THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Wai Yuen Tong Medicine Holdings Limited (位元堂藥業控股有限公司*), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company and it must not be used for the purpose of offering or inviting offers for any securities.

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 897)

(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY ONE (1) SHARE HELD ON THE RECORD DATE AT HK$0.43 PER RIGHTS SHARE
(2) MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE BOND
(3) MAJOR TRANSACTION IN RELATION TO ENTERING INTO OF THE SZ REMOVAL AGREEMENT AND THE SZ SUPPLEMENTAL AGREEMENTS IN RESPECT OF THE SZ ACQUISITION
(4) WHITEWASH WAIVER UNDER THE TAKEOVERS CODE
AND
(5) NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser

KINGSTON CORPORATE FINANCE LTD.

Underwriter of the Rights Issue

KINGSTON SECURITIES LTD.

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Beijing Securities
Beijing Securities Limited
北京證券有限公司

A letter from the Board is set out on pages 16 to 50 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 51 to 52 of this circular. A letter from Beijing Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice in respect of the Rights Issue, the Bond Transfer Agreement and the Whitewash Waiver is set out on pages 53 to 79 of this circular.

A notice convening the SGM to be held at 20/F., Alexandra House, 18 Chater Road, Central, Hong Kong on Friday, 26 August 2016 at 10:00 a.m. is set out on pages SGM-1 to SGM-4 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to 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 as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such case, the form of proxy shall be deemed to be revoked.

The Shares will be dealt on an ex-rights basis from 9:00 a.m. on Wednesday, 31 August 2016. Dealings in the Rights Shares in their nil-paid form will take place from Thursday, 8 September 2016 to Thursday, 15 September 2016 (both dates inclusive). It is expected that the conditions referred to in the section headed "Termination of the Underwriting Agreement" in this circular are to be fulfilled on or before 4:00 p.m. on Tuesday, 27 September 2016. If the conditions referred to in that section are not fulfilled, the Underwriting Agreement shall be terminated and the Rights Issue will not proceed. Any person contemplating buying or selling Shares from the date of this circular and up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form from Thursday, 8 September 2016 to Thursday, 15 September 2016 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional adviser.

It should be noted that the Underwriting Agreement contains provisions entitling the Underwriter by notice in writing to the Company at any time prior to the Latest Time for Termination to terminate its obligations under the Underwriting Agreement on the occurrence of certain events including force majeure. These events are set out under the section headed "Termination of the Underwriting Agreement" on pages 14 to 15 of this circular.

Upon the delivery of the notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and neither party shall have any claim against the other party in respect of costs, damages, compensation or otherwise (save for any antecedent breaches). If the Underwriter exercises such right, the Rights Issue will not proceed.

* *For identification purpose only*

9 August 2016

CONTENTS

In this circular, the following expressions have the following meanings, unless the context otherwise requires:

"acting in concert"	has the meaning ascribed thereto under the Takeovers Code
"Application Forms"	collectively, the EAF(s) and the PAL(s)
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Beijing Securities" or "Independent Financial Adviser"	Beijing Securities Limited, a corporation licensed under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue, the Bond Transfer Agreement and the Whitewash Waiver, and as to voting at the SGM
"Board"	the board of the Directors
"Bond"	a 10.0% bond due on 28 November 2019 with an outstanding principal amount of HK$200,000,000 issued by CAP as held by Double Leads, being the subject of the Bond Transfer Agreement
"Bond Transfer Agreement"	a conditional sale and purchase agreement dated 5 July 2016 (as amended by a supplemental agreement dated 8 July 2016) entered into between Double Leads, WOG and Winning Rich under which Winning Rich will acquire the Bond from Double Leads and WOG will provide a guarantee in favour of Winning Rich for the due and punctual performance of CAP under the Bond
"Business Day"	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"Bye-Laws"	the bye-laws of the Company

"Caffco"	Caffco International Ltd, a company incorporated in Hong Kong with limited liability and an Independent Third Party
"CAP"	China Agri-Products Exchange Limited, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 0149)
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
"Companies Act"	Companies Act 1981 of Bermuda
"Company"	Wai Yuen Tong Medicine Holdings Limited (位元堂藥業控股有限公司*), an exempted company incorporated in Bermuda with limited liability and the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 897)
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Directors"	the director(s) of the Company
"Double Leads"	Double Leads Investments Limited, an indirectly wholly-owned subsidiary of WOG and a company incorporated in the British Virgin Islands with limited liability which is principally engaged in investment holding
"EAF(s)"	the form(s) of application for excess Rights Shares

* *For identification purpose only*

"Excluded Shareholder(s)"	the Overseas Shareholder(s) whose registered addresses in the Company's register of members as at the Record Date are in places where the Directors, after making enquiries, consider it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Rights Shares to such Shareholders
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of its delegate(s)
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board comprising all of the four independent non-executive Directors formed for the purpose of advising the Independent Shareholder(s) on the Rights Issue, the Bond Transfer Agreement and the Whitewash Waiver, and as to voting at the SGM
"Independent Shareholder(s)"	Shareholders other than (i) the Directors (excluding members of the Independent Board Committee), chief executive of the Company and their respective associates; (ii) members of the WOG Concert Group; and (iii) any Shareholders who are involved in, or interested in, or have a material interest in the Rights Issue, the Bond Transfer Agreement and/or the Whitewash Waiver
"Independent Third Party(ies)"	a person who: (i) is not (and will not become as a result of the consummation of the Rights Issue) a connected person of the Company and is not deemed a connected person of the Company pursuant to Rules 14A.19 to 14A.21 of the Listing Rules;

	(ii) is not financing the subscription of the Rights Shares directly or indirectly by a connected person of the Company;
	(iii) is not accustomed to taking instructions from a connected person of the Company in relation to the acquisition, disposal, voting or other disposition of securities of the Company registered in its name or otherwise held by it; and
	(iv) would not result in its aggregate holding (direct and indirect) in the total issued share capital of the Company being 10.0% or more of the Company's entire issued share capital at any time
"Joint Announcement"	the joint announcement dated 8 July 2016 issued by the Company and WOG in relation to, among others, the Rights Issue, the Bond Transfer Agreement, the SZ Removal Agreement, the SZ Supplemental Agreements and the Whitewash Waiver
"Last Trading Day"	Tuesday, 5 July 2016, being the last trading day for the Shares on the Stock Exchange before the release of the Joint Announcement
"Latest Practicable Date"	5 August 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for the inclusion in this circular
"Latest Time for Acceptance"	4:00 p.m. on Wednesday, 21 September 2016, or such later time or date as may be agreed between the Underwriter and the Company in writing, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents
"Latest Time for Termination"	4:00 p.m. on the fourth Business Day after the Latest Time for Acceptance or such later time or date as may be agreed between the Underwriter and the Company in writing, being the latest time to terminate the Underwriting Agreement

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 October 2016, or such other date as the parties may mutually agree in writing
"Overseas Shareholder(s)"	the Shareholder(s) whose address(es) on the register of members of the Company on the Record Date are outside Hong Kong
"PAL(s)"	provisional allotment letter(s) for the Rights Issue
"PRC"	the People's Republic of China, which for the purpose of this circular, shall exclude Hong Kong, Taiwan and the Macau Special Administrative Region of the People's Republic of China
"Prospectus"	the prospectus to be despatched to the Qualifying Shareholders (and the Excluded Shareholder(s) for information only) on the Prospectus Posting Date in connection with the Rights Issue in such form as may be agreed between the Company and the Underwriter
"Prospectus Documents"	the Prospectus, the PAL(s) and the EAF(s)
"Prospectus Posting Date"	Tuesday, 6 September 2016, or such other day as may be agreed between the Company and the Underwriter, being the date of despatch of the Prospectus Documents
"Qualifying Shareholder(s)"	the Shareholder(s), whose names appear on the register of members of the Company as at the Record Date, other than the Excluded Shareholders
"Record Date"	Monday, 5 September 2016, being the date by reference to which entitlements to the Rights Issue will be determined
"Registrar"	the Company's branch share registrar and transfer office in Hong Kong, which is Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong

"Rich Time"	Rich Time Strategy Limited, an indirectly wholly-owned subsidiary of WOG and a company incorporated in the British Virgin Islands with limited liability which is principally engaged in investment holding
"Rights Issue"	the proposed issue of the Rights Shares by way of rights to the Qualifying Shareholders for subscription on the terms to be set out in the Prospectus Documents and summarised herein
"Rights Share(s)"	not less than 948,857,166 Shares and not more than 949,013,133 Shares proposed to be offered to the Qualifying Shareholders for subscription on the basis of three (3) Rights Shares for every one (1) Share held on the Record Date pursuant to the Rights Issue
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be held at 10:00 a.m. on Friday, 26 August 2016 at 20/F., Alexandra House, 18 Chater Road, Central, Hong Kong to consider and approve, among other things, the Rights Issue, the Bond Transfer Agreement, the SZ Removal Agreement, the SZ Supplemental Agreements and the Whitewash Waiver
"Share(s)"	the ordinary share(s) of HK$0.01 each in the issued share capital of the Company
"Share Option(s)"	the options issued or to be issued under the share option schemes adopted by the Shareholders at the general meetings of the Company held on 18 September 2003 and 22 August 2013
"Shareholder(s)"	the holder(s) of the Share(s)

"Specified Event"	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	the subscription price of HK$0.43 per Rights Share
"subsidiaries"	has the meaning ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"SZ Acquisition"	means the acquisition by the SZ Purchaser of the SZ Properties, details of which are set out in the announcements of the Company dated 20 July 2015, 20 October 2015, 30 December 2015, 24 February 2016, 27 April 2016 and 27 July 2016, respectively
"SZ Properties"	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
"SZ Provisional Agreement"	the provisional sale and purchase agreement dated 16 July 2015 entered into between the SZ Purchaser and the SZ Vendor in relation to the SZ Acquisition at a consideration of HK$81.25 million, as supplemented by supplemental agreements dated 16 October 2015, 29 December 2015, 24 February 2016, 27 April 2016 and 27 July 2016
"SZ Purchaser"	New Grade Limited, an indirectly wholly-owned subsidiary of the Company and a company incorporated in Hong Kong with limited liability, which is principally engaged in property holding

"SZ Removal Agreement"	an agreement dated 5 July 2016 entered into between Caffco, the SZ Vendor and the SZ Purchaser in respect of procurement for vacation of the SZ Properties, details of which are set out in Part D of this circular
"SZ Supplemental Agreements"	five agreements, being a sewage treatment agreement, a fittings sale and purchase agreement, a fire services consultancy agreement, a laboratory design consultancy agreement and a liaison consultancy agreement, all dated 5 July 2016 entered into between the SZ Vendor and the SZ Purchaser in relation to sale and purchase of certain existing fittings and various consultation services to the SZ Purchaser, details of which are set out in Part D of this circular
"SZ Vendor"	The Sky High Plastic Works Limited, a company incorporated in Hong Kong with limited liability and an Independent Third Party
"Takeovers Code"	The Code on Takeovers and Mergers promulgated by the SFC
"Underwriter" or "Kingston"	Kingston Securities Limited, a corporation licensed by the SFC to carry out business in type 1 regulated activity (dealing in securities) under the SFO
"Underwriting Agreement"	the underwriting agreement dated 5 July 2016 (as amended by a supplemental agreement dated 8 July 2016 and a second supplemental agreement dated 27 July 2016) entered into between the Company and the Underwriter in relation to the Rights Issue
"Underwritten Shares"	all the Rights Shares in excess of the aggregate of: (i) 209,492,205 Rights Shares that will be provisionally allotted to and subscribed for by Rich Time (or its associates) pursuant to the WOG Irrevocable Undertaking; and (ii) 370,000,000 Rights Shares for which Rich Time (or its associates) will subscribe by way of excess application pursuant to the WOG Irrevocable Undertaking, which are fully underwritten by the Underwriter pursuant to the terms and subject to the conditions of the Underwriting Agreement

"Untaken Shares"	all those Underwritten Shares for which duly completed Application Forms (accompanied by cheques or banker's cashier order for the full amount payable on the applications which are honoured on first, or at the option of the Company, subsequent presentation) have not been lodged for acceptance by Qualifying Shareholders, or received, as the case may be, on or before the Latest Time for Acceptance
"Whitewash Waiver"	a waiver to be granted by the Executive pursuant to Note 1 on dispensation from Rule 26 of the Takeovers Code in respect of the obligation of WOG to make a general offer for all the issued Shares not already owned or agreed to be acquired by WOG and parties acting in concert with it which may otherwise arise as a result of the subscription of the Rights Shares by members of the WOG Group pursuant to the WOG Irrevocable Undertaking
"Winning Rich"	Winning Rich Investments Limited, an indirectly wholly-owned subsidiary of the Company and a company incorporated in the British Virgin Islands with limited liability which is principally engaged in investment holding
"WOG"	Wang On Group Limited (宏安集團有限公司)*, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1222)
"WOG Board"	the board of the WOG Directors
"WOG Concert Group"	means, as at the Latest Practicable Date, WOG and persons acting in concert with it (within the meaning of the Takeovers Code), including Rich Time
"WOG Director(s)"	the director(s) of WOG
"WOG Group"	WOG and its subsidiaries
"WOG Irrevocable Undertaking"	an irrevocable undertaking dated 5 July 2016 given by Rich Time in favour of the Company

* *For identification purpose only*

"WOG SGM"	the special general meeting of WOG to be convened and held to consider and approve, among other things, the WOG Irrevocable Undertaking
"WOG Share(s)"	the ordinary share(s) of HK$0.01 each in the issued share capital of WOG
"WOG Shareholder(s)"	the holder(s) of the WOG Share(s)
"%"	per cent.

The expected timetable for the Rights Issue set out below is indicative only:

Event	Timeline 2016
Latest time for lodging proxy forms for the SGM	10:00 a.m. on 24 August, Wednesday
Expected date and time of the SGM	10:00 a.m. on 26 August, Friday
Announcement of results of the SGM	26 August, Friday
Last day of dealings in Shares on a cum-rights basis	30 August, Tuesday
First day of dealings in Shares on an ex-rights basis	31 August, Wednesday
Latest time for the Shareholders to lodge transfer of Shares in order to qualify for the Rights Issue	4:30 p.m. on 1 September, Thursday
Closure of register of members of the Company (both dates inclusive)	2 September, Friday to 5 September, Monday
Record Date and time for determining entitlements to the Rights Issue	4:30 p.m. on 5 September, Monday
Register of members of the Company re-opens	6 September, Tuesday
Despatch of the Prospectus Documents	6 September, Tuesday
First day of dealings in nil-paid Rights Shares	8 September, Thursday
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on 12 September, Monday
Last day of dealings in nil-paid Rights Shares	15 September, Thursday

Latest time for acceptance of, and payment for, the Rights Shares and the applications for excess Rights Shares	4:00 p.m. on 21 September, Wednesday
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on 27 September, Tuesday
Announcement of results of the Rights Issue	28 September, Wednesday
Refund cheques to be despatched in relation to wholly or partially unsuccessful applications for excess Rights Shares on or before	29 September, Thursday
Certificates for fully-paid Rights Shares to be despatched on or before	29 September, Thursday
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on 30 September, Friday

Note: All references to time in this circular are references to Hong Kong time.

Dates or deadlines specified in this circular are indicative only and may be varied by agreement between the Company and the Underwriter. Any consequential changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The Latest Time for Acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if:

1. a tropical cyclone warning signal number 8 or above on the Latest Time for Acceptance, or

2. a "black" rainstorm warning signal is:

   (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance of, and payment for, the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or

(ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance of, and payment for, the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m..

If the Latest Time for Acceptance and application and payment for excess Rights Shares does not take place, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event as soon as practicable.

If, prior to the Latest Time for Termination:

(i) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:

(a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not of the same kind or nature with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

(ii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

(iii) any change in the circumstances of the Company or any member of the Group occurs which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing, the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

(iv) any event of force majeure occurs including without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or

(v) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole occurs, whether or not of the same kind or nature with any of the foregoing; or

(vi) any matter occurs which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or

(vii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than 10 consecutive Business Days occurs, excluding any halt or suspension in connection with the clearance of the Joint Announcement, the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or

(viii) any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange occurs due to exceptional financial circumstances or otherwise,

the Underwriter is entitled to terminate the Underwriting Agreement by notice in writing to the Company served prior to the Latest Time for Termination.

The Underwriter may also by notice in writing rescind the Underwriting Agreement if, prior to the Latest Time for Termination:

(i) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or

(ii) any Specified Event comes to the knowledge of the Underwriter.

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

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

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

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business:
5/F., Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

9 August 2016

To the Qualifying Shareholders and, for information purposes only, to the holder(s) of the Share Option(s) and Excluded Shareholders

Dear Sir or Madam,

(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY ONE (1) SHARE HELD ON THE RECORD DATE AT HK$0.43 PER RIGHTS SHARE
(2) MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE BOND
(3) MAJOR TRANSACTION IN RELATION TO ENTERING INTO OF THE SZ REMOVAL AGREEMENT AND THE SZ SUPPLEMENTAL AGREEMENTS IN RESPECT OF THE SZ ACQUISITION
(4) WHITEWASH WAIVER UNDER THE TAKEOVERS CODE
AND
(5) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

On 8 July 2016, the Company and WOG published the Joint Announcement in relation to, among other things, the Rights Issue, the Bond Transfer Agreement, the SZ Removal Agreement, the SZ Supplemental Agreements and the Whitewash Waiver.

* *For identification purpose only*

The purpose of this circular is to provide you, amongst other things, (i) further details of the Rights Issue, the Bond Transfer Agreement, the SZ Removal Agreement, the SZ Supplemental Agreements, the Whitewash Waiver and the respective transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respects of the Rights Issue, the Bond Transfer Agreement, the Whitewash Waiver and the transactions contemplated respectively thereunder; (iii) a letter of advice from Beijing Securities to the Independent Board Committee and the Independent Shareholders on the Rights Issue, the Bond Transfer Agreement, the Whitewash Waiver and the transactions contemplated respectively thereunder; and (iv) a notice convening the SGM at which the relevant resolutions will be proposed to consider and, if thought fit, approve the proposed Rights Issue, the Bond Transfer Agreement, the SZ Removal Agreement, the SZ Supplemental Agreements, the Whitewash Waiver and the transactions contemplated respectively thereunder.

PART A: PROPOSED RIGHTS ISSUE

The Company proposes to raise gross proceeds of up to approximately HK$408.0 million (assuming no exercise of the outstanding Share Options before the Record Date) or approximately HK$408.1 million (assuming full exercise of the outstanding Share Options before the Record Date), before expenses, by way of the Rights Issue of not less than 948,857,166 Rights Shares and not more than 949,013,133 Rights Shares to the Qualifying Shareholders at the Subscription Price of HK$0.43 per Rights Shares, on the basis of three (3) Rights Shares for every one (1) Share held on the Record Date.

Issue statistics

Basis of the Rights Issue	:	Three (3) Rights Shares for every one (1) Share held on the Record Date
Subscription Price	:	HK$0.43 per Rights Share payable in full on acceptance
Number of Shares in issue as at the Latest Practicable Date	:	316,285,722 Shares
Number of new Shares to be issued upon full exercise of the outstanding Share Options	:	51,989 Shares

Number of Rights Shares to be issued pursuant to the Rights Issue and aggregate nominal value	:	Not less than 948,857,166 Rights Shares and not more than 949,013,133 Rights Shares, with an aggregate nominal value of HK$9,488,571.66 and HK$9,490,131.33 respectively
Total number of issued Shares upon completion of the Rights Issue	:	Not less than 1,265,142,888 Shares and not more than 1,265,350,844 Shares

The minimum number of 948,857,166 Rights Shares to be issued pursuant to the Rights Issue represents 300.00% of the existing issued share capital of the Company and 75.00% of the enlarged issued share capital of the Company immediately upon completion of the Rights Issue.

Assuming full exercise of the outstanding Share Options on or prior to the Record Date, the maximum number of 949,013,133 Rights Shares will be issued pursuant to the Rights Issue, representing approximately 300.05% of the existing issued share capital of the Company and 75.00% of the issued share capital of the Company as enlarged by the issue of Shares underlying the Share Options and the Rights Issue immediately upon completion of the Rights Issue.

Save for the 51,989 Share Options outstanding as at the Latest Practicable Date which are convertible into an aggregate of 51,989 Shares, the Company has no other outstanding options, derivatives, warrants, rights over shares, convertible securities, or other similar rights which are convertible or exchangeable into Shares.

Immediately upon completion of the Rights Issue, the exercise price and the number of Shares to be issued upon exercise of the Share Options may have to be adjusted in accordance with the rules of the relevant share option scheme and in compliance with the Listing Rules and the relevant rules, guidance and listing decisions issued by the Stock Exchange. The Company will instruct its auditors or an independent financial adviser to certify the adjustments, if any, to the Share Options and will inform the holders of the Share Options of the adjustments, if any, accordingly. Further announcement will be made by the Company in respect of such adjustments as and when appropriate.

Subscription Price

The Subscription Price is HK$0.43 per Rights Share, payable in full on acceptance. The Subscription Price represents:

(i) a discount of approximately 48.81% to the closing price of HK$0.84 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 49.41% to the average closing price of HK$0.85 per Share for the five consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 18.87% to the theoretical ex-entitlement price of approximately HK$0.53 per Share after the Rights Issue, based on the closing price of HK$0.84 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iv) a discount of approximately 94.14% to the audited total equity attributable to the owners of the Company per Share of approximately HK$7.34 as at 31 March 2016; and

(v) a discount of 25.86% to the closing price of HK$0.58 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Basis of determining the Subscription Price and subscription ratio

The Subscription Price and the subscription ratio were determined, among other things, as a result of arm's length negotiations between the Company and the Underwriter, and reflect the best commercial deal that the Company could obtain on terms commercially acceptable to it.

The determination was driven by the following factors:-

(i) the capital needs of the Group to support the continued growth of the Group as discussed in the sections headed "Reasons for the Rights Issue" and "Use of proceeds from the Rights Issue" below in this letter;

(ii) the financial position of the Group;

(iii) recent market price of the Shares; and

(iv) the prevailing market conditions.

In addition, the Board has also considered the following key aspects relating to the Rights Issue:-

(i) **the Rights Issue can strengthen the Company's capital base:** the Rights Issue, if successful, would enable the Company to raise net proceeds of approximately HK$399.8 million (assuming no exercise of the outstanding Share Options before the Record Date) or approximately HK$399.9 million (assuming full exercise of the outstanding Share Options before the Record Date). Based on the Company's total equity of approximately HK$2,329.6 million as at 31 March 2016, the Rights Issue is expected to strengthen the Company's equity base by approximately 17.16%;

(ii) **costs of funds raised through debt:** had the Company raised approximately HK$399.8 million in the form of debt rather than equity, assuming the debt carries an interest of approximately 2.27% per annum (being the weighted average of the interest rate payable by the Company on its debts as of 31 March 2016), the Company would have to incur interest expenses of approximately HK$9.1 million per year. The funds raised through the Rights Issue would not be interest-bearing and hence the Company believes it will achieve significant savings in interest expenses as compared to raising funds through debts;

(iii) **capital needs of the Group:** as at the Latest Practicable Date, the unaudited cash balance of the Group amounted to approximately HK$282.4 million. Given the present market circumstances and in view of the Group's outstanding bank loans of approximately HK$780.0 million as at the Latest Practicable Date (see the section headed "Reasons for the Rights Issue" below) and to support the Group's expansion, the Board considers a fundraising exercise by way of the Rights Issue to be appropriate;

(iv) **Subscription Price at discount to prevailing market price, subscription ratio and safeguards to Shareholders:** as the Rights Shares are offered to all Qualifying Shareholders, the Directors are of the view that the current subscription ratio allows the Company to raise funds at a subscription price representing a discount to current market prices so as to encourage all Qualifying Shareholders to participate in the Rights Issue. In the event the subscription ratio were to be set at a lesser proportion (such as one Rights Share for one existing Share), the subscription price would have to be higher than the Subscription Price and the prevailing market price of the Shares in order to raise the same amount of proceeds; and

the subscription ratio and discount structure are commercial decisions of the Company which are required to be approved, as part of the terms of the Rights Issue, by the Independent Shareholders at the SGM. The other safeguard to the Shareholders' interests is that the Independent Shareholders will be advised, before exercising their respective voting rights, by the Independent Board Committee (comprising all independent non-executive Directors) and the Independent Financial Adviser. The Independent Shareholders can then make an informed decision as to whether to vote in favour of the resolution in respect of the Rights Issue on the terms proposed.

