaling approximately HK$0.6 million (2015: approximately HK$0.4 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 CG 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 32 to 49 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. Li Ka Fai, David, Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon and Mr. Cho Wing Mou, all of them are the INEDs, and Mr. Li Ka Fai, David 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 report matters (including the review of consolidated interim results for the six-month ended 30 September 2015), the statutory compliance, internal controls and risk management, continuing connected transactions and the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function as well as their training programmes and budget. The Audit Committee has also reviewed the consolidated financial statements for the year ended 31 March 2016 with the external auditors and the management of the Company.

Report of the Directors

AUDITORS

The consolidated financial statements for the year ended 31 March 2016 have been audited by Ernst & Young, who will 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, 8 June 2016

INDEPENDENT AUDITORS' REPORT

EY 安永

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 set out on pages 67 to 177, which comprise the consolidated statement of financial position as at 31 March 2016, 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.

INDEPENDENT AUDITORS' REPORT

To the shareholders of Wai Yuen Tong Medicine Holdings Limited *(Continued)*
(Incorporated in Bermuda with limited liability)

AUDITORS' RESPONSIBILITY *(Continued)*

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.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 March 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance 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

8 June 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
CONTINUING OPERATIONS			
REVENUE	5	**825,331**	831,088
Cost of sales		**(455,113)**	(480,061)
Gross profit		**370,218**	351,027
Other income	5	**88,958**	73,150
Selling and distribution expenses		**(292,666)**	(272,684)
Administrative expenses		**(150,540)**	(135,219)
Finance costs	7	**(14,854)**	(10,362)
Changes in fair value of equity investments at fair value through profit or loss, net		**3,140**	79,773
Fair value gains/(losses) on investment properties, net	16	**(18,200)**	26,868
Gain on disposal of a subsidiary	35	**2,484**	–
Loss on deemed partial disposal of equity interests in an associate	19	**(37,101)**	(32,928)
Share of profits and losses of associates		**77,627**	41,153
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**29,066**	120,778
Income tax expense	10	**(3,839)**	(17)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**25,227**	120,761
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	11	**–**	90
PROFIT FOR THE YEAR		**25,227**	120,851

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Change in fair value of an available-for-sale investment	20	**54,880**	(88,874)
Exchange differences on translation of foreign operations		**(1,778)**	(897)
Release upon deemed partial disposal of equity interests in an associate		**(2,537)**	(3,926)
Share of other comprehensive loss of an associate		**(14,638)**	(9,539)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**35,927**	(103,236)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**61,154**	17,615
Profit attributable to:			
Owners of the parent		**25,387**	120,979
Non-controlling interests		**(160)**	(128)
		25,227	120,851
Total comprehensive income attributable to:			
Owners of the parent		**61,314**	17,743
Non-controlling interests		**(160)**	(128)
		61,154	17,615
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		(Restated)
Basic and diluted			
– For profit for the year		**HK8.30 cents**	HK51.32 cents
– For profit from continuing operations		**HK8.30 cents**	HK51.29 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**637,277**	516,741
Investment properties	16	**510,800**	510,000
Goodwill	17	**15,335**	15,335
Other intangible assets	18	**290**	408
Investments in associates	19	**428,470**	294,945
Available-for-sale investment	20	**671,521**	613,615
Deposit paid for the acquisition of property, plant and equipment	22	**134,336**	–
Deferred tax assets	30	**10,837**	6,929
		2,408,866	1,957,973
CURRENT ASSETS			
Inventories	21	**154,760**	151,385
Trade and other receivables	22	**234,621**	237,907
Amounts due from associates	23	**12,308**	10,640
Equity investments at fair value through profit or loss	24	**197,075**	193,222
Loans and interest receivables	25	**–**	18,951
Tax recoverable		**2,447**	2,874
Bank balances and cash	26	**205,608**	250,951
		806,819	865,930
Non-current asset classified as held for sale	14	**21,767**	–
		828,586	865,930
CURRENT LIABILITIES			
Trade and other payables	27	**161,688**	225,717
Bank borrowings	28	**158,928**	199,223
Deferred franchise income	29	**18**	18
Tax payable		**186**	587
		320,820	425,545
NET CURRENT ASSETS		**507,766**	440,385

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,916,632**	2,398,358
NON-CURRENT LIABILITIES			
Bank borrowings	28	**579,758**	350,873
Deferred tax liabilities	30	**7,318**	1,530
		587,076	352,403
NET ASSETS		**2,329,556**	2,045,955
EQUITY			
Issued capital	31	**3,163**	42,171
Reserves	33	**2,319,327**	1,996,558
Equity attributable to owners of the parent		**2,322,490**	2,038,729
Non-controlling interests		**7,066**	7,226
TOTAL EQUITY		**2,329,556**	2,045,955

Tang Ching Ho
Director

Chan Chun Hong, Thomas
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2016

		Attributable to owners of the parent												
	Notes	Issued capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (note 33 (i))	Contributed surplus HK$'000 (note 33 (ii))	Share option reserve HK$'000	Translation reserve HK$'000	Other reserve HK$'000 (note 33 (iii))	Asset revaluation reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2014		29,311	1,340,510	(27,150)	215,599	582	34,063	(1,226)	28,014	–	213,844	1,833,547	7,354	1,840,901
Profit/(loss) for the year		–	–	–	–	–	–	–	–	–	120,979	120,979	(128)	120,851
Change in fair value of an available-for-sale investment		–	–	–	–	–	–	–	–	(88,874)	–	(88,874)	–	(88,874)
Exchange differences on translation of foreign operations		–	–	–	–	–	(897)	–	–	–	–	(897)	–	(897)
Release upon deemed partial disposal of equity interests in an associate		–	–	–	–	–	(3,926)	–	–	–	–	(3,926)	–	(3,926)
Share of other comprehensive loss of an associate		–	–	–	–	–	(5,014)	–	–	(4,525)	–	(9,539)	–	(9,539)
Total comprehensive income/(loss) for the year		–	–	–	–	–	(9,837)	–	–	(93,399)	120,979	17,743	(128)	17,615
Forfeiture of share options		–	–	–	–	(83)	–	–	–	–	83	–	–	–
Issue of shares	31(a)	12,860	189,236	–	–	–	–	–	–	–	–	202,096	–	202,096
Share issue expenses	31(a)	–	(5,864)	–	–	–	–	–	–	–	–	(5,864)	–	(5,864)
Final 2014 dividend declared		–	–	–	–	–	–	–	–	–	(8,793)	(8,793)	–	(8,793)
Release upon deemed partial disposal of equity interests in an associate		–	–	–	–	–	–	204	–	–	(204)	–	–	–
At 31 March 2015		42,171	1,523,882*	(27,150)*	215,599*	499*	24,226*	(1,022)*	28,014*	(93,399)*	325,909*	2,038,729	7,226	2,045,955

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2016

	Notes	Attributable to owners of the parent													
		Issued capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (note 33 (i))	Contributed surplus HK$'000 (note 33 (ii))	Share option reserve HK$'000	Translation reserve HK$'000	Reserve funds HK$'000 (note 33 (iv))	Other reserve HK$'000 (note 33 (iii))	Available-for-sale investment revaluation reserve HK$'000	Asset revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2015		42,171	1,523,882	(27,150)	215,599	499	24,226	-	(1,022)	(93,399)	28,014	325,909	2,038,729	7,226	2,045,955
Profit/(loss) for the year		-	-	-	-	-	-	-	-	-	-	25,387	25,387	(160)	25,227
Change in fair value of an available-for-sale investment		-	-	-	-	-	-	-	-	54,880	-	-	54,880	-	54,880
Exchange differences on translation of foreign operations		-	-	-	-	-	(1,778)	-	-	-	-	-	(1,778)	-	(1,778)
Release upon deemed partial disposal of equity interests in an associate		-	-	-	-	-	(3,287)	-	-	750	-	-	(2,537)	-	(2,537)
Share of other comprehensive loss of an associate		-	-	-	-	-	(14,125)	-	-	(513)	-	-	(14,638)	-	(14,638)
Total comprehensive income/(loss) for the year		-	-	-	-	-	(19,190)	-	-	55,117	-	25,387	61,314	(160)	61,154
Forfeiture of share options		-	-	-	-	(6)	-	-	-	-	-	6	-	-	-
Rights issue	31(b)	21,086	206,640	-	-	-	-	-	-	-	-	-	227,726	-	227,726
Share issue expenses	31(b)	-	(5,279)	-	-	-	-	-	-	-	-	-	(5,279)	-	(5,279)
Capital reduction	31(d)	(60,094)	-	-	60,094	-	-	-	-	-	-	-	-	-	-
Transfer		-	-	-	-	-	-	359	-	-	-	(359)	-	-	-
Release upon deemed partial disposal of equity interests in an associate		-	-	-	-	-	-	-	169	-	-	(169)	-	-	-
At 31 March 2016		3,163	1,725,243*	(27,150)*	275,693*	493*	5,036*	359*	(853)*	(38,282)*	28,014*	350,774*	2,322,490	7,066	2,329,556

