



位元堂

Wai Yuen Tong Medicine Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 897)



Preparing Medicine with Dedication
Growing Strong with Reputation

2016
Interim Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

EXECUTIVE COMMITTEE

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

COMPANY SECRETARY

Ms. Mak Yuen Ming, Anita

AUDITORS

Ernst & Young

LEGAL ADVISERS

DLA Piper Hong Kong
Gallant

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3101, 31/F., Skyline Tower
39 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong
(takes effect on 3 December 2016)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

BOARD LOT

5,000 shares

INVESTOR RELATIONS

Email: contact@waiyuentong.com

HOMEPAGE

www.wyth.net

STOCK CODE

897

INTERIM DIVIDEND

The board of directors (the “**Board**”) of Wai Yuen Tong Medicine Holdings Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) does not recommend the payment of any interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 September 2016 (the “**current period**”), the Group’s turnover dropped by approximately 6.9% to approximately HK\$350.9 million (2015: approximately HK\$376.8 million). During the current period, the Group recorded a loss attributable to owners of the parent amounting to approximately HK\$38.3 million (2015: a profit attributable to owners of the parent which amounted to approximately HK\$67.7 million). Such a decline in results was mainly attributable to, among other things, the net loss in fair value of equity investments at fair value through profit or loss, the share of losses in associates and the fair value losses on investment properties, which were offset by the absence of a loss on deemed partial disposal of equity interests in an associate recorded in the same period last year and the recognition of a gain on disposal of a property in the current period.

(1) Chinese Pharmaceutical and Health Food Products

Turnover of this division for the current period decreased by approximately 7.6% from that of the same period last year to approximately HK\$278.6 million. The operating environment in the current period remained challenging and continued to adversely affect the consumer sentiment. Our retail business recognised a drop in sales revenue whereas other sales channels including key accounts, open trade and overseas achieved a mild rise as a result of widening distribution network. There is a slight increase in the overall gross profit margin as a result of better sales mix and strict cost control.

As always, the Group remains committed to employ comprehensive quality assurance procedures and carry out strict quality controls throughout every stages of our production processes. In order to cater for the market needs and trend in a timely manner, the Group continues to devote resources in the research efforts for production innovation and expansion of our product range for consumers. Our Wai Yuen Tong brand’s unique combination of quality, price and convenience has won widespread recognition and trust among customers, which helps to further reinforce our leading position in the industry. Moreover, the mass public’s growing desire to realise their good lifelong health and the increasing trend of people consuming health supplements for their wellness will undoubtedly add momentum to our growth in the long term.

BUSINESS REVIEW (Continued)

(2) Western Pharmaceutical and Health Food Products

Turnover for the current period decreased slightly by approximately 1.8% from that of the corresponding period of the previous year to approximately HK\$67.9 million. Sales in Hong Kong rose whereas that in Mainland China dropped. In face of the fierce competitive market, the overall gross profit margin has declined. Cough syrup products under our “Madame Pearl’s” brand posted a slight decrease in turnover. Products under “MP-Professional” brand like Madame Pearl’s BreathEasy patches have shown a stable sales momentum. “Pearl’s” anti-mosquito products, which have been a leading brand of the category in Hong Kong, have exhibited healthy growth during the current period. Looking forward, the Group will continue our relentless research efforts in product development to offer more products for broadening our revenue base. In addition, the Group will strive to intensify our product penetration in the market through added advertising and promotion and further exploration of various sales channels such as institutional sales to hospitals.

(3) Property Investment

On 25 November 2015, the Group entered into a provisional sale and purchase agreement for the sale of a property located in Sheung Shui for a consideration of HK\$88.0 million. The disposal was completed on 31 May 2016 and a disposal gain of approximately HK\$65.7 million was recorded in this regard. Details of the transaction were set out in the Company’s announcement dated 26 November 2015.

As at the end of the reporting period, the Group owned twelve 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. The Company believes 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.

(4) Investment in Easy One Financial Group Limited (“Easy One”)

Easy One, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), which is principally engaged in the businesses of property development in the People’s Republic of China (the “**PRC**”) and provision of finance in Hong Kong.

During the current period, there is no change in the Group’s shareholding in Easy One. As at 30 September 2016, the Group held 28.51% of the issued shares of Easy One.

BUSINESS REVIEW (Continued)

(4) Investment in Easy One Financial Group Limited (“Easy One”) (Continued)

The Group’s share of loss of Easy One amounted to approximately HK\$18.5 million for the current period (2015: share of profit amounted to approximately HK\$97.6 million).

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

Subsequent to the end of the reporting period, the Group granted a loan facility to Easy One of not exceeding HK\$100.0 million for a term of 24 months at an interest rate of 6.5% per annum, details of which were set out in the Company’s announcement dated 5 October 2016. As at the date of this report, HK\$40.0 million had been drawn down by 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 2019 with coupon interest of 10.0% per annum issued by CAP on 28 November 2014 (the “**CAP Bonds**”). In addition, pursuant to the sale and purchase agreement dated 5 July 2016 (as supplemented on 8 July 2016), the Group had further acquired a principal amount of HK\$200.0 million of CAP Bonds (the “**HK\$200M CAP Bonds**”) from Double Leads Investments Limited (“**Double Leads**”), a subsidiary of Wang On Group Limited (“**Wang On**”), a controlling shareholder and the ultimate holding company of the Company whose shares are listed on the Main Board of the Stock Exchange. As at 30 September 2016, the Group held a principal amount of HK\$920.0 million of CAP Bonds.

As at 30 September 2016, the fair value of all CAP Bonds held by the Group amounted to approximately HK\$920.0 million (31 March 2016: approximately HK\$671.5 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 loss on change in fair value of equity investments at fair value through profit or loss of approximately HK\$41.1 million for the current period (2015: a net gain of approximately HK\$8.9 million).