Given that: (i) the Rights Issue is subject to the Independent Shareholders' approval at the SGM; (ii) the current form and structure of the Rights Issue involves a discount of the Subscription Price to the prevailing market price of the Shares (which enables the Qualifying Shareholders to subscribe for the Rights Shares below the prevailing market price) and thus encourages the Qualifying Shareholders to participate in the Rights Issue and the future development and growth of the Group; (iii) whilst there will be a dilution impact on the shareholding of those Qualifying Shareholders who do not take up in full their entitlement under the Rights Issue, they have the opportunity to dispose of and realise their nil-paid Rights Shares on the Stock Exchange, subject to the then prevailing market conditions; and (iv) the Qualifying Shareholders who wish to increase their shareholdings in the Company through the Rights Issue may, subject to availability, acquire additional nil-paid Rights Shares in the market or apply for additional Rights Shares by way of excess application, the Directors (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) are of the view that the terms of the Rights Issue, including the Subscription Price and the subscription ratio, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions of the Rights Issue

The Rights Issue is subject to fulfillment of the following conditions under the Underwriting Agreement:

(i) the passing of all the necessary resolutions(s) by the Independent Shareholders at the SGM approving and confirming: (a) the Rights Issue and the transactions contemplated thereunder and authorising the Directors to allot and issue the Rights Shares (in their nil-paid and fully-paid forms); (b) the Bond Transfer Agreement and the transactions contemplated thereunder; and (c) the Whitewash Waiver, each in accordance with the Bye-laws, the Listing Rules and the Takeovers Code on or before the Record Date;

(ii) the Executive granting to WOG the Whitewash Waiver and the satisfaction of all conditions (if any) attached thereto;

(iii) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) in accordance with section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance as having been approved by resolutions of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date;

(iv) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus to the Excluded Shareholders, if any, for information purposes only, on or before the Prospectus Posting Date;

(v) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) by no later than the first day of their dealings;

(vi) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof prior to the Latest Time for Termination;

(vii) the compliance with and performance by the Company of all the undertakings and obligations under the terms of the Underwriting Agreement;

(viii) the compliance with and performance of all undertakings and obligations of Rich Time, or any of its respective associates, under the WOG Irrevocable Undertaking;

(ix) if necessary, the obtaining of the consent or permission from the Bermuda Monetary Authority in respect of the issue of the Rights Shares;

(x) there being no Specified Event occurring prior to the Latest Time for Termination; and

(xi) the passing of the necessary resolution(s) by the WOG Shareholders at the WOG SGM to approve, among others, the subscription of Rights Shares (including the subscription for entitled Rights Shares and by way of excess application) under the Rights Issue pursuant to the WOG Irrevocable Undertaking and the transactions contemplated thereunder.

These conditions are incapable of being waived. If any of the above conditions is not satisfied in whole by the Latest Time for Termination (or such other time and/or date specified therein) or such other time and/or date as the Company and the Underwriter may agree in writing, the Underwriting Agreement shall be terminated accordingly and the Rights Issue will not proceed. In such circumstance, no party shall have any claim against the other parties for costs, damages, compensation or otherwise save for any antecedent breaches. As at the Latest Practicable Date, none of the above conditions has been fulfilled.

Effects on the shareholding structure of the Company as a result of the Rights Issue

The expected changes in the shareholding structure of the Company arising from the Rights Issue are as follows:

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue, assuming all the Rights Shares are subscribed by the Qualifying Shareholders and no exercise of the outstanding Share Options on or before the Record Date		Immediately after completion of the Rights Issue, assuming all the Rights Shares are subscribed by the WOG Group pursuant to the WOG Irrevocable Undertaking and the Underwriter pursuant to the Underwriting Agreement and no exercise of the outstanding Share Options on or before the Record Date *(Note 1)*		Immediately after completion of the Rights Issue, assuming all the Rights Shares are subscribed by the Qualifying Shareholders and full exercise of the outstanding Share Options on or before the Record Date		Immediately after completion of the Rights Issue, assuming all the Rights Shares are subscribed by the WOG Group pursuant to the WOG Irrevocable Undertaking and the Underwriter pursuant to the Underwriting Agreement and full exercise of the outstanding Share Options on or before the Record Date *(Note 1)*	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
The WOG Group	69,830,735	22.08	279,322,940	22.08	649,322,940	51.32	279,322,940	22.08	649,322,940	51.32
Ms. Tang Mui Fun *(Note 2)*	–	0.00	–	0.00	–	0.00	16,308	0.00	4,077	0.00
Sub-total	69,830,735	22.08	279,322,940	22.08	649,322,940	51.32	279,339,248	22.08	649,327,017	51.32
Other Shareholders										
The Underwriter (including subscribers procured by it) *(Note 3)*	1	0.00	4	0.00	369,364,962	29.20	4	0.00	369,520,929	29.20
Other public Shareholders	246,454,986	77.92	985,819,944	77.92	246,454,986	19.48	986,011,592	77.92	246,502,898	19.48
Total	316,285,722	100.00	1,265,142,888	100.00	1,265,142,888	100.00	1,265,350,844	100.00	1,265,350,844	100.00

Notes:

1. Assuming all 370,000,000 Rights Shares applied for by Rich Time by way of excess application pursuant to the WOG Irrevocable Undertaking are allocated to it.

2. Ms. Tang Mui Fun is an executive Director.

3. As and when any subscribers and/or sub-underwriters are procured by the Underwriter for the Underwritten Shares, the Underwriter has agreed to use its best endeavours to ensure that (i) such subscribers and/or sub-underwriters are Independent Third Parties; and (ii) such subscribers and/or sub-underwriters will not hold 10.0% or more of the equity interest in the Company upon completion of the Rights Issue. The Underwriter has agreed to use its best endeavours to ensure that the public float requirements under Rule 8.08 of the Listing Rules can be maintained upon completion of the Rights Issue. On this basis, the Company and the Underwriters are of the view that the public float requirements under

Rule 8.08 of the Listing Rules can be maintained upon completion of the Rights Issue. As at the Latest Practicable Date, the Company has been informed by the Underwriter that the Underwriter has procured 2 persons who are Independent Third Parties (and who are not existing Shareholders as of the Latest Practicable Date) to take up a maximum aggregate of 80,000,000 Underwritten Shares and none of them will hold 10.0% or more of the equity interest in the Company upon completion of the Rights Issue. Of these 2 persons, one of them is an individual who has agreed to take up a maximum of 50,000,000 Underwritten Shares under the relevant sub-underwriting agreement dated 28 July 2016 ; and another one is a corporate entity which has agreed to take up a maximum of 30,000,000 Underwritten Shares under the relevant sub-underwriting agreement dated 28 July 2016.

Potential dilution effect on the shareholding interests of the Independent Shareholders

Upon completion of the Rights Issue, 948,857,166 Shares (assuming no exercise of the outstanding Share Options before the Record Date) or 949,013,133 Shares (assuming full exercise of the outstanding Share Options before the Record Date) will be issued. Qualifying Shareholders who elect to accept their entitlements under the Rights Issue in full will retain their current shareholding in the Company (save for any dilution arising as a result of any exercise of the outstanding Share Options). Qualifying Shareholders who do not elect to accept their entitlements under the Rights Issue in full will be diluted after completion of the Rights Issue by a maximum of 75.0% (assuming no exercise of the outstanding Share Options before the Record Date) and approximately 75.0% (assuming full exercise of the outstanding Share Options before the Record Date) respectively.

Principal terms of the Underwriting Agreement

Date	:	5 July 2016 (after trading hours of the Stock Exchange and amended by a supplemental agreement dated 8 July 2016 and a second supplemental agreement dated 27 July 2016)
Parties	:	(i) the Company; and (ii) the Underwriter. The Underwriter and its ultimate beneficial owners are Independent Third Parties.
Total number of Underwritten Shares	:	Not less than 369,364,961 Underwritten Shares (if no outstanding Share Options are exercised before the Record Date) and not more than 369,520,928 Underwritten Shares (if all outstanding Share Options are exercised before the Record Date), being the total number of Rights Shares under the Rights Issue minus the maximum aggregate number of Rights Shares to be subscribed and paid for by Rich Time pursuant to the WOG Irrevocable Undertaking and on the basis that no further Share will be issued or repurchased on or before the Record Date.

Commission	:	A commission of 2.5% of the aggregate Subscription Price in respect of the maximum number of Underwritten Shares agreed to be underwritten by the Underwriter is payable to the Underwriter. The commission rate was determined after arm's length negotiations between the Company and the Underwriter with reference to, among other things, the scale of the Rights Issue and the market rate. The Board considers that the underwriting commission rate is fair and reasonable and in the interests of the Company and the Shareholders as a whole.
Conditions	:	Please refer to the section headed "Conditions of the Rights Issue" in Part A of this circular.
Latest Time for Termination	:	4:00 p.m. on the fourth Business Day after the Latest Time for Acceptance or such later time or date as may be agreed between the Underwriter and the Company in writing, being the latest time to terminate the Underwriting Agreement.
Termination	:	If, prior to the Latest Time for Termination:

(i) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:

(a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not of the same kind or nature with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

(ii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

(iii) any change in the circumstances of the Company or any member of the Group occurs which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing, the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

(iv) any event of force majeure occurs, including without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or

(v) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole occurs, whether or not of the same kind or nature with any of the foregoing; or

(vi) any matter occurs which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or

(vii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than 10 consecutive Business Days occurs, excluding any halt or suspension in connection with the clearance of the Joint Announcement, the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or

(viii) any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange occurs due to exceptional financial circumstances or otherwise,

the Underwriter is entitled to terminate the Underwriting Agreement by notice in writing to the Company served prior to the Latest Time for Termination.

The Underwriter may also by notice in writing rescind the Underwriting Agreement if, prior to the Latest Time for Termination:

(i) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or

(ii) any Specified Event comes to the knowledge of the Underwriter.

The WOG Irrevocable Undertaking

As at the Latest Practicable Date, WOG, through its indirectly wholly-owned subsidiary, Rich Time, is interested in 69,830,735 Shares, representing approximately 22.08% of the issued share capital of the Company.

On 5 July 2016 (after trading hours of the Stock Exchange), Rich Time executed the WOG Irrevocable Undertaking in favour of the Company, under which it conditionally agreed, among other things:

(i) to subscribe, or procure its associates to subscribe, for 209,492,205 Rights Shares which comprise the full acceptance of its provisional entitlements under the Rights Issue;

(ii) to procure that the Shares comprising its current shareholding in the Company will remain beneficially owned by it on the Record Date;

(iii) to procure that its acceptance of the 209,492,205 Rights Shares which will be provisionally allotted to it nil-paid under the Rights Issue be lodged with the Registrar, with payment in full therefor, by no later than 4:00 p.m. at the Latest Time for Acceptance or otherwise in accordance with the instructions printed on the PAL(s);

(iv) to apply, or procure its associates to apply, by way of excess application, for 370,000,000 Rights Shares;

(v) to procure that the EAF(s) for 370,000,000 Rights Shares to be lodged with the Registrar, with payment in full therefor, by no later than 4:00 p.m. at the Latest Time for Acceptance or otherwise in accordance with the instructions printed on the EAF(s); and

(vi) to accept, or procure acceptance of all excess Rights Shares applied for or any lesser number of excess Rights Shares allotted to it and/or its associates (to the extent being allocated by the Company pursuant to the terms of the Underwriting Agreement where the total number of excess Rights Shares available for allocation to Rich Time and/or its associates is less than or equal to the total number of excess Rights Shares applied for by it and/or its associates).

Rich Time's obligations under the WOG Irrevocable Undertaking are conditional upon:

(i) the passing of the necessary resolution(s) by the WOG Shareholders at the WOG SGM to approve, among others, the subscription for 209,492,205 Rights Shares comprising Rich Time's provisional entitlement under the Rights Issue and the application for an additional 370,000,000 Rights Shares by way of excess application under the Rights Issue pursuant to the WOG Irrevocable Undertaking; and

(ii) the conditions of the Rights Issue (other than condition (viii) referred to in the section headed "Conditions of the Rights Issue" in Part A of this circular) having been fulfilled.

Reasons for the Rights Issue

The Group is principally engaged in: (i) the 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; (ii) the processing and retailing of western pharmaceutical products, health food and personal care products under the brand names of "Madame Pearl's" and "Pearl's"; and (iii) property investment.

The Board is optimistic about the future growth and development of the Company, in light of increasing public awareness and concern about personal health and the rising trend of people consuming health and nutrition supplements. The Group's establishment of integrated Chinese medical centres to provide Chinese medicine consultation services has proven successful, and the Group will continue to explore ways to further expand its Chinese medicine consultation services. The Group intends to further expand its product range to broaden its customer base, while still focusing on continuous product development, added promotional and marketing efforts and broadening the sales channels of its existing well-known "Madame Pearl's", "Pearl's" and "Pearl's Mosquitout" products.

The Rights Issue is expected to improve the Group's financial position as part of the proceeds from the Rights Issue will be applied towards reduction of the Group's borrowings and as its general working capital. Also, according to the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group upon completion of the Rights Issue set out in Appendix IIA to this circular, assuming the Rights Issue had taken place on 31 March 2016 and 948,857,166 Rights Shares were issued at HK$0.43 per Rights Share, the Group's consolidated net tangible assets attributable to owners of the Company would have been increased by approximately 17.3% from approximately HK$2,306.9 million to approximately HK$2,706.7 million, thereby improving the Group's financial position.

In light of the above and taking also into account that:-

(i) debt financing would incur further interest burden to the Group;

(ii) any placing of new Shares without first offering the existing Shareholders the opportunity to participate in the Company's equity raising exercise would result in dilution of shareholding of and per Share value to the existing Shareholders;

(iii) issuance of convertible securities would not strengthen the Company's capital base until the convertible securities is converted into equity which would also result in dilution of shareholding to the Shareholders;

(iv) the Rights Issue will enable the Company to strengthen its equity base and liquidity without incurring additional interest costs. It enables the Group to focus its resources to further develop its business in the PRC by establishing its factory in the PRC, strengthening its research and development efforts for product innovation and expansion of product range and to commit to stringent and comprehensive quality control procedures throughout all our production processes, thereby bolstering its ability to capitalise upon greater business opportunities associated with its principal business engagements; and

(v) the Rights Issue would enable the Shareholders to maintain their proportionate interests in the Company should they wish to participate in the future growth of the Group, allows the Qualifying Shareholders who decide not to take up their entitlements under the Rights Issue to sell the nil-paid Rights Shares in the market for economic benefit, the Directors are of the view that the Rights Issue represents the most commercial viable options available to and considered by the Company and the fund raising by way of the Rights Issue is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

The Company has not approached any other independent underwriters to negotiate underwriting of the Rights Issue for the following reasons:

(i) the Company has a long standing relationship with Kingston whom it believes is a reputable securities firm that is willing to engage with companies of similar market capitalisation as the Company (taking into account the market capitalisation of the Company of approximately HK$265.7 million with reference with the closing price of the Shares of HK$0.84 as at the Last Trading Day) and has a track record of completing capital market deals successfully with the Company;

(ii) the underwriting commission of 2.5% charged by the Underwriter is comparable to that charged by other underwriters in similar exercises; and

(iii) the Company is mindful of the laws and regulations in Hong Kong pertaining to the need to keep inside information confidential pending the publication of an announcement and not putting any person in a privileged dealing position. As the Rights Issue is considered by the Directors to be inside information, in order to be conducive to compliance with the relevant laws and regulations on inside information, the Company did not consider approaching multiple potential underwriters with whom it does not have a prior business relationship.

As at the Latest Practicable Date, the maturity profile of the Company's outstanding bank borrowings are as follows:-

	HK$ (million) (unaudited)
within one year	55.0
2 to 5 years	160.0
over 5 years	565.0
Total	780.0

As stated below in the paragraph headed "Use of proceeds from the Rights Issue", HK$50.0 million from the proceeds of the Rights Issue will be applied towards repayment of the Group's outstanding bank borrowings. The Group intends to apply those proceeds to repay bank borrowings which will fall due within one year. The savings on interest expense arising from the repayment of the bank borrowings is expected to amount to approximately HK$1.1 million per annum (based on the weighted average of the interest rate payable by the Company on its debts as of 31 March 2016 of 2.27% per annum).

Use of proceeds from the Rights Issue

The Rights Issue is proposed with a view to provide further funding for the Group's business development and expansion and assisting with the Group's repayment of financial indebtedness. The net proceeds to be raised from the Rights Issue, being approximately HK$399.8 million (assuming no exercise of the outstanding Share Options before the Record Date) or approximately HK$399.9 million (assuming full exercise of the outstanding Share Options before the Record Date) are intended to be applied for the following purposes:

(i) as to HK$50.0 million for the payment of installation of facilities and equipment of the Group's factory in the PRC (including HK$28.0 million to be utilised for payment under the SZ Removal Agreement and the SZ Supplemental Agreements in the fourth quarter of 2016. Based on our preliminary estimation, approximately HK$15.0 million and HK$7.0 million, respectively, will be utilised for the payment of renovation or other construction works, installation of facilities and equipment for the SZ Properties in the first and second quarter of 2017) for its pharmaceutical manufacturing business;

(ii) as to HK$200.0 million for the acquisition of the Bond under the Bond Transfer Agreement;

(iii) as to HK$50.0 million for the repayment of outstanding bank borrowings and interests of the Group; and

(iv) the remaining balance of approximately HK$99.8 million (assuming no exercise of the outstanding Share Options before the Record Date) or approximately HK$99.9 million (assuming full exercise of the outstanding Share Options before the Record Date) will be utilised for general working capital of the Group. More specifically, the Group intends to utilise as to approximately HK$30.0 million for the payment of salaries, as to approximately HK$42.0 million for the purchase of raw material and inventories, as to approximately HK$22.0 million for the payment of rental for retail shops and as to balance of approximately HK$5.8 million for selling and distribution expenses during the first quarter of 2017.

Announcement(s) will be made by the Company in accordance with the Listing Rules as and when necessary when there is a material change in the use of net proceeds from the Rights Issue. As at the Latest Practicable Date, the Group has not identified any definitive investment opportunity.

Assuming that: (i) there is no material change in the business of the Group and the general economic environment; (ii) the Group's businesses are operated in the ordinary course without disruptions; (iii) the Group will receive interest income and other interest-bearing loan repayments as scheduled; and (iv) the Rights Issue does not complete as scheduled, the Group expects a net funding need of approximately HK$57.6 million for the 12 months following the publication of this circular for its normal business operations, development of its factory in the PRC, expansion of its product range, strengthening of its research and development efforts for product innovation and quality control enhancements. Subject to normal business developments of the Group in its usual course of business and save for unforeseen circumstances beyond the control of the Group's management, the Directors believe that the proceeds from the Rights Issue, together with other funding generated by the Group in its business operations, can satisfy the Group's expected funding needs for the 12 months following the publication of this circular.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company and not being an Excluded Shareholder on the Record Date. In order to be registered as members of the Company on the Record Date, all transfers of the Shares must be lodged (together with the relevant share certificate(s)) with the Registrar by 4:30 p.m. (Hong Kong time) on Thursday, 1 September 2016, at the following address:

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

The Company will send the Prospectus Documents to the Qualifying Shareholders, and will send the Prospectus (without the PAL(s) and EAF(s)), for information purposes only, to the Excluded Shareholders on the Prospectus Posting Date.

According to the register of members of the Company as at the Latest Practicable Date, there were five Overseas Shareholders whose addresses were located in Canada, Curacao, Macau, the PRC and the United Kingdom, holding 4 Shares, 11 Shares, 6 Shares, 144 Shares and 3 Shares, respectively.

The Company has been advised by its legal advisors in Macau, Curacao and the PRC that the Prospectus Documents would not be required to be registered with any regulatory authorities or the stock exchanges of Macau, Curacao and the PRC. Based on such advice, the Directors decided to extend the Rights Issue to the Overseas Shareholders located in Macau, Curacao and the PRC, who will accordingly be Qualifying Shareholders.

The Company has been advised by its legal advisors in Canada and the United Kingdom that the extension of the Rights Issue to Overseas Shareholders in these jurisdictions would or might, in the absence of compliance with the registration requirements or other special formalities under the relevant legislation or regulations of these jurisdictions, be unlawful or impracticable, and compliance with the registration or other special formalities in these jurisdictions could be both disproportionately costly and time-consuming, particularly in light of the fact that the Overseas Shareholders in these jurisdictions hold a very small or nominal amount of Shares. Accordingly, in view of the likely expense and time involved if compliance with the laws of Canada and the United Kingdom were to be observed and the insignificant shareholdings of the Overseas Shareholders located in these jurisdictions, the Directors believe that the costs and burden of compliance with such overseas laws would outweigh the benefits which the Company and its Shareholders as a whole would stand to receive by having these Overseas Shareholders included in the Rights Issue. Therefore, the Directors have determined that it would not be necessary or expedient to extend the Rights Issue to the Overseas Shareholders located in Canada and the United Kingdom and accordingly, such Overseas Shareholders will be Excluded Shareholders.

The Company will ascertain whether there are any Overseas Shareholders on the Record Date. In determining whether there will be Excluded Shareholders, the Company will make enquiries with legal adviser(s) in other overseas jurisdiction(s) regarding the legal restrictions (if any) under the laws of the relevant places and the requirements of the relevant regulatory bodies or stock exchanges in relation to the Company's offering of the Rights Shares to the Overseas Shareholders in compliance with the Listing Rules.

Rights of the Excluded Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

In compliance with the necessary requirements of the Listing Rules, the Company will make enquiries with legal adviser(s) regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any). If, based on legal advice, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the Rights Issue will not be available to such Overseas Shareholders. Further information in this connection will be set out in the Prospectus Documents containing, among other things, details of the Rights Issue, to be despatched to the Qualifying Shareholders on the Prospectus Posting Date.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the Rights Shares in their nil-paid form commence and before dealings in the Rights Shares in their nil-paid form end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be retained for the benefit of the Company. Any unsold entitlement of the Excluded Shareholders to the Rights Shares, and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of the nil-paid Rights Shares, will be made available for excess applications by the Qualifying Shareholders.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 13.36(2)(a) of the Listing Rules. Accordingly, the Overseas Shareholders should exercise caution when dealing in the Shares.

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for any unsold entitlements of the Excluded Shareholders and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders (or the transferees to whom any Qualifying Shareholders have transferred their provisional entitlements). Application may be made by completing the EAF(s) and lodging the same with a separate remittance for the excess Rights Shares no later than the Latest Time for Acceptance. The Directors will allocate the excess Rights

Shares at their discretion on a fair and equitable basis and on a pro-rata basis to the excess Rights Shares applied for by the Qualifying Shareholders. However, no preference will be given to topping-up odd lots to whole board lots.

Beneficial owners of Shares whose Shares are held by a nominee company (including HKSCC Nominees Limited) should note that for the purpose of the Rights Issue, the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the beneficial owners of Shares whose Shares are registered in name of nominee companies should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually.

For those beneficial owners of Shares whose Shares are held by their nominee(s) (including HKSCC Nominees Limited) and who would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar for completion of the relevant registration not later than 4:30 p.m. on Thursday, 1 September 2016.

Closure of register of members of the Company

The register of members of the Company will be closed from Friday, 2 September 2016, to Monday, 5 September 2016 (both dates inclusive) for the purpose of ascertaining entitlement to the Rights Issue. No transfer of Shares will be registered during this period.

Status of the Rights Shares

The Rights Shares (when allotted, fully paid or credited as fully-paid and issued) will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares. Dealings in the Rights Shares will be subject to payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Certificates of the Rights Shares

Subject to fulfillment of the conditions of the Rights Issue, share certificates for the Rights Shares are expected to be sent on or before Thursday, 29 September 2016, to those entitled thereto by ordinary post at their own risks. Share certificates will be issued for the fully-paid Rights Shares.

Refund cheques for the Rights Issue

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Thursday, 29 September 2016, by ordinary post to the applicants at their own risk.

Taxation

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the tax implications of the holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms. It is emphasised that none of the Company, the Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of the holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares (in both their nil-paid and fully-paid forms).