* These reserve accounts comprise the consolidated reserves of HK$2,319,327,000 (2015: HK$1,996,558,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:			
From continuing operations		**29,066**	120,778
From a discontinued operation	11	**–**	(319)
Adjustments for:			
Finance costs	7	**14,854**	10,362
Changes in fair value of equity investments at fair value through profit or loss, net		**(3,140)**	(79,773)
Fair value losses/(gains) on investment properties, net	16	**18,200**	(26,868)
Gain on disposal of a subsidiary	35	**(2,484)**	–
Loss on deemed partial disposal of equity interests in an associate		**37,101**	32,928
Share of profits and losses of associates		**(77,627)**	(41,153)
Loss on disposal of items of property, plant and equipment	6	**–**	9
Dividends from equity investments at fair value through profit or loss	5	**(2,006)**	(5,838)
Effective interest income on loans receivable	5	**–**	(34,399)
Interest income on an available-for-sale investment	5	**(72,158)**	(24,447)
Imputed interest income on an available-for-sale investment	5	**(3,026)**	(489)
Interest income on bank deposits	5	**(3,199)**	(4,428)
Recognition of deferred franchise income	5	**(120)**	(90)
Allowance for obsolete inventories	6	**1,400**	4,241
Depreciation	15	**14,721**	15,243
Amortisation of other intangible assets	18	**178**	213
Impairment of trade receivables	22	**1,193**	7,345
		(47,047)	(26,685)
Increase in inventories		**(4,886)**	(8,437)
(Increase)/decrease in trade and other receivables		**892**	(22,231)
Increase in amounts due from associates		**(1,668)**	(4,494)
Increase/(decrease) in trade and other payables		**(64,372)**	114,497
Increase in deferred franchise income		**120**	90
Cash generated from/(used in) operations		**(116,961)**	52,740
Interest received		**3,199**	4,428
Hong Kong profits tax refunded/(paid)		**(1,899)**	880
Overseas taxes paid		**–**	(474)
Net cash flows from/(used in) operating activities		**(115,661)**	57,574

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	15	(147,721)	(285,077)
Purchases of an investment property		–	(16,132)
Purchases of equity investments at fair value through profit or loss		(3,900)	(9,921)
Acquisition of subsidiaries that are not a business	34	(69,469)	–
Disposal of a subsidiary	35	44,160	–
Additions of cost of trademarks	18	(60)	(186)
Interest received		90,912	45,894
Dividends received from associates		540	2,663
Dividends received from listed securities		2,006	5,134
Repayments of loans receivable		–	200,000
Investment in an available-for-sale investment		–	(377,000)
Investment in an associate		(110,714)	(500)
Proceeds from disposal of items of property, plant and equipment		–	404
Proceeds from disposal of equity investments at fair value through profit or loss		3,187	–
Deposits for acquisition of property, plant and equipment	22	(134,336)	–
Net cash flows used in investing activities		(325,395)	(434,721)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	31	–	202,096
Proceeds from issue of rights shares	31	227,726	–
Share issue expenses	31	(5,279)	(5,864)
New bank borrowings		285,000	235,255
Repayments of bank borrowings		(96,410)	(76,374)
Dividends paid		–	(8,793)
Interest paid		(14,854)	(10,362)
Net cash flows from financing activities		396,183	335,958
NET DECREASE IN CASH AND CASH EQUIVALENTS		(44,873)	(41,189)
Cash and cash equivalents at beginning of year		250,951	292,511
Effect of foreign exchange rate changes, net		(470)	(371)
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Bank balances and cash		205,608	250,951

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP 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
- property investment

Information about subsidiaries

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

Name	Place of incorporation and business	Issued ordinary share capital	Percentage of equity attributable to the Company Direct 2016	Direct 2015	Indirect 2016	Indirect 2015	Principal activities
Asia Brighter Investment Limited	Hong Kong	Ordinary HK$1	–	–	100.00%	100.00%	Property investment
Billion Good Investment Limited	Hong Kong	Ordinary HK$2	–	–	99.79%	99.79%	Property holding
Full Gainer Investment Limited	Hong Kong	Ordinary HK$1	–	–	100.00%	100.00%	Property investment
Grand Quality Development Limited	Hong Kong	Ordinary HK$2	–	–	100.00%	100.00%	Property investment
Good Excellent Limited ("**Good Excellent**")	Hong Kong	Ordinary HK$1	–	–	100.00%	–	Property investment

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows:*(Continued)*

Name	Place of incorporation and business	Issued ordinary share capital	Percentage of equity attributable to the Company				Principal activities
			Direct		Indirect		
			2016	2015	**2016**	2015	
Guidepost Investments Limited	British Virgin Islands	Ordinary United States dollar ("**USD**") 1	**–**	–	**100.00%**	100.00%	Investment holding
Info World Investment Limited	Hong Kong	Ordinary HK$1	**–**	–	**100.00%**	100.00%	Property investment
Luxembourg Medicine Company Limited	Hong Kong	Ordinary HK$933,313	**–**	–	**99.79%**	99.79%	Production and sale of Western pharmaceutical and health food products
New Supreme Investment Limited	Hong Kong	Ordinary HK$1	**–**	–	**100.00%**	100.00%	Construction project of a factory in Yuen Long Industrial Estate
Richest Ever Limited	Hong Kong	Ordinary HK$2	**–**	–	**99.79%**	99.79%	Trading of Chinese pharmaceutical and health food products

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Particulars of the Company's principal subsidiaries are as follows:*(Continued)*

Name	Place of incorporation and business	Issued ordinary share capital	Percentage of equity attributable to the Company Direct 2016	Direct 2015	Indirect 2016	Indirect 2015	Principal activities
Sky Success Limited	Hong Kong	Ordinary HK$1	-	–	100.00%	100.00%	Property investment
Sino Fame Investments Limited	Hong Kong	Ordinary HK$1	-	–	100.00%	100.00%	Property investment
Smart First Investment Limited ("**Smart First**")	Hong Kong	Ordinary HK$1	-	–	100.00%	100.00%	Property investment
Star Sense Limited	Hong Kong	Ordinary HK$1	-	–	100.00%	100.00%	Property investment
Sunbo Investment Limited ("**Sunbo**")	Hong Kong	Ordinary HK$1	-	–	100.00%	–	Property investment
Topmate Investment Limited	Hong Kong	Ordinary HK$1	-	–	100.00%	100.00%	Property investment
Total Smart Investments Limited	British Virgin Islands	Ordinary USD1	100.00%	100.00%	-	–	Investment holding
Union Target Limited	Hong Kong	Ordinary HK$1	-	–	100.00%	100.00%	Property investment
Wai Yuen Tong Company Limited	Hong Kong	Ordinary HK$1	-	–	100.00%	100.00%	Property holding

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: *(Continued)*

Name	Place of incorporation and business	Issued ordinary share capital	Percentage of equity attributable to the Company Direct 2016	Direct 2015	Indirect 2016	Indirect 2015	Principal activities
Wai Yuen Tong (Macao) Limited	Macau	Ordinary 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 HK$2	**–**	–	**99.79%**	99.79%	Retail and sale of Chinese pharmaceutical and health food products
Wai Yuen Tong Medicine Company Limited ("**WYT Medicine Company**")	Hong Kong	Ordinary HK$ 13,417,374 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**") 34,001,588	**–**	–	**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.

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Particulars of the Company's principal subsidiaries are as follows:*(Continued)*

During the year, the Group acquired Good Excellent and Sunbo from an indirect wholly-owned subsidiary of Wang On Group Limited ("**Wang On**"), a major shareholder of the Company. Further details of these acquisitions are included in note 34 to the financial statements.

During the year, the Group disposed of Smart Star Investments Limited ("**Smart Star**") to an independent third party. Further details of this disposal are included in note 35 to the financial statements.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**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, an available-for-sale investment and equity investments at fair value through profit or loss which have been measured at fair value. Non-current asset classified as held for sale is stated at the lower of its carrying amount and fair value less costs to sell as further explained in note 2.4.

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

NOTES TO FINANCIAL STATEMENTS

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

NOTES TO FINANCIAL STATEMENTS

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(b) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

HKFRS 8 *Operating Segments:* Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets:* Clarifies the treatment of the gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

HKAS 24 *Related Party Disclosures:* Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(c) The *Annual Improvements to HKFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

HKFRS 3 *Business Combinations:* Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

HKFRS 13 *Fair Value Measurement:* Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

HKAS 40 *Investment Property:* Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the acquisition of investment properties during the year was not a business combination and so this amendment is not applicable.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

NOTES TO FINANCIAL STATEMENTS

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for annual periods beginning on or after 1 January 2019

4 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

5 No mandatory effective date is determined but is available for early adoption

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

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

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 April 2018. The Group is currently assessing the impact of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 April 2016.

NOTES TO FINANCIAL STATEMENTS

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 April 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is yet to assess the full impact of the standard on its financial position and results of operations. The standard is mandatorily effective for annual periods beginning on or after 1 January 2019.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;
(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 April 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 April 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 consolidated statement of profit or loss and other comprehensive income of the Group. 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 assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

NOTES TO FINANCIAL STATEMENTS

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 *Non-current Assets Held for Sale and Discontinued Operations.*

Business combinations and goodwill

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties, deferred tax assets and non-current asset classified as held for sale), 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.

NOTES TO FINANCIAL STATEMENTS

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);

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

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

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.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

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.

Non-current assets and disposal groups held for sale

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Non-current assets and disposal groups held for sale (Continued)

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

Intangible assets (other than goodwill)

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

All research costs are charged to profit and loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sales, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

NOTES TO FINANCIAL STATEMENTS

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, available-for-sale investments 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, equity investments at fair value through profit or loss, available-for-sale investment and loans and interest receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value 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.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (Continued)

Available-for-sale financial investments *(Continued)*

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

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets (Continued)

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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (Continued)

Financial assets carried at amortised cost *(Continued)*

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 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.

Available-for-sale financial investments

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Available-for-sale financial investments *(Continued)*

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

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

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.

Subsequent measurement

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

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

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

Cash and cash equivalents

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

For the purpose of the consolidated statement of financial position, 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 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.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

- 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax (Continued)

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

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

Revenue recognition

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

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

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

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

(e) 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

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

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

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.

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.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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

Foreign currencies

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

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 and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their 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.

NOTES TO FINANCIAL STATEMENTS

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 or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty (Continued)

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

(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.

NOTES TO FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty (Continued)

Impairment of loans and interest receivables

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 interest receivables 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.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty (Continued)

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.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss and other comprehensive income. At 31 March 2016, no impairment loss has been recognised for available-for-sale assets (2015: Nil). Further details of the available-for sale investment are included in note 20 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

NOTES TO FINANCIAL STATEMENTS

4. OPERATING SEGMENT INFORMATION *(Continued)*

(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 11)); 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 before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, fair value gains/losses from the Group's financial assets at fair value through profit or loss, head office and corporate income and expenses and share of profits and losses of associates are excluded from such measurement.