BUSINESS REVIEW (Continued)

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

The Group has been granted a land lot in Yuen Long Industrial Estate for the construction of a state-of-the-art factory to manufacture both Western pharmaceutical and Chinese traditional medicines. The construction of the plant has been completed in the year ended 31 March 2016 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 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 30 December 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 30 December 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, 27 April 2016 and 27 July 2016, respectively.

FINANCIAL REVIEW

Fund Raising

On 29 September 2016, the Company completed a rights issue of three rights shares for every one existing share held by qualifying shareholders at an issue price of HK\$0.43 per rights share and a total of 948,857,166 rights shares were issued (the "**Rights Issue**"). The net proceeds from the Rights Issue amounted to approximately HK\$400.7 million. The Group intended to utilise as to approximately HK\$50.0 million for the payment of installation of facilities and equipment for the Group's factory in the PRC; approximately HK\$200.0 million for the acquisition of the HK\$200M CAP Bonds from Double Leads; approximately HK\$50.0 million for the repayment of outstanding bank borrowings and interests of the Group; and the remaining balance of approximately HK\$100.7 million for general working capital of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW (Continued)

Fund Raising (Continued)

As at 30 September 2016, approximately HK\$200.0 million were utilised for the acquisition of the HK\$200M CAP Bonds. The balance of the net proceeds of the Rights Issue is being held as bank deposits and will be utilised as intended.

Liquidity and Gearing

As at 30 September 2016, the Group had total assets of approximately HK\$3,643.9 million (31 March 2016: approximately HK\$3,237.5 million) which were financed by current liabilities of approximately HK\$198.8 million (31 March 2016: approximately HK\$320.8 million), non-current liabilities of approximately HK\$723.6 million (31 March 2016: approximately HK\$587.1 million) and shareholders' equity of approximately HK\$2,721.5 million (31 March 2016: approximately HK\$2,329.6 million).

As at 30 September 2016, the Group's bank balances and cash were approximately HK\$462.6 million (31 March 2016: approximately HK\$205.6 million). As at 30 September 2016, the Group's total bank borrowings amounted to approximately HK\$773.8 million (31 March 2016: approximately HK\$738.7 million), all of which bore interest at floating interest rates and were denominated in Hong Kong dollars. As at 30 September 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 2016:

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Repayable:		
Within one year	57,500	130,040
In the second year	35,000	154,522
In the third to fifth years, inclusive	130,000	331,638
Beyond five years	551,250	122,486
	773,750	738,686

The Group maintained a healthy liquidity position. The current ratio, being a ratio of total current assets to total current liabilities, was approximately 5.2 (31 March 2016: approximately 2.6). The gearing ratio, being the ratio of total borrowings to equity attributable to owners of the parent, was approximately 28.5% (31 March 2016: approximately 31.8%). The Group always adopts a conservative approach in its financial management.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW (Continued)

Significant Investments Held

As at 30 September 2016, the Group had available-for-sale investment of approximately HK\$920.0 million and equity investments at fair value through profit or loss of approximately HK\$156.8 million, details of which were set out as follows:

Nature of investments	Number of shares held '000	As at 30 September 2016		Percentage to the Group's net assets %	For the period ended 30 September 2016		Fair value/ carrying amount		Investment cost HK\$'000
		Amount/ units held HK\$'000	Percentage of shareholding in such stock %		Change in fair value HK\$'000	Interests/ Dividends received HK\$'000	As at 30 September 2016 HK\$'000	As at 31 March 2016 HK\$'000	
<i>Available-for-sale investment (unlisted securities debenture):</i>									
CAP – 10% 5-year bonds (stock code: 149) (the "2019 Bonds")									
	-	920,000	-	33.81%	46,844	37,769	920,000	671,521	907,150
				33.81%	46,844	37,769	920,000	671,521	907,150

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW (Continued)

Significant Investments Held (Continued)

Nature of investments	Number of shares held '000	As at 30 September 2016		Percentage to the Group's net assets %	For the period ended 30 September 2016		Fair value/ carrying amount		Investment cost HK\$'000
		Amount/ units held HK\$'000	Percentage of shareholding in such stock %		Change in fair value HK\$'000	Interests/ Dividends received HK\$'000	As at 30 September 2016 HK\$'000	As at 31 March 2016 HK\$'000	
Equity investments									
<i>at fair value through profit or loss:</i>									
A. Listed Investments									
Kingston Financial Group Limited (stock code: 1031)	12,336	37,378	0.09%	1.37%	(8,142)	245	37,378	45,520	9,413
Town Health International Medical Group Limited (stock code: 3886)	52,500	64,575	0.68%	2.37%	(12,075)	514	64,575	76,650	16,434
Wang On (stock code: 1222)	423,000	27,495	2.19%	1.01%	(13,113)	2,115	27,495	40,608	16,819
Others		21,501		0.79%	(7,185)	–	21,501	28,686	29,754
B. Mutual Funds									
Opus Mezzanine Fund 1 LP		4,138	–	0.15%	123	–	4,138	4,015	3,900
Others		1,695	–	0.06%	99	–	1,695	1,596	1,615
				5.75%	(40,293)	2,874	156,782	197,075	77,935

FINANCIAL REVIEW (Continued)

Significant Investments Held (Continued)

The unlisted 2019 Bonds of principal amount of HK\$920.0 million due 2019 with coupon interest of 10% per annum which had carrying amount of HK\$920.0 million as at 30 September 2016, were issued by CAP in November 2014. CAP is principally engaged in the management and sales of properties in agricultural produce exchange markets in the PRC.

The principal activities of the other listed securities are as follows:

1. Kingston Financial Group Limited (“**Kingston**”)

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

2. Town Health International Medical Group Limited (“**Town Health**”)

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

3. Wang On

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.

4. Other shares listed in Hong Kong

Save as disclosed above, the Group has invested in other two companies listed in Hong Kong. The fair value of each of these shares represented less than 1% of the net assets of the Group as at 30 September 2016. They are principally engaged in financial services business, money lending business and asset investment; as well as property development focusing on residential properties in Jiangxi Province, the PRC.