Application for listing

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange, or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made to enable the Rights Shares (in both their nil-paid and fully-paid forms) to be admitted into CCASS.

Dealings in the Rights Shares (in both their nil-paid and fully-paid forms) will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Warning of the risks of dealings in Shares and/or Rights Shares in nil-paid form

The Rights Issue is conditional upon the fulfillment of the conditions set out in the section headed "Conditions of the Rights Issue" in Part A of this circular. In particular, the Rights Issue is conditional, among other things, upon:

(i) the Listing Committee of the Stock Exchange granting and not having withdrawn or revoked the listing of, and the permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms by no later than the first day of their dealings, which is expected to be 9:00 a.m. on Thursday, 8 September 2016 and 9:00 a.m. on Friday, 30 September 2016, respectively; and

(ii) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms (as set out in the section headed "Principal terms of the Underwriting Agreement" in Part A of this circular).

If the conditions of the Rights Issue are not fulfilled or if the Underwriter exercises its right to terminate the Underwriting Agreement pursuant to the terms therein, the Rights Issue will not proceed.

Any persons contemplating buying or selling Shares from the Latest Practicable Date up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form between Thursday, 8 September 2016 and Thursday, 15 September 2016 (both dates inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed.

Any Shareholders and potential investors contemplating dealing in Shares and/or nil-paid Rights Shares are recommended to consult their own professional advisers.

Previous fund-raising exercise in the prior 12-month period

The Company has not conducted any equity fund-raising activities in the past 12 months before the Latest Practicable Date.

Implications under the Listing Rules

As the Rights Issue will result in an increase in the Company's issued share capital by more than 50%, the Rights Issue is subject to, among other things, the approval by the Independent Shareholders at the SGM. Pursuant to Rule 7.19(6) of the Listing Rules, any controlling shareholder of the Company and their associates, or where there is no such controlling shareholder, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates are required to abstain from voting in favour of the resolution relating to the Rights Issue.

As at the Latest Practicable Date, there is no controlling shareholder and none of the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates holds any Shares. Accordingly, none of the Directors and the chief executive of the Company is required to abstain from voting in favour of the resolution to approve the Rights Issue at the SGM. Mr. Tang Ching Ho and Mr. Chan Chun Hong, Thomas, who are executive directors of both the Company and WOG, had abstained from voting on the relevant Board resolutions approving the Rights Issue.

As at the Latest Practicable Date, the Underwriter has interest in one Share and is the Underwriter of the Rights Issue. Accordingly, the Underwriter will abstain from voting on the resolution(s) approving the Rights Issue and the Whitewash Waiver at the SGM. To the extent that any sub-underwriter(s), or the associates of the Underwriter or the sub-underwriter(s) hold any Share, they will be considered to have a material interest in the Rights Issue and will be required to abstain from voting on the resolution approving the Rights Issue at the SGM. Furthermore, the WOG Concert Group has a material interest in the Rights Issue due to its interest in the WOG Irrevocable Undertaking and as such, the WOG Concert Group will abstain from voting on the resolution(s) approving the Rights Issue and the Whitewash Waiver at the SGM.

The Company has established the Independent Board Committee to advise the Independent Shareholders as to, among other things, whether the Rights Issue and the Whitewash Waiver (please refer to Part C of this circular for details) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders, after taking into account the recommendations of the Independent Financial Adviser, as to how to vote at the SGM. The Company has appointed Beijing Securities as the Independent Financial Adviser (whose appointment has been approved by the Independent Board Committee) to advise the Independent Board Committee and the Independent Shareholders in these regards. Please refer to pages 51 and 53 for the respective letters from the Independent Board Committee and the Independent Financial Adviser.

PART B: MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE BOND PURSUANT TO THE BOND TRANSFER AGREEMENT

Winning Rich, an indirectly wholly-owned subsidiary of the Company, has entered into the Bond Transfer Agreement with Double Leads, an indirectly wholly-owned subsidiary of WOG, and WOG in respect of the acquisition of the Bond from Double Leads as guaranteed by WOG. The Company proposes to acquire the Bond using part of the proceeds from the Rights Issue as set out in "Use of proceeds from the Rights Issue" in Part A of this circular. Particulars of the Bond and the Bond Transfer Agreement are set out respectively as follows:

The Bond

Issuer:	The Bond was issued by CAP. CAP and its subsidiaries are principally engaged in the business of agricultural produce exchange in the PRC.
Denominations:	HK$500,000 and integral multiples of HK$500,000
Maturity Date:	28 November 2019
Interest:	10.0% per annum, payable semi-annually in arrears on each six calendar month anniversary of 28 November 2014 (the "**Issue Date**") commencing on the date falling six calendar months from the Issue Date.

Status:	The Bond will constitute direct, unconditional, unsecured and unsubordinated obligations of CAP which will rank *pari passu* among themselves and at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of CAP other than those preferred by statute or applicable law.
Events of default:	The events of default under the Bond include, among others, default in payment of principal or interest of the Bond, default in the performance or breach of certain obligation under the Bond and insolvency. If an event of default occurs, the unpaid principal amount of the Bond and any accrued and unpaid interest thereon may become due and payable immediately, subject to certain declaration and notice provisions.
Redemption for taxation reasons:	The Bond may be redeemed at the option of the CAP in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice, at their principal amount (together with interest accrued to the date fixed for redemption), in the event of certain changes affecting taxes of Bermuda, the PRC or Hong Kong. Save for the abovementioned redemption, CAP does not have the rights to redeem at its option the Bond before the maturity date.
Negative pledge:	So long as any Bond remains outstanding, CAP will not, and will ensure that none of its principal subsidiaries will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure certain relevant indebtedness or to secure any guarantee or indemnity in respect of such relevant indebtedness, without at the same time or prior thereto according to the Bond the same security as is created or subsisting to secure any such relevant indebtedness, guarantee or indemnity or such other security as either (i) the trustee of the Bond shall in its absolute discretion deem not materially less beneficial to the interest of the holders of the Bond or (ii) shall be approved by an extraordinary resolution of the holders of the Bond.

The Bond Transfer Agreement

Date:	5 July 2016 (after trading hours of the Stock Exchange and amended by a supplemental agreement dated 8 July 2016)
Parties:	Double Leads, as vendor WOG, as guarantor Winning Rich, as purchaser Winning Rich is an indirectly wholly-owned subsidiary of the Company which is principally engaged in investment holding. Double Leads is an indirectly wholly-owned subsidiary of WOG which is principally engaged in investment holding.
Subject matter and consideration:	Winning Rich will acquire the Bond from Double Leads at a consideration being at par to the outstanding principal amount of the Bond, being HK$200,000,000 subject to upward adjustments for any accrued but unpaid interest on the Bond up to and including the date of completion of the transactions contemplated under the Bond Transfer Agreement. The consideration is payable by Winning Rich in cash using net proceeds from the Rights Issue (as to HK$200,000,000) and internal resources (as to remainder of the consideration in respect of interest accrued and unpaid).
Condition:	The Bond Transfer Agreement is conditional upon the (i) completion of the Rights Issue; (ii) approval by the Independent Shareholders of the relevant resolutions at the SGM; and (iii) service of a notice of completion by Winning Rich on Double Leads. The conditions to the Bond Transfer Agreement are not capable of being waived. If completion of the transaction does not take place by the Long Stop Date, the Bond Transfer Agreement shall terminate without any liabilities to all parties.

	The notice of completion is expected to be served upon completion of the Rights Issue but Winning Rich is not obliged under the Bond Transfer Agreement to serve such notice whether or not the conditions under the Bond Transfer Agreement are satisfied.
Guarantee:	WOG will guarantee the due and punctual performance of CAP's obligations (i.e. as to the payment of interest as it falls due and repayment of the principal amount of the Bond upon maturity) under the Bond in favour of Winning Rich. CAP is obliged under the terms of the Bond to pay bondholders interest and, upon maturity, the outstanding principal amount of the Bond.

The original cost to WOG in respect of the acquisition of the Bond was HK$200,000,000.

Financial effects of the Bond Transfer Agreement on the Group

Based on the unaudited pro forma financial information of the Group in respect of the Bond Transfer Agreement as set out in Appendix IIB to this circular, it is expected that there is no financial impact on the total assets and total liabilities of the Group.

In addition, upon taking the effect of the acquisition of the Bond, it would derive stable and additional interest income to the Group and therefore, it will have a positive impact on the earnings of the Group upon completion of the transactions contemplated under the Bond Transfer Agreement.

Reasons for entering into the Bond Transfer Agreement and Listing Rules implications

The Bond bears interest at 10.0% per annum payable semi-annually. As the substantial portion of the consideration under the Bond Transfer Agreement will be funded by proceeds from the Rights Issue which is interest free (since the Rights Issue is an equity fundraising exercise by the Company), the Board considers that an investment for a 10% return funded with interest free capital is in the interest of the Company and the Shareholders as a whole. The Board also considers that the annual interest income of up to HK$20 million from the Bond also justifies the estimated expenses associated with raising the proceeds under the Rights Issue for the acquisition of the Bond, which is a portion of the aggregate expenses of approximately HK$8.2 million. In addition, WOG has also provided a guarantee in respect of the payment obligations of CAP under the Bond. This has added protection to the Group's investment in the Bond and is in the interests of the Group.

Based on information provided by WOG, as at 31 March 2016, the carrying value of the Bond accounted for HK$186.5 million in WOG's financial statements. In entering into the Bond Transfer Agreement to acquire the Bond, the Board has taken into account (i) the prospects of CAP with enormous business opportunities arising from the "13th National Five-Year Plan", the "No.1 Central Document for 2016" and the "One Belt, One Road Policy" which promise to upgrade investment in agriculture produce markets and instruct for accelerating rural e-commerce; and (ii) the financial position, including the total assets and net assets of CAP as set out in its latest published annual report (which has been extracted as follows) in evaluating the ability of CAP to repay the principal and the interest of the Bond:

	As at 31 December 2015 *(Approximate HK$'000)* (audited)
Total Assets	7,043,243
Net Assets	1,777,786

Taking also into account that: (i) the Bond carries an attractive interest rate of 10.0% per annum which is higher than the prevailing bank deposit rates in Hong Kong; (ii) CAP has a proven track record of punctual interest payment in respect of other investments by the Group in bonds issued by CAP; and (iii) WOG's guarantee of CAP's obligations under the Bond pursuant to the Bond Transfer Agreement, the Board is of the view that the acquisition of the Bond represents an attractive investment opportunity with stable return.

The Directors (including the independent non-executive Directors after having been advised by the Independent Financial Adviser) are of the view that the Bond Transfer Agreement is on normal commercial terms despite that the entering into the Bond Transfer Agreement not being in the ordinary and usual course of business of the Group, and is fair and reasonable so far as the Independent Shareholders are concerned, and is in the interests of the Company and the Independent Shareholders as a whole.

As Double Leads is a subsidiary of WOG, which in turn is a substantial Shareholder and a connected person of the Company, and as the applicable percentage ratios (as defined under the Listing Rules) in respect of the acquisition of the Bond under the Bond Transfer Agreement exceed 25% and are below 100%, the acquisition of the Bond under the Bond Transfer Agreement and the transactions contemplated thereunder constitute a major and connected transaction for the Company which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapters 14A and 14 of the Listing Rules.

Mr. Tang Ching Ho and Mr. Chan Chun Hong, Thomas (both being the executive WOG Directors) have abstained from voting on the relevant Board resolution(s) approving the Bond Transfer Agreement in view of their material interests therein. Members of the WOG Concert Group will abstain from voting at the SGM on the relevant resolution(s) in respect of the Bond Transfer Agreement. Any other Shareholders who have a material interest in the Bond Transfer Agreement are required to abstain from voting on the relevant resolution(s) approving the same to be proposed at the SGM.

The Company has established the Independent Board Committee to advise the Independent Shareholders as to, among other things, whether the Bond Transfer Agreement and the transactions contemplated thereunder are: (a) fair and reasonable so far as the Independent Shareholders are concerned; (b) on normal commercial terms and in the ordinary and usual course of business of the Group; (c) in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. The Company has appointed Beijing Securities as the Independent Financial Adviser (whose appointment has been approved by the Independent Board Committee) to advise the Independent Board Committee and the Independent Shareholders in these regards. Please refer to pages 51 and 53 of this circular for the respective letters from the Independent Board Committee and the Independent Financial Adviser.

PART C: APPLICATION FOR THE WHITEWASH WAIVER

As at the Latest Practicable Date, the WOG Group holds 69,830,735 Shares, representing approximately 22.08% of the issued share capital and voting rights of the Company.

If no Shareholder other than Rich Time takes up its own entitlement under the Rights Issue, and Rich Time is allocated in full the excess Rights Shares applied for pursuant to the WOG Irrevocable Undertaking, the voting rights in the Company held by the WOG Group will increase from approximately 22.08% to a maximum of approximately 51.32%. Under Rule 26 of the Takeovers Code, the WOG Group will, as a result of this acquisition of voting rights in the Company, incur an obligation to make a mandatory offer for all the Shares other than those already held or agreed to be acquired by the WOG Group, unless the Whitewash Waiver is granted. The grant of the Whitewash Waiver is a condition precedent to the underwriting obligations of the Underwriter, which may not be waived. If the Whitewash Waiver is not granted, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed.

An application has been made to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has agreed, subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll and such other condition(s) as may be imposed by the Executive, to grant the Whitewash Waiver. WOG and persons acting in concert with it and persons who are interested or involved in the Rights Issue, the Underwriting Agreement, the WOG Irrevocable Undertaking, the Bond Transfer Agreement and/or the Whitewash Waiver are required under the Takeovers Code to abstain from voting on the resolutions to be proposed at the SGM to approve the Whitewash Waiver.

The maximum potential holding of voting rights in the Company by members of the WOG Concert Group resulting from the WOG Irrevocable Undertaking may exceed 50% of the voting rights of the Company on the basis that, in addition to the 209,492,205 Rights Shares to which Rich Time is provisionally entitled under the Rights Issue, it will receive in full the 370,000,000 Rights Shares for which it will have made an excess application pursuant to the WOG Irrevocable Undertaking. With the Whitewash Waiver, the WOG Concert Group may increase their shareholdings in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a mandatory general offer.

Further Information on the WOG Concert Group

As at the Latest Practicable Date:

(i) save for WOG Group's shareholding interest in the Company as disclosed above, none of the members of the WOG Concert Group (including WOG Directors) owns, controls, or has any interests in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company and none of them had dealt for value in the same within the six-month period preceding to the date of the Joint Announcement and ending on the Latest Practicable Date;

(ii) save for Mr. Tang Ching Ho's interests in the Shares via his interests in approximately 51.76% of the entire issued WOG Shares, none of the WOG Directors has any interests in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company and none of them had dealt for value in the same within the six-month period preceding to the date of the Joint Announcement and ending on the Latest Practicable Date;

(iii) none of the members of the WOG Concert Group has received any irrevocable commitment to vote for or against the proposed resolution(s) approving the Rights Issue or the Whitewash Waiver at the SGM;

(iv) save for the transactions contemplated under the Underwriting Agreement or the WOG Irrevocable Undertaking, there is no arrangement of the kind under Note 8 to Rule 22 of the Takeovers Code in relation to the Shares or the WOG Shares which may be material to the Rights Issue or the Whitewash Waiver;

(v) save for the WOG Irrevocable Undertaking, there is no arrangement or agreement to which any member of the WOG Concert Group is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Rights Issue or the Whitewash Waiver; and

(vi) there is no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which any member of the WOG Concert Group has borrowed or lent and none of them had dealt for value in the same within the six-month period preceding to the date of the Joint Announcement and ending on the Latest Practicable Date.

General information on the WOG Group

The WOG Group is principally engaged in the businesses of management and sub-licensing of Chinese wet markets and the provision of finance in Hong Kong and the PRC as well as the property investment and property development in Hong Kong through WOG's listed subsidiary, Wang On Properties Limited (stock code: 1243). WOG is also a substantial Shareholder through Rich Time.

Intentions of WOG regarding the Company

It is the intention of WOG to continue to carry on the businesses of the Group and to continue the employment of the employees of the Group. As advised by WOG, it has no intention to introduce any major change to the businesses of the Group upon completion of the Rights Issue, including redeployment of the fixed assets of the Group, injecting new businesses into the Company, nominating new directors to the Board, acquiring new businesses or assets, or disposing of, discontinuing or scaling down the Group's existing business segments.

The reasons for the WOG Concert Group to enter into the WOG Irrevocable Undertaking were as follows:

(i) WOG believes that the Rights Issue will strengthen the capital base of the Company so that the Company will be in a position to capture more business opportunities associated with its principal business engagements ahead. In additional, the WOG Irrevocable Undertaking is given in order to support and maintain the value of the WOG Group's investment in the Company and the excess application to be made thereunder to increase its shareholding in the Company will provide the WOG Group an opportunity to participate in additional future returns of the Company;

(ii) on the basis that, in addition to the Rights Shares to which Rich Time is provisionally entitled under the Rights Issue, it will receive in full the 370,000,000 Rights Shares for which it will have made an excess application pursuant to the WOG Irrevocable Undertaking, the WOG Group will have a maximum shareholding interest of up to approximately 51.32% in the Company upon completion of the Rights Issue, remain as the single largest Shareholder and the Company will become a subsidiary of WOG. The WOG Group may then enjoy any benefits from consolidating the financial results of the Group; and

(iii) given the Subscription Price represents: (a) a discount of approximately 48.81% to the closing price of HK$0.84 per Share as quoted on the Stock Exchange on the Last Trading Day; (b) a discount of approximately 18.87% to the theoretical ex-entitlement price of approximately HK$0.53 per Share after the Rights Issue, based on the closing price of HK$0.84 per Share as quoted on the Stock Exchange on the Last Trading Day; and (c) a discount of approximately 94.14% to the audited total equity attributable to the owners of the Company per Share of approximately HK$7.34 as at 31 March 2016, the WOG Board considers the Subscription Price to be attractive and that the Rights Issue is a valuable opportunity for the WOG Group to increase its shareholding in the Company.

PART D: MAJOR TRANSACTION RELATING TO THE SZ REMOVAL AGREEMENT AND THE SZ SUPPLEMENTAL AGREEMENTS ENTERED INTO IN RESPECT OF THE SZ ACQUISITION

References are made to the Company's announcements dated 20 July 2015, 20 October 2015, 30 December 2015, 24 February 2016, 27 April 2016 and 27 July 2016 in relation to the SZ Acquisition. As advised by the SZ Vendor, completion of the SZ Acquisition is now pending government processes for the relevant formalities and payment of land premium required for transfer of the SZ Properties and the issue of the relevant property ownership certificates in the name of the SZ Purchaser. Given the SZ Vendor and the SZ Purchaser expect that completion for the SZ Acquisition will extend beyond 31 July 2016, they had therefore entered into a fifth supplemental agreement on 27 July 2016 to further extend the completion date for the SZ Acquisition to 30 December 2016.

Completion of the SZ Acquisition had been delayed on several occasions and with a view to expediting the development progress of the SZ Properties so that they can be put to operation by the Group without further delay, the SZ Purchaser, the SZ Vendor and Caffco entered into the SZ Removal Agreement on 5 July 2016 under which Caffco and the SZ Vendor would early vacate the SZ Properties before the scheduled completion date of the SZ Acquisition and allow the Group to access the SZ Properties site to commence early planning work. As at the Latest Practicable Date, the SZ Properties are vacant and the Group has commenced preliminary planning works at the SZ Properties site. In furtherance of the development of the SZ Properties site, SZ Vendor and the SZ Purchaser also entered into the SZ Supplemental Agreements on 5 July 2016.

The SZ Removal Agreement and the SZ Supplemental Agreements are conditional upon the approval by the Shareholders at the SGM. Particulars of the SZ Removal Agreement and the SZ Supplemental Agreements are set out as follows:

The SZ Removal Agreement

Date:	5 July 2016
Parties:	Caffco The SZ Vendor The SZ Purchaser
Subject Matter:	Under the SZ Removal Agreement, Caffco has agreed to procure vacation of all tenants, licensees and occupiers from the SZ Properties on or before the date of completion of the SZ Acquisition.
Consideration:	HK$9,000,000 will be payable by the SZ Purchaser in cash within seven working days from the date on which vacant possession of the SZ Properties has been obtained.

The consideration was determined upon arm's length negotiations among the parties taking into account the anticipated compensation required to be paid to the existing tenants, licensees and occupiers.

The SZ Supplemental Agreements

Date:	5 July 2016
Parties:	The SZ Vendor The SZ Purchaser
Subject Matter:	The SZ Vendor will sell certain existing fittings on the SZ Properties to the SZ Purchaser, as well as provide various consultation services to the SZ Purchaser in respect of laboratory designs, sewage discharge, fire services engineering and governmental liaison in connection with the development of the SZ Properties site for use in the Group's pharmaceutical business. The SZ Properties comprise a factory block and two blocks of dormitories and were used for manufacturing purpose and as informed by the SZ Vendor, the SZ Properties were vacant as at the Latest Practicable Date. The subject fittings under the relevant SZ Supplemental Agreement are the furniture and fittings kept in good repair in a large showroom at the factory block, which the Group intends to utilise for a future showroom at the site to display its own products.
Consideration:	HK$19 million in aggregate will be payable by the SZ Purchaser to the SZ Vendor in cash within 180 days of the date of the SZ Supplemental Agreements. The consideration under the respective Supplemental Agreements was determined after arm's length negotiations between the SZ Vendor and the SZ Purchaser after taking into account, among other things, certain unique and know-how knowledge, expertise and technique, prevailing market rates in respect of services to be rendered and the specific fittings and chattels to be acquired taking into account effects of amortisation.

The SZ Vendor and Caffco are principally engaged in property holding and investment holding, respectively, and they are not Shareholders as at the Latest Practicable Date. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the SZ Vendor, Caffco and their ultimate beneficial owners are Independent Third Parties. Caffco is a holding company of the SZ Vendor.

Reasons for entering into the SZ Removal Agreement and the SZ Supplemental Agreements and financial effects on the Group

Taking into account factors including that the rendering of the services and acquisition of existing fittings (as the case may be) under the SZ Removal Agreement and the SZ Supplemental Agreements can facilitate a more efficient development of the SZ Properties site to put it into operations, the Directors are of the view that the terms of the SZ Removal Agreement and the SZ Supplemental Agreements are fair and reasonable and the entering into these agreements is in the interest of Company and the Shareholders as a whole. Shareholders who have a material interest in the SZ Removal Agreement and/or the SZ Supplemental Agreements are required to abstain from voting on the relevant resolution(s) approving the same to be proposed at the SGM.

Based on the unaudited pro forma financial information of the Group upon completion of the SZ Acquisition, the SZ Removal Agreement and the SZ Supplemental Agreements as set out in Appendix IIC to this circular, the total assets and the total liabilities of the Group would remain unchanged and there is no material impact on the earnings of the Group upon completion of the transactions contemplated under the SZ Provisional Agreement, the SZ Removal Agreement and the SZ Supplemental Agreements.

Listing Rules implications

As one of the applicable percentage ratios (as defined under the Listing Rules) exceeds 25% and is less than 100% on an aggregated basis taking also into account the transactions contemplated under the SZ Provisional Agreement, the SZ Removal Agreement, the SZ Supplemental Agreements and the transactions contemplated thereunder constitute a major transaction for the Company and are subject to the reporting, announcement and shareholders' approval requirement under Chapter 14 of the Listing Rules.

SGM

The notice convening the SGM is set out on pages SGM-1 to SGM-4 of this circular. The SGM will be convened at 20/F., Alexandra House, 18 Chater Road, Central, Hong Kong at 10:00 a.m. on Friday, 26 August 2016 for the Independent Shareholders to consider and, if thought fit, to approve the Rights Issue, the Bond Transfer Agreement, and the Whitewash Waiver and the transactions contemplated respectively thereunder, and for the Shareholders to consider and, if thought fit, to approve the SZ Removal Agreement and the SZ Supplemental Agreements and the transactions contemplated thereunder.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the meeting in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Registrar, namely Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment (as the case may be). Completion and return of a form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and in such case, the form of proxy shall be deemed to be revoked.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 51 to 52 of this circular which contains its recommendation to the Independent Shareholders as to voting at the SGM in relation to the Rights Issue, the Bond Transfer Agreement and the Whitewash Waiver.