Segment assets exclude investments in associates, loans and interest receivables, equity investments at fair value through profit or loss, available-for-sale investment, tax recoverable, deferred tax assets, bank balances and cash and unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude bank borrowings, tax payable, deferred tax liabilities and unallocated liabilities as these liabilities are managed on a group basis.

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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	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	649,275	677,401	163,423	141,253	12,633	12,434	825,331	831,088	-	–	-	–	825,331	831,088
Intersegment sales	-	–	-	–	7,929	7,665	7,929	7,665	-	816	(7,929)	(8,481)	-	–
Total	649,275	677,401	163,423	141,253	20,562	20,099	833,260	838,753	-	816	(7,929)	(8,481)	825,331	831,088
Segment results	(7,492)	13,498	(7,456)	(30,555)	(12,331)	33,141	(27,279)	16,084	-	(319)	-	–	(27,279)	15,765
Other income							88,958	73,150	-	–			88,958	73,150
Unallocated expenses							(63,909)	(46,092)	-	–			(63,909)	(46,092)
Finance costs							(14,854)	(10,362)	-	–			(14,854)	(10,362)
Changes in fair value of equity investments at fair value through profit or loss, net							3,140	79,773	-	–			3,140	79,773
Gain on disposal of a subsidiary							2,484	–	-	–			2,484	–
Loss on deemed partial disposal of equity interests in an associate							(37,101)	(32,928)	-	–			(37,101)	(32,928)
Share of profits and losses of associates							77,627	41,153	-	–			77,627	41,153
Profit/(loss) before tax							29,066	120,778	-	(319)			29,066	120,459
Income tax credit/(expense)							(3,839)	(17)	-	409			(3,839)	392
Profit for the year							25,227	120,761	-	90			25,227	120,851

NOTES TO FINANCIAL STATEMENTS

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	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
ASSETS												
Assets excluding goodwill	299,803	279,906	88,640	77,198	693,936	688,628	1,082,379	1,045,732	–	–	1,082,379	1,045,732
Goodwill	7,700	7,700	7,635	7,635	–	–	15,335	15,335	–	–	15,335	15,335
Segment assets	307,503	287,606	96,275	84,833	693,936	688,628	1,097,714	1,061,067	–	–	1,097,714	1,061,067
Investments in associates							428,470	294,945	–	–	428,470	294,945
Loans and interest receivables							–	18,951	–	–	–	18,951
Equity investments at fair value through profit or loss							197,075	193,222	–	–	197,075	193,222
Available-for-sale investment							671,521	613,615	–	–	671,521	613,615
Tax recoverable							2,447	2,874	–	–	2,447	2,874
Deferred tax assets							10,837	6,929	–	–	10,837	6,929
Bank balances and cash							205,608	247,841	–	3,110	205,608	250,951
Unallocated assets							623,780	381,349	–	–	623,780	381,349
Consolidated total assets							3,237,452	2,820,793	–	3,110	3,237,452	2,823,903
LIABILITIES												
Segment liabilities	115,600	121,195	15,973	11,974	12,165	3,295	143,738	136,464	–	186	143,738	136,650
Bank borrowings							738,686	550,096	–	–	738,686	550,096
Tax payable							186	587	–	–	186	587
Deferred tax liabilities							7,318	1,530	–	–	7,318	1,530
Unallocated liabilities							17,968	89,085	–	–	17,968	89,085
Consolidated total liabilities							907,896	777,762	–	186	907,896	777,948

4. OPERATING SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities (Continued)

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 interest receivables, equity investments at fair value through profit or loss, available-for-sale investment, 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 bank borrowings, tax payable, deferred tax liabilities and unallocated liabilities representing other payables of investment holding companies.

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	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	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))	**12,388**	7,895	**94**	1,138	**-**	43,927	**12,482**	52,960	**-**	–	**135,299**	950,435	**147,781**	1,003,395
Capital expenditure through acquisition of subsidiaries that are not a business	**-**	–	**-**	–	**70,000**	–	**70,000**	–	**-**	–	**-**	–	**70,000**	–
Depreciation	**8,478**	9,069	**289**	228	**5,291**	5,143	**14,058**	14,440	**-**	–	**663**	803	**14,721**	15,243
Amortisation of other intangible assets	**178**	213	**-**	–	**-**	–	**178**	213	**-**	–	**-**	–	**178**	213

NOTES TO FINANCIAL STATEMENTS

4. OPERATING SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

	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	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	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
Impairment/(reversal of impairment) of trade receivables	**407**	(210)	**786**	7,622	**-**	–	**1,193**	7,412	**-**	(67)	**-**	–	**1,193**	7,345
Allowance for obsolete inventories	**1,123**	360	**277**	3,881	**-**	–	**1,400**	4,241	**-**	–	**-**	–	**1,400**	4,241
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	**9,466**	4,291	**164**	206	**5,224**	5,865	**14,854**	10,362	**-**	–	**-**	–	**14,854**	10,362
Interest income (Note (ii))	**46**	33	**-**	–	**-**	–	**46**	33	**-**	–	**78,337**	63,730	**78,383**	63,763

Notes:

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

(ii) Interest income consists of effective interest income on loans receivable, bank deposits and available-for-sale investment and imputed interest income on an available-for-sale investment.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	2016 HK$'000	2015 HK$'000
Hong Kong	597,678	630,897
The PRC	188,107	164,393
Singapore	250	298
Macau	20,217	15,887
Others	19,079	19,613
	825,331	831,088

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

(b) Non-current assets

	2016 HK$'000	2015 HK$'000
Hong Kong	1,723,556	1,336,486
The PRC	587	667
Macau	2,365	276
	1,726,508	1,337,429

The non-current asset information 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 2016 and 2015, no revenue from transactions with a single external customer contributed over 10% of the total revenue of the Group.

NOTES TO FINANCIAL STATEMENTS

5. REVENUE AND OTHER INCOME

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

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

	2016 HK$'000	2015 HK$'000
Revenue		
Sales of goods	811,674	817,715
Rental income from investment properties	12,633	12,434
Management and promotion fees	1,024	939
	825,331	831,088
Other income		
Effective interest income on loans receivable	–	34,399
Interest income on an available-for-sale investment	72,158	24,447
Imputed interest income on an available-for-sale investment	3,026	489
Interest income on bank deposits	3,199	4,428
Dividends from equity investments at fair value through profit or loss	2,006	5,838
Recognition of deferred franchise income	120	90
Sub-lease rental income	2,652	2,527
Commission income	4,950	–
Others	847	932
	88,958	73,150

6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	Notes	2016 HK$'000	2015 HK$'000
Cost of inventories recognised as an expense (including allowance for obsolete inventories of HK$1,400,000 (2015: HK$4,241,000))		**455,113**	480,061
Depreciation	15	**14,721**	15,243
Amortisation of other intangible assets	18	**178**	213
Research and development costs		**6,494**	2,633
Minimum lease payments under operating leases		**110,692**	98,016
Auditors' remuneration		**2,080**	1,980
Employee benefit expense (excluding directors' remuneration (note 8)):			
Wages and salaries and other benefits		**157,707**	143,828
Pension scheme contributions		**13,614**	9,929
		171,321	153,757
Exchange losses, net		**6,420**	649
Impairment of trade receivables*		**1,193**	7,412
Gross rental income	5	**(12,633)**	(12,434)
Less: direct outgoing expenses		**314**	282
		(12,319)	(12,152)
Loss on disposal of items of property, plant and equipment		**–**	9
Gain on bargain purchase of additional interest in an associate**		**68,126**	4,024

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

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

NOTES TO FINANCIAL STATEMENTS

7. FINANCE COSTS

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

	2016 HK$'000	2015 HK$'000
Interest on bank borrowings	**14,854**	10,362

8. DIRECTORS' REMUNERATION

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

	2016 HK$'000	2015 HK$'000
Fees	**570**	535
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	**14,360**	11,585
Performance-related bonuses*	**1,827**	5,124
Pension scheme contributions	**71**	71
	16,258	16,780
	16,828	17,315

* 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	Performance-related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2016					
Executive directors:					
Mr. Tang Ching Ho	**–**	**12,000**	**1,530**	**18**	**13,548**
Mr. Chan Chun Hong, Thomas	**–**	**661**	**41**	**18**	**720**
Ms. Tang Mui Fun	**–**	**1,699**	**256**	**35**	**1,990**
	–	**14,360**	**1,827**	**71**	**16,258**
Independent non-executive directors:					
Mr. Leung Wai Ho	**140**	**–**	**–**	**–**	**140**
Mr. Siu Man Ho, Simon	**140**	**–**	**–**	**–**	**140**
Mr. Cho Wing Mou	**140**	**–**	**–**	**–**	**140**
Mr. Li Ka Fai, David	**150**	**–**	**–**	**–**	**150**
	570	**–**	**–**	**–**	**570**
2015					
Executive directors:					
Mr. Tang Ching Ho	–	9,165	4,677	18	13,860
Mr. Chan Chun Hong, Thomas	–	661	55	18	734
Ms. Tang Mui Fun	–	1,759	392	35	2,186
	–	11,585	5,124	71	16,780
Independent non-executive directors:					
Mr. Leung Wai Ho	140	–	–	–	140
Mr. Yuen Chi Choi *	100	–	–	–	100
Mr. Siu Man Ho, Simon	140	–	–	–	140
Mr. Cho Wing Mou	140	–	–	–	140
Mr. Li Ka Fai, David **	15	–	–	–	15
	535	–	–	–	535

* Passed away on 1 December 2014

** Appointed on 17 March 2015

NOTES TO FINANCIAL STATEMENTS

8. DIRECTORS' REMUNERATION *(Continued)*

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 March 2016 and 2015.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2015: two) directors, details of whose remuneration are disclosed in note 8 above. Details of the remuneration for the year of the remaining three (2015: three) non-director, highest paid employees are as follows:

	2016	2015
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**4,058**	3,254
Discretionary performance related bonuses	**632**	420
Pension scheme contributions	**51**	47
	4,741	3,721

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

	Number of employees	
	2016	2015
HK$1,000,001 to HK$1,500,000	**2**	3
HK$1,500,001 to HK$2,000,000	**1**	–

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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 rate for two of the Group's subsidiaries established in the PRC is 25% (2015: 25%).