The Group also invested in certain other mutual funds including Emerging Market Bond Fund, China Growth Fund, Asian Equity Plus Fund and USD Money Fund.

FINANCIAL REVIEW (Continued)

Financial Review and Prospects of Significant Investments Held

Available-for-sale investment

As at 30 September 2016, the Group held a principal amount of HK\$920.0 million (31 March 2016: HK\$720.0 million) of unlisted 5-year bonds due 2019 with coupon interest of 10.0% per annum issued by CAP. As at 30 September 2016, the fair value of all such bonds held by the Group amounted to approximately HK\$920.0 million (31 March 2016: approximately HK\$671.5 million). Such bonds provide a reasonable and stable cash income stream to the Group and the Group intends to hold them until their maturities.

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 30 September 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 loss on change in fair value of equity investments at fair value through profit or loss of approximately HK\$41.1 million for the period under review (30 September 2015: a net gain of approximately HK\$8.9 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW (Continued)

Capital Commitment

As at 30 September 2016, the Group had capital commitment of approximately HK\$47.0 million (31 March 2016: approximately HK\$57.9 million) in respect of the acquisition of property, plant and equipment, which were contracted for but not provided for in the consolidated financial statements.

Pledge of Assets

As at 30 September 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\$639.9 million (31 March 2016: approximately HK\$619.5 million).

Contingent Liabilities

As at 30 September 2016, the Group had no material contingent liabilities (31 March 2016: Nil).

EMPLOYEES

As at 30 September 2016, the Group had 759 (31 March 2016: 778) employees, of whom approximately 75.9% (31 March 2016: approximately 75.0%) were located in Hong Kong and the rest were located in Mainland China. The Group remunerates its employees based on industry practices and individual performance and experience. On top of the regular remuneration, discretionary bonus and share options may be granted to selected staff by reference to the Group's performance as well as the individual performance. Other benefits such as medical and retirement benefits and structured training programs are also provided.

PROSPECTS

Being haunted by the uncertain global macro-economic landscape, the market environment is expected to remain acute. The economic slowdown in both Hong Kong and the PRC will continue to dampen consumer confidence. Moreover, the relatively stronger Hong Kong dollar and depreciating yuan will continue to suppress the consumption sentiment of mainland visitors in Hong Kong.

Against the backdrop of prevailing tough market environment, the Group will strive 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. Besides, the Group will devote more resources to widen its sale channels and network. In light of the rapid development and vast potential of e-commerce market, the Group will invest more in online shopping platforms and digital marketing. To further enhance its growth, the Group will continue to eye merger and acquisition opportunities. In spite of the declining retail property market, the Group will keep a close watch on potential opportunities to acquire additional suitable retail premises for long term capital appreciation and widening its income base. On the other hand, the Group will keep reviewing and adjusting its retail store network in both Hong Kong and the PRC so as to lower its operating costs. All the existing tenancy agreements, the coming renewal of tenancy agreements and the signing of new tenancy agreements for its retail shops will also be critically assessed to ensure that they are strategically and commercially sensible. In addition, given the challenging business environment, the Group will continue to enhance its efficiency and to exercise stringent cost control without compromising the quality of its products. The official commencement of operation of the modern manufacturing plant at Yuen Long Industrial Estate in early 2017 will greatly beef up the production and research capacity of the Group, which will in turn offer it greater flexibility to accommodate different market demands and be able to manufacture more diverse pharmaceutical and health food products to cater for various market needs.

With its solid foundation and its trusted position amongst customers, the Group can undoubtedly stand the test of time down the road and is well-positioned to tackle the upcoming challenges and seize the opportunities ahead. The Group is optimistic about its future outlook.

DISCLOSURE OF INTERESTS

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

As at 30 September 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 Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(a) Long positions in the ordinary shares of the Company and its associated corporation, Wang On:

Name of director	Name of company	Number of shares	Approximate percentage of respective company's total issued share capital %
Mr. Tang Ching Ho (Note 1)	the Company Wang On	649,322,940 9,984,356,772	51.32 (Note 2) 51.76 (Note 3)

Notes:

- Under the SFO, Mr. Tang Ching Ho is taken to be interested in the interests of the Company as he is taken to be interested in an aggregate of 9,984,356,772 shares in Wang On, representing approximately 51.76% of all the issued Wang On's shares, by virtue of his own beneficial shareholding, the shareholding interests of his spouse in Wang On, the shareholding interests of a company wholly and beneficially owned by him, and his deemed interests by virtue of being the founder of Tang's Family Trust. Wang On is taken to be interested in the interests in shares held by Rich Time Strategy Limited ("Rich Time"). Rich Time, an indirectly wholly-owned subsidiary of Wang On, which was the beneficial owner of 649,322,940 shares of the Company. Therefore, Mr. Tang Ching Ho was deemed to be interested in 649,322,940 shares of the Company held by Wang On for the sole purpose of Part XV of the SFO.
- The percentage represented the number of shares over the total number of issued shares of the Company as at 30 September 2016 of 1,265,142,888 shares.
- The percentage represented the number of shares over the total number of issued shares of Wang On as at 30 September 2016 of 19,288,520,047 shares.

DISCLOSURE OF INTERESTS (CONTINUED)

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

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

Name of director	Date of grant	Exercise price per share (Note 1) HK\$	Number of share options outstanding (Note 1)	Exercisable period (Note 2)	Number of underlying shares	Approximate percentage of the Company's total issued share capital (Note 3) %
Ms. Tang Mui Fun	8.1.2009	20.6927	4,554	8.1.2010 – 7.1.2019	4,554	0.0004

Notes:

- The numbers and exercise prices of the share options were adjusted immediately upon completion of the Rights Issue on 29 September 2016, as detailed in the Company's announcement dated 28 September 2016.
- The exercisable period of the above share options beneficially held by Ms. Tang Mui Fun was vested as follows:

On the 1st anniversary of the date of grant:	30% vested
On the 2nd anniversary of the date of grant:	Further 30% vested
On the 3rd anniversary of the date of grant:	Remaining 40% vested
- The percentage represented the number of shares over the total number of issued shares of the Company as at 30 September 2016 of 1,265,142,888 shares.