Your attention is also drawn to the letter from Beijing Securities which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Bond Transfer Agreement and the Whitewash Waiver, as well as the principal factors and reasons considered by it in arriving thereat. The text of the letter from Beijing Securities is set out on pages 53 to 79 of this circular.

The Directors (including the independent non-executive Directors who have considered the advice of Beijing Securities) consider that:

(i) the Rights Issue and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole;

(ii) the Bond Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms despite the entering into the Bond Transfer Agreement not being in the ordinary and usual course of business of the Group, and that they are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole; and

(iii) the terms of the SZ Removal Agreement and the SZ Supplemental Agreements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors (including the independent non-executive Directors who have considered the advice of Beijing Securities) recommend the Independent Shareholders (or the Shareholders as the case may be) to vote in favour of the resolutions to be proposed at the SGM to approve the Rights Issue, the Bond Transfer Agreement, the Whitewash Waiver, the SZ Removal Agreement, the SZ Supplemental Agreements and the transactions contemplated respectively thereunder. You are advised to read the letter from the Independent Board Committee and the letter from Beijing Securities mentioned above before deciding how to vote on the resolutions to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices of this circular.

Yours faithfully
For and on behalf of the Board
Wai Yuen Tong Medicine Holdings Limited
(位元堂藥業控股有限公司*)
Tang Ching Ho
Chairman

* *For identification purpose only*

The following is the full text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue, the Bond Transfer Agreement and the Whitewash Waiver for the purpose of inclusion in this circular.

WAI YUEN TONG MEDICINE HOLDINGS LIMITED
（位元堂藥業控股有限公司*）
(Incorporated in Bermuda with limited liability)
(Stock Code: 897)

9 August 2016

To the Independent Shareholders,

Dear Sir or Madam,

(A) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY ONE (1) SHARE HELD ON THE RECORD DATE AT HK$0.43 PER RIGHTS SHARE
(B) MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE BOND
AND
(C) WHITEWASH WAIVER UNDER THE TAKEOVERS CODE

We refer to the letter from the Board set out in the circular dated 9 August 2016 of the Company (the "**Circular**") of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to advise the Independent Shareholders as to whether (i) the Rights Issue and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and (ii) the Bond Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Independent Shareholders as a whole, and to recommend whether or not the Independent Shareholders should vote for the resolutions to be proposed at the SGM to approve the proposed Rights Issue, the Bond Transfer Agreement and the Whitewash Waiver and the transactions contemplated respectively thereunder. Beijing Securities has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Bond Transfer Agreement, the Whitewash Waiver and the transactions contemplated respectively thereunder.

* *For identification purpose only*

We wish to draw your attention to the letter from Beijing Securities to the Independent Board Committee and the Independent Shareholders set out in the Circular which contains its advice to us in relation to the Rights Issue, the Bond Transfer Agreement, the Whitewash Waiver and the transactions contemplated respectively thereunder. We also draw your attention to the letter from the Board set out in the Circular.

Having taken into account the principal factors and reasons considered by, and the opinion of, Beijing Securities as stated in its letter of advice, we consider that (i) the terms of the proposed Rights Issue and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole, and (ii) the Bond Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms despite the entering into the Bond Transfer Agreement not being in the ordinary and usual course of business of the Group, the terms are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM approving the Rights Issue, the Bond Transfer Agreement, the Whitewash Waiver and the transactions contemplated respectively thereunder.

Yours faithfully,
For and on behalf of the
Independent Board Committee
Mr. Siu Man Ho, Simon **Mr. Leung Wai Ho**
Mr. Cho Wing Mou **Mr. Li Ka Fai, David**
Independent non-executive Directors

Set out below is the full text of a letter of advice received from Beijing Securities to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Bond Transfer Agreement and the Whitewash Waiver for the purpose of inclusion in this circular.

Beijing Securities
Beijing Securities Limited
北京證券有限公司

BEIJING SECURITIES LIMITED

14th Floor, Shanghai Industrial Investment Building, 48 Hennessy Road, Wanchai, Hong Kong

9 August 2016

To the Independent Board Committee and the Independent Shareholders of
Wai Yuen Tong Medicine Holdings Limited

Dear Sirs,

(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY ONE SHARE HELD ON THE RECORD DATE AT HK$0.43 PER RIGHTS SHARE;

(2) MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE BOND; AND

(3) WHITEWASH WAIVER UNDER THE TAKEOVERS CODE

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue (including the Underwriting Agreement), the Bond Transfer Agreement and the Whitewash Waiver, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 9 August 2016 (the "**Circular**"), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

With reference to the Joint Announcement dated 8 July 2016, the Company announced, amongst others, the Rights Issue, the Bond Transfer Agreement and the Whitewash Waiver. The Company proposed to allot and issue of not less than 948,857,166 Rights Shares and not more than 949,013,133 Rights Shares to the Qualifying Shareholders at the Subscription Price of HK$0.43 per Rights Share on the basis of three Rights Shares for every one Share held on the Record Date.

As at the Latest Practicable Date, WOG, through its indirectly wholly-owned subsidiary, Rich Time, is interested in 69,830,735 Shares, representing approximately 22.08% of the issued share capital of the Company. On 5 July 2016, Rich Time entered into the WOG Irrevocable Undertaking in favour of the Company pursuant to which Rich Time has irrevocably undertaken to the Company to subscribe for 209,492,205 Rights Shares which will be provisionally allotted to it nil-paid pursuant to the Rights Issue. In addition, Rich Time has irrevocably undertaken to the Company to apply, by way of excess application, for an additional 370,000,000 Rights Shares.

On 5 July 2016, the Company and the Underwriter entered into the Underwriting Agreement under which the Underwriter agreed to underwrite not less than 369,364,961 Underwritten Shares (if no outstanding Share Options are exercised on before the Record Date) and not more than 369,520,928 Underwritten Shares (if all outstanding Share Options are exercised before the Record Date), being all of the Rights Shares under the Rights Issue other than Rights Shares subject to the WOG Irrevocable Undertaking.

The net proceeds to be raised from the Rights Issue, which are estimated to be approximately HK$399.8 million (assuming no exercise of the outstanding Share Options before the Record Date) or approximately HK$399.9 million (assuming full exercise of the outstanding Share Options before the Record Date), are intended to be applied for the following purposes: (i) as to HK$50.0 million for the payment of installation of facilities and equipment of the Group's factory in the PRC (including those payable under the SZ Removal Agreement and the SZ Supplemental Agreements) for its pharmaceutical manufacturing business; (ii) as to HK$200.0 million for the acquisition of the Bond under the Bond Transfer Agreement; (iii) as to HK$50.0 million for the repayment of outstanding bank borrowings and interest of the Group; and (iv) the remaining balance of approximately HK$99.8 million (assuming no exercise of the outstanding Share Options before the Record Date) or approximately HK$99.9 million (assuming full exercise of the outstanding Share Options before the Record Date) for general working capital purposes of the Group.

As the Rights Issue will result in an increase in the Company's issued share capital by more than 50%, the Rights Issue is subject to, among other things, the approval by the Independent Shareholders at the SGM.

On 5 July 2016, Winning Rich, an indirectly wholly-owned subsidiary of the Company, has entered into the Bond Transfer Agreement with Double Leads, a subsidiary of WOG, and WOG in respect of the acquisition of the Bond from Double Leads. WOG will guarantee the due and punctual performance of CAP's obligations under the Bond in favour of Winning Rich. The Company proposes to acquire the Bond using part of the proceeds from the Rights Issue.

Double Leads, being an indirectly wholly-owned subsidiary of WOG (WOG is a substantial Shareholder) and therefore a connected person of the Company. As the applicable percentage ratios (as defined under the Listing Rules) in respect of the acquisition of the Bond by Winning Rich pursuant to the Bond Transfer Agreement exceed 25% and are below 100%, the acquisition of the Bond under the Bond Transfer Agreement and the transactions contemplated thereunder constitute a connected transaction and a major transaction of the Company and will therefore be subject to the reporting, announcement and the independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

As at the Latest Practicable Date, the WOG Group holds 69,830,735 Shares, representing approximately 22.08% of the issued share capital and voting rights of the Company. If no Shareholder other than Rich Time takes up any Rights Shares under the Rights Issue, and Rich Time is allocated in full its entitlement under the Rights Issue applied for pursuant to the WOG Irrevocable Undertaking, the voting rights in the Company held by the WOG Group will increase from approximately 22.08% to a maximum of approximately 51.32%. Under Rule 26 of the Takeovers Code, the WOG Group will, as a result of this acquisition of voting rights in the Company, incur an obligation to make a mandatory offer for all the Shares other than those already held or agreed to be acquired by the WOG Group, unless the Whitewash Waiver is granted. The grant of the Whitewash Waiver is a condition precedent to the Rights Issue, which may not be waived. If the Whitewash Waiver is not granted, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed.

An application has been made to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has agreed, subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll and such other condition(s) as may be imposed by the Executive, to grant the Whitewash Waiver. WOG and persons acting in concert with it and persons who are interested or involved in the Rights Issue, the Underwriting Agreement, the WOG Irrevocable Undertaking, the Bond Transfer Agreement and/or the Whitewash Waiver are required under the Takeovers Code to abstain from voting on the resolutions to be proposed at the SGM to approve the Whitewash Waiver.

The Board currently comprises of three executive Directors and four independent non-executive Directors. The Independent Board Committee, which currently comprises of all the independent non-executive Directors, Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon, Mr. Cho Wing Mou and Mr. Li Ka Fai, David, has been established to advise the Independent Shareholders regarding the Rights Issue (including the Underwriting Agreement), the Bond Transfer Agreement and the Whitewash Waiver. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect, and such appointment has been approved by the Independent Board Committee.

Beijing Securities Limited is not connected with the directors, chief executive or substantial shareholders of the Company or the Underwriter or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby Beijing Securities Limited will receive any fees or benefits from the Company or the directors, chief executive or substantial shareholders of the Company or the Underwriters or any of their respective associates. Within the past two years from the Latest Practicable Date, Beijing Securities Limited was engaged as the independent financial adviser by the Company in two occasions, details of which were set out in the circular of the Company dated 4 December 2015 and 19 September 2014. The past engagements were limited to providing independent advisory services to the Independent Board Committee and the Independent Shareholders of the Company pursuant to the Listing Rules. Given our independence role and normal professional fees received from the Company under the past engagements, we consider they would not affect our independence to form our opinion in this letter.

Our role is to provide you with our independent opinion and recommendation as to (i) whether the terms of the Rights Issue (including the Underwriting Agreement) and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; (ii) whether the Bond Transfer Agreement and the transactions contemplated thereunder were entered into in the ordinary and usual course of business and on normal commercial terms and the terms are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Rights Issue (including the Underwriting Agreement), the Bond Transfer Agreement and the Whitewash Waiver.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Directors, the Company and its management.

We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the Rights Issue (including the Underwriting Agreement), the Bond Transfer Agreement and the Whitewash Waiver to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

I. THE RIGHTS ISSUE AND THE UNDERWRITING AGREEMENT

1. Background information of the Group

The Group is principally engaged in: (i) the 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; (ii) the processing and retailing of western pharmaceutical, health food and personal care products under the brand names of "Madame Pearl's" and "Pearl's"; and (iii) property investment.

Set out below is a summary of the audited financial results of the Group for the year ended 31 March 2015 and 2016 respectively as extracted from the Company's annual report for the year ended 31 March 2016 (the "**Annual Report**").

Summary consolidated statement of profit or loss

	For the year ended 31 March	
	2016	**2015**
	(HK$'000)	*(HK$'000)*
	(Audited)	*(Audited)*
Turnover	825,331	831,088
Profit attributable to owners of the parent for the year	25,387	120,979

Summary consolidated statement of financial position

	As at 31 March	
	2016	**2015**
	(HK$'000)	*(HK$'000)*
	(Audited)	*(Audited)*
Total assets	3,237,452	2,823,903
Total liabilities	907,896	777,948
Net assets	2,329,556	2,045,955
Non-controlling interests	7,066	7,226

For the year ended 31 March 2016, sales of Chinese pharmaceutical and health food products and Western pharmaceutical and health food products continued to account for the significant majority of the turnover of the Group with each accounting for approximately 78.7% and 19.8% of the total turnover of the Group respectively. However, due to challenging operating environment as a result of the slowdown in China's economy, the Group experienced a decrease in its turnover and profitability as compared with the previous year. The Group's turnover decreased slightly by approximately 0.7% from approximately HK$831.1 million for the year ended 31 March 2015 to approximately HK$825.3 million for the year ended 31 March 2016. The slight decrease in turnover was mainly due to the decrease in sales of Chinese pharmaceutical and health food products as a result of a decline in the sales performance of its retail business and other channels. The Group also recorded a decrease of profit attributable to owners of the parent by approximately 79.0% from approximately HK$121.0 million for the year ended 31 March 2015 to approximately HK$25.4 million for the year ended 31 March 2016. The decrease in profit attributable to owners of the parent was mainly attributable to, among other things, the decrease in fair value of equity investments at fair value through profit or loss, the fair value losses on investment properties, the increases in selling and distribution expenses and administrative expenses.

As at 31 March 2016, the Group recorded total assets, total liabilities and net assets of approximately HK$3,237.5 million, HK$907.9 million and HK$2,329.6 million respectively.

As at the Latest Practicable Date, the Company has not conducted any equity fund raising activities in the past twelve months.

Looking forward, with the introduction of such as the Traditional Chinese Medicine Development Strategy Plan Summary (2016-2030) and the legislation of China's first laws on traditional Chinese medicine, i.e. the Chinese Medicine Law (draft), it is anticipated that these policies would help to drive the development of the Chinese medicine industry.

Further, the Group will also 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. In particular, as set out in the Annual Report, the Group had invested approximately HK$510 million to construct a new plant which is expected to officially commence operation in 2017, upon which the Group will transfer the production lines of Chinese medicines to the new plant as well as to begin self-production of the "Madame Pearl's" series of Western pharmaceutical products. In the long term, it is expected that the new plant will help reduce the cost from engaging outsourced processing manufacturers and improve its production efficiency.

Along with the new plant, on 20 July 2015, the Company also announced the SZ Acquisition to acquire the SZ Properties located in Shenzhen. The acquisition of the SZ Properties will be used by the Group for manufacturing and warehousing purposes and will expand the Group's manufacturing capacity and further strengthen its business in the PRC. Also as set out in the Letter from the Board, the Group entered into the SZ Removal Agreement and the SZ Supplemental Agreements in respect of the SZ Acquisition in order to facilitate a more efficient development of the SZ Properties site and put it into operations. Further details of the SZ Removal Agreement and the SZ Supplemental Agreements are set out in the Letter from the Board.

In addition, as set out in the Annual Report, the Group will allocate more resources to explore merger and acquisition opportunities as means to expedite its growth as well as diversify its investment portfolio for strengthening and broadening its income base.

Having reviewed the background information of the Group and in particular that the expected official operation commencement of the new plant in 2017 will enable to begin self-production of the "Madame Pearl's" series of Western pharmaceutical products as well as to reduce cost from engaging outsourced processing manufacturers and to improve the Group's production efficiency, we are of the view that the future business development of the Group shall remain optimistic. As such, the Subscription Price of the Rights Issue (further analysis of the Subscription Price is set out in section 4 of this letter below), which is set at a discount to the Last Trading Day to attract the Shareholders to participate in the Rights Issue and accordingly maintain their shareholding interests in the Company and participate in the future growth of the Group, is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

2. Reasons for the Rights Issue and the use of proceeds

The net proceeds to be raised from the Rights Issue, being approximately HK$399.8 million (assuming no exercise of the outstanding Share Options before the Record Date) or approximately HK$399.9 million (assuming full exercise of the outstanding Share Options before the Record Date), are intended to be applied for the following purposes:

(a) as to HK$50.0 million for the payment of installation of facilities and equipment of the Group's factory in the PRC (including those payable under the SZ Removal Agreement and the SZ Supplemental Agreements) for its pharmaceutical manufacturing business. Details of the SZ Properties are set out in the sub-section "Background information of the Group" in this letter above;

(b) as to HK$200.0 million for the acquisition of the Bond under the Bond Transfer Agreement. Details of the Bond Transfer Agreement are set out in "Section II – Bond Transfer Agreement" of this letter below;

(c) as to HK$50.0 million for the repayment of outstanding bank borrowings and interests of the Group; and

(d) the remaining balance of approximately HK$99.8 million (assuming no exercise of the outstanding Share Options before the Record Date) or approximately HK$99.9 million (assuming full exercise of the outstanding Share Options before the Record Date) will be utilised for general working capital of the Group.

We understand that the Rights Issue is proposed with a view to provide further funding for the Group's business development and expansion and to assist with the Group's repayment of its financial indebtedness.

Further, as discussed with the management of the Company, the Directors have considered other fund raising alternatives for the Group such as debt financing/bank borrowings and/or placing of new Shares. Debt financing/bank borrowings was not adopted as it would incur additional interest burden. Placing of new Shares was not adopted as it would not allow the existing Shareholders the rights to participate in the fund raising exercise and their shareholdings in the Company would be diluted without being offered an opportunity to maintain their proportionate interests in the Company. The Directors considered that the Rights Issue would allow all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enable them to maintain their proportionate interests in the Company and continue to participate in the future development of the Group should they wish to do so. In addition, the Rights Issue would allow the Qualifying Shareholders who decide not to take up their entitlements under the Rights Issue to sell the nil-paid Rights Shares in the market for economic benefit.

Having taken into account that (i) the sales of Chinese and Western pharmaceutical and health food products account for the significant majority of the turnover of the Group; (ii) the SZ Acquisition as well as the SZ Removal Agreement and the SZ Supplemental Agreements in respect of the SZ Acquisition will facilitate a more efficient development of the SZ Properties site and will allow the Group to further expand its manufacturing capacity; (iii) the acquisition of the Bond under the Bond Transfer Agreement is fair and reasonable (please refer to "Section II – Bond Transfer Agreement" of this letter below for more details) and will provide stable interest income to the Group; (iv) the Rights Issue will assist with the Group's repayment of its financial indebtedness; (v) debt financing/bank borrowings will incur interest burden to the Group; (vi) placing of new Shares will not offer existing Shareholders the opportunity to participate in the Company's equity raising exercise and would result in the dilution of shareholdings of the existing Shareholders; and (vii) the Rights Issue will enable the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Group, we concur with the Directors that the Rights Issue is an appropriate financing mean for the Company and we are of the view that fund raising by way of Rights Issue is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Rights Issue

Set out below are the principal terms of the Rights Issue. Further details of the terms of the Rights Issue are set out in the Letter from the Board.

Issue statistics

Basis of the Rights Issue	:	Three Rights Shares for every one Share held on the Record Date
Subscription Price	:	HK$0.43 per Rights Share payable in full on acceptance
Net price per Rights Share	:	Approximately HK$0.421 (assuming no exercise of outstanding Share Options before the Record Date) and HK$0.421 (assuming full exercise of outstanding Share Options before the Record Date)
Number of Shares in issue as at the Latest Practicable Date	:	316,285,722 Shares
Number of new Shares to be issued upon full exercise of the outstanding Share Options	:	51,989 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue and aggregate nominal value	:	Not less than 948,857,166 Rights Shares and not more than 949,013,133 Rights Shares, with an aggregate nominal value of HK$9,488,571.66 and HK$9,490,131.33 respectively
Total number of issued Shares upon completion of the Rights Issue	:	Not less than 1,265,142,888 Shares and not more than 1,265,350,844 Shares

As discussed with the Company, the Subscription Price and the subscription ratio were determined, among others, as a result of arm's length negotiations between the Company and the Underwriter, and reflect the best commercial deal that the Company could obtain on terms commercially acceptable to the Company. The determination was also driven by the recent market price of the Shares, the capital needs of the Group, the financial position of the Group and the prevailing market conditions.

In order to assess the fairness and reasonableness of the terms of the Rights Issue, we have conducted analysis including but not limited to the Subscription Price and the effect of the Rights Issue on the shareholding of the Company which are contained in section 4 and 7 of this letter below. Based on our analysis, we are of the view that the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

4. Subscription Price

The Subscription Price is HK$0.43 per Rights Share, payable in full on acceptance. The Subscription Price represents:

(i) a discount of approximately 48.81% to the closing price of HK$0.84 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 49.41% to the average closing price of HK$0.85 per Share for the five consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 18.87% to the theoretical ex-entitlement price of approximately HK$0.53 per Share after the Rights Issue, based on the closing price of HK$0.84 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iv) a discount of approximately 94.14% to the audited total equity attributable to the owners of the Company per Share of approximately HK$7.34 as at 31 March 2016; and

(v) a discount of approximately 25.86% to the closing price of HK$0.58 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

In analysing the fairness and reasonableness of the Subscription Price, we have also undertaken the following analysis:

a. Share price performance of the Share

We have reviewed the trading price of the Shares for the period from 2 July 2015, being approximately the 12-month period prior to the Last Trading Day (the "**Review Period**"). The table below illustrates the highest, lowest and the average daily closing prices of the Shares during the Review Period.

	Highest closing price of the Shares	**Lowest closing price of the Shares**	**Average daily closing price of the Shares**
	HK$	*HK$*	*HK$*
Month			
2015			
July	2.58	1.60	2.18
August	2.02	1.60	1.87
September	1.72	1.58	1.65
October	2.04	1.60	1.82
November	2.10	1.90	1.98
December	2.06	1.80	1.93
2016			
January	1.80	1.36	1.54
February	1.44	0.90	1.13
March	1.16	0.92	1.08
April	1.07	0.92	1.00
May	1.01	0.92	0.96
June	0.96	0.84	0.90
July *(up to and including the Last Trading Day)*	0.86	0.84	0.85

Source: website of Stock Exchange

As shown in the table above, the average daily closing price of the Shares ranged from HK$0.85 to HK$2.18 per Share which was recorded in July 2015 and July 2016 respectively. We noted that the highest average daily closing price per Share represents a premium of over 156% over the lowest average daily closing price per Share. Such difference indicates that the market prices of the Share were rather volatile during the Review Period.

Furthermore, we noted that the trading price of Shares was in general in a downward trend. As illustrated in the table above, the average daily closing price of the Shares has been decreasing each month since November 2015.

b. Comparison with other rights issues

To further evaluate the fairness and reasonableness of the terms of the Rights Issue, we have also considered a comparison of rights issues conducted by companies listed on the Main Board of the Stock Exchange. We have identified 12 rights issue transaction comparables (i) announced by other companies that are listed on the Main Board of the Stock Exchange during the six months immediately before the date of the Underwriting Agreement; (ii) has market capitalisation of less than HK$1 billion as at the date of their respective rights issue announcement, being similar in market capitalisation to the of the Company; (iii) did not offer bonus shares or bonus warrants in the rights issue transactions; and (iv) not under prolong suspension (i.e., being suspended for more than 6 months prior to the issue of the rights issue announcement), for reference (refer to collectively as the "**Comparables**"). Furthermore, having considered the recent volatility of the Hong Kong stock market and that the Comparables (i) adequately covered the prevailing market conditions and sentiments in the Hong Kong stock market; (ii) such period represented the recent structure of the rights issues in Hong Kong; and (iii) allowed the Shareholders to have general understanding of the recent rights issue transactions being conducted in the Hong Kong stock market, we considered that the size of the Comparables is adequate.

We confirm that the list of Comparables is an exhaustive list and the Comparables are fair, sufficient and representative samples to illustrate the recent trend and terms of the rights issue transactions under common market practice, even though the Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables and we have not conducted any in-depth investigation into their respective businesses and operations. The Comparables are hence only used to provide a general reference for the common market practice in rights issue transactions of companies listed on the Stock Exchange.