	2016 HK$'000	2015 HK$'000
Current – Hong Kong		
Charge for the year	1,605	1,417
Underprovision in prior years	365	1,032
Current – other jurisdiction		
Charge for the year	–	85
Deferred taxation (note 30)	1,869	(2,517)
Total tax charge for the year	3,839	17

NOTES TO FINANCIAL STATEMENTS

10. INCOME TAX *(Continued)*

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:

	2016 **HK$'000**	2015 HK$'000
Profit before tax from continuing operations	**29,066**	120,778
Tax at the statutory/applicable tax rates of different countries/jurisdictions	**4,673**	19,692
Adjustments in respect of current tax of the previous periods	**365**	1,032
Profits and losses attributable to associates	**(12,808)**	(6,790)
Income not subject to tax	**(15,169)**	(29,498)
Expenses not deductible for tax	**17,470**	10,065
Tax losses utilised from previous periods	**(49)**	(1,446)
Tax losses not recognised	**10,922**	8,019
Utilisation of deductible temporary differences previously not recognised	**(2,409)**	(2,547)
Deductible temporary differences not recognised	**1,002**	1,630
Effect of tax concession	**(158)**	(140)
Tax charge at the Group's effective rate	**3,839**	17

The share of tax attributable to associates amounted to tax charge of HK$6,528,000 (2015: HK$20,703,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss and other comprehensive income.

11. DISCONTINUED OPERATION

During the year ended 31 March 2014, the Group significantly scaled down the operation of its Birds' Nest Sub-group due to the continuous decline in demand for its products and was in the process of 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 since the year ended 31 March 2014.

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

	2015 HK$'000
Revenue	–
Cost of sales	–
Gross loss	–
Other income	–
Selling and distribution expenses	–
Administrative expenses	(319)
Loss before tax from the discontinued operation	(319)
Income tax credit	409
Profit for the year from the discontinued operation	90
Attributable to:	
Owners of the parent	84
Non-controlling interests	6
	90

NOTES TO FINANCIAL STATEMENTS

11. DISCONTINUED OPERATION *(Continued)*

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

	2015 HK$'000
Operating activities	1,544
Investing activities	404
Financing activities	(8,246)
Net cash outflow	(6,298)

	2015
Basic and diluted profit per share from the discontinued operation	–

The calculations of basic and diluted profit per share (note 13) from the discontinued operation are based on:

	2015
Profit attributable to ordinary equity holders of the parent from the discontinued operation	HK$84,000
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculations	235,722,378*

* The weighted average number of ordinary shares adopted in the calculation of the basic and diluted earnings per share for both years has been adjusted retrospectively to reflect the impact of the WYT Rights Issue (as defined in note 31(b) to the financial statements) and the Share Consolidation (as defined in note 31(c) to the financial statements) completed during the year.

12. DIVIDENDS

The board of directors does not recommend the payment of any dividend in respect of the years ended 31 March 2016 and 2015.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 305,691,091 (2015: 235,722,378 (restated)) in issue during the year.

The weighted average number of ordinary shares adopted in the calculation of the basic and diluted earnings per share for both years has been adjusted retrospectively to reflect the impact of the WYT Rights Issue (as defined in note 31(b) to the financial statements) and the Share Consolidation (as defined in note 31(c) to the financial statements) completed on during the year.

No adjustment has been made to the basic earnings per share amount presented for the years ended 31 March 2016 and 2015 in respect of a dilution as the impact of the share options outstanding had no dilutive effect on the basic earnings per share amount presented.

NOTES TO FINANCIAL STATEMENTS

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

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

	2016 HK$'000	2015 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculations:		
From continuing operations	25,387	120,895
From a discontinued operation (note 11)	–	84
	25,387	120,979

	Number of shares 2016	 2015 (Restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculations	305,691,091	235,722,378

14. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

On 25 November 2015, Smart First, an indirect wholly-owned subsidiary of the Company, entered into a provisional sale and purchase agreement with an independent third party to dispose of an owner-occupied property located at Sheung Shui for a cash consideration of HK$88,000,000. The disposal was completed on 31 May 2016 and accordingly, the owner-occupied property with a carrying amount of HK$21,767,000 was classified as a non-current asset classified as held for sale.

15. PROPERTY, PLANT AND EQUIPMENT

	Notes	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 2014		177,310	51,225	39,222	38,699	3,032	15,313	67,258	392,059
Additions		27,795	3,733	694	2,074	–	2,349	248,432	285,077
Disposals		–	(1,969)	(4,836)	(1,031)	(836)	(67)	–	(8,739)
Exchange realignment		–	–	–	(2)	(13)	(14)	–	(29)
At 31 March 2015 and 1 April 2015		205,105	52,989	35,080	39,740	2,183	17,581	315,690	668,368
Additions		–	6,478	1,125	3,638	–	1,184	135,296	147,721
Acquisition of subsidiaries that are not a business	34	28,000	–	–	–	–	–	–	28,000
Disposals		–	(2,276)	–	(1,055)	–	(91)	–	(3,422)
Disposal of a subsidiary	35	(20,000)	–	–	–	–	–	–	(20,000)
Classified as held for sale	14	(25,500)	–	–	–	–	–	–	(25,500)
Exchange realignment		–	(1)	–	(5)	(25)	(27)	–	(58)
At 31 March 2016		187,605	57,190	36,205	42,318	2,158	18,647	450,986	795,109
Depreciation:									
At 1 April 2014		16,742	44,962	34,387	35,632	1,739	11,264	–	144,726
Provided for the year		5,303	4,149	1,915	2,086	399	1,391	–	15,243
Disposals		–	(1,969)	(4,423)	(1,031)	(836)	(67)	–	(8,326)
Exchange realignment		–	–	–	(2)	(4)	(10)	–	(16)
At 31 March 2015 and 1 April 2015		22,045	47,142	31,879	36,685	1,298	12,578	–	151,627
Provided for the year		5,451	3,944	1,289	2,042	227	1,768	–	14,721
Disposals		–	(2,276)	–	(1,055)	–	(91)	–	(3,422)
Disposal of a subsidiary	35	(1,324)	–	–	–	–	–	–	(1,324)
Classified as held for sale	14	(3,733)	–	–	–	–	–	–	(3,733)
Exchange realignment		–	(1)	–	(5)	(12)	(19)	–	(37)
At 31 March 2016		22,439	48,809	33,168	37,667	1,513	14,236	–	157,832
Carrying amount:									
At 31 March 2016		165,166	8,381	3,037	4,651	645	4,411	450,986	637,277
At 31 March 2015		183,060	5,847	3,201	3,055	885	5,003	315,690	516,741

NOTES TO FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

At 31 March 2016, certain of the Group's land and buildings with a net carrying amount of HK$154,655,000 (2015: HK$178,385,000) were pledged to secure general banking facilities granted to the Group (note 28).

16. INVESTMENT PROPERTIES

	Notes	2016 HK$'000	2015 HK$'000
Carrying amount at 1 April		**510,000**	467,000
Additions		**–**	16,132
Disposal of a subsidiary	35	**(23,000)**	–
Acquisition of subsidiaries that are not a business	34	**42,000**	–
Net gains/(losses) from fair value adjustments recognised in profit or loss		**(18,200)**	26,868
Carrying amount at 31 March		**510,800**	510,000

All of the Group's investment properties are commercial properties in Hong Kong. The Group's investment properties were revalued on 31 March 2016 based on valuations performed by Vigers Appraisal and Consulting Limited, an independent professionally qualified valuer, at HK$510,800,000 (2015: HK$510,000,000).

The investment properties are leased to third parties under operating leases, further details of which are included in note 39(a) to the financial statements.

At 31 March 2016, the Group's investment properties with an aggregate carrying value of HK$464,800,000 (2015: HK$510,000,000) 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 178.

16. INVESTMENT PROPERTIES *(Continued)*

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 (2015: Nil).

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

	Total HK$'000
Carrying amount at 1 April 2014	467,000
Additions	16,132
Net gains from fair value adjustments recognised in profit or loss	26,868
Carrying amount at 31 March 2015 and 1 April 2015	510,000
Disposal of a subsidiary	(23,000)
Acquisition of subsidiaries that are not a business	42,000
Net losses from fair value adjustments recognised in profit or loss	(18,200)
Carrying amount at 31 March 2016	510,800

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 2016**	**Range** 2015
Commercial properties	Investment method	Estimated rental value per square feet and per month (HK$)	**95 to 330**	135 to 380
		Capitalisation rate	**2.3% to 2.8%**	2.3% to 2.8%

NOTES TO FINANCIAL STATEMENTS

16. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy (Continued)

As at 31 March 2016 and 2015, the valuations of investment properties were based on the investment method which capitalises the rent receivable from the existing tenancies and the potential reversionary market rent of the properties.

Significant increases/(decreases) in the estimated rental value per square feet 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.

Generally, a change in the assumption made for the estimated rental value per square feet is accompanied by a directionally opposite change in the capitalisation rate.

17. GOODWILL

	HK$'000
As at 1 April 2014, 31 March 2015, 1 April 2015 and 31 March 2016:	
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 11% (2015: 13%) and 11% (2015: 13%), respectively. The cash flows beyond the five-year period were extrapolated using a steady growth rate of 3% (2015: 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 2016 and 2015:	
Subsidiary A	7,700
Subsidiary B	7,635
	15,335

Assumptions were used in the value in use calculation of the CGUs for the years ended 31 March 2016 and 2015. 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 2016 and 2015, management of the Group determines that there was no impairment of goodwill on any of its CGUs.