Save as disclosed above, as at 30 September 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.

DISCLOSURE OF INTERESTS (CONTINUED)

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests and short positions in shares, underlying shares or debentures of the Company and its associated corporations" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares, or underlying shares in, or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executive of the Company to acquire such rights in any other body corporate.

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

As at 30 September 2016, to the best knowledge of the directors, the following persons (other than the directors or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the ordinary shares of the Company:

Name of shareholders	Nature of interest/capacity	Number of shares	Approximate percentage of the Company's total issued share capital (Note 3) %
Rich Time (Note 1)	Beneficial owner	649,322,940	51.32
Wang On Enterprises (BVI) Limited ("WOE") (Note 1)	Interest of controlled corporation	649,322,940	51.32
Wang On (Note 1)	Interest of controlled corporation	649,322,940	51.32
Ms. Yau Yuk Yin (Note 2)	Interest of spouse	649,322,940	51.32

DISCLOSURE OF INTERESTS (CONTINUED)

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

Notes:

1. Rich Time, a wholly-owned subsidiary of WOE, which is a wholly-owned subsidiary of Wang On, beneficially owned 649,322,940 shares of the Company. WOE and Wang On are taken to be interested in 649,322,940 shares of the Company held by Rich Time.
2. Ms. Yau Yuk Yin is taken to be interested in the shares in which her spouse, Mr. Tang Ching Ho, was interested as stated above in the sub-paragraph headed "Directors' interests and short positions in shares, underlying shares or debentures of the Company and its associated corporations".
3. The percentages represented the number of shares over the total number of issued shares of the Company as at 30 September 2016 of 1,265,142,888 shares.

Save as disclosed above, as at 30 September 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.

SHARE OPTION SCHEME

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

Under the 2013 Scheme, share options may be granted to any director or proposed director (whether executive, or non-executive, including independent non-executive director), employee or proposed employee (whether full-time or part-time), secondee, any holder of any securities issued by any member of the Group, any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group or any substantial shareholder or company controlled by a substantial shareholder, or any company controlled by one or more persons belonging to any of the above classes of participants. The 2013 Scheme became effective on 22 August 2013 and, unless otherwise terminated earlier by shareholders at a general meeting, will remain in force for a period of 10 years from that date.

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

Name or category of participant	Number of share options					Outstanding as at 30 September 2016	Date of grant	Adjusted exercise price per share (Note 1) HK\$	Exercisable period (Note 2)
	Outstanding as at 1 April 2016	Granted during the period	Exercised during the period	Lapsed during the period	Adjusted during the period (Note 1)				
Executive director									
Ms. Tang Mui Fun	4,077	-	-	-	477	4,554	8.1.2009	20.6927	8.1.2010– 7.1.2019
	4,077	-	-	-	477	4,554			
Other employees									
In aggregate	20,256	-	-	(4,077)	1,899	18,078	8.1.2009	20.6927	8.1.2010– 7.1.2019
	29,538	-	-	(4,077)	2,987	28,448	12.5.2010	7.4197	12.5.2011– 11.5.2020
	49,794	-	-	(8,154)	4,886	46,526			
	53,871	-	-	(8,154)	5,363	51,080			

SHARE OPTION SCHEME (CONTINUED)

Notes:

1. The numbers and exercise prices of the share options were adjusted immediately upon completion of the Rights Issue.
2. The share options granted under the 2003 Scheme were vested as follows:

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

Save as disclosed above, during the period under review, no share option was granted, exercised or cancelled under the 2003 Scheme and the 2013 Scheme and an aggregate of 8,154 share options lapsed under the 2003 Scheme. As at 30 September 2016, the Company had 51,080 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 51,080 additional ordinary shares of the Company and additional share capital of approximately HK\$510.8 and share premium of approximately HK\$678,882.01 (before issue expenses).

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company has complied with the applicable code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules throughout the period for the six months ended 30 September 2016.

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

UPDATE ON DIRECTORS' INFORMATION

With effect from 1 April 2016, the fee for Mr. Li Ka Fai, David to act as the chairman of the audit committee of the Company (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 a member of the Audit Committee was increased from HK\$20,000 per annum to HK\$40,000 per annum.

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

DISCLOSURES PURSUANT TO RULES 13.13 AND 13.20 OF THE LISTING RULES

During the period under review, the Group, through its wholly-owned subsidiary, namely Winning Rich Investments Limited ("**Winning Rich**"), had pursuant to a bond transfer agreement dated 5 July 2016 (as supplemented and amended by the supplemental agreement dated 8 July 2016), agreed to acquire from Double Leads, the HK\$200M CAP Bonds with an outstanding principal amount of HK\$200.0 million issued by CAP, details of which were set out in the Company's announcement and circular dated 8 July 2016 and 9 August 2016, respectively. In aggregate with the CAP Bonds with an outstanding principal amount of HK\$720.0 million subscribed pursuant to the subscription agreement dated 4 October 2014 (as amended and supplemented on 28 November 2014) entered into, among others, CAP, Winning Rich and Double Leads, the Group held an aggregate principal amount of HK\$920.0 million 2019 Bonds as at 30 September 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 September 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiries of all directors, the Company confirmed that all directors had complied with the required standards set out in the Model Code throughout the period under review and no incident of non-compliance by the directors was noted by the Company during the period.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over, among other things, the Group's financial reporting process, internal controls, risk management and other corporate governance issues. The Audit Committee has reviewed with the management the unaudited interim condensed consolidated financial statements for the six months ended 30 September 2016 of the Group. The Audit Committee comprises the four independent non-executive directors of the Company, namely Messrs. Li Ka Fai, David, Leung Wai Ho, Siu Man Ho, Simon and Cho Wing Mou. The Audit Committee is chaired by Mr. Li Ka Fai, David.