Company (stock code)	Market capitalisation (in HK$ million) *(Note 1)*	Date of announcement	Basis of entitlement	Discount/ (Premium) of effective subscription price to the closing price on the last trading date (%)	Discount/ (Premium) of effective subscription price to the theoretical ex-entitlement price (%)	Maximum dilution (%)	Underwriting commission *(Note 3)* (%)
Hanny Holdings Limited (275)	449.5	25-Jan-16	8 for 1	68.75	19.35	88.89	3.00
Synertone Communication Corporation (1613)	636.3	5-Feb-16	1 for 1	67.11	50.00	50.00	HK$1
Chuang's China Investments Limited (298)	689.0	17-Mar-16	1 for 2	34.12	24.32	33.33	2.50
Ngai Shun Holdings Limited (1246)	398.4	24-Mar-16	11 for 2	58.75	17.50	84.62	2.50
Huge China Holdings Limited (428)	92.1	21-Apr-16	1 for 1	15.25	8.26	50.00	2.00
Time2U International Holding Limited (1327)	316.8	11-May-16	2 for 1	49.09	22.22	66.67	1.50
Unity Investments Holdings Limited (913)	195.0	23-May-16	2 for 1	25.37	7.41	66.67	1.50
China Properties Investment Holdings Limited (736)	237.1	24-May-16	4 for 1	42.21	11.88	80.00	2.50
Petro-King Oilfield Services Limited (2178)	690.7	26-May-16	3 for 10	40.38	34.04	23.08	1.5

Company (stock code)	Market capitalisation (in HK$ million) *(Note 1)*	Date of announcement	Basis of entitlement	Discount/ (Premium) of effective subscription price to the closing price on the last trading date (%)	Discount/ (Premium) of effective subscription price to the theoretical ex-entitlement price (%)	Maximum dilution (%)	Underwriting commission *(Note 3)* (%)
Xiao Nan Guo Restaurants Holdings Limited (3666)	737.7	7-Jun-16	1 for 2	18.00	12.77	33.33	1.26 *(Note 2)*
GT Group Holdings Limited (263)	381.6	10-Jun-16	2 for 1	48.98	24.24	66.67	3.00
Lerado Financial Group Company Limited (1225)	422.3	29-Jun-16	2 for 1	63.64	35.48	66.67	1.50
Average				44.30	22.29	59.16	2.07
Maximum				68.75	50.00	88.89	3.00
Minimum				15.25	7.41	23.08	1.26
The Company	265.7	8-Jul-16	3 for 1	48.81	18.87	75.00	2.50

Source: website of Stock Exchange

Notes:

1) The market capitalisation is calculated based on the number of issued shares and trading price as at the last trading date of the rights issue announcement.

2) The weighted average of the underwriting commission charged by the underwriter.

3) All Comparables with fixed underwriting commissions are excluded in the calculation of the maximum, minimum and average of the underwriting commission.

As shown in the above table, the subscription prices of the Comparables ranged from discounts of approximately 15.25% to 68.75% to the respective closing prices of their shares on the last trading days prior to the release of the rights issue announcements (the "**LTD Market Range**") with an average LTD Market Range of approximately 44.30%. The Subscription Price, which represents a discount of approximately 48.81% to the closing price of the Shares on the Last Trading Day, falls within the LTD Market Range and is only slightly above the average LTD Market Range.

Moreover, the subscription prices of the Comparables ranged from discounts of approximately 7.41% to 50.00% to the respective theoretical ex-rights prices of their shares on their respective last trading days prior to the release of the rights issue announcements (the "**TERP Market Range**") with an average TERP Market Range of approximately 22.29%. The Subscription Price, which represents a discount of approximately 18.87% to the theoretical ex-rights price of the Shares on the Last Trading Day, falls within the TERP Market Range and is below the average TERP Market Range.

Furthermore, it is a common market practice that, in order to enhance the attractiveness of a rights issue and to encourage the existing shareholders to participate in the rights issue, the subscription price of a rights issue normally represents a discount to the prevailing market prices of the relevant shares. With the closing price of the Shares in general in a decreasing trend, the Subscription Price being set at a discount to the prevailing market prices of the Shares is in line with the general practice and is acceptable.

In light of the above and having considered (i) the Subscription Price was determined at after arm's length negotiations between the Company and the Underwriter; (ii) the average closing price of the Shares has been decreasing each month since November 2015 during the Review Period; (iii) the discounts as represented by the Subscription Price fall within the LTD Market Range and the TERP Market Range which are in line with recent market trends; (iv) the Independent Shareholders are offered a chance to express their view on the terms of the Rights Issue (including the Underwriting Agreement), the Bond Transfer Agreement and the Whitewash Waiver through their votes at the SGM; and (v) the discount on the Subscription Price would attract the Shareholders to participate in the Rights Issue and accordingly maintain their shareholding interests in the Company and participate in the future growth of the Group, we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

5. Underwriting Agreement

Set out below are the principal terms of the Underwriting Agreement. Further details of the terms of the Underwriting Agreement are set out in the Letter from the Board.

Date	:	5 July 2016 (after trading hours of the Stock Exchange and amended by a supplemental agreement dated 8 July 2016)
Parties	:	(i) the Company; and (ii) the Underwriter.
Total number of Underwritten Shares	:	Not less than 369,364,961 Underwritten Shares (if no outstanding Share Options are exercised before the Record Date) and not more than 369,520,928 Underwritten Shares (if all outstanding Share Options are exercised before the Record Date), being the total number of Rights Shares under the Rights Issue minus the maximum aggregate number of Rights Shares to be subscribed and paid for by Rich Time pursuant to the WOG Irrevocable Undertaking and on the basis that no further Share will be issued or repurchased on or before the Record Date.
Commission	:	A commission of 2.5% of the aggregate Subscription Price in respect of the maximum number of Underwritten Shares agreed to be underwritten by the Underwriter is payable to the Underwriter. The commission rate was determined after arm's length negotiations between the Comapny and the Underwriter with reference to, among other things, the scale of the Rights Issue and the market rate.

(a) Underwriting commission

As set out in the table above, the underwriting commission is 2.50% and was determined after arm's length negotiations between the Company and the Underwriter. As illustrated in the table set out in the sub-section "Comparison with other rights issues" of this letter above, the underwriting commissions of the Comparables ranged from 1.26% to 3.00% with an average underwriting commission of approximately 2.07%. Whilst the 2.50% underwriting commission is above the average underwriting commission of the Comparables, the underwriting commission chargeable by the Underwriter still falls within the range of the underwriting commissions of the Comparables. Further, we noted that there are 5 Comparables which have underwriting commission of 2.5% and/or above. As such, we considered that the underwriting commission chargeable by the Underwriter is in line with the market practice and is also fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

(b) Termination of the Underwriting Agreement

Subject to the fulfillment of the conditions of the Underwriting Agreement, the Rights Issue will not proceed if the Underwriter exercises its termination rights under the Underwriting Agreement. Details of the relevant provisions are set out in the section headed "Termination of the Underwriting Agreement" in the Letter from the Board. As it is a common practice to include termination clauses in the underwriting agreement, we consider such provisions are on normal commercial terms and are in line with the market practice.

We have also reviewed other major terms of the Underwriting Agreement and we are not aware of any terms which are unusual. Consequently, we are of the view that the terms of the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

6. Financial effects of the Rights Issue on the Group

(a) Working capital

Following completion of the Rights Issue, the net proceeds are estimated to be approximately HK$399.8 million (assuming no exercise of the outstanding Share Options before the Record Date). As such, immediately upon completion of the Rights Issue, the cash level of the Group will increase and hence it is expected to have a positive effect on the working capital of the Group.

(b) Net tangible assets

According to the unaudited pro forma statement of consolidated net tangible assets of the Group as set out in Appendix IIA to the Circular, assuming completion of the Rights Issue had taken place on 31 March 2016, the Group's consolidated net tangible assets would have been increased by approximately 17.3% from approximately HK$2,306.9 million to approximately HK$2,706.7 million (assuming no exercise of the outstanding Share Options before the Record Date). Such increase is attributable to the effect of the net proceeds from the Rights Issue. This improvement in the financial position of the Group is beneficial to the Company and the Shareholders as a whole.

As set out above, since the cash level and the consolidated net tangible assets of the Group will increase following completion of the Rights Issue, we are of the view that the Rights Issue would have positive impacts on the working capital and the net tangible assets of the Group.

7. Effect of the Rights Issue on the shareholding of the Company

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue, their shareholding interests in the Company will remain unchanged after the completion of the Rights Issue.

Qualifying Shareholders who do not accept the Rights Issue and thus the Underwriters are obligated to take up the unsubscribed Right Shares, the maximum dilution effect on the Qualifying Shareholders' shareholding interests will be approximately 75.00%. Details of such dilution effect are presented in the Letter from the Board.

Meanwhile, Qualifying Shareholders who wish to increase their shareholding interests in the Company through the Rights Issue may (i) subject to availability, acquire additional nil-paid Rights Shares in the market; and (ii) apply for excess Rights Shares.

We are aware of the aforementioned potential dilution to the Independent Shareholders' shareholding interests in the Company. Nonetheless, we consider that the foregoing should be balanced against by the following factors:

- the Independent Shareholders are offered a chance to express their view on the terms of the Rights Issue (including the Underwriting Agreement), the Bond Transfer Agreement and the Whitewash Waiver through their votes at the SGM;

- the Qualifying Shareholders have their choice whether to accept the Rights Issue or not;

- the Subscription Price is on normal commercial terms and is fair and reasonable;

- the Qualifying Shareholders have the opportunity to realise their nil-paid Rights Shares to subscribe for the Rights Shares in the market for economic benefit (subject to availability);

- the Rights Issue offers the Qualifying Shareholders a chance to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical and prevailing market prices of Shares and allows the Qualifying Shareholders to participate in the future development of the Company;

- the inherent dilutive nature of the Rights Issue in general if existing Shareholders do not take up their entitlements under the Rights Issue; and

- the positive financial effect as a result of the Rights Issue as detailed in the sub-section "Financial effects of the Rights Issue on the Group" above.

In addition, we noted from the Comparables as detailed in the table under the previous section of this letter that the maximum dilution to the existing Shareholders as a result of the rights issue transactions ranged from a minimum of 23.08% to a maximum of 88.89% with an average of approximately 59.16%. As such, although the maximum dilution of 75.00% to the existing public Shareholders as a result of the Rights Issue is above the average maximum dilution of the Comparables, it still falls within the said market range. Further, we noted that there were also three Comparables with maximum dilution that were higher than the Rights Issue.

Notwithstanding the maximum dilution of the Rights Issue is above average maximum dilution of the Comparables, having considered all the above and in particular that (i) the Independent Shareholders are able to vote on the Rights Issue (including the Underwriting Agreement), the Bond Transfer Agreement and the Whitewash Waiver at the SGM; (ii) the Qualifying Shareholders have their choice whether to accept the Rights Issue or not; (iii) the Subscription Price is on normal commercial terms and is fair and reasonable; (iv) subject to availability, the Qualifying Shareholders have the opportunity to realise their nil-paid Rights Shares to subscribe for the Rights Shares in the market for economic benefit; (v) the Rights Issue offers the Qualifying Shareholders a chance to subscribe for their pro-rata Rights Shares to maintain their respective existing shareholding interests in the Company and allows the Qualifying Shareholders to participate in the future development of the Company; (vi) the inherent dilutive nature of the Rights Issue in general if existing Shareholders do not take up their entitlements under the Rights Issue; (vii) the positive financial effect as a result of the Rights Issue; and (viii) the maximum dilution of 75.00% is still within range of the maximum dilution of the Comparables, we considered the potential dilution effect on the shareholding interests of the Independent Shareholders, which may only happen when the Qualifying Shareholders do not subscribe for their pro-rata Rights Shares, to be acceptable.

II. BOND TRANSFER AGREEMENT

Winning Rich, an indirectly wholly-owned subsidiary of the Company, has entered into the Bond Transfer Agreement with Double Leads, a subsidiary of WOG, and WOG in respect of the acquisition of the Bond from Double Leads. WOG will guarantee the due and punctual performance of CAP's obligations under the Bond in favour of Winning Rich. The Company proposes to acquire the Bond using part of the proceeds from the Rights Issue, details of which are set out in this letter above. Particulars of the Bond and the Bond Transfer Agreement are set out respectively as follows:-

The Bond

Denominations	:	HK$500,000 and integral multiples of HK$500,000
Maturity Date	:	28 November 2019
Interest	:	10.0% per annum, payable semi-annually in arrears on each six calendar month anniversary of 28 November 2014 (the "**Issue Date**") commencing on the date falling six calendar months from the Issue Date.
Status	:	The Bond will constitute direct, unconditional, unsecured and unsubordinated obligations of CAP which will rank pari passu among themselves and at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of CAP other than those preferred by statute or applicable law.
Events of default	:	The events of default under the Bond include, among others, default in payment of principal or interest of the Bond, default in the performance or breach of certain obligation under the Bond and insolvency. If an event of default occurs, the unpaid principal amount of the Bond and any accrued and unpaid interest thereon may become due and payable immediately, subject to certain declaration and notice provisions.

Redemption for taxation reasons	:	The Bond may be redeemed at the option of the CAP in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice, at their principal amount, (together with interest accrued to the date fixed for redemption), in the event of certain changes affecting taxes of Bermuda, the PRC or Hong Kong. Save for the abovementioned redemption, CAP does not have the rights to redeem at its option the Bond before the maturity date.
Negative pledge	:	So long as any Bond remains outstanding, CAP will not, and will ensure that none of its principal subsidiaries will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure certain relevant indebtedness or to secure any guarantee or indemnity in respect of such relevant indebtedness, without at the same time or prior thereto according to the Bond the same security as is created or subsisting to secure any such relevant indebtedness, guarantee or indemnity or such other security as either (i) the trustee of the Bond shall in its absolute discretion deem not materially less beneficial to the interest of the holders of the Bond or (ii) shall be approved by an extraordinary resolution of the holders of the Bond.

The Bond Transfer Agreement

Date	:	5 July 2016 (after trading hours of the Stock Exchange and amended by a supplemental agreement dated 8 July 2016)
Parties	:	(i) Double Leads, as vendor; (ii) WOG, as guarantor; and (iii) Winning Rich, as purchaser.

Subject matter and consideration	:	Winning Rich will acquire the Bond from Double Leads at a consideration being at par to the outstanding principal amount of the Bond, being HK$200,000,000 subject to upward adjustments for any accrued but unpaid interest on the Bond up to and including the date of completion of the transactions contemplated under the Bond Transfer Agreement. The consideration is payable by Winning Rich in cash using net proceeds from the Rights Issue (as to HK$200,000,000) and internal resources (as to remainder of the consideration in respect of interest accrued and unpaid).
Condition	:	The Bond Transfer Agreement is conditional upon the (i) completion of the Rights Issue; (ii) approval by the Independent Shareholders of the relevant resolutions at the SGM; and (iii) service of a notice of completion by Winning Rich on Double Leads. If completion of the transaction does not take place by the Long Stop Date, the Bond Transfer Agreement shall terminate without any liabilities to all parties. The notice of completion is expected to be served upon completion of the Rights Issue but Winning Rich is not obliged under the Bond Transfer Agreement to serve such notice whether or not the conditions under the Bond Transfer Agreement are satisfied.
Guarantee	:	WOG will guarantee the due and punctual performance of CAP's obligations under the Bond in favour of Winning Rich.

Financial effects of the Bond Transfer Agreement on the Group

Based on the unaudited pro forma financial information of the Group in respect of the Bond Transfer Agreement as set out in Appendix IIB to the Circular, it is expected that there is no financial impact on the total assets and total liabilities of the Group.

In addition, as the acquisition of the Bond would provide stable interest income to the Group, therefore it is expected that the acquisition of the Bond will have a positive impact on the earnings of the Group upon completion of the transactions contemplated under the Bond Transfer Agreement.

Reasons for entering into the Bond Transfer Agreement

We noted that in addition to the Bond to be acquired under the Bond Transfer Agreement, the Company, pursuant to an agreement dated 4 October 2014 (please refer to the announcement of the Company dated 4 October 2014 for more details), had subscribed for bond issued by CAP with a principal amount of HK$720.0 million which is the same series of bond as that of the Bond.

As set out in the tables above, the consideration payable by the Company to Winning Rich for the Bond is at par to the outstanding principal amount of the Bond, subject to upward adjustments for any accrued but unpaid interest on the Bond up to and including the date of completion of the transactions contemplated under the Bond Transfer Agreement. The Bond's interest rate is 10.0% per annum which is payable semi-annually. As such, the acquisition of the Bond would provide stable interest income to the Group.

CAP is listed and traded on the Main Board of the Stock Exchange under the stock code 149 and together with its subsidiaries (the "**CAP Group**") is principally engaged in the business of management and sales of agricultural produce exchange markets in the PRC. The PRC government targets to optimize agricultural structure, emphasizes real enforcement of the structural reform on supply side and launched various policies to vitalize the agricultural industry, including the PRC central government's policies on the "13th National Five-Year Plan" which focuses on agricultural modernization and positively responds to the call of new concept of agricultural development and the "No.1 Central Document for 2016" which continues to address agricultural modernization issues for four years in a row. Against such favorable policy backdrop, the CAP Group is positioned to capitalise on this opportunity. As set out in the annual report of CAP for the year ended 31 December 2015 (the "**CAP Annual Report**"), the CAP Group has eleven agricultural produce projects in hand which are located throughout the PRC, such as Wuhan City, Yulin City, Luoyang City, Xuzhou City, Puyang City, Kaifeng City, Qinzhou City, Huangshi City, Huai'an City, Panjin City and Huanggang City. In addition, as disclosed in the CAP Annual Report, the total assets and net assets value of CAP are approximately HK$7,043.2 million and approximately HK$1,777.8 million, respectively, of which the stock of properties amounted to approximately HK$2,832.0 million.

Furthermore, WOG has also provided a guarantee in respect of the payment obligations of CAP under the Bond. Such guarantee is an added protection to the Group's investment in the Bond.

In the light of the above and in particular that: (i) the Bond is to be acquired at par (subject to upward adjustments for any accrued but unpaid interest on the Bond up to and including the date of completion of the transactions contemplated under the Bond Transfer Agreement); (ii) the Bond's interest rate of 10.0% per annum would provide stable interest income to the Group; (iii) the net assets position of the CAP Group; and (iv) WOG will provide guarantee in respect of the payment obligations of CAP under the Bond, we are of the view that the Bond Transfer

Agreement and the transactions contemplated thereunder are on normal commercial terms, despite the entering into the Bond Transfer Agreement not being in the ordinary and usual course of business of the Group, and the terms are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

III. THE WHITEWASH WAIVER

As at the Latest Practicable Date, the WOG Group holds 69,830,735 Shares, representing approximately 22.08% of the issued share capital and voting rights of the Company. If no Shareholder other than Rich Time takes up any Rights Shares under the Rights Issue, and Rich Time is allocated in full its entitlement under the Rights Issue applied for pursuant to the WOG Irrevocable Undertaking, the voting rights in the Company held by the WOG Group will increase from approximately 22.08% to a maximum of approximately 51.32%.

Under Rule 26 of the Takeovers Code, the WOG Group will, as a result of this acquisition of voting rights in the Company, incur an obligation to make a mandatory offer for all the Shares other than those already held or agreed to be acquired by the WOG Group, unless the Whitewash Waiver is granted. The grant of the Whitewash Waiver is a condition precedent to the Rights Issue, which may not be waived. If the Whitewash Waiver is not granted, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed.

An application has been made to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has agreed, subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll and such other condition(s) as may be imposed by the Executive, to grant the Whitewash Waiver. WOG and persons acting in concert with it and persons who are interested or involved in the Rights Issue, the Underwriting Agreement, the WOG Irrevocable Undertaking, the Bond Transfer Agreement and/or the Whitewash Waiver are required under the Takeovers Code to abstain from voting on the resolutions to be proposed at the SGM to approve the Whitewash Waiver.

Having considered (i) the Rights Issue is considered the most commercially viable means in raising capital for the Company to pursue its various business activities as analysed above; (ii) the Rights Issue is to provide further funding for the Group's business development and expansion and to assist with the Group's repayment of its financial indebtedness; (iii) the Rights Issue allows the Shareholders to maintain their shareholding interests in the Company and to participate in the future growth of the Group; and (iv) the obligation to make a mandatory offer will only happen if insufficient Shareholders take up the Rights Shares, and Rich Time is allocated its entitlement under the Rights Issue and application for excess Rights Shares pursuant to the WOG Irrevocable Undertaking which will result in the WOG Group holding more than 30% of the issued share capital and voting rights of the Company, we are of the view that the approval of the Whitewash Waiver, which is a prerequisite for the completion of the Rights Issue, is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATIONS

Having considered the principal factors discussed above and, in particular the following:

(i) the Rights Issue is proposed with a view to provide further funding for the Group's business development and expansion and to assist with the Group's repayment of its financial indebtedness;

(ii) the Rights Issue would strengthen the Company's capital base and will have positive impact on the working capital and net assets of the Group;

(iii) the Rights Issue is the most viable fund raising method as compared to other financing means whilst allowing the Shareholders to maintain their shareholding interests in the Company and to participate in the future growth of the Group;

(iv) the Subscription Price was determined at after arm's length negotiations between the Company and the Underwriter;

(v) the average closing price of the Shares has been decreasing each month since November 2015 during the Review Period and therefore the Subscription Price being set at a discount to the closing prices of the Shares at the Last Trading Day is to encourage the Qualifying Shareholders to participate in the Rights Issue;

(vi) the discounts as represented by the Subscription Price fall within the LTD Market Range and the TERP Market Range which are in line with recent market trends;

(vii) the discount to the Subscription Price would attract the Shareholders to participate in the Rights Issue and accordingly maintain their shareholding interests in the Company and participate in the future growth of the Group;

(viii) the Independent Shareholders are offered a chance to express their view on the terms of the Rights Issue (including the Underwriting Agreement), the Bond Transfer Agreement and the Whitewash Waiver through their votes at the SGM;

(ix) the Bond is to be acquired at par (subject to upward adjustments for any accrued but unpaid interest on the Bond up to and including the date of completion of the transactions contemplated under the Bond Transfer Agreement) and will provide an interest of 10.0% per annum;

(x) WOG will provide guarantee in respect of the payment obligations of CAP under the Bond; and

(xi) the Whitewash Waiver is to facilitate the implementation of the Rights Issue which has merits mentioned in this letter including but not limited to providing further funding for the Group's business development and expansion and to assist with the Group's repayment of its financial indebtedness and allowing the Shareholders to maintain their shareholding interests in the Company and to participate in the future growth of the Group and if the Whitewash Waiver is not approved by the Independent Shareholders at the SGM, the Rights Issue will not proceed and the Company will lose all the benefits that are expected to be brought by the completion of the Rights Issue,

we consider (i) the terms of the proposed Rights Issue (including the Underwriting Agreement) and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (ii) the Bond Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms, despite the entering into the Bond Transfer Agreement not being in the ordinary and usual course of business of the Group, and the terms are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to approve the Rights Issue (including the Underwriting Agreement), the Bond Transfer Agreement and the Whitewash Waiver at the SGM. We also recommend the Independent Shareholders to vote in favour of the resolutions to approve the Rights Issue (including the Underwriting Agreement), the Bond Transfer Agreement and the Whitewash Waiver at the SGM.

Yours faithfully,
For and on behalf of
Beijing Securities Limited
Charles Li
Director

1. FINANCIAL INFORMATION

The audited consolidated financial statements of the Group for the years ended 31 March 2014, 31 March 2015 and 31 March 2016, including the independent auditors' report thereon and the notes thereto, have been published in the annual reports of the Company referred to as follows and are incorporated by reference into this circular:

(i) for the year ended 31 March 2014 (pages 45 to 134)
(http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0612/LTN20140612417.pdf)

(ii) for the year ended 31 March 2015 (pages 55 to 154)
(http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0721/LTN20150721552.pdf)

(iii) for the year ended 31 March 2016 (pages 65 to 177)
(http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0706/LTN20160706591.pdf)

The above annual reports are also available at the Company's website at www.wyth.net.

Ernst & Young, the auditors of the Company, have not issued any qualified opinion on the Group's financial statements referred to above.