NOTES TO FINANCIAL STATEMENTS

18. OTHER INTANGIBLE ASSETS

	Trademarks HK$'000
31 March 2016	
Cost at 1 April 2015, net of accumulated amortisation	**408**
Additions	**60**
Amortisation provided during the year	**(178)**
At 31 March 2016	**290**
At 31 March 2016:	
Cost	**2,414**
Accumulated amortisation	**(2,124)**
Net carrying amount	**290**
31 March 2015	
Cost at 1 April 2014, net of accumulated amortisation	435
Additions	186
Amortisation provided during the year	(213)
At 31 March 2015	408
At 31 March 2015:	
Cost	2,354
Accumulated amortisation	(1,946)
Net carrying amount	408

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

19. INVESTMENTS IN ASSOCIATES

	Notes	2016 HK$'000	2015 HK$'000
Cost of investments in associates:	(a)		
Shares listed in Hong Kong, at cost	(b),(c)	585,241	474,528
Unlisted shares, at cost	(d)	4,331	4,331
Less: impairment losses recognised		(214,815)	(214,815)
		374,757	264,044
Share of post-acquisition profits and other comprehensive income, net of dividends received		54,566	31,923
Share of other reserve		(853)	(1,022)
		428,470	294,945

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

Particulars of a material associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Easy One Financial Group Limited*#^ ("**Easy One**")	Ordinary shares of HK$0.01 each	Cayman Islands/ Hong Kong	28.51 (Note (b))	Investment holding

* Listed on the Main Board of the Stock Exchange. The principal activities of its subsidiaries are the provision of financial service in Hong Kong and property development in the PRC.

\# The name has been changed from "PNG Resources Holdings Limited" to "Easy One Financial Group Limited" with effect from 13 November 2015.

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

NOTES TO FINANCIAL STATEMENTS

19. INVESTMENTS IN ASSOCIATES *(Continued)*

Notes:

(a) Included in the cost of investments in associates is goodwill arising from acquisition of Easy One. The movement of the cost of investment attributable to goodwill is set out below.

	2016	2015
	HK$'000	HK$'000
At 1 April	**33,358**	39,996
Deemed disposal of partial interests in Easy One	**(5,530)**	(6,638)
At 31 March	**27,828**	33,358

(b) **Year ended 31 March 2015**

(i) On 12 September 2014, Easy One, Ever Task Limited ("**Ever Task**"), an indirect wholly-owned subsidiary of Wang On a major shareholder of the Company, and Kingston Securities Limited ("**Kingston**"), the placing agent, entered into a placing and subscription agreement, pursuant to which (i) Ever Task agreed to place, through Kingston, 150,000,000 Easy One shares to certain placees at a price of HK$0.325 per share; and (ii) Easy One agreed to issue to Ever Task and Ever Task agreed to subscribe for an aggregate of 150,000,000 Easy One shares at a price of HK$0.325 per share (the "**2015 Easy One Top-Up Placing and Subscription**"). The 2015 Easy One Top-Up Placing and Subscription was completed on 26 September 2014.

On 12 September 2014, Easy One and Kingston entered into another placing agreement, pursuant to which Easy One agreed to issue an aggregate of 34,000,000 Easy One shares to certain placees at a price of HK$0.325 per share (the "**2015 Easy One Placing**"). The 2015 Easy One Placing was completed on 29 September 2014.

Upon completion of the 2015 Easy One Top-Up Placing and Subscription and the 2015 Easy One Placing, the Group's equity interests in Easy One were diluted from 28.86% to 24.07% and an aggregate loss on deemed partial disposal of equity interests in Easy One of HK$32,928,000 was recognised for the year ended 31 March 2015 and included in "Loss on deemed partial disposal of equity interests in an associate" in the consolidated statement of profit or loss and other comprehensive income.

(ii) On 19 November 2014, a special interim dividend was declared by Wang On and which was satisfied by way of a distribution in specie of the Easy One shares held by Wang On. Since the Group held 141,000,000 Wang On shares on 11 December 2014 (the ex-dividend date), 3,384,000 Easy One shares at a cost of HK$704,000 were distributed to the Group by Wang On on 23 December 2014 (the distribution date).

Consequently, the Group's equity interests in Easy One increased from 24.07% to 24.37% and an aggregate gain on bargain purchase of equity interests in Easy One of approximately HK$4,024,000 was recognised for the year ended 31 March 2015 and included in "Share of profits and losses of associates" in the consolidated statement of profit or loss and other comprehensive income.

19. INVESTMENTS IN ASSOCIATES *(Continued)*

Notes: *(Continued)*

(b) **Year ended 31 March 2016**

(i) On 14 April 2015, Easy One and Kingston, the placing agent, entered into a placing agreement, pursuant to which Easy One conditionally agreed to allot and issue, and Kingston conditionally agreed to place on a best effort basis, a maximum of 220,000,000 placing shares to not less than six placees at the price of HK$0.225 per placing share (the "**2016 Easy One Placing**"). The 2016 Easy One Placing was completed on 30 April 2015.

Upon completion of the 2016 Easy One Placing, the Group's equity interests in Easy One were diluted from 24.37% to 20.33% and an aggregate loss on deemed partial disposal of equity interests in Easy One of approximately HK$37,101,000 was recognised for the year ended 31 March 2016 and included in "Loss on deemed partial disposal of equity interests in an associate" in the consolidated statement of profit or loss and other comprehensive income.

(ii) On 4 June 2015, Easy One announced a rights issue of five rights shares for every two existing shares held by qualifying shareholders at an issue price of HK$0.168 per rights share (the "**Easy One Rights Issue**"). Hearty Limited ("**Hearty**") and Suntech Investments Limited, both are indirect wholly-owned subsidiaries of the Company, have jointly and severally and irrevocably granted an undertaking in favour of Easy One under which they agreed (i) to subscribe for 665,958,750 rights shares and 8,460,000 rights shares, respectively (674,418,750 rights shares in aggregate) and (ii) that Hearty would apply, by way of excess application, for 380,000,000 rights shares (the "**WYT Irrevocably Undertaking**"). On 16 July 2015, Easy One announced to change the subscription price from HK$0.168 per rights share to HK$0.105 per rights share. The Easy One Rights Issue was completed on 22 September 2015.

Upon completion of the Easy One Rights Issue, the Group subscribed for a total of 1,054,419,000 right shares, including the 380,000,000 rights shares subscribed pursuant to the WYT Irrevocably Undertaking and the Group's equity interests in Easy One increased from 20.33% to 28.51%. As a result, an aggregate gain on bargain purchase of equity interests in Easy One of HK$68,126,000 was recognised for the year ended 31 March 2016 and included in "Share of profits and losses of associates" in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO FINANCIAL STATEMENTS

19. INVESTMENTS IN ASSOCIATES *(Continued)*

Notes: *(Continued)*

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

	2016 HK$'000	2015 HK$'000
Current assets	**1,258,854**	1,735,364
Non-current assets	**754,180**	503,131
Current liabilities	**(409,930)**	(934,655)
Non-current liabilities	**(206,419)**	(202,294)
Net assets (including non-controlling interests)	**1,396,685**	1,101,546
Net assets attributable to the Group	**1,396,798**	1,060,130
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**28.51%**	24.37%
Group's share of net assets of the associate, excluding goodwill	**398,227**	258,354
Goodwill on acquisition (less cumulative impairment)	**27,828**	33,358
Carrying amount of the investment	**426,055**	291,712

	2016 HK$'000	2015 HK$'000
Revenue	**625,675**	1,188,134
Profit for the year	**47,383**	144,554
Post-tax profit/(loss) from a discontinued operation	**8,558**	(275)
Other comprehensive loss	**(48,325)**	(35,703)
Total comprehensive income/(loss) for the year	**(942)**	108,851

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

	2016 HK$'000	2015 HK$'000
Share of the associates' profits/(losses) for the year	**(278)**	120
Aggregate carrying amount of the Group's investments in the associates	**2,415**	3,233

20. AVAILABLE-FOR-SALE INVESTMENT

	2016 HK$'000	2015 HK$'000
Unlisted debt investment, at fair value	**671,521**	613,615

The above investment consists of an investment in a debt security which was designated as an available-for-sale financial asset. The debt security is issued by China Agri-Products Exchange Limited ("**CAP**"), an associate of Easy One and listed on the Stock Exchange, with a principal amount of HK$720,000,000 and a fixed interest rate of 10% per annum, which will mature in 2019. During the year, the gross gain in respect of the Group's available-for-sale investment recognised in other comprehensive income amounted to HK$54,880,000 (2015: gross loss of HK$88,874,000).

21. INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials and consumables	**29,479**	34,257
Work in progress	**3,596**	3,134
Finished goods	**121,685**	113,994
	154,760	151,385

NOTES TO FINANCIAL STATEMENTS

22. TRADE AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	**128,956**	126,256
Less: accumulated impairment	**(1,367)**	(11,135)
	127,589	115,121
Rental and other deposits	**32,518**	26,832
Prepayments	**31,817**	55,925
Other receivables	**42,697**	40,029
Deposit paid for the acquisition of property, plant and equipment	**134,336**	–
	241,368	122,786
Total trade and other receivables	**368,957**	237,907
Less: Deposit classified as a non-current asset	**(134,336)**	–
	234,621	237,907

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. 72% (2015: 73%) 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:

	2016 **HK$'000**	2015 HK$'000
0 – 30 days	**47,262**	35,948
31 – 60 days	**25,061**	19,772
61 – 120 days	**31,219**	37,602
121 – 180 days	**4,286**	7,823
Over 180 days	**19,761**	13,976
	127,589	115,121

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of HK$36,138,000 (2015: HK$31,272,000) 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.

An aged analysis of trade receivables which were past due but not impaired, based on the due date, is as follows:

	2016 **HK$'000**	2015 HK$'000
0 – 30 days	**5,109**	10,431
31 – 60 days	**5,071**	7,287
61 – 120 days	**5,670**	11,517
121 – 180 days	**3,606**	446
Over 180 days	**16,682**	1,591
	36,138	31,272

NOTES TO FINANCIAL STATEMENTS

22. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group has provided in full 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 period. The directors are of the opinion that no provision for impairment is necessary in respect of this balance as there has not been a significant change in credit quality and the balance is still considered fully recoverable.