APPRECIATIONS

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

By Order of the Board
Tang Ching Ho
Chairman

Hong Kong, 23 November 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 30 September 2016

	Notes	Six months ended 30 September	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
REVENUE	4	350,939	376,845
Cost of sales		(194,621)	(213,830)
Gross profit		156,318	163,015
Other income and gains	4	112,206	47,935
Selling and distribution expenses		(130,519)	(143,232)
Administrative expenses		(80,576)	(64,088)
Finance costs	6	(7,712)	(6,765)
Change in fair value of equity investments at fair value through profit or loss, net		(41,066)	8,859
Fair value losses on investment properties, net		(29,000)	–
Gain on disposal of a subsidiary		–	2,484
Loss on deemed partial disposal of equity interests in an associate		–	(37,101)
Share of profits and losses of associates		(18,427)	97,025
PROFIT/(LOSS) BEFORE TAX	5	(38,776)	68,132
Income tax expense	7	–	(590)
PROFIT/(LOSS) FOR THE PERIOD		(38,776)	67,542
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Change in fair value of an available-for-sale investment		46,844	46,208
Share of other comprehensive income/(loss) of an associate		(11,739)	2,132
Translation reserve:			
Translation of foreign operations		(2,040)	(1,798)
Release upon deemed partial disposal of an associate		–	(2,537)
Release upon voluntary winding-up of subsidiaries		(3,030)	–

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

Six months ended 30 September 2016

		Six months ended 30 September	
	<i>Note</i>	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		30,035	44,005
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		(8,741)	111,547
Profit/(loss) attributable to:			
Owners of the parent		(38,268)	67,650
Non-controlling interests		(508)	(108)
		(38,776)	67,542
Total comprehensive income/(loss) attributable to:			
Owners of the parent		(8,233)	111,655
Non-controlling interests		(508)	(108)
		(8,741)	111,547
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	<i>9</i>		(Restated)
Basic and diluted		HK(7.61) cents	HK13.56 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2016

	Notes	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	662,788	637,277
Investment properties	11	481,800	510,800
Goodwill		15,335	15,335
Other intangible assets		235	290
Investments in associates		398,304	428,470
Available-for-sale investment		920,000	671,521
Deposit paid for the acquisition of property, plant and equipment		121,533	134,336
Deferred tax assets		10,837	10,837
Total non-current assets		2,610,832	2,408,866
CURRENT ASSETS			
Inventories		168,392	154,760
Trade and other receivables	13	233,392	234,621
Due from associates	14	9,795	12,308
Equity investments at fair value through profit or loss		156,782	197,075
Tax recoverable		2,053	2,447
Bank balances and cash		462,621	205,608
Non-current asset classified as held for sale		1,033,035 –	806,819 21,767
Total current assets		1,033,035	828,586
CURRENT LIABILITIES			
Trade and other payables	15	141,271	161,688
Bank borrowings		57,500	158,928
Deferred franchise income		48	18
Tax payable		–	186
Total current liabilities		198,819	320,820
NET CURRENT ASSETS		834,216	507,766
TOTAL ASSETS LESS CURRENT LIABILITIES		3,445,048	2,916,632

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 September 2016

	<i>Note</i>	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Bank borrowings		716,250	579,758
Deferred tax liabilities		7,318	7,318
Total non-current liabilities		723,568	587,076
NET ASSETS			
EQUITY			
Issued capital	16	12,651	3,163
Reserves		2,702,271	2,319,327
Equity attributable to owners of the parent		2,714,922	2,322,490
Non-controlling interests		6,558	7,066
TOTAL EQUITY		2,721,480	2,329,556

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 September 2016

	Attributable to owners of the parent												
	Share capital	Share premium	Contributed		Share option reserve	Translation reserve	Other reserve	Available-for-sale		Retained profits	Total	Non-controlling interests	Total equity
			Special reserve	surplus reserve				Asset revaluation reserve	investment revaluation reserve				
			(Unaudited) HK\$'000	(Unaudited) HK\$'000				(Unaudited) HK\$'000	(Unaudited) HK\$'000				
			(note a)	(note b)					(note c)				
At 1 April 2015	42,171	1,523,882	(27,150)	215,599	499	24,226	(1,022)	28,014	(93,399)	325,909	2,038,729	7,226	2,045,955
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	67,650	67,650	(108)	67,542
Other comprehensive income/(loss) for the period:													
Change in fair value of an available-for-sale investment	-	-	-	-	-	-	-	-	46,208	-	46,208	-	46,208
Share of other comprehensive income/(loss) of an associate	-	-	-	-	-	(1,077)	-	-	3,209	-	2,132	-	2,132
Translation reserve:													
Exchange differences on translation of foreign operations	-	-	-	-	-	(1,798)	-	-	-	-	(1,798)	-	(1,798)
Release upon deemed partial disposal of equity interests in an associate	-	-	-	-	-	(3,287)	-	-	750	-	(2,537)	-	(2,537)
Total comprehensive income/(loss) for the period	-	-	-	-	-	(6,162)	-	-	50,167	67,650	111,655	(108)	111,547
Rights issue	21,086	206,640	-	-	-	-	-	-	-	-	227,726	-	227,726
Share issue expenses	-	(5,279)	-	-	-	-	-	-	-	-	(5,279)	-	(5,279)
Release upon deemed partial disposal of equity interests in an associate	-	-	-	-	-	-	169	-	-	(169)	-	-	-
At 30 September 2015	63,257	1,725,243	(27,150)	215,599	499	18,064	(853)	28,014	(43,232)	393,390	2,372,831	7,118	2,379,949

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Six months ended 30 September 2016