The following is a summary of the consolidated financial information of the Group for each of the three years ended 31 March 2014, 2015 and 2016, as extracted from the relevant annual reports of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 March		
	2016	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
CONTINUING OPERATIONS			
REVENUE	825,331	831,088	865,258
Cost of sales	(455,113)	(480,061)	(475,768)
Gross profit	370,218	351,027	389,490
Other income	88,958	73,150	61,404
Selling and distribution expenses	(292,666)	(272,684)	(259,493)
Administrative expenses	(150,540)	(135,219)	(108,022)
Finance costs	(14,854)	(10,362)	(7,748)
Changes in fair value of equity investments at fair value through profit or loss, net	3,140	79,773	46,397
Fair value gains/(losses) on investment properties, net	(18,200)	26,868	25,663
Gain on disposal of a subsidiary	2,484	–	–
Gain/(loss) on deemed partial disposal of equity interests in an associate	(37,101)	(32,928)	1,436
Share of profits and losses of associates	77,627	41,153	22,747
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	29,066	120,778	171,874
Income tax expense	(3,839)	(17)	(3,676)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	25,227	120,761	168,198
DISCONTINUED OPERATION			
Profit/(loss) for the year from a discontinued operation	–	90	(5,096)
PROFIT FOR THE YEAR	25,227	120,851	163,102

	For the year ended 31 March		
	2016	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
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	54,880	(88,874)	–
Exchange differences on translation of foreign operations	(1,778)	(897)	562
Release upon deemed partial disposal of equity interests in an associate	(2,537)	(3,926)	(6,017)
Share of other comprehensive income/(loss) of an associate	(14,638)	(9,539)	7,123
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	35,927	(103,236)	1,668
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	61,154	17,615	164,770
Profit attributable to:			
Owners of the parent	25,387	120,979	163,374
Non-controlling interests	(160)	(128)	(272)
	25,227	120,851	163,102

	For the year ended 31 March		
	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Total comprehensive income attributable to:			
Owners of the parent	61,314	17,743	165,052
Non-controlling interests	(160)	(128)	(282)
	61,154	17,615	164,770
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
		(Restated)	(Restated)
Basic and diluted			
– For profit for the year	HK8.30 cents	HK51.32 cents	HK4.99 cents
– For profit from continuing operations	HK8.30 cents	HK51.29 cents	HK5.13 cents
Total assets	3,237,452	2,823,903	2,348,948
Total liabilities	(907,896)	(777,948)	(508,047)
	2,329,556	2,045,955	1,840,901
Equity attributable to owners of the parent	2,322,490	2,038,729	1,833,547
Non-controlling interests	7,066	7,226	7,354
	2,329,556	2,045,955	1,840,901

There were no dividends declared or paid for the two years ended 31 March 2015 and 2016 and a final dividend in the amount of approximately HK$8,793,000 for the year ended 31 March 2014 was declared and paid.

2. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE TWO YEARS ENDED 31 MARCH 2016

Set out below are the audited financial statements of the Group for the two years ended 31 March 2016 as extracted from the Company's annual report dated 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

	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
TOTAL ASSETS LESS CURRENT LIABILITIES		2,916,632	2,398,358

	Notes	2016 HK$'000	2015 HK$'000
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

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

	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

	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 and 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

For the year ended 31 March 2016

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
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

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
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
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
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

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	
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.

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.

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.

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.

(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.

(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.

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

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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:

Loans and borrowings

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

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

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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;

(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.

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

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	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*
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

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
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.

Geographical information

(a) Revenue from external customers

	2016	2015
	HK$'000	*HK$'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	2015
	HK$'000	*HK$'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.

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	2015
	HK$'000	*HK$'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.

7. FINANCE COSTS

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

	2016	2015
	HK$'000	*HK$'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	2015
	HK$'000	*HK$'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.

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

	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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

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	**2015**
	HK$'000	*HK$'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

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	2015
	HK$'000	*HK$'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

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.

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

	2016	**2015**
	HK$'000	*HK$'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

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.

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%

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%).

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.

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	2015
		HK$'000	*HK$'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:

(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.

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.

(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	2015
	HK$'000	*HK$'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	2015
	HK$'000	*HK$'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	2015
	HK$'000	*HK$'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	2015
	HK$'000	*HK$'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	**2015**
	HK$'000	*HK$'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

22. TRADE AND OTHER RECEIVABLES

	2016	**2015**
	HK$'000	*HK$'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.

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	2015
	HK$'000	*HK$'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	2015
	HK$'000	*HK$'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

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	2015
	HK$'000	*HK$'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	2015
	HK$'000	*HK$'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	2015
	HK$'000	*HK$'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).

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	2015
				HK$'000	*HK$'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	2015
	HK$'000	*HK$'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	2015
	HK$'000	*HK$'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.

27. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'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	2015
	HK$'000	*HK$'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 loan – unsecured	HIBOR + 1.65	2021	42,720			–
			579,758			350,873
			738,686			550,096

	2016	2015
	HK$'000	*HK$'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	2015
	HK$'000	*HK$'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	2015
	HK$'000	*HK$'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

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.

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	**2015**
	HK$'000	*HK$'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

During the year, the movements in share capital and share 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
At 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)
At 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 was consolidated into one consolidated share of HK$0.2 each (the "**Share Consolidation**").

(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 offer of grant and the average closing price of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of grant of the options.

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

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

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

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

	2016		2015	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	HK$ per share	*'000*	*HK$ per share*	*'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).

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	Exercise price*	Exercise period#
'000	*HK$ per share*	
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	Exercise price*	Exercise period#
'000	*HK$ per share*	
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

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 SUBSIDIARIES 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

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

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.

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

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

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

		2016	2015
	Notes	*HK$'000*	*HK$'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.

(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	**2015**
	HK$'000	*HK$'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

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.

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.

(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.

(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.

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	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 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

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	**2015**
	HK$'000	*HK$'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.

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.

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.

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)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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

As at 31 March 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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).

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	**2015**
	HK$'000	*HK$'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

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.

3. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 June 2016, being the latest practicable date for the purpose of ascertaining information contained in this indebtedness statement prior to the printing of this circular, the Group had outstanding bank loans of HK$1.03 billion, of which bank loans with an aggregate amount of HK$1.00 billion were secured by the Group's land and buildings and investment properties and certain rental income generated from there. The carrying values of the Group's land and buildings and investment properties as at 30 June 2016, which were pledged to secure the Group's bank loans, amounted to approximately HK$159.40 million and HK$499.80 million, respectively. In addition, the Group's unsecured bank loan with an aggregate amount of HK$30.00 million were guaranteed by corporate guarantees provided by group companies as at 30 June 2016. The Group's secured bank loans bear contractual interest rate ranging from HIBOR plus 1.56% to 1.65%, whilst the Group's unsecured bank loan bear contractual interest rate at HIBOR plus 1.70%.

Save as otherwise disclosed above, and apart from intra-group liabilities and normal trade payables, the Group did not have, at the close of business on 30 June 2016, any other debt securities issued and outstanding, or authorised or otherwise created but unissued, any other term loans, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, any other mortgages and charges or any guarantees or any finance lease commitments or material contingent liabilities.

Save as disclosed above, the Directors were not aware of any material changes in the indebtedness and contingent liabilities of the Group after 30 June 2016 and up to the Latest Practicable Date.

4. WORKING CAPITAL SUFFICIENCY

Taking into account the financial resources available to the Group, including internally generated funds and available banking facilities of the Group, the Directors after due and careful enquiry are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances.

5. NO MATERIAL CHANGE

The Directors confirm that there was no material change in the financial or trading position or outlook of the Group since 31 March 2016, the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

6. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in (i) the 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; (ii) the processing and retailing of western pharmaceutical, health food and personal care products under the brand names of "Madame Pearl's" and "Pearl's"; and (iii) property investment. There is no change in the Group's principal activities since 31 March 2016, being the date on which the latest published audited consolidated financial statements of the Group were made up.

For the year ended 31 March 2016 (the "**Year**"), 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, 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.

China's economic slowdown is having ripple effects on various industries, in particular, the retail sector. 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 explore 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 consider to 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.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group (the "**Unaudited Pro Forma Financial Information**") has been prepared by the Directors in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company on 31 March 2016 as if it had taken place on 31 March 2016.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial information of the Group had the Rights Issue been completed as at 31 March 2016.

The Unaudited Pro Forma Financial Information is prepared based on financial information as extracted from the published audited consolidated statement of financial position of the Group as at 31 March 2016 as set out in the annual report of the Company for the year then ended, after giving effect to the pro forma adjustments described in the accompanying notes.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in the Circular.

	Audited consolidated net assets of the Group attributable to owners of the Company as at 31 March 2016	Less: Goodwill and other intangible assets	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2016	Estimated net proceeds from the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company upon the completion of the Rights Issue
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*		*(Note 3)*	
Based on 948,857,166 Rights Shares at subscription price of HK$0.43 per Rights Share	2,322,490	(15,624)	2,306,866	399,838	2,706,704
Based on 949,013,133 Rights Shares at subscription price of HK$0.43 per Rights Share	2,322,490	(15,624)	2,306,866	399,903	2,706,769
Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to owners of the Company as at 31 March 2016 and prior to the completion of the Rights Issue *(Note 4)*					HK$7.29
Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to owners of the Company immediately after completion of the Rights Issue (based on 948,857,166 Rights Shares) *(Note 5)*					HK$2.14
Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to owners of the Company immediately after completion of the Rights Issue (based on 949,013,133 Rights Shares) *(Note 6)*					HK$2.14

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Notes:

1. The audited consolidated net assets of the Group attributable to owners of the Company as at 31 March 2016 of approximately HK$2,322,490,000 is extracted from the Group's published audited consolidated statement of financial position as at 31 March 2016 as set out in the annual report of the Company for the year ended 31 March 2016.

2. Goodwill and other intangible assets represent the Group's goodwill and 99.8% of the Group's other intangible assets attributable to owners of the Company as at 31 March 2016 of approximately HK$15,335,000 and HK$290,000, respectively are extracted from the Group's published audited consolidated statement of financial position as at 31 March 2016 as set out in the annual report of the Company for the year ended 31 March 2016.

3. The estimated net proceeds from the Rights Issue of the minimum number of Rights Shares of approximately HK$399,838,000 are based on 948,857,166 Rights Shares to be issued at the subscription price of HK$0.43 per Rights Share and after deduction of estimated related expenses of approximately HK$8,171,000. The estimated net proceeds from the Rights Issue of the maximum number of Rights Shares of approximately HK$399,903,000 are based on 949,013,133 Rights Shares to be issued at the subscription price of HK$0.43 per Rights Share and after deduction of estimated related expenses of approximately HK$8,173,000.

4. The number of Shares used for the calculation of the unaudited consolidated net tangible assets per Share attributable to owners of the Company prior to the completion of the Rights Issue is based on 316,285,722 Shares in issue as at 31 March 2016.

5. The number of Shares used for the calculation of the unaudited pro forma adjusted consolidated net tangible assets per Share attributable to owners of the Company upon completion of the Rights Issue (based on the minimum number of Rights Shares to be issued) is calculated based on 1,265,142,888 Shares in issue upon completion of the Rights Issue, which comprise the existing 316,285,722 Shares in issue as at 31 March 2016 and 948,857,166 Shares to be issued pursuant to the Rights Issue.

6. The number of Shares used for the calculation of the unaudited pro forma adjusted consolidated net tangible assets per Share attributable to owners of the Company upon completion of the Rights Issue (based on the maximum number of Rights Shares to be issued) is calculated based on 1,265,350,844 Shares in issue upon completion of the Rights Issue, which comprise the existing 316,285,722 Shares in issue as at 31 March 2016, 51,989 Shares to be issued to the holders of outstanding Share Options as at Latest Practicable Date assuming rights attaching to the outstanding Share Options are exercised in full before the Record Date and 949,013,133 Shares to be issued pursuant to the Rights Issue.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants of the Company, Ernst & Young, Certificated Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular, in respect of the unaudited pro forma financial information of the Group.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

9 August 2016

To the Directors of Wai Yuen Tong Medicine Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Wai Yuen Tong Medicine Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2016 and the related notes set out on pages IIA-2 to IIA-3 of the circular dated 9 August 2016 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page IIA-1 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed rights issue in the proportion of three rights share for every one share held by qualifying shareholders on the record date (the "**Rights Issue**") on the Group's net tangible assets attributable to owners of the Company as at 31 March 2016 as if the Rights Issue had taken place on 31 March 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 March 2016, on which an annual report has been published.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Rights Issue on the Group's net tangible assets attributable to owners of the Company as if the Rights Issue had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly complied on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The following is an illustrative and unaudited pro forma consolidated statement of financial position of the Group (the "**Unaudited Pro Forma Financial Information**"), which has been prepared on the basis of the notes set out below for the purpose of illustrating the combined effect of the Rights Issue and the acquisition of the Bond on the Group's financial position as at 31 March 2016 as if the Rights Issue and the acquisition of the Bond had taken place on 31 March 2016.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Rights Issue and the acquisition of the Bond been completed on 31 March 2016.

The Unaudited Pro Forma Financial Information is prepared based on the consolidated statement of the financial position of the Group as at 31 March 2016 as set out in the annual report of the Company for the year then ended, after giving effect to the pro forma adjustments described in the accompanying notes.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in the Circular.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

	The Group as at 31 March 2016	Pro forma adjustments		The Group after the completion of the Rights Issue and the acquisition of the Bond
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2,3)*	*(Note 4,5)*	
NON-CURRENT ASSETS				
Property, plant and equipment	637,277			637,277
Investment properties	510,800			510,800
Goodwill	15,335			15,335
Other intangible assets	290			290
Investments in associates	428,470			428,470
Available-for-sale investment	671,521		200,000	871,521
Deposit paid for the acquisition of property, plant and equipment	134,336			134,336
Deferred tax assets	10,837			10,837
Total non-current assets	2,408,866			2,608,866
CURRENT ASSETS				
Inventories	154,760			154,760
Trade and other receivables	234,621		6,833	241,454
Amounts due from associates	12,308			12,308
Equity investments at fair value through profit or loss	197,075			197,075
Tax recoverable	2,447			2,447
Bank balances and cash	205,608	399,838	(206,833)	398,613
	806,819			1,006,657
Non-current asset classified as held for sale	21,767			21,767
Total current assets	828,586			1,028,424

	The Group as at 31 March 2016	Pro forma adjustments		The Group after the completion of the Rights Issue and the acquisition of the Bond
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2,3)*	*(Note 4,5)*	
CURRENT LIABILITIES				
Trade and other payables	161,688			161,688
Bank borrowings	158,928			158,928
Deferred franchise income	18			18
Tax payable	186			186
Total current liabilities	320,820			320,820
NET CURRENT ASSETS	507,766			707,604
TOTAL ASSETS LESS CURRENT LIABILITIES	2,916,632			3,316,470
NON-CURRENT LIABILITIES				
Bank borrowings	579,758			579,758
Deferred tax liabilities	7,318			7,318
Total non-current liabilities	587,076			587,076
NET ASSETS	2,329,556			2,729,394
EQUITY				
Issued capital	3,163	9,489		12,652
Reserves	2,319,327	390,349		2,709,676
Equity attributable to owners of the parent	2,322,490			2,722,328
Non-controlling interests	7,066			7,066
TOTAL EQUITY	2,329,556			2,729,394

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Notes:

1. The consolidated statement of financial position of the Group as at 31 March 2016 is extracted from the published annual report of the Company for the year ended 31 March 2016.

2. The adjustment reflects the impact of the Rights Issue on the Group's consolidated statement of financial position as at 31 March 2016 as if the Rights Issue had taken place on 31 March 2016 assuming that the outstanding Share Options are not exercised before the Record Date.

3. The estimated net proceeds from the Rights Issue of the minimum number of Rights Shares of approximately HK$399,838,000 are based on 948,857,166 Rights Shares to be issued at the subscription price of HK$0.43 per Rights Share and after deduction of estimated related expenses of approximately HK$8,171,000 assuming that the outstanding Share Options are not exercised before the Record Date.

4. Pursuant to the Bond Transfer Agreement with WOG Group, the Group acquires the Bond at a consideration being at par to the outstanding principal amount of the Bond of HK$200,000,000 and all unpaid interest on the Bond accrued up to 31 March 2016 of approximately HK$6,833,000.

5. Upon completion of the acquisition of the Bond, the Bond will be accounted for as available-for-sale investments which will be measured at fair value at each period end date with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve in equity until the investment is derecognised or impaired.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants of the Company, Ernst & Young, Certificated Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular, in respect of the unaudited pro forma financial information of the Group.

EY 安永

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

9 August 2016

To the Directors of Wai Yuen Tong Medicine Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Wai Yuen Tong Medicine Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position of the Group as at 31 March 2016 and the related notes set out on pages IIB-2 to IIB-4 of the circular dated 9 August 2016 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page IIB-1 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the combined impact of the proposed rights issue in the proportion of three rights shares for every one share held by qualifying shareholders on the record date (the "**Rights Issue**") and the acquisition of the 10% coupon bond due on 28 November 2019 with an outstanding principal amount of HK$200,000,000 issued by China Agri-Products Exchange Limited (the "**Acquisition of the Bond**") by the Group on the Group's financial position as at 31 March 2016 as if the Rights Issue and the Acquisition of the Bond had taken place on 31 March 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 March 2016, on which an annual report has been published.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the combined impact of the Rights Issue and the Acquisition of the Bond on unadjusted financial information of the Group as if the Rights Issue and the Acquisition of the Bond had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly complied on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The following is an illustrative and unaudited pro forma consolidated statement of financial position of the Group (the "**Unaudited Pro Forma Financial Information**"), which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the SZ Acquisition, the SZ Removal Agreement and the SZ Supplemental Agreements on the Group's financial position as at 31 March 2016 as if the completion of the SZ Acquisition, the SZ Removal Agreement and the SZ Supplemental Agreements had taken place on 31 March 2016.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the SZ Acquisition, the SZ Removal Agreement and the SZ Supplemental Agreements been completed on 31 March 2016.

The Unaudited Pro Forma Financial Information is prepared based on the consolidated statement of the financial position of the Group as at 31 March 2016 as set out in the annual report of the Company for the year then ended, after giving effect to the pro forma adjustments described in the accompanying notes.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in the Circular.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

	The Group as at 31 March 2016	Pro forma adjustments	The Group after the completion of the SZ Acquisition, the SZ Removal Agreement and the SZ Supplemental Agreements
	HK$'000	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2,3)*	
NON-CURRENT ASSETS			
Property, plant and equipment	637,277	109,250	746,527
Investment properties	510,800		510,800
Goodwill	15,335		15,335
Other intangible assets	290		290
Investments in associates	428,470		428,470
Available-for-sale investment	671,521		671,521
Deposit paid for the acquisition of property, plant and equipment	134,336	(81,250)	53,086
Deferred tax assets	10,837		10,837
Total non-current assets	2,408,866		2,436,866
CURRENT ASSETS			
Inventories	154,760		154,760
Trade and other receivables	234,621		234,621
Amounts due from associates	12,308		12,308
Equity investments at fair value through profit or loss	197,075		197,075
Tax recoverable	2,447		2,447
Bank balances and cash	205,608	(28,000)	177,608
	806,819		778,819
Non-current asset classified as held for sale	21,767		21,767
Total current assets	828,586		800,586

	The Group as at 31 March 2016	Pro forma adjustments	The Group after the completion of the SZ Acquisition, the SZ Removal Agreement and the SZ Supplemental Agreements
	HK$'000	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2,3)*	
CURRENT LIABILITIES			
Trade and other payables	161,688		161,688
Bank borrowings	158,928		158,928
Deferred franchise income	18		18
Tax payable	186		186
Total current liabilities	320,820		320,820
NET CURRENT ASSETS	507,766		479,766
TOTAL ASSETS LESS CURRENT LIABILITIES	2,916,632		2,916,632
NON-CURRENT LIABILITIES			
Bank borrowings	579,758		579,758
Deferred tax liabilities	7,318		7,318
Total non-current liabilities	587,076		587,076
NET ASSETS	2,329,556		2,329,556
EQUITY			
Issued capital	3,163		3,163
Reserves	2,319,327		2,319,327
Equity attributable to owners of the parent	2,322,490		2,322,490
Non-controlling interests	7,066		7,066
TOTAL EQUITY	2,329,556		2,329,556

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Notes:

1. The consolidated statement of financial position of the Group as at 31 March 2016 is extracted from the published annual report of the Company for the year ended 31 March 2016.

2. The adjustment represents the acquisition cost of the SZ Properties which amounted to HK$109,250,000 and will be settled by (i) cash of HK$28,000,000 for the SZ Removal Agreement and the SZ Supplemental Agreements and (ii) offsetting against the deposit paid for the acquisition of property, plant and equipment of HK$81,250,000 for the SZ Acquisition.

3. Upon completion of the SZ Acquisition, the SZ Removal Agreement and the SZ Supplemental Agreements, the SZ Properties which are developed for use in the Group's pharmaceutical business will be accounted for as property, plant and equipment and initially stated at cost in the financial statements of the Group.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants of the Company, Ernst & Young, Certificated Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular, in respect of the unaudited pro forma financial information of the Group.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

9 August 2016

To the Directors of Wai Yuen Tong Medicine Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Wai Yuen Tong Medicine Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position of the Group as at 31 March 2016 and the related notes set out on pages IIC-2 to IIC-4 of the circular dated 9 August 2016 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page IIC-1 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the acquisition of a factory building and two dormitory buildings located at Nanbu Village, Pingshan Town, Shenzhen, the People's Republic of China, the removal agreement and the supplemental agreements all dated 5 July 2016 (collectively the "**Transactions**") on the Group's financial position as at 31 March 2016 as if the Transactions had taken place on 31 March 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 March 2016, on which an annual report has been published.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Transactions on unadjusted financial information of the Group as if the Transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly complied on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The following is an illustrative and unaudited pro forma consolidated statement of financial position of the Group (the "**Unaudited Pro Forma Financial Information**"), which has been prepared on the basis of the notes set out below for the purpose of illustrating the combined effect of the completion of the Rights Issue, the acquisition of the Bond, the SZ Acquisition, the SZ Removal Agreement and the SZ Supplemental Agreements on the Group's financial position as at 31 March 2016 as if the completion of Rights Issue, the acquisition of the Bond, the SZ Acquisition, the SZ Removal Agreement and the SZ Supplemental Agreements had taken place on 31 March 2016.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the completion of Rights Issue, the acquisition of the Bond, and the SZ Acquisition, the SZ Removal Agreement and the SZ Supplemental Agreements been completed on 31 March 2016.

The Unaudited Pro Forma Financial Information is prepared based on the consolidated statement of the financial position of the Group as at 31 March 2016 as set out in the annual report of the Company for the year then ended, after giving effect to the pro forma adjustments described in the accompanying notes.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in the Circular.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

	The Group as at 31 March 2016	Pro forma adjustments			The Group after the completion of the Rights Issue, the acquisition of the Bond and the SZ Acquisition, the SZ Removal Agreement and the SZ Supplemental Agreements
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2,3)*	*(Note 4,5)*	*(Note 6,7)*	
NON-CURRENT ASSETS					
Property, plant and equipment	637,277			109,250	746,527
Investment properties	510,800				510,800
Goodwill	15,335				15,335
Other intangible assets	290				290
Investments in associates	428,470				428,470
Available-for-sale investment	671,521		200,000		871,521
Deposit paid for the acquisition of property, plant and equipment	134,336			(81,250)	53,086
Deferred tax assets	10,837				10,837
Total non-current assets	2,408,866				2,636,866
CURRENT ASSETS					
Inventories	154,760				154,760
Trade and other receivables	234,621		6,833		241,454
Amounts due from associates	12,308				12,308
Equity investments at fair value through profit or loss	197,075				197,075
Tax recoverable	2,447				2,447
Bank balances and cash	205,608	399,838	(206,833)	(28,000)	370,613
	806,819				978,657
Non-current asset classified as held for sale	21,767				21,767
Total current assets	828,586				1,000,424

	The Group as at 31 March 2016	Pro forma adjustments			The Group after the completion of the Rights Issue, the acquisition of the Bond and the SZ Acquisition, the SZ Removal Agreement and the SZ Supplemental Agreements
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2,3)*	*(Note 4,5)*	*(Note 6,7)*	
CURRENT LIABILITIES					
Trade and other payables	161,688				161,688
Bank borrowings	158,928				158,928
Deferred franchise income	18				18
Tax payable	186				186
Total current liabilities	320,820				320,820
NET CURRENT ASSETS	507,766				679,604
TOTAL ASSETS LESS CURRENT LIABILITIES	2,916,632				3,316,470
NON-CURRENT LIABILITIES					
Bank borrowings	579,758				579,758
Deferred tax liabilities	7,318				7,318
Total non-current liabilities	587,076				587,076
NET ASSETS	2,329,556				2,729,394
EQUITY					
Issued capital	3,163	9,489			12,652
Reserves	2,319,327	390,349			2,709,676
Equity attributable to owners of the parent	2,322,490				2,722,328
Non-controlling interests	7,066				7,066
TOTAL EQUITY	2,329,556				2,729,394

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Notes:

1. The consolidated statement of financial position of the Group as at 31 March 2016 is extracted from the published annual report of the Company for the year ended 31 March 2016.