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

	2016 HK$'000	2015 HK$'000
At 1 April	**11,135**	3,790
Impairment losses recognised	**1,193**	7,345
Amount written off as uncollectible	**(10,961)**	–
At 31 March	**1,367**	11,135

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$1,367,000 (2015: HK$11,135,000) 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.

23. AMOUNTS DUE FROM ASSOCIATES

	2016 HK$'000	2015 HK$'000
Trade receivables due from associates	**12,308**	10,640

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

As at 31 March 2016 and 2015, substantially all of the trade receivables are neither past due nor impaired. The directors of the Company are of the opinion that no provision for impairment is necessary as the directors assessed that the balances will be fully recoverable based on their settlement records. The Group does not hold any collateral over these balances.

24. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$'000	2015 HK$'000
Listed equity investments at market value	**191,464**	191,547
Unlisted mutual funds at fair value	**5,611**	1,675
	197,075	193,222

The above financial instruments at 31 March 2016 and 2015 were classified as held for trading or were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

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 equity investments at fair value through profit or loss that are denominated in USD, other than the functional currencies of the respective group entities, amounted to HK$5,611,000 (2015: HK$1,675,000).

Assuming the portfolio of the Group's listed equity investment has remained unchanged, the market value of the Group's listed equity investments at the date of approval of these financial statements was HK$178,926,000 (2015: HK$212,357,000).

NOTES TO FINANCIAL STATEMENTS

25. LOANS AND INTEREST RECEIVABLES

Details of the loans and interest receivables are as follows:

Loan	Name of borrower	Maturity date	Effective interest rate per annum	2016 HK$'000	2015 HK$'000
10% unsecured HK$60 million loan	CAP	30 September 2014	9.54%	–	953
10% unsecured HK$15 million loan	CAP	30 September 2014	9.54%	–	238
10% unsecured HK$100 million loan	CAP	27 December 2015	9.15%	–	9,178
12% unsecured HK$100 million loan	CAP	27 May 2016	11.34%	–	6,017
12% unsecured HK$50 million loan	CAP	27 May 2016	11.40%	–	2,565
				–	18,951

Loans and interest receivables were neither past due nor impaired as at 31 March 2015. The credit quality of these loans is considered good as the directors assessed that 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 for the year ended 31 March 2015. The aggregate fair value of the loans and interest receivables as at 31 March 2015 was HK$18,951,000. 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

	2016 HK$'000	2015 HK$'000
Bank balances and cash	204,789	96,467
Time deposits	819	154,484
	205,608	250,951

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 0.0001% to 4.05% (2015: 0.0001% to 4.05%) 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:

	2016 HK$'000	2015 HK$'000
USD	34	34
Euro ("**EUR**")	141	141
Singapore Dollar ("**SGD**")	766	50
RMB*	744	103,914
HK$	391	1,839
New Taiwan Dollar ("**NTD**")	6	8
Australian Dollar	4	4

* The RMB is not freely convertible into other currencies, however, under Mainland China Foreign Exchange Control Regulations and Administration of Settlement Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

NOTES TO FINANCIAL STATEMENTS

27. TRADE AND OTHER PAYABLES

	2016 **HK$'000**	2015 HK$'000
Trade payables	**78,008**	81,517
Accrual of salaries and commission	**19,533**	22,365
Accrual of advertising and promotion	**11,381**	10,170
Rental deposits received	**2,971**	2,799
Other payables and accruals	**49,795**	108,866
	161,688	225,717

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

	2016 **HK$'000**	2015 HK$'000
0 – 30 days	**57,237**	19,598
31 – 60 days	**15,475**	22,398
61 – 120 days	**3,994**	38,767
Over 120 days	**1,302**	754
	78,008	81,517

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

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:

	2016 **HK$'000**	2015 HK$'000
RMB	**9,178**	7,132
NTD	**456**	440
USD	**544**	1,274
EUR	**2,233**	38
SGD	**4**	4

28. BANK BORROWINGS

	2016			2015		
	Contractual interest rate (%)	Maturity	HK$'000	Contractual interest rate (%)	Maturity	HK$'000
Current:						
Bank loans – secured	Prime rate – (2.50 – 2.90)/ HIBOR + (1.28 – 2.25)	2016 – 2017 or on demand	93,800	Prime rate – (2.50 – 2.90)/ HIBOR + (1.28 – 2.00)	2015 – 2016	44,556
Bank loans – unsecured	HIBOR + (1.65 – 1.70)	2016 – 2017 or on demand	36,240			–
Long term bank loans repayable on demand – secured	HIBOR + (1.30 – 2.50)	On demand	28,888	HIBOR + (1.70 – 2.50)	On demand	90,843
Long term bank loans repayable on demand – unsecured			–	HIBOR + (1.28 – 2.00)	On demand	63,824
			158,928			199,223
Non-current:						
Bank loans – secured	Prime rate – (2.50 – 2.90)/ HIBOR + (1.28 – 2.25)	2017 – 2031	537,038	Prime rate – (2.50 – 2.90)/ HIBOR + (1.28 – 2.00)	2017 – 2028	350,873
Bank loans – unsecured	HIBOR +1.65	2021	42,720			–
			579,758			350,873
			738,686			550,096

NOTES TO FINANCIAL STATEMENTS

28. BANK BORROWINGS *(Continued)*

	2016 HK$'000	2015 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand (Note)	**158,928**	199,223
In the second year	**139,377**	47,216
In the third to fifth years, inclusive	**324,351**	164,308
Beyond five years	**116,030**	139,349
	738,686	550,096

Note: As further explained in note 42(b) to the financial statements, the Group's term loans with an aggregate amount of HK$53,208,000 (2015: HK$154,667,000) 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.

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:

	2016 HK$'000	2015 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year	**130,040**	85,035
In the second year	**154,522**	86,489
In the third to fifth years, inclusive	**331,638**	221,972
Beyond five years	**122,486**	156,600
	738,686	550,096

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 HK$154,655,000 (2015: HK$178,385,000) and HK$464,800,000 (2015: HK$510,000,000), respectively.

In addition, the Company has guaranteed the Group's bank loans up to HK$738,686,000 (2015: HK$550,096,000) 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

	2016 HK$'000	2015 HK$'000
Carrying amount at 1 April	**18**	18
Additions during the year	**120**	90
Recognised during the year	**(120)**	(90)
Carrying amount at 31 March	**18**	18

30. DEFERRED TAX

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

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation HK$'000	Unrealised fair value gain on financial assets at fair value through profit or loss HK'000	Total HK$'000
At 1 April 2014	2,477	–	2,477
Deferred tax credited to profit or loss during the year			
– continuing operations (note 10)	(685)	–	(685)
– discontinued operation	(262)	–	(262)
At 31 March 2015 and 1 April 2015	1,530	–	1,530
Deferred tax charged to profit or loss during the year			
– continuing operations (note 10)	57	5,720	5,777
Acquisition of subsidiaries that are not a business (note 34)	11	–	11
At 31 March 2016	1,598	5,720	7,318

NOTES TO FINANCIAL STATEMENTS

30. DEFERRED TAX *(Continued)*

Deferred tax assets

	Loss available for offsetting against future taxable profits HK$'000	Depreciation in excess of related depreciation allowance HK$'000	Allowance for bad and doubtful debts HK$'000	Total HK$'000
At 1 April 2014	–	4,566	531	5,097
Deferred tax credited/(charged) to profit or loss during the year – continuing operations (note 10)	2,322	26	(516)	1,832
At 31 March 2015 and 1 April 2015	2,322	4,592	15	6,929
Deferred tax credited/(charged) to profit or loss during the year – continuing operations (note 10)	4,294	(426)	40	3,908
At 31 March 2016	6,616	4,166	55	10,837

At the end of the reporting period, the Group has unused tax losses arising in Hong Kong of HK$203,926,000 (2015: HK$141,664,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has unused tax loss arising in the PRC of HK$4,193,000 (2015: HK$1,793,000) that will expire in one 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.

30. DEFERRED TAX *(Continued)*

Deferred tax assets *(Continued)*

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 2016 and 2015, 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 HK$4,287,000 at 31 March 2016 (2015: HK$6,132,000).

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

31. SHARE CAPITAL

Shares

	2016 **HK$'000**	2015 HK$'000
Authorised: 60,000,000,000 (2015: 60,000,000,000) ordinary shares of HK$0.01 (2015: HK$0.01) each	**600,000**	600,000
Issued and fully paid: 316,285,722 (2015: 4,217,142,969) ordinary shares of HK$0.01 (2015: HK$0.01) each	**3,163**	42,171

NOTES TO FINANCIAL STATEMENTS

31. SHARE CAPITAL *(Continued)*

Shares (Continued)

During the year, the movements in share capital and shre premium account of the Company were summarised as follows:

	Notes	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
As 1 April 2014		2,931,142,969	29,311	1,340,510	1,369,821
Issue of shares	(a)	1,286,000,000	12,860	189,236	202,096
Share issue expenses	(a)	–	–	(5,864)	(5,864)
At 31 March 2015		4,217,142,969	42,171	1,523,882	1,566,053
Issue of rights shares	(b)	2,108,571,484	21,086	206,640	227,726
Share issue expense	(b)	–	–	(5,279)	(5,279)
Share consolidation	(c)	(6,009,428,731)	–	–	–
Capital reduction	(d)	–	(60,094)	–	(60,094)
As 31 March 2016		316,285,722	3,163	1,725,243	1,728,406

Notes:

(a) On 20 August 2014, the Company, Rich Time Strategy Limited ("**Rich Time**"), an indirect wholly-owned subsidiary of Wang On, and Kingston entered into a placing and subscription agreement, pursuant to which (i) Rich Time agreed to place through Kingston 586,000,000 shares of the Company to certain independent parties at a price of HK$0.186 per share; and (ii) Rich Time has conditionally agreed to subscribe for an aggregate of 586,000,000 shares at a price of HK$0.186 per share (the "**WYT Top-up Placing and Subscription**"). The WYT Top-up Placing and Subscription was completed on 28 August 2014.