	Atributable to owners of the parent													
	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed		Share option reserve (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Reserve funds (Unaudited) HK\$'000	Available-for-sale		Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
			Special reserve (Unaudited) HK\$'000	surplus reserve (Unaudited) HK\$'000					Asset revaluation reserve (Unaudited) HK\$'000	investment revaluation reserve (Unaudited) HK\$'000				
			(note a)	(note b)					(note c)	(note d)				
At 1 April 2016	3,163	1,725,243	(27,150)	275,693	493	5,036	(653)	359	28,014	(38,282)	350,774	2,322,490	7,086	2,329,556
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	(38,268)	(38,268)	(508)	(38,776)
Other comprehensive income/(loss) for the period:														
Change in fair value of an available-for-sale investment	-	-	-	-	-	-	-	-	-	46,844	-	46,844	-	46,844
Share of other comprehensive income/(loss) of an associate	-	-	-	-	-	(9,829)	-	-	-	(1,910)	-	(11,739)	-	(11,739)
Translation reserve:														
Exchange differences on translation of foreign operations	-	-	-	-	-	(2,040)	-	-	-	-	-	(2,040)	-	(2,040)
Release upon voluntary winding-up of subsidiaries	-	-	-	-	-	(3,030)	-	-	-	-	-	(3,030)	-	(3,030)
Total comprehensive income/(loss) for the period	-	-	-	-	-	(14,899)	-	-	-	44,934	(38,268)	(6,233)	(508)	(6,741)
Rights Issue (note 16)	9,488	398,621	-	-	-	-	-	-	-	-	-	408,009	-	408,009
Share issue expenses (note 16)	-	(7,344)	-	-	-	-	-	-	-	-	-	(7,344)	-	(7,344)
At 30 September 2016	12,651	2,116,420*	(27,150)*	275,693*	493*	(9,863)*	(653)*	359*	28,014*	6,652*	312,506*	2,714,922	6,558	2,721,480

* These reserve accounts comprise the consolidated reserves of approximately HK\$2,702,271,000 (31 March 2016: approximately HK\$2,319,327,000) in the condensed consolidated statement of financial position.

Notes:

- The special reserve of the Group represents the difference between the nominal value of ordinary shares issued by the Company and the aggregate nominal value of the issued ordinary share capital of the subsidiaries acquired pursuant to a group reorganisation in 1995.
- The contributed surplus reserve represents the credits arising from the capital reduction effected by the Company less the amount utilised for the purpose of bonus issue of shares by the Company.
- The other reserve comprises the Group's share of other reserve of its associate which in turn of shares the other reserve of its another associate arising from the changes in that associate's ownership interests in its subsidiaries that do not result in the loss of control.
- 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 September 2016

	Notes	Six months ended 30 September	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations		(67,584)	(144,560)
Interest received		206	2,135
Hong Kong profits tax refunded		208	–
Overseas taxes paid		–	212
Net cash used in operating activities		(67,170)	(142,213)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(20,734)	(74,533)
Purchase of an available-for-sale investment		(206,849)	–
Purchase of equity investments at fair value through profit or loss		(3,989)	–
Additions of cost of trademarks		(31)	(60)
Interest received		36,079	–
Net proceeds from disposal of a subsidiary		–	44,161
Investment in an associate		–	(110,714)
Proceeds of disposal of equity investments at fair value through profit or loss		3,216	–
Net proceeds of disposal of items of property, plant and equipment		88,559	–
Net cash flows used in investing activities		(103,749)	(141,146)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	16	408,009	227,726
Share issue expenses	16	(7,344)	(5,279)
New bank borrowings		1,000,000	100,000
Repayments of bank borrowings		(964,936)	(55,748)
Repayments of interest receivable		–	18,951
Interest paid		(7,712)	(6,765)
Net cash flows from financing activities		428,017	278,885

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Six months ended 30 September 2016

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	257,098	(4,474)
Cash and cash equivalents at beginning of period	205,608	250,951
Effect of foreign exchange rate changes, net	(85)	(538)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	462,621	245,939
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	462,621	245,939

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2016.

The accounting policies and the basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group’s audited financial statements for the year ended 31 March 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the new and revised HKFRSs as disclosed in note 2 below.

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

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
HKFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
Annual Improvements 2012–2014 Cycle	<i>Amendments to a number of HKFRSs</i>

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

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

3. OPERATING SEGMENT INFORMATION

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

- (a) production and sale of Chinese pharmaceutical and health food products — manufacturing, processing and retailing of traditional Chinese medicine which includes Chinese medicinal products sold under the brand name of “Wai Yuen Tong” and a range of products manufactured by selected medicinal materials with traditional prescription, mainly in the People’s Republic of China (the “PRC”) and Hong Kong;
- (b) production and sale of Western pharmaceutical and health food products — processing and sale of Western pharmaceutical products and personal care products under the brand name of “Madame Pearl’s” and “Pearl’s”, respectively; and
- (c) property investment — investment in commercial premises for rental income.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group’s profit/(loss) before tax except that other income and gains, unallocated expenses, finance costs, gain on disposal of a subsidiary, net change in fair value of equity investments at fair value through profit or loss, loss on deemed partial disposal of equity interests in an associate and share of profits and losses of associates are excluded from such measurement.