2. The adjustment reflects the impact of the Rights Issue on the Group's consolidated statement of financial position as at 31 March 2016 as if the Rights Issue had taken place on 31 March 2016 assuming that the outstanding Share Options are not exercised before the Record Date.

3. The estimated net proceeds from the Rights Issue of the minimum number of Rights Shares of approximately HK$399,838,000 are based on 948,857,166 Rights Shares to be issued at the subscription price of HK$0.43 per Rights Share and after deduction of estimated related expenses of approximately HK$8,171,000 assuming that the outstanding Share Options are not exercised before the Record Date.

4. Pursuant to the Bond Transfer Agreement with WOG Group, the Group acquires the Bond at a consideration being at par to the outstanding principal amount of the Bond of HK$200,000,000 and all unpaid interest on the Bond accrued up to 31 March 2016 of approximately HK$6,833,000.

5. Upon completion of the acquisition of the Bond, the Bond will be accounted for as available-for-sale investments which will be measured at fair value at each period end date with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve in equity until the investment is derecognised or impaired.

6. The adjustment represents the acquisition cost of the SZ Properties which amounted to HK$109,250,000 and will be settled by (i) cash of HK$28,000,000 for the SZ Removal Agreement and the SZ Supplemental Agreements and (ii) offsetting against the deposit paid for the acquisition of property, plant and equipment of HK$81,250,000 for the SZ Acquisition.

7. Upon completion of the SZ Acquisition, the SZ Removal Agreement and the SZ Supplemental Agreements, the SZ Properties which are developed for use in the Group's pharmaceutical business will be accounted for as property, plant and equipment and initially stated at cost in the financial statements of the Group.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants of the Company, Ernst & Young, Certificated Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular, in respect of the unaudited pro forma financial information of the Group.

EY安永

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

9 August 2016

To the Directors of Wai Yuen Tong Medicine Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Wai Yuen Tong Medicine Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position of the Group as at 31 March 2016 and the related notes set out on pages IID-2 to IID-4 of the circular dated 9 August 2016 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page IID-1 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed rights issue in the proportion of three rights share for every one share held by qualifying shareholders on the record date, the acquisition of the 10% coupon bond due on 28 November 2019 with an outstanding principal amount of HK$200,000,000 issued by China Agri-Products Exchange Limited and the completion of the acquisition of a factory building and two dormitory buildings located at Nanbu Village, Pingshan Town, Shenzhen, the People's Republic of China, the removal agreement and the supplemental agreements all dated 5 July 2016 (collectively the "**Rights Issue and Transactions**") on the Group's financial position as at 31 March 2016 as if the Rights Issue and Transactions had taken place on 31 March 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 March 2016, on which an annual report has been published.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the combined impact of the Rights Issue and Transactions on unadjusted financial information of the Group as if the Rights Issue and Transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly complied on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The following is the text of a letter and valuation certificates prepared for the purpose of incorporation in this circular received from Vigers Appraisal and Consulting Limited, an independent valuer, in connection with their valuations of the existing properties of the Group as at 30 June 2016.

Vigers Appraisal and Consulting Limited
International Asset Appraisal Consultants
10/F, The Grande Building,
398 Kwun Tong Road, Kowloon, Hong Kong

VIGERS
威格斯

9 August 2016

The Board of Directors
Wai Yuen Tong Medicine Holdings Limited
5/F, Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

Dear Sirs,

RE: VALUATION OF VARIOUS PROPERTIES IN HONG KONG

In accordance with your instructions for us to value the properties interests owned by Wai Yuen Tong Medicine Holdings Limited and/or its subsidiaries (together referred to as the "**Group**"), we confirm that we have inspected the properties, made relevant enquiries and obtained such information as we consider necessary for the purpose of providing you with our opinion of values of the properties as at 30 June 2016 ("**the date of valuation**").

Our valuations are our opinion of market value of the properties which is defined as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Our valuation has been made on the assumption that the owner sold the properties on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which might serve to increase the values of the properties.

In valuing the properties held for investment by the Group ("**Group I**"), we have adopted the investment approach as well as the comparison approach. The investment approach capitalizes the rent receivable from the existing tenancies and the potential reversionary market rent of the property interests taking into account the market rental comparables in the open market and with reference to comparable transactions in the market.

In valuing the properties held for owner occupation by the Group ("**Group II**"), we have adopted the Direct Comparison Method for Properties 7 to 12. The valuation is assessed by making reference to comparable market transactions with adjustments for the differences between the properties and the comparables. For Property 13, we have referred to the conditions in the lease held from Hong Kong Science and Technology Parks Corporation regarding alienation and calculation of surrender consideration and assessed the amount of consideration payable by Hong Kong Science and Technology Parks Corporation.

We have conducted land searches at the Land Registry but we have not scrutinised the original documents to ascertain ownership nor to verify any lease amendments which might not appear on the copies handed to us. In any events, we reserve the right to revise our valuations should there disclose any information which is in contravention to the information provided to us.

We have relied on considerable extent on the information provided by the Group and have accepted advice given to us on such matters as tenure, areas, occupation, tenancies, statutory notice, easements and all other relevant matters. All documents have been used as reference purposes only. All dimensions, measurements and areas are approximate.

In Group I and Properties 7 to 12 of Group II, inspections of the properties were carried out in July 2016 by Ms. Tina C.P. Kong (Diploma in Surveying and MSc in Real Estate), an Associate Director of Vigers Appraisal and Consulting Limited. Property 13 of Group II, inspection of the property was carried out in July 2016 by Mr. Nicky Lai (BSc in Estate Management), a Senior Valuer of Vigers Appraisal and Consulting Limited. We have inspected the properties to the extent for the purpose of these valuations but we have not carried out any structural survey nor have we inspected woodwork or other parts of the structures which were covered, unexposed or inaccessible to us. We are therefore unable to report whether the properties were free from any structural or non-structural defect.

We have not arranged for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or pulverized fly ash or any other deleterious material has been used in the construction of these properties and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of these valuations, we have assumed that such investigation would not disclose the presence of any such material in any adverse conditions.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties for any expenses or taxation which might be incurred in effecting a sale. Unless otherwise stated, we have assumed that the properties are free from any encumbrances, restrictions and outgoings of an onerous nature which could serve to affect the values of the properties.

As advised by the Group, properties which are held for investment would be subject to profit tax of 16.5% of net profit upon disposal, save for deduction of any profit which is capital in nature. The Group has no intention to dispose of these properties at present. Therefore the likelihood of such tax liability is remote.

Our valuations have been prepared in accordance with "The HKIS Valuation Standards (2012 Edition)" published by The Hong Kong Institute of Surveyors, the relevant provisions in the Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Main Board) and Rule 11 of the Code on Takeovers and Mergers issued by the Securities and Futures Commission.

We enclose herewith the summary of values and valuation certificates.

Yours faithfully,
For and on behalf of
VIGERS APPRAISAL AND CONSULTING LIMITED
Gilbert K. M. Yuen
MRICS MHKIS RPS(GP)
Executive Director

Note: Mr. Gilbert K. M. Yuen is a Registered Professional Surveyor in General Practice Division with over 25 years' valuation experience on properties in Hong Kong.

SUMMARY OF VALUATION

Group I – Property interest held for investment by the Group in Hong Kong

	Properties	Market Value as at 30 June 2016
1.	Ground Floor & Cockloft, Nos. 581 & 581A Nathan Road, Kowloon	HK$270,000,000
2.	Shop G on Ground Floor, Kin Tak House, Nos. 93, 95, 99, 101, 103, 105, 107, 109, 111, 113, 115 Hip Wo Street, Kowloon	HK$60,800,000
3.	Ground Floor, Bowring Building, No. 14 Bowring Street, Kowloon	HK$69,000,000
4.	Ground Floor, No. 76B To Kwa Wan Road, Kowloon	HK$39,000,000
5.	Shop B on Ground Floor, Kwong Sen Mansion, Nos. 23-33 Shui Wo Street, Kowloon	HK$39,500,000
6.	Shop B on G/F incl. the Cockloft, Yan Oi House, No. 237 Sha Tsui Road, Nos. 87 & 89 Chuen Lung Street, Tsuen Wan, New Territories	HK$46,000,000
	Total:	HK$524,300,000

Group II – Property interest held for owner occupation by the Group in Hong Kong

	Properties	Market Value as at 30 June 2016
7.	Shop C on Ground Floor and Flat C on Mezzanine Floor, Lee Wah Building, Nos. 738-740A Nathan Road, Kowloon	HK$76,000,000
8.	Shop B on G/F & Portion of the Yard, Nos. 66, 68, 70 & 72 Tai Wai Road, Shatin, New Territories	HK$60,000,000
9.	Shop A on Ground Floor, Onshine Commercial Building, No. 10 Tung Sing Road, Hong Kong	HK$33,500,000
10.	Ground Floor and Cockloft of Nos. 108 and 110 Lai Chi Kok Road, the External Wall including the Store Room, Wai Yuen Building, Nos. 108 and 110 Lai Chi Kok Road, Kowloon	HK$37,000,000
11.	Ground Floor with the Cockloft, No. 60A Yen Chow Street, Kowloon	HK$32,500,000
12.	Factory on 11th Floor, Portion of Roof and Car Parking Space No. 7 on G/F, Well Town Industrial Building (Formerly Yau Tong Industrial Building) No. 13 Ko Fai Road, Kowloon	HK$29,000,000
	Total:	HK$268,000,000

	Properties	Market Value as at 30 June 2016	Surrender Consideration as at 30 June 2016
13.	No. 9 Wang Lee Street, Yuen Long Industrial Estate, Yuen Long, New Territories	No Commercial Value	HK$431,000,000

VALUATION CERTIFICATES

Group I – Property interest held for investment by the Group in Hong Kong

	Property	Description & Tenure	Particular of Occupancy	Market Value in its existing state as at 30 June 2016
1.	Ground Floor & Cockloft, Nos. 581 & 581A Nathan Road, Kowloon The property comprises 10/20th shares of and in the Remaining Portion of Kowloon Inland Lot No. 9099.	The property comprises a shop unit on ground and cockloft floor of a 6-storey composite building completed in 1970. The saleable area of the property is approximately 1,765 sq.ft. (163.97 sq.m.), cockloft of approximately 1,203 sq.ft. (111.76 sq.m.) and yard of approximately 291 sq.ft. (27.03 sq.m.) The property is held under Conditions of Re-grant No. 8458 for a term of 150 years commencing from 25 December 1887. The determined rent of the Remaining Portion of Kowloon Inland Lot No. 9099 is HK$78 per annum.	As provided by the Group as at 30 June 2016, the property was vacant.	HK$270,000,000

Notes:

1. The registered owner is Asia Brighter Investment Limited, a wholly-owned subsidiary of the Group.

2. The property is subject to a Mortgage in favour of China Construction Bank (Asia) Corporation Limited to secure all sums of money including general banking facilities vide Memorial No. 13042502070069 dated 26 March 2013.

3. The property is subject to an Assignment of Rentals in favour of China Construction Bank (Asia) Corporation Limited vide Memorial No. 13042502070072 dated 26 March 2013.

4. The property is zoned “Commercial” under Mong Kok Outline Zoning Plan No. S/K3/30 dated 31 May 2013.

5. The property is subject to a Release vide Memorial No. 16071402330323 dated 27 June 2016, which is a deed pending registration.

6. The property is subject to a Mortgage in favour of The Bank of East Asia, Limited to secure part of all moneys in respect of general banking facilities vide Memorial No. 16071402330418 dated 27 June 2016, which is a deed pending registration.

	Property	Description & Tenure	Particular of Occupancy	Market Value in its existing state as at 30 June 2016
2.	Shop G on Ground Floor, Kin Tak House, Nos. 93, 95, 99, 101, 103, 105, 107, 109, 111, 113, 115 Hip Wo Street, Kowloon The property comprises 2/86th shares of and in Kwun Tong Inland Lot No. 402.	The property comprises a shop unit on ground floor of a 9-storey composite building completed in 1965. The saleable area of the property is approximately 514 sq.ft. (47.75 sq.m.) The property is held under Conditions of Sale No. 7890 for a term originally expired on 30 June 1997 and has been extended to 30 June 2047 by New Territories Leases (Extension) Ordinance. The annual government rent is equivalent to 3% of the rateable value for the time being of the property.	As provided by the Group as at 30 June 2016, the property was leased for a term of 3 years expiring on 7 November 2016 at a monthly rent of HK$129,600 exclusive of rates, management fees but inclusive of government rent.	HK$60,800,000

Notes:

1. The registered owner is Union Target Limited, a wholly-owned subsidiary of the Group.

2. The property is subject to a Superseding Order No. D00550/K/08/MS/TC by the Building Authority under S.26 of the Buildings Ordinance (Re: For common area of the building) vide Memorial No. 10021201380135 dated 23 December 2009.

3. The property is subject to a Superseding Order No. DR00511/K/08/MS/TC by the Building Authority under S.28(3) of the Buildings Ordinance (Re: For common drains of the building) vide Memorial No. 10021201380140 dated 23 December 2009.

4. The property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited to the extent of all moneys vide Memorial No. 10111701260030 dated 4 November 2010.

5. The property is subject to an Assignment of Rental in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 10111701260043 dated 4 November 2010.

6. The property is subject to a Superseding Order No. CMS/TC/024651/08/K by the Building Authority under S.24(1) of the Buildings Ordinance (Re: For common part(s) only) vide Memorial No. 10123001070647 dated 10 November 2010.

7. The property is zoned "Residential (Group A)" under Kwun Tong (South) Outline Zoning Plan No. S/K14S/20 dated 21 August 2015.

8. The property is subject to a Release vide Memorial No. 16071402330315 dated 27 June 2016, which is a deed pending registration.

9. The property is subject to a Mortgage in favour of The Bank of East Asia, Limited to secure part of all moneys in respect of general banking facilities vide Memorial No. 16071402330418 dated 27 June 2016, which is a deed pending registration.

10. In undertaken our valuation, we have assumed that the building orders had been complied with for the purpose of this report.

	Property	Description & Tenure	Particular of Occupancy	Market Value in its existing state as at 30 June 2016
3.	Ground Floor, Bowring Building, No. 14 Bowring Street, Kowloon The property comprises 1/40th share of and in the Remaining Portion of Kowloon Inland Lot No. 7933.	The property comprises a shop unit on ground floor of a 10-storey composite building completed in 1966. The saleable area of the property is approximately 410 sq.ft. (38.09 sq.m.) plus a yard of approximately 73 sq.ft. (6.78 sq.m.). The property is held under Conditions of Renewal No. 6524 for a term of 150 years commencing from 25 December 1887. The government rent is HK$228 per annum for the whole of the subject lot.	As provided by the Group as at 30 June 2016, the property was leased for a term of 2 years expiring on 31 July 2017 at a monthly rent of HK$150,545 inclusive of rates, management fees and government rent.	HK$69,000,000

Notes:

1. The registered owner is Sino Fame Investments Limited, a wholly-owned subsidiary of the Group.

2. The property is subject to a Mortgage in favour of Hang Seng Bank Limited to the extent of all moneys vide Memorial No. 13042900710230 dated 2 April 2013.

3. The property is subject to a Rental Assignment in favour of Hang Seng Bank Limited vide Memorial No. 13042900710246 dated 2 April 2013.

4. The property is zoned "Residential (Group A)" under Tsim Sha Tsui Outline Zoning Plan No. S/K1/28 dated 13 December 2013.

5. The property is subject to a Release vide Memorial No. 16071402330393 dated 27 June 2016, which is a deed pending registration.

6. The property is subject to a Mortgage in favour of The Bank of East Asia, Limited to secure part of all moneys in respect of general banking facilities vide Memorial No. 16071402330418 dated 27 June 2016, which is a deed pending registration.

	Property	Description & Tenure	Particular of Occupancy	Market Value in its existing state as at 30 June 2016
4.	Ground Floor, No. 76B To Kwa Wan Road, Kowloon The property comprises 1/104th share of and in Section B of Kowloon Inland Lot No. 4148.	The property comprises a shop unit on ground floor of an 8-storey composite building completed in 1958. The saleable area of the property is approximately 503 sq.ft. (46.73 sq.m.). The property is held under Conditions of Sale No. 3945 for a term of 75 years commencing from 26 June 1939 and has been renewed for a further term of 75 years. The determined rent is HK$192 per annum for the whole of the subject lot.	As provided by the Group as at 30 June 2016, the property was partitioned into 2 shops: Shop A was leased for a term of 2 years expiring on 14 August 2016 at a monthly rent of HK$46,000 exclusive of rates, management fees and government rent. Shop B was leased to the Group or its wholly-owned subsidiary for a term of 3 years expiring on 14 August 2017 at a monthly rent of HK$65,000 exclusive of rates and management fees.	HK$39,000,000

Notes:

1. The registered owner is Sky Success Limited, a wholly-owned subsidiary of the Group.

2. The property is subject to an Order No. C/TE/000652/09/K by the Building Authority under S.24(1) of the Buildings Ordinance vide Memorial No. 09043000430535 dated 2 April 2009.

3. The property is subject to an Order No. UBZ/U29-48/0045/08 by the Building Authority under S.24(1) of the Buildings Ordinance (Re: For common part(s) only) vide Memorial No. 10100501680167 dated 12 February 2009.

4. The property is subject to a Mortgage in favour of United Overseas Bank Limited to secure all sums of money including general banking facilities granted vide Memorial No. 14121101480146 dated 20 November 2014.

5. As at 30 June 2016, the property was subject to two tenancy agreements for Shop A (about 158 sq.ft.) and Shop B (about 345 sq.ft.). Our valuation of Shops A and B were $14,500,000 and $24,500,000 respectively.

6. The property is zoned "Residential (Group A)" under Ma Tau Kok Outline Zoning Plan No. S/K10/22 dated 15 April 2016.

7. The property is subject to a Receipt on Discharge of a Charge vide Memorial No. 16071402330400 dated 27 June 2016, which is a deed pending registration.

8. The property is subject to a Mortgage in favour of The Bank of East Asia, Limited to secure part of all moneys in respect of general banking facilities vide Memorial No. 16071402330418 dated 27 June 2016, which is a deed pending registration.

9. In undertaken our valuation, we have assumed that the building orders had been complied with for the purpose of this report.

	Property	Description & Tenure	Particular of Occupancy	Market Value in its existing state as at 30 June 2016
5.	Shop B on Ground Floor, Kwong Sen Mansion, Nos. 23-33 Shui Wo Street, Kowloon The property comprises 1/60th share of and in Kwun Tong Inland Lot Nos. 457 and 458.	The property comprises a shop unit on ground floor of a 9-storey composite building completed in 1965. The saleable floor area of the property is approximately of 452 sq.ft. (41.99 sq.m.). The property is held under Conditions of Sales Nos. 8098 and 8099, both for a term originally expired on 30 June 1997 and has been extended to 30 June 2047 by New Territories Leases (Extension) Ordinance. The annual government rent is equivalent to 3% of the rateable value for the time being of the property.	As provided by the Group as at 30 June 2016, the property was leased to the associated Company of the Group for a term of 3 years expiring on 24 July 2017 at a monthly rent of HK$71,500 exclusive of rates and management fees but inclusive of government rent.	HK$39,500,000

Notes:

1. The registered owner is Info World Investment Limited, a wholly-owned subsidiary of the Group.

2. The property is subject to a Mortgage in favour of DBS Bank (Hong Kong) Limited to secure all sums of money in respect of general banking facilities granted vide Memorial No. 14012001940028 dated 24 December 2013.

3. The property is subject to an Assignment of Rentals in favour of DBS Bank (Hong Kong) Limited vide Memorial No. 14012001940032 dated 24 December 2013.

4. The property is subject to a Second Mortgage in favour of DBS Bank (Hong Kong) Limited to secure all sums of money in respect of general banking facilities granted vide Memorial No. 15111001230145 dated 14 October 2015.

5. The property is subject to an Assignment of Rentals in favour of DBS Bank (Hong Kong) Limited vide Memorial No. 15111001230152 dated 14 October 2015.

6. The property is zoned "Residential (Group A)" under Kwun Tong (South) Outline Zoning Plan No. S/K14S/20 dated 21 August 2015.

7. The property is subject to a Release vide Memorial No. 16071402330363 dated 27 June 2016, which is a deed pending registration.

8. The property is subject to a Mortgage in favour of The Bank of East Asia, Limited to secure part of all moneys in respect of general banking facilities vide Memorial No. 16071402330418 dated 27 June 2016, which is a deed pending registration.

	Property	Description & Tenure	Particular of Occupancy	Market Value in its existing state as at 30 June 2016
6.	Shop B on G/F incl. the Cockloft, Yan Oi House, No. 237 Sha Tsui Road, Nos. 87 & 89 Chuen Lung Street, Tsuen Wan, New Territories The property comprises 2/21st shares of and in Tsuen Wan Town Lot No. 54.	The property comprises a shop unit on ground floor of a 6-storey composite building completed in 1967. The saleable area of the property is approximately 543 sq.ft. (50.45 sq.m.) plus a cockloft of about 315 sq.ft. (29.26 sq.m.) and a yard of about 45 sq.ft. (4.18 sq.m.). The property is held under New Grant No. 4462 for a term originally expired on 30 June 1997 and has been extended to 30 June 2047 by New Territories Leases (Extension) Ordinance. The annual government rent is equivalent to 3% of the rateable value for the time being of the property.	As provided by the Group as at 30 June 2016, the property was leased to the associated company of the Group for a term of 3 years expiring on 31 May 2017 at a monthly rent of HK$106,250 exclusive of rates and management fees but inclusive of government rent.	HK$46,000,000

Notes:

1. The registered owner is Sunbo Investment Limited, a wholly-owned subsidiary of the Group.

2. The property is subject to a Notice No. WCBZ/S202667/01/NT-F02 by the Building Authority under S.24C(1) of the Buildings Ordinance vide Memorial No. 08100201020105 dated 27 May 2008.

3. The property is subject to an Order No. UBF/F02-291/0002/08 by the Building Authority under S.24(1) of the Buildings Ordinance vide Memorial No. 09111600850142 dated 29 September 2009.

4. The property is subject to an Order No. DR00186/NT/14 by the Building Authority under S.28(3) of the Buildings Ordinance vide Memorial No. 14082801010094 dated 12 August 2014.

5. The property is subject to an Order No. D00071/NT/15 by the Building Authority under S.26 of the Buildings Ordinance (Re: for the approved canopy at 1/F) vide Memorial No. 15052201130068 dated 6 May 2015.

6. The property is zoned "Residential (Group A) 13" under Tsuen Wan Outline Zoning Plan No. S/TW/32 dated 13 May 2016.

7. The property is subject to a Mortgage in favour of The Bank of East Asia, Limited to secure part of all moneys in respect of general banking facilities vide Memorial No. 16071402330418 dated 27 June 2016, which is a deed pending registration.

8. In undertaken our valuation, we have assumed that the building orders had been complied with for the purpose of this report.

Group II – Property interest held for owner occupation by the Group in Hong Kong

	Property	Description & Tenure	Particular of Occupancy	Market Value in its existing state as at 30 June 2016
7.	Shop C on Ground Floor and Flat C on Mezzanine Floor, Lee Wah Building, Nos. 738-740A Nathan Road, Kowloon The property comprises 2/54th shares of and in the Remaining Portion of Kowloon Inland Lot No. 2150 and the Remaining Portion of Section B of Kowloon Inland Lot No. 2157.	The property comprises a shop unit on ground floor and the mezzanine floor of a 16-storey composite building completed in 1963. The saleable floor area of the Ground Floor is approximately of 737 sq.ft. (68.47 sq.m.) plus a yard of 77 sq.ft. (7.15 sq.m.); the Mezzanine Floor is approximately 425 sq.ft (39.48 sq.m.). The property is held under Government Leases as follows:- K.I.L. 2150 R.P. – For a term of 75 years from 15 October 1928 and renewed for a further term of 75 years. K.I.L. 2157 S.B.R.P. – For a term of 75 years from 3 December 1928 and renewed for a further term of 75 years. The government rent of the property is HK$32,762 per annum.	As provided by the Group as at 30 June 2016, the property was leased to the associated company of the Group for a term of 3 years expiring on 27 January 2017 at a monthly rent of HK$143,000 exclusive of rates and management fees but inclusive of government rent.	HK$76,000,000

Notes:

1. The registered owner is Grand Quality Development Limited, a wholly-owned subsidiary of the Group.

2. The property is subject to a Mortgage in favour of China Construction Bank (Asia) Corporation Limited to secure part of all sums of money including general banking facilities granted vide Memorial No. 13042502070144 dated 26 March 2013.