In addition, on 20 November 2014, the Company and Kingston entered into a placing agreement, pursuant to which the Company agreed to allot and issue through Kingston, 700,000,000 shares of the Company to certain independent parties at a price of HK$0.133 per share. The transaction was completed on 4 December 2014.

(b) On 19 May 2015, the Company completed a rights issue of one rights share for every two existing shares held by qualifying shareholders at an issue price of HK$0.108 per rights share (the "**WYT Rights Issue**") and a total of 2,108,571,484 rights shares were issued at a total cash consideration, before expenses, of HK$227,726,000. The related share issue expenses charged to share premium account amounted to HK$5,279,000.

(c) On 15 March 2016, the Company completed the consolidation of shares in the issued shares of the Company whereby every twenty existing shares of HK$0.01 each were consolidated into one consolidated share of HK$0.2 each (the "**Share Consolidation**").

31. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

Notes: *(Continued)*

(d) On 15 March 2016, after the Share Consolidation, the Company completed the capital reduction of the issued share capital of the Company whereby the nominal value of all issued consolidated shares of the Company was reduced from HK$0.2 each to HK$0.01 by cancelling HK$0.19 and the issued share capital of the Company was reduced by HK$0.19 per consolidated share in issue. The credit arising from this capital reduction was credited to the contributed surplus account of the Company.

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**") was 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 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.

NOTES TO FINANCIAL STATEMENTS

32. SHARE OPTION SCHEME *(Continued)*

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.

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

	2016		2015	
	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	**0.773**	**1,058**	0.759	1,253
Adjusted upon WYT Rights Issue	**–**	**44**	–	–
Adjusted upon Share Consolidation	**–**	**(1,024)**	–	–
Forfeited during the year	**8.290**	**(24)**	0.680	(195)
At 31 March	**14.881**	**54**	0.773	1,058

There were no share options granted or exercised for the years ended 31 March 2016 and 2015.

There was no share-based payment recognised during the year ended 31 March 2016 (2015: Nil).

32. SHARE OPTION SCHEME *(Continued)*

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

2016

Number of options '000	Exercise price* HK$ per share	Exercise period#
24	**23.1200**	**8.1.2010 to 7.1.2019**
30	**8.2900**	**12.5.2011 to 11.5.2020**
54		

2015

Number of options '000	Exercise price* HK$ per share	Exercise period#
467	1.2050	8.1.2010 to 7.1.2019
591	0.4321	12.5.2011 to 11.5.2020
1,058		

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

\# The options granted vested as follows:

On the 1st anniversary of the date of grant:	30% 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

NOTES TO FINANCIAL STATEMENTS

32. SHARE OPTION SCHEME *(Continued)*

At the end of the reporting period, the Company had 53,871 (2015: 1,057,702) 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 53,871 additional ordinary shares of the Company and additional share capital of HK$500 (2015: HK$11,000) and share premium of HK$807,000 (2015: HK$807,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 51,989 share options outstanding under the 2003 Scheme, which represented approximately 0.016% of the Company's shares in issue at that date.

33. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 71 and 72 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) Contributed surplus

The contributed surplus 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.

(iv) Reserve funds

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

34. ACQUISITION OF SUBSIDAIRIES THAT ARE NOT A BUSINESS

Year ended 31 March 2016

On 13 November 2015, the Group entered into a sale and purchase agreement with East Run Investments Limited ("**East Run**"), an indirect wholly-owned subsidiary of Wang On, to acquire the entire equity interests in Good Excellent and Sunbo and the shareholder's loans owned by Good Excellent and Sunbo to East Run, at a total cash consideration of HK$70,353,000. The transaction was completed on 23 December 2015, and Good Excellent and Sunbo became wholly-owned subsidiaries of the Group since then.

Good Excellent and Sunbo are principally engaged in property holding in Hong Kong and up to the date of acquisition, Good Excellent and Sunbo have not carried out any significant business transaction except for holding certain properties in Hong Kong. The above acquisitions have been accounted for by the Group as acquisitions of assets as the entities acquired by the Group do not constitute a business.

The net assets acquired by the Group in the above transaction are as follow:

	Good Excellent HK$'000	**Sunbo** HK$'000	**Total** HK$'000
Net assets acquired:			
Investment properties (note 16)	–	42,000	42,000
Property, plant and equipment (note 15)	28,000	–	28,000
Bank balances	451	433	884
Prepayment and other deposits	–	7	7
Other payables and accruals	(309)	(272)	(581)
Tax recoverable	21	33	54
Deferred tax liabilities	(9)	(2)	(11)
	28,154	42,199	70,353
Satisfied by:			
Cash	28,154	42,199	70,353

NOTES TO FINANCIAL STATEMENTS

34. ACQUISITION OF SUBSIDAIRIES THAT ARE NOT A BUSINESS *(Continued)*

Year ended 31 March 2016 *(Continued)*

An analysis of the cash flows in respect of the acquisitions of Good Excellent and Sunbo are as follows:

	Good Excellent HK$'000	**Sunbo** HK$'000	**Total** HK$'000
Total cash consideration	(28,154)	(42,199)	(70,353)
Bank balances acquired	451	433	884
Net outflow of cash and cash equivalents included in cash flows from investing activities for the year	(27,703)	(41,766)	(69,469)

35. DISPOSAL OF A SUBSIDIARY

On 24 April 2015, the Group entered into a provisional sale and purchase agreement with an independent third party to dispose of its entire 100% equity interest in Smart Star and a shareholder's loan owed by Smart Star to the Group for a total consideration of HK$45,000,000. Smart Star was principally engaged in property holding and the disposal of Smart Star was completed on 23 July 2015.

Details of the net assets of Smart Star disposed of in the current year and their financial impacts are summarised below:

	Notes	HK$'000
Net assets disposed of:		
Investment properties	16	23,000
Property, plant and equipment	15	18,676
		41,676
Professional fees and expenses		840
Gain on disposal of a subsidiary		2,484
		45,000
Satisfied by:		
Cash		45,000

35. DISPOSAL OF A SUBSIDIARY *(Continued)*

An analysis of the net inflow of cash and cash equivalents for the year in respect of the disposal of Smart Star is as follows:

	HK$'000
Cash consideration	45,000
Cash and bank balances disposed of	–
Professional fees and expenses	(840)
Net inflow of cash and cash equivalents in respect of the disposal of Smart Star	44,160

36. 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$1,500 and 5% of the relevant monthly payroll costs to the MPF Scheme (save for a director of the Company for 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 benefit schemes operated by the government. The subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement benefit schemes. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

The total cost of HK$13,685,000 (2015: HK$10,000,000) 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 2016, contributions of HK$444,000 (2015: HK$381,000) due in respect of the reporting period had not been paid over to the schemes.

NOTES TO FINANCIAL STATEMENTS

37. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

Year ended 31 March 2015

The Group purchased an unlisted debt security issued by CAP at a consideration of HK$702,000,000 in the prior year, which was partially offset by the loan and interest receivables due from CAP of HK$325,000,000.

38. 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.

39. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 16) and sub-leases 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.

At 31 March 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2016 **HK$'000**	2015 HK$'000
Within one year	**11,845**	11,905
In the second to fifth years, inclusive	**12,939**	3,781
	24,784	15,686

39. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee

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

Certain leases have contingent rental payable which is based on the turnover of the relevant retail shops. The contingent rent paid for the year was HK$14,911,000 (2015: HK$18,555,000).

The Group made minimum lease payments of HK$110,692,000 (2015: HK$98,016,000) under operating leases during the year in respect of its office properties and retail shops.

At 31 March 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 **HK$'000**	2015 HK$'000
Within one year	**90,714**	93,676
In the second to fifth years, inclusive	**56,419**	110,513
After five years	**1,512**	1,512
	148,645	205,701

40. COMMITMENTS

In addition to the operating lease commitments detailed in note 39(b) above, the Group had the following capital commitments at the end of the reporting period:

	2016 **HK$'000**	2015 HK$'000
Contracted, but not provided for:		
– Property, plant and equipment	**57,941**	249,545

NOTES TO FINANCIAL STATEMENTS

41. RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

	Notes	2016 HK$'000	2015 HK$'000
Wang On and its subsidiaries			
– Rental income received by the Group	(i)	**2,096**	1,992
– Rental expense paid by the Group	(i)	**10,841**	2,084
– Management fee paid by the Group	(i)	**960**	960
– Sales of Chinese pharmaceutical products by the Group	(ii)	**6,828**	3,964
Associates			
– Sales of Chinese pharmaceutical products by the Group	(ii)	**24,438**	24,782
– Rental income received by the Group	(i)	**1,904**	1,487
– Effective interest income on loans received by the Group	(iii)	**–**	10,959
– Management and promotion fees received by the Group	(i)	**1,024**	939

Notes:

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

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

(iii) Interest was charged by the Group on loans advanced to Easy One. Details of the terms of the relevant loans are set out in note 25 to the financial statements.

(b) Acquisition of Good Excellent and Sunbo from East Run, an indirect wholly-owned subsidiary of Wang On

Details of the acquisition of Good Excellent and Sunbo are set out in note 34 to the financial statements.