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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 September

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

	Production and sale of Chinese pharmaceutical and health food products		Production and sale of Western pharmaceutical and health food products		Property investment		Eliminations		Total	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	278,621	301,582	67,891	69,157	4,427	6,106	-	-	350,939	376,845
Intersegment sales	-	-	-	-	2,965	3,949	(2,965)	(3,949)	-	-
Total	278,621	301,582	67,891	69,157	7,392	10,055	(2,965)	(3,949)	350,939	376,845
Segment results	(5,594)	(12,970)	(12,486)	(6,839)	(27,979)	2,800			(46,059)	(17,009)
Other income and gains									112,206	47,935
Unallocated expenses									(37,718)	(27,296)
Finance costs									(7,712)	(6,765)
Gain on disposal of a subsidiary									-	2,484
Change in fair value of equity investments at fair value through profit or loss, net									(41,066)	8,859
Loss on deemed partial disposal of equity interests in an associate									-	(37,101)
Share of profits and losses of associates									(18,427)	97,025
Profit/(loss) before tax									(38,776)	68,132
Income tax expense									-	(590)
Profit/(loss) for the period									(38,776)	67,542

4. REVENUE, OTHER INCOME AND GAINS

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, other income and gains is as follows:

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue		
Sales of goods	346,034	370,276
Rental income from investment properties	4,427	6,106
Management and promotion fees	478	463
	350,939	376,845
Other income and gains		
Interest income on an available-for-sale investment	36,134	36,079
Imputed interest income on an available-for-sale investment	1,635	1,465
Interest income on bank deposits	206	2,135
Dividends from equity investments at fair value through profit or loss	2,874	1,583
Sub-lease rental income	1,361	1,308
Gain on disposal of items of property, plant and equipment	65,746	–
Gain on voluntary winding-up of subsidiaries	3,030	–
Others	1,220	5,365
	112,206	47,935

5. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Cost of inventories recognised as an expense (including provision of allowance for obsolete inventories of approximately HK\$1,698,000 (2015: approximately HK\$986,000))	194,621	213,830
Depreciation	6,979	7,401
Amortisation of other intangible assets	86	86
Exchange losses, net	534	3,075
Impairment of trade receivables*	1,490	41
Lease payments under operating leases in respect of land and buildings:		
Minimum lease payments	48,751	59,599
Contingent rents	6,380	7,048
	55,131	66,647
Gross rental income	(4,427)	(6,106)
Less: direct outgoing expenses	226	139
	(4,201)	(5,967)

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interest on bank borrowings	7,712	6,765

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profit arising in Hong Kong during the period. Hong Kong profits tax had been provided at the rates of 16.5% on the estimated assessable profits arising in Hong Kong during the period ended 30 September 2015. Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the Enterprise Income Tax rate of two of the Group’s subsidiaries established in the PRC is 25% (six months ended 30 September 2015: 25%).

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Current — Hong Kong Charge for the period	—	590
Total tax charge for the period	—	590

8. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: Nil).

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

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 503,116,548 (30 September 2015: 498,929,591 (restated)) in issue during the period.

The weighted average number of ordinary shares adopted in the calculation of the basic and diluted earnings/(loss) per share for both periods has been adjusted retrospectively to reflect the impact of the Rights Issue (as defined in note 16 to the unaudited condensed consolidated financial statements) completed on 29 September 2016.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the six months ended 30 September 2016 and 2015 in respect of a dilution as the impact of share options outstanding had no dilutive effect on the basic earnings/(loss) per share amounts presented.

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

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent used in basic and diluted earnings/(loss) per share calculations	(38,268)	67,650

	Number of shares Six months ended 30 September	
	2016 (Unaudited)	2015 (Restated) (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings/(loss) per share calculations	503,116,548	498,929,591

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2016, the Group incurred approximately HK\$33,537,000 (six months period ended 30 September 2015: approximately HK\$74,533,000) on the additions of items of property, plant and equipment. There were disposals of property, plant and equipment with carrying amount of HK\$22,813,000 (six months period ended 30 September 2015: Nil).

11. INVESTMENT PROPERTIES

	HK\$'000
Carrying amount at 1 April 2016	510,800
Net losses from fair value adjustments recognised in profit or loss	(29,000)
Carrying amount at 30 September 2016 (Unaudited)	481,800

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

Fair value hierarchy

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

During the six months ended 30 September 2016, there were no transfers of fair value measurements between Level 1 and 2 and no transfer into or out of Level 3 (six months ended 30 September 2015: Nil).

12. PLEDGE OF ASSETS

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

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Land and buildings	158,104	154,655
Investment properties	481,800	464,800
	639,904	619,455

13. TRADE AND OTHER RECEIVABLES

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Trade receivables	137,268	128,956
Less: Accumulated impairment	(2,857)	(1,367)
	134,411	127,589
Rental and other deposits	36,869	32,518
Prepayments	23,340	31,817
Other receivables	38,772	42,697
Deposit paid for the acquisition of property, plant and equipment	121,533	134,336
	220,514	241,368
Total trade and other receivables	354,925	368,957
Less: Deposit classified as a non-current asset	(121,533)	(134,336)
Current portion	233,392	234,621

13. TRADE AND OTHER RECEIVABLES (Continued)

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

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

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
0–30 days	46,688	47,262
31–60 days	17,401	25,061
61–120 days	23,959	31,219
121–180 days	13,988	4,286
Over 180 days	32,375	19,761
	134,411	127,589

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

14. DUE FROM ASSOCIATES

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Trade receivables due from associates	9,795	12,308

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

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
0–30 days	1,628	2,272
31–60 days	2,272	998
61–120 days	5,895	9,038
	9,795	12,308

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

As at 30 September 2016 and 31 March 2016, 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.

15. TRADE AND OTHER PAYABLES

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Trade payables	63,131	78,008
Accrual of salaries and commission	32,215	19,533
Accrual of advertising and promotion	12,211	11,381
Rental deposits received	3,902	2,971
Other payables and accruals	29,812	49,795
	141,271	161,688

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

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
0–30 days	22,985	57,237
31–60 days	16,498	15,475
61–120 days	20,035	3,994
Over 120 days	3,613	1,302
	63,131	78,008

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

16. SHARE CAPITAL

Shares

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Authorised: 60,000,000,000 ordinary shares of HK\$0.01 each	600,000	600,000
Issued and fully paid: 1,265,142,888 (31 March 2016: 316,285,722) ordinary shares of HK\$0.01 each	12,651	3,163

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

	Number of shares in issue	Issued capital HK\$000	Share premium HK\$000	Total HK\$000
At 1 April 2016	316,285,722	3,163	1,725,243	1,728,406
Rights Issue (<i>Note</i>)	948,857,166	9,488	398,521	408,009
Rights Issue expenses	–	–	(7,344)	(7,344)
At 30 September 2016	1,265,142,888	12,651	2,116,420	2,129,071

Note: On 29 September 2016, the Company completed a rights issue of three rights shares for every one existing share of the Company held by qualifying shareholders at an issue price of HK\$0.43 per rights share (the "**Rights Issue**") and a total of 948,857,166 rights shares were issued at a total cash consideration, before expenses, of approximately HK\$408,009,000.