41. RELATED PARTY TRANSACTIONS *(Continued)*

(c) 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) and (b) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

42. 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 to the financial statements, 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

	2016 **HK$'000**	2015 HK$'000
Financial assets		
Available-for-sale investment	**671,521**	613,615
Equity investments at fair value through profit or loss	**197,075**	193,222
Loans, trade and other receivables (including cash and cash equivalents)	**420,720**	462,524
Financial liabilities		
At amortised cost	**852,746**	736,414

NOTES TO FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

b. *Financial risk management objectives and policies*

The Group's major financial instruments include trade and other receivables, amounts due from associates, loans and interest receivables, available-for-sale investment, equity investments at fair value through profit or loss, 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. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

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

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 1.0% (2015: 42.2%) 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 88.4% (2015: 71.6%) 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.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

b. *Financial risk management objectives and policies (Continued)*

Market risk *(Continued)*

(i) Currency risk (Continued)

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	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**9,178**	7,132	**760**	103,914
USD	**544**	1,274	**5,647**	1,712
SGD	**4**	4	**867**	157
EUR	**256**	38	**141**	141
HK$	**–**	–	**391**	1,839
NTD	**1,753**	440	**6**	8
AUD	**–**	–	**4**	4

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.

If the RMB exchange rate had been increased/decreased by 5% and other variables were held constant, the Group's profit for the year ended 31 March 2016 would decrease/increase by HK$351,000 (2015: profit increase/decrease by HK$4,041,000).

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

NOTES TO FINANCIAL STATEMENTS

42. 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 to the financial statements) and bank deposits (see note 26 to the financial statements) 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 that 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 2016 would decrease/increase by HK$3,081,000 (2015: profit would decrease/increase by HK$1,652,000). 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 rate risk on bank balances are considered insignificant by the directors and therefore no sensitivity analysis has been prepared.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

b. *Financial risk management objectives and policies* *(Continued)*

Market risk *(Continued)*

(iii) *Price risk*

The Group is exposed to price risk because the fair value of equity investments at fair value through profit or loss is measured by reference to the prevailing market price. Details of equity investments at fair value through profit or loss are set out in note 24 to the financial statements.

The Group currently does not have a policy to hedge the price risk. However, 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 equity investments at fair value through profit or loss at the end of the reporting period. The analysis is prepared assuming that the amount outstanding at the end of the reporting period was outstanding for the whole year. A 10% (2015: 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 equity investments at fair value through profit or loss had been increased/decreased by 10% (2015: 10%) and all other variables were held constant, the Group's profit for the year ended 31 March 2016 would increase/decrease by HK$16,456,000 (2015: profit would increase/decrease by HK$16,134,000).

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. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

NOTES TO FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

b. *Financial risk management objectives and policies* *(Continued)*

Liquidity risk *(Continued)*

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 cash flows are at floating rates, the undiscounted amount is derived from the interest rate at the end of the reporting period.

	Weighted average interest rate %	On demand or less than 3 months HK$'000	3 to 6 months HK$'000	6 months to 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2016								
Trade and other payables	**–**	**99,891**	**5,297**	**8,872**	**–**	**–**	**114,060**	**114,060**
Bank borrowings – variable rate	**2.27**	**103,770**	**20,020**	**48,171**	**497,494**	**118,456**	**787,911**	**738,686**
		203,661	**25,317**	**57,043**	**497,494**	**118,456**	**901,971**	**852,746**
As at 31 March 2015								
Trade and other payables	–	129,290	38,885	18,143	–	–	186,318	186,318
Bank borrowings – variable rate	2.23	168,401	13,701	27,288	239,452	143,732	592,574	550,096
		297,691	52,586	45,431	239,452	143,732	778,892	736,414

42. 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 2016, the aggregate undiscounted principal amount of these bank loans amounted to HK$53,208,000 (2015: HK$154,667,000). 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:

	2016 **HK$'000**	2015 HK$'000
Less than 3 months	**36,713**	11,031
3 to 6 months	**6,275**	11,021
Over 6 months to 1 year	**12,543**	21,353
Over 1 to 5 years	**23,038**	101,272
Over 5 years	**6,700**	18,239
Total undiscounted cash flows	**85,269**	162,916

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.

NOTES TO FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

b. *Financial risk management objectives and policies (Continued)*

Credit risk

As at 31 March 2016, 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 an unlisted debt investment issued by CAP of HK$671,521,000 (2015: HK$613,615,000) as detailed in note 20 to the financial statements. As CAP is a listed entity, management of the Group reviews its published financial information regularly to ensure that the principal and interest 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.

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 interest receivables, 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.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

c. *Fair value* *(Continued)*

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 cost are determined in accordance with generally accepted pricing models based on the discounted cash flow analysis; and

- the fair value of the equity investments at fair value through profit or loss in note 24 to the financial statements is determined based on quoted market bid prices in the active market.

The fair values of the non-current portion of loans and interest receivables and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 31 March 2016 was assessed to be insignificant. Management has assessed that the fair values of the non-current portion of loans and interest receivables and interest-bearing bank borrowings approximate to their carrying amounts.

The fair value of the unlisted available-for-sale debt investment has been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

c. *Fair value* *(Continued)*

Below is a summary of significant unobservable input to the valuation of the unlisted available-for-sale debt investment together with a quantitative sensitivity analysis as at 31 March 2016 and 2015:

	Valuation technique	Significant unobservable input	Weighted average	Sensitivity of fair value to the input
Unlisted available-for-sale debt investment	Discounted cash flow value	Discount for credit risk	11.6% (2015: 14.1%)	1% increase/(decrease) in discount for credit risk would result in decrease/(increase) in fair value by HK$18,632,000 (2015: HK$20,004,000)

The discount for credit risk represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

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 2016	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets at FVTPL				
Available-for-sale investment	–	–	671,521	671,521
Equity investments at fair value through profit or loss	191,464	5,611	–	197,075

42. 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 31 March 2015	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets at FVTPL				
Available-for-sale investment	–	–	613,615	613,615
Equity investments at fair value through profit or loss	191,547	1,675	–	193,222

The Group did not have any financial liabilities measured at fair value as at 31 March 2016 and 2015.

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 for both financial assets and financial liabilities (2015: Nil).

NOTES TO FINANCIAL STATEMENTS

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSET		
Investment in subsidiaries	–	–
	–	–
CURRENT ASSETS		
Due from subsidiaries	2,388,655	1,899,610
Other receivables	6,046	8,078
Equity investments at fair value through profit or loss	45,520	10,856
Bank balances and cash	43,886	189,833
Tax recoverable	1,488	1,818
	2,485,595	2,110,195
CURRENT LIABILITIES		
Due to subsidiaries	459,001	322,419
Other payables	3,777	6,159
	462,778	328,578
NET CURRENT ASSETS	2,022,817	1,781,617
TOTAL ASSETS LESS CURRENT LIABILITIES	2,022,817	1,781,617
NON-CURRENT LIABILITY		
Deferred tax liability	5,720	–
Net assets	2,017,097	1,781,617
EQUITY		
Issued capital	3,163	42,171
Reserves (note)	2,013,934	1,739,446
Total equity	2,017,097	1,781,617

Tang Ching Ho
Director

Chan Chun Hong, Thomas
Director

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Notes	Share premium HK$'000	Special reserve HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2014		1,340,510	(27,150)	215,599	582	73,835	1,603,376
Profit and total comprehensive income for the year		–	–	–	–	(38,509)	(38,509)
Issue of shares	31(a)	189,236	–	–	–	–	189,236
Share issue expenses	31(a)	(5,864)	–	–	–	–	(5,864)
Forfeiture of share options		–	–	–	(83)	83	–
Final 2014 dividend declared		–	–	–	–	(8,793)	(8,793)
At 31 March 2015 and 1 April 2015		1,523,882	(27,150)	215,599	499	26,616	1,739,446
Profit and total comprehensive income for the year		–	–	–	–	13,033	13,033
Rights issue	31(b)	206,640	–	–	–	–	206,640
Share issue expenses	31(b)	(5,279)	–	–	–	–	(5,279)
Capital reduction	31(d)	–	–	60,094	–	–	60,094
Forfeiture of share options		–	–	–	(6)	6	–
At 31 March 2016		1,725,243	(27,150)	275,693	493	39,655	2,013,934

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited after the vesting period.

44. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the implementation of the Hong Kong Companies Ordinance (Cap. 622) during the current year, the presentation and disclosure of certain items and balances in the financial statements have been revised to comply with the new requirements.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 8 June 2016.

PARTICULARS OF PROPERTIES

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%
G/F, Bowring Building, No. 14 Bowring Street, Kowloon	Commercial premises for rental	Medium term lease	100%
Shop A, G/F, No. 76B To Kwa Wan Road, Kowloon	Commercial premises for rental	Long term lease	100%
Shop B, G/F, the Cockloft Yan Oi House, No. 237 Sha Tsui Road, No. 87 & 89 Chuen Lung Street, Tsuen Wan, New Territories	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				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CONTINUING OPERATIONS					
Revenue	**825,331**	831,088	865,258	785,581	720,716
Profit/(loss) before tax from continuing operations	**29,066**	120,778	171,874	148,687	(214,065)
Income tax expense	**(3,839)**	(17)	(3,676)	(291)	(6,867)
Profit/(loss) for the year from continuing operations	**25,227**	120,761	168,198	148,396	(220,932)
DISCONTINUED OPERATION					
Profit/(loss) for the year from a discontinued operation	**–**	90	(5,096)	(77)	173
PROFIT/(LOSS) FOR THE YEAR	**25,227**	120,851	163,102	148,319	(220,759)
Attributable to:					
Owners of the parent	**25,387**	120,979	163,374	148,433	(220,838)
Non-controlling interests	**(160)**	(128)	(272)	(114)	79
	25,227	120,851	163,102	148,319	(220,759)

FIVE YEAR FINANCIAL SUMMARY

Assets, Liabilities And Non-Controlling Interests

	At 31 March				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**3,237,452**	2,823,903	2,348,948	2,052,287	1,628,625
Total liabilities	**(907,896)**	(777,948)	(508,047)	(367,338)	(238,718)
	2,329,556	2,045,955	1,840,901	1,684,949	1,389,907
Equity attributable to owners of the parent	**2,322,490**	2,038,729	1,833,547	1,677,284	1,382,097
Non-controlling interests	**7,066**	7,226	7,354	7,665	7,810
	2,329,556	2,045,955	1,840,901	1,684,949	1,389,907