As a result of the Rights Issue, the issued share capital of the Company increased from 316,285,722 shares of HK\$0.01 each to 1,265,142,888 shares of HK\$0.01 each. Details of the Rights Issue were disclosed in the Company's announcements dated 8 July 2016 and 28 September 2016 and the prospectus dated 6 September 2016.

16. SHARE CAPITAL (Continued)

Share options

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

17. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 11) and sub-leases its office properties under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Property rental income and sub-lease income earned during the period were approximately HK\$4,432,000 (six months ended 30 September 2015: approximately HK\$6,106,000) and approximately HK\$1,361,000 (six months ended 30 September 2015: approximately HK\$1,308,000), respectively. The properties are expected to generate rental yield of 2.0% (six months ended 30 September 2015: 2.0%) on an ongoing basis.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Within one year	16,048	11,845
In the second to fifth years, inclusive	21,936	12,939
	37,984	24,784

17. 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.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Within one year	85,355	90,714
In the second to fifth years, inclusive	87,453	56,419
After five years	9,529	1,512
	182,337	148,645

18. COMMITMENTS

In addition to the operating lease commitments detailed in note 17(b) above, the Group had the following capital commitments at the end of the reporting period:

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Contracted, but not provided for: Property, plant and equipment	47,038	57,941

19. RELATED PARTY TRANSACTIONS

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

		Six months ended 30 September	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Wang On Group Limited			
("Wang On")* and its subsidiaries			
— Rental earned by the Group	<i>(i)</i>	1,371	1,031
— Rental incurred by the Group	<i>(i)</i>	5,100	5,513
— Sales of Chinese pharmaceutical products by the Group	<i>(ii)</i>	2,011	2,653
Associates			
— Sales of Chinese pharmaceutical products by the Group	<i>(ii)</i>	8,647	11,573
— Rental earned by the Group	<i>(i)</i>	1,434	779
— Management and promotion fees earned by the Group	<i>(i)</i>	478	463

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.

* Wang On, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), was previously a major shareholder of the Company and became the ultimate holding company of the Company upon the completion of the Rights Issue on 29 September 2016. Further details of the Rights Issue were set out in note 16 to the unaudited condensed consolidated financial statements.

19. RELATED PARTY TRANSACTIONS (Continued)

- (b) Purchase of an available-for-sale investment from Double Leads Investments Limited (“**Double Leads**”), a wholly-owned subsidiary of Wang On.

On 5 July 2016, the Group entered into a sale and purchase agreement with Double Leads, to acquire a debt security and its accrued but unpaid interest, at a total cash consideration of HK\$206,849,000. The transaction was completed on 30 September 2016 and the debt security was designated as an available-for-sale investment.

The debt security was issued by China Agri-Products Exchange Limited, an associate of Easy One Financial Group Limited (“**Easy One**”), an associate of the Group which was listed on the Main Board of the Stock Exchange, with a principal amount of HK\$200,000,000 and a fixed interest rate of 10% per annum, and maturing in 2019.

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

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Short-term employment benefits	7,180	7,180
Post-employment benefits	36	36
	7,216	7,216

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

20. FAIR VALUE HIERARCHY

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

- the fair values of financial assets and financial liabilities at amortised costs are determined in accordance with generally accepted pricing models based on the discounted cash flow analysis;
- the fair value of the equity investments at fair value through profit or loss is determined based on quoted market bid prices in the active market; and
- the fair value of unlisted available-for-sale investment is estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates.

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

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

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

20. FAIR VALUE HIERARCHY (Continued)

Assets measured at fair value:

As at 30 September 2016

	Fair value measurement using			Total (Unaudited) HK\$'000
	Quoted prices in active markets Level 1 (Unaudited) HK\$'000	Significant observable inputs Level 2 (Unaudited) HK\$'000	Significant unobservable inputs Level 3 (Unaudited) HK\$'000	
Available-for-sale investment	-	-	920,000	920,000
Equity investments at fair value through profit or loss	150,949	5,833	-	156,782
	150,949	5,833	920,000	1,076,782

As at 31 March 2016

	Fair value measurement using			Total (Audited) HK\$'000
	Quoted prices in active markets Level 1 (Audited) HK\$'000	Significant observable inputs Level 2 (Audited) HK\$'000	Significant unobservable inputs Level 3 (Audited) HK\$'000	
Available-for-sale investment	-	-	671,521	671,521
Equity investments at fair value through profit or loss	191,464	5,611	-	197,075
	191,464	5,611	671,521	868,596

20. FAIR VALUE HIERARCHY (Continued)

The Group did not have any financial liabilities measured at fair value as at 30 September 2016 and 31 March 2016.

During the six months ended 30 September 2016, there were no transfers of fair value measurements between Level 1 and 2 and no transfer into or out of Level 3 (six months ended 30 September 2015: Nil).

21. EVENT AFTER THE REPORTING PERIOD

On 5 October 2016, Able Trend Limited (“**Able Trend**”), an indirectly wholly-owned subsidiary of the Company, entered into a loan agreement with Easy One, pursuant to which Able Trend agreed to grant a loan facility to Easy One of not exceeding a sum of HK\$100,000,000 for a term of 24 months at an interest rate of 6.5% per annum, which was determined with reference to the prevailing market situation. Up to the date of this report, HK\$40,000,000 has been drawn down by Easy One. Further details of this transaction were set out in the Company’s announcement dated 5 October 2016.

22. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 23 November 2016.