3. The property is subject to an Assignment of Rentals in favour of China Construction Bank (Asia) Corporation Limited vide Memorial No. 13042502070157 dated 26 March 2013.

4. The property is zoned "Commercial" under Mong Kok Outline Zoning Plan No. S/K3/30 dated 31 May 2013.

5. The property is subject to a Release vide Memorial No. 16071402330356 dated 27 June 2016, which is a deed pending registration.

6. The property is subject to a Mortgage in favour of The Bank of East Asia, Limited to secure part of all moneys in respect of general banking facilities vide Memorial No. 16071402330418 dated 27 June 2016, which is a deed pending registration.

	Property	Description & Tenure	Particular of Occupancy	Market Value in its existing state as at 30 June 2016
8.	Shop B on G/F & Portion of the Yard, Nos. 66, 68, 70 & 72 Tai Wai Road, Shatin, New Territories The property comprises 2/21st shares of and in Lot No. 951 in D.D. 180.	The property comprises a shop unit on ground floor of a 6-storey composite building completed in 1974. The saleable area of the property is approximately 655 sq.ft. (60.85 sq.m.) plus a yard of about 164 sq.ft. (15.24 sq.m.). The property is held under New Grant No. 10665 for a term originally expired on 30 June 1997 and has been extended to 30 June 2047 by New Territories Leases (Extension) Ordinance. The annual government rent is equivalent to 3% of the rateable value for the time being of the property.	As provided by the Group as at 30 June 2016, the property was leased to the associated company of the Group for a term of 3 years expiring on 22 February 2019 at a monthly rent of HK$144,000 exclusive of rates and management fees but inclusive of government rent.	HK$60,000,000

Notes:

1. The registered owner is Full Gainer Investment Limited, a wholly-owned subsidiary of the Group.

2. The property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited to the extent of all moneys vide Memorial No. 09111701180075 dated 22 October 2009.

3. The property is subject to an Assignment of Rental in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 09111701180082 dated 22 October 2009.

4. The property is subject to a Deed of Variation and Further Charge in favour of The Hongkong and Shanghai Banking Corporation Limited to the extent of all moneys vide Memorial No. 10112901000084 dated 11 November 2010.

5. The property is subject to a Deed of Variation of Assignment of Rental in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 10112901000091 dated 11 November 2010.

6. The property is zoned "Residential (Group A)" under Sha Tin Outline Zoning Plan No. S/ST/32 dated 11 December 2015.

7. The property is subject to a Release vide Memorial No. 16071402330341 dated 27 June 2016, which is a deed pending registration.

8. The property is subject to a Mortgage in favour of The Bank of East Asia, Limited to secure part of all moneys in respect of general banking facilities vide Memorial No. 16071402330418 dated 27 June 2016, which is a deed pending registration.

	Property	Description & Tenure	Particular of Occupancy	Market Value in its existing state as at 30 June 2016
9.	Shop A on Ground Floor, Onshine Commercial Building, No. 10 Tung Sing Road, Hong Kong The property comprises 28/914th shares of and in the Remaining Portion of Section D and the Remaining Portion of Aberdeen Inland Lot No. 86.	The property comprises a shop unit on ground floor of a 23-storey commercial building completed in 1991. The saleable area of the property is approximately 434 sq.ft. (40.32 sq.m.). The property is held under Government Lease for 75 years commencing from 29 July 1918 and renewed for a further term of 75 years. The government rent of the property is of HK$14,040 per annum.	As provided by the Group as at 30 June 2016, the property was leased to the associated company of the Group for a term of 3 years expiring on 31 March 2019 at a monthly rent of HK$85,000 exclusive of rates and management fees but inclusive of government rent.	HK$33,500,000

Notes:

1. The registered owner is Star Sense Limited, a wholly-owned subsidiary of the Group.

2. The property is subject to a Mortgage in favour of DBS Bank (Hong Kong) Limited to the extent of all moneys vide Memorial No. 09071402150118 dated 2 July 2009.

3. The property is subject to an Assignment of Rentals in favour of DBS Bank (Hong Kong) Limited to the extent of all moneys vide Memorial No. 09071402150129 dated 2 July 2009.

4. The property is subject to a Second Mortgage in favour of DBS Bank (Hong Kong) Limited to secure all sums of money in respect of general banking facilities granted vide Memorial No. 15111001230168 dated 14 October 2015.

5. The property is subject to an Assignment of Rentals in favour of DBS Bank (Hong Kong) Limited vide Memorial No. 15111001230170 dated 14 October 2015.

6. The property is zoned "Residential (Group A) 2" under Aberdeen & Ap Lei Chau Outline Zoning Plan No. S/H15/30 dated 24 December 2015.

7. The property is subject to a Release vide Memorial No. 16071402330332 dated 27 June 2016, which is a deed pending registration.

8. The property is subject to a Mortgage in favour of The Bank of East Asia, Limited to secure part of all moneys in respect of general banking facilities vide Memorial No. 16071402330418 dated 27 June 2016, which is a deed pending registration.

	Property	Description & Tenure	Particular of Occupancy	Market Value in its existing state as at 30 June 2016
10.	Ground Floor and Cockloft of Nos. 108 and 110 Lai Chi Kok Road, the External Wall including the Store Room, Wai Yuen Building, Nos. 108 and 110 Lai Chi Kok Road, Kowloon The property comprises 21/121st shares of and in Kowloon Inland Lot No. 10607.	The property comprises a shop unit on ground floor, a cockloft and storeroom of an 11-storey composite building completed in 1967. The saleable area of the property is approximately 1,407 sq.ft. (130.71 sq.m.) plus a yard of approximately 91 sq.ft. (8.45 sq.m.), a cockloft of approximately 707 sq.ft. (65.68 sq.m.) and a storeroom of approximately 113 sq.ft. (10.50 sq.m.). The property is held under Conditions of Regrant No. 11422 for 150 years commencing from 5 December 1905. The government rent is HK$1,000 per annum for the whole of the subject lot.	As provided by the Group as at 30 June 2016, the property was leased to the associated company of the Group for a term of 8 years expiring on 14 December 2019 at a monthly rent of HK$70,000 from 15 December 2011 to 14 December 2015 and HK$75,833 from 15 December 2015 to 14 December 2019 exclusive of rates, management fees but inclusive of government rent.	HK$37,000,000

Notes:

1. The registered owner is Topmate Investment Limited, a wholly-owned subsidiary of the Group.

2. The property is subject to a Mortgage in favour of DBS Bank (Hong Kong) Limited to secure part of all moneys in respect of general banking facilities granted vide Memorial No. 11122101890062 dated 29 November 2011 (Re: Ground Floor and Cockloft of Nos. 108 and 110 Lai Chi Kok Road only).

3. The property is subject to a Second Mortgage in favour of DBS Bank (Hong Kong) Limited to secure part of all moneys in respect of general banking facilities granted vide Memorial No. 15111001230188 dated 14 October 2015 (Re: Ground Floor and Cockloft of Nos. 108 and 110 Lai Chi Kok Road only).

4. The property is zoned "Residential (Group A)" under Mong Kok Outline Zoning Plan No. S/K3/30 dated 31 May 2013.

5. The property is subject to a Receipt on Discharge of a Charge vide Memorial No. 16071402330371 dated 27 June 2016, which is a deed pending registration (Re: Ground Floor and Cockloft of Nos. 108 and 110 Lai Chi Kok Road only).

6. The property is subject to a Receipt on Discharge of a Charge vide Memorial No. 16071402330387 dated 27 June 2016, which is a deed pending registration (Re: Ground Floor and Cockloft of Nos. 108 and 110 Lai Chi Kok Road only).

7. The property is subject to a Mortgage in favour of The Bank of East Asia, Limited to secure part of all moneys in respect of general banking facilities vide Memorial No. 16071402330418 dated 27 June 2016, which is a deed pending registration.

	Property	Description & Tenure	Particular of Occupancy	Market Value in its existing state as at 30 June 2016
11.	Ground Floor with the Cockloft, No. 60A Yen Chow Street, Kowloon The property comprises 1/6th share of and in Section C of New Kowloon Inland Lot No. 1056.	The property comprises a shop unit on ground floor of a 6-storey composite building completed in 1957. The saleable area of the property is approximately 596 sq.ft. (55.37 sq.m.) plus a cockloft of about 207 sq.ft. (19.23 sq.m.). and a yard of about 186 sq.ft. (17.28 sq.m.). The property is held under Government Lease a term originally expired on 30 June 1997 and has been extended to 30 June 2047 by New Territories Leases (Extension) Ordinance. The annual government rent is equivalent to 3% of the rateable value for the time being of the property.	As provided by the Group as at 30 June 2016, the property was leased to the associated company of the Group for a term of 1 year expiring on 3 October 2016 at a monthly rent of HK$85,000 exclusive of rates and management fees but inclusive of government rent.	HK$32,500,000

Notes:

1. The registered owner is Good Excellent Limited, a wholly-owned subsidiary of the Group.

2. The property is zoned "Residential (Group A) 6" under Cheung Sha Wan Outline Zoning Plan No. S/K5/36 dated 11 March 2016.

3. The property is subject to a Mortgage in favour of The Bank of East Asia, Limited to secure part of all moneys in respect of general banking facilities vide Memorial No. 16071402330418 dated 27 June 2016, which is a deed pending registration.

	Property	Description & Tenure	Particular of Occupancy	Market Value in its existing state as at 30 June 2016
12.	Factory on 11th Floor, Portion of Roof and Car Parking Space No. 7 on G/F, Well Town Industrial Building (Formerly Yau Tong Industrial Building) No. 13 Ko Fai Road, Kowloon The property comprises 24/480th shares of and in Yau Tong Inland Lot No. 7.	The property comprises a factory unit on 11th floor, a portion of the roof thereof and a parking space of a 12-storey industrial building. The building was completed in 1976. The saleable area of the property is approximately 19,525 sq.ft. (1,813.92 sq.m.) plus a roof of approximately 18,990 sq.ft. (1,764.21 sq.m.) The property is held under Conditions of Sale No. 9525 for a term originally expired on 30 June, 1997 and has been extended to 30 June 2047 by New Territories Leases (Extension) Ordinance. The annual government rent is equivalent to 3% of the rateable value for the time being of the property.	As provided by the Group as at 30 June 2016, the property was vacant.	HK$29,000,000

Notes:

1. The registered owner is Billion Good Investment Limited, a wholly-owned subsidiary of the Group.

2. The property is zoned "Commercial" under Cha Kwo Ling, Yau Tong, Lei Yue Mun Outline Zoning Plan No. S/K15/24 dated 24 June 2016.

3. Our valuation of the property has taken into account the poor repair and maintenance conditions of the property.

Group II – Property interest held for owner occupation by the Group in Hong Kong

	Property	Description & Tenure	Particular of Occupancy	Market Value in its existing state as at 30 June 2016	Surrender Consideration as at 30 June 2016
13.	No. 9 Wang Lee Street, Yuen Long Industrial Estate, Yuen Long, New Territories Extension to Subsection 1 of Section M of Yuen Long Town Lot No. 313 and Extensions Thereto	The property comprises a 5-storey building completed in 2015 which accommodates storages, workshop, laboratories, offices and car parking spaces on Ground Floor. The property has a total gross floor area of approximately 229,000 sq.ft. (21,274.66 sq.m.) The property has a registered site area of approximately 91,984 sq.ft. (8,545.56 sq.m.) The property is held by Hong Kong Science and Technology Parks Corporation from the Government for a term of years expiring on 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	The property is currently occupied by the Group.	No Commercial Value (see Note (5))	HK$431,000,000 (see Notes (3 & 5))

Notes:

1. The property is held by Wai Yuen Tong Company Limited (the "**Lessee**") under an Agreement for Lease dated 22 February 2013 (the "**Lease**") for a term from 22 February 2013 to 27 June 2047 leased by Hong Kong Science and Technology Parks Corporation (formerly The Hong Kong Industrial Estates Corporation) (the "**Corporation**"). The lessee is a wholly-owned subsidiary of the Group.

2. The Lease made between the Corporation and the Lessee prohibits assignment of the property. In the event that the Lessee desires to assign the property at any time during the term of the lease, the Lessee shall first offer to surrender its interest to the Corporation free from encumbrances and with vacant possession at a consideration calculated in accordance with a formula set down in the lease. In the event that the offer is not accepted by the Corporation within a period of six weeks, it shall be deemed to have been rejected and the Lessee may dispose of the property by way of assignment subject to the conditions set out in the Lease.

3. Whereas, if the Corporation accepts the surrender of the property offered by the Lessee, the consideration payable by the Corporation ("**Surrender Consideration**") as provided in the Lease will be the lesser of either (A) or (B) of the following:

(A) The total of the following two amounts reduced by ten percent:

(i) in respect of the said land, a sum equivalent to the fraction of 1/t (one over "t") of eighty percent (80%) of the premium referred to in the Particulars of Land (as referred to in the Lease) multiplied by the number of complete years in the unexpired portion of the said term at the date of completion of the surrender where the symbol "t" means or represents the number of complete year or years and any fraction thereof, comprised in the period from the commencement date to the 27th day of June 2047, which fraction of a year shall be deemed to be a complete year, and

(ii) in respect of the said building of buildings (including any fixtures and fittings therein) constructed or erected on the Land (as referred to in the Lease), the replacement cost thereof as at the date of the Corporation's acceptance of the surrender (if accepted) and discounted for depreciation which shall be calculated at the rate of five percent (5%) per annum or part thereof on the said replacement cost from the date of the occupation permit (whichever shall be the earlier) for the first building on the said land or, in the event of redevelopment whereby all the building(s) on the said land has been replaced by new building(s) on the said land pursuant to such redevelopment.

(B) In respect of both the said land and the building then existing thereon (including any fixtures and fittings therein), the market value thereof as at the date of the Corporation's acceptance of the surrender (if accepted) to be determined in the manner provided by the First Schedule of the Lease but reduced by ten percent (10%).

4. The property falls within the zone of "Other Specified Uses (Industrial Estate)" under Yuen Long Outline Zoning Plan No. S/YL/22.

5. In the valuation of the property, we have examined the relevant leases of the property interest and paid regard for the provisions contained therein. Under the provisions of the lease, the property interest being valued cannot be freely exchanged in the market to a third party so that we have ascribed no commercial value to them. However, we have assumed that the property is surrendered to and accepted by the Corporation as at the valuation date was HK$431,000,000 in accordance with the provisions on surrender consideration as referred to in (3) above.

The following is the text of a letter and valuation certificate, prepared for inclusion in this circular, received from Vigers Appraisal and Consulting Limited, an independent valuer, in connection with their valuations of the SZ Properties as at 30 June 2016.

Vigers Appraisal and Consulting Limited
International Asset Appraisal Consultants
10/F, The Grande Building,
398 Kwun Tong Road, Kowloon, Hong Kong

9 August 2016

The Board of Directors
Wai Yuen Tong Medicine Holdings Limited
5/F., Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

Dear Sirs,

In accordance with the instructions of Wai Yuen Tong Medicine Holdings Limited (the "**Company**") and its subsidiaries (hereinafter referred to as the "**Group**") for us to value the property interest in the People's Republic of China ("**the PRC**"), we confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interest as at 30 June 2016 ("**valuation date**") for the purpose of incorporation in the circular.

Our valuation is our opinion of the market value of the property interest which we would define market value as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the property, we have adopted a combination of the market and depreciated replacement cost approach in assessing the land portion of the property and the buildings and structures standing on the land respectively. Hence, the sum of the two results represents the market value of the property as a whole. In the valuation of the land portion, reference has been made to the standard land price and the sales evidence as available to us in the locality. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement costs. The depreciated replacement cost approach considers the current cost of replacement (reproduction) of the buildings and improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable sales.

In valuing the property in the PRC, we have not caused title searches to be made for the property interest at the relevant government bureau in the PRC. We have been provided with certain extracts of title documents relating to the property interest. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interest, we have relied on the legal opinion (the "**PRC legal opinion**") provided by the Company's PRC legal adviser, GuangDong Wisdom & Fortune Law Firm.

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us by the Group on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of the property and other relevant matter. We have also been advised by the Group that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificate is based on information contained in the documents provided to us by the Company and are approximations only. No on-site measurement has been taken. We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the property are free from defect. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Our valuation is prepared in accordance with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and Rule 11 of the Code on Takeovers and Mergers issued by the Securities and Futures Commission.

As advised by the Company, the potential tax liabilities which may arise from the sale of the property in the PRC mainly include corporation income tax (25%), business tax (5%), stamp duty (0.005%), deed tax (3% to 5%) and land appreciation tax (30% to 60%) on the appreciation in property value in the range from more than 50% to not more than 200%.

As advised by the Company, there will be no likelihood of such liabilities being crystallized as it is understood that the Group has no intention to dispose the property as at the Latest Practicable Date.

Unless otherwise stated, all money amounts stated are in Renminbi (**RMB**). The exchange rate used in valuing the property interest in the PRC as at 30 June 2016 was HK$1=RMB0.86. There has been no significant fluctuation in the exchange rate for Renminbi against Hong Kong Dollars (HK$) between that date and the date of this letter.

We enclose herewith the valuation certificate.

Yours faithfully,
For and on behalf of
VIGERS APPRAISAL AND CONSULTING LIMITED
Raymond Ho Kai Kwong
Registered Professional Surveyor (GP)
MRICS MHKIS MSc(e-com)
China Real Estate Appraiser
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty nine years' experiences in undertaking valuations of properties in Hong Kong and has over twenty two years' experiences in valuations of properties in the PRC.

VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 30 June 2016
An industrial complex located at Nanbu Village, Pingshan Town, Shenzhen, the PRC	The property comprises a parcel of land with a site area of approximately 12,000 sq.m. and a factory building and two dormitory buildings and ancillary structures erected thereon completed in 2004.	The property is currently occupied by the Group for industrial and dormitory uses.	RMB71,000,000 (equivalent to approximately HK$82,558,139)

The buildings have a total gross floor area of approximately 19,475.01 sq.m.

The area breakdowns of the gross floor area of the property is stated as below:

Building Name	Approximate Gross Floor Area of the property (sq.m.)
Factory	12,817.85
First Dormitory Building	1,533.12
Second Dormitory Building	5,124.04
Total	19,475.01

The buildings mainly include a factory, 2 dormitory buildings.

The property has been granted a land use rights for a term of 50 years commencing from 20 September 2000 to 19 September 2050 for industrial uses.

Notes:

1. Pursuant to a Real Estate Ownership Certificate (Document No.: Shen Fang Di Zi No. 8000000146), the land use rights of the property (Land Plot No. G12204-0126) were granted to The Sky High Plastic Works Limited ("**Sky High**") with a site area of approximately 12,000 sq.m. for industrial uses for a term of 50 years commencing from 20 September 2000 to 19 September 2050.

2. Pursuant to three Real Estate Ownership Certificates (Document Nos.: Shen Fang Di Zi Nos. 8000003572, 8000003573 and 8000003574), the land use rights of the property (Land Plot No. G12204-0126) were granted to Sky High with a site area of approximately 12,000 sq.m. for industrial uses and with a total gross floor area of approximately 19,475.01 sq.m. for industrial and dormitory uses for a term of 50 years commencing from 20 September 2000 to 19 September 2050.

3. Sky High is a company incorporated in Hong Kong with limited liability and according to confirmation by the Company, is a third party independent of the Group.

4. The PRC legal opinion states, inter alia, the following:

   (i) Sky High legally owns the land use rights and building ownership rights of the property;

   (ii) Sky High has the sole legitimate rights related to land use rights and building ownership rights;

   (iii) the property is not subject to mortgage or other encumbrances; and

   (iv) Sky High is entitled to occupy, use, transfer and lease the land use rights and building ownership rights of the property.

5. The status of title and grant of major approvals and permits in accordance with the PRC legal opinion and information provided by the Group are as follows:

   (i) Real Estate Ownership Certificate Yes

6. The property was inspected by Mr. Frank Li, China Real Estate Appraiser, on 15 July 2016.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Group.

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinion expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately following the completion of the Rights Issue were as follows:

(i) As at the Latest Practicable Date

Authorised:		*HK$*
60,000,000,000	Shares	600,000,000.00
Issued and fully-paid:		*HK$*
316,285,722	Shares in issue	3,162,857.22

(ii) Immediately following completion of the Rights Issue (assuming no exercise of the outstanding Share Options before the Record Date)

Authorised:		*HK$*
60,000,000,000	Shares	600,000,000.00

Issued and fully-paid:		*HK$*
316,285,722	Shares in issue immediately before completion of the Rights Issue	3,162,857.22
948,857,166	Rights Shares to be allotted and issued upon completion of the Rights Issue	9,488,571.66
1,265,142,888	Shares in issue immediately after completion of the Rights Issue	12,651,428.88

(iii) Immediately following completion of the Rights Issue (assuming full exercise of the outstanding Share Options before the Record Date)

Authorised:		*HK$*
60,000,000,000	Shares	600,000,000.00

Issued and fully-paid:		*HK$*
316,337,711	Shares in issue immediately before completion of the Rights Issue	3,163,377.11
949,013,133	Rights Shares to be allotted and issued upon completion of the Rights Issue	9,490,131.33
1,265,350,844	Shares in issue immediately after completion of the Rights Issue	12,653,508.44

All the Shares in issue are fully-paid and rank *pari passu in* all respects including all rights as to dividends, voting and return of capital. The Rights Shares (when allotted, fully paid or credited as fully paid) will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the Rights Shares in their fully-paid form will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares.

No Share has been issued since 31 March 2016, being the date on which the latest audited financial statements of the Company were made up. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

Save for the outstanding Share Options entitling the holders thereof to subscribe for an aggregate of 51,989 Shares, as at the Latest Practicable Date, the Company has no outstanding warrants, options or convertible or exchangeable securities in issue which confer any right to subscribe for, convert or exchange into Shares.

3. DISCLOSURE OF INTERESTS

(a) Directors' interests

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company and/or any of their respective associates had any 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) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange:

Long positions in Shares:

Name of Director	**Nature of interest/ Capacity**	**Number of Shares**	**Approximate percentage in the Company's total issued share capital** *(Note 1)*
Mr. Tang Ching Ho	Interest of controlled corporations *(Note 2)*	649,322,940	51.32%

Notes:

1. The percentage represented the percentage of the Company's share capital as stated in the relevant disclosure of interests forms.

2. Mr. Tang Ching Ho is taken to be interested in the interests of WOG in the Company as he is taken to be interested in 9,984,356,772 WOG Shares, representing approximately 51.76% of all the issued WOG Shares, by virtue of his own beneficial shareholding, the shareholding interests of his spouse in WOG, 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. WOG is taken to be interested in the interests in Shares by Rich Time. Rich Time, an indirectly wholly-owned subsidiary of WOG, which was the beneficial owner of 69,830,735 Shares and was interested in for 209,492,205 Rights Shares comprising the full acceptance of its provisional entitlements under the Rights Issue and 370,000,000 excess Rights Shares for which application will be made by it pursuant to the WOG Irrevocable Undertaking.

Long positions in underlying Shares:

Name of Director	Date of grant	Exercise price per Share *(Note 1)* *HK$*	Number of Share Options outstanding *(Note 1)*	Exercise period *(Note 2)*	Number of underlying Shares	Approximate percentage of underlying Shares in 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 rights shares for every one existing share at a price of HK$0.108 per rights share (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 then existing shares into one new share (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% vested
On 2nd anniversary of the date of grant:	Further 30% vested
On 3rd anniversary of the date of grant:	Remaining 40% vested

3. The percentage represented the number of Shares underlying such Share Options over the total issued share capital of the Company as at the Latest Practicable Date comprising 316,285,722 Shares.

(b) Substantial shareholders' interest

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had 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 Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Long Positions in Shares:

Name of Shareholder	Nature of interest/Capacity	Number of Shares	Approximate percentage in the Company's total issued share capital *(Note 1)*
WOG *(Note 2)*	Interest of controlled corporations	649,322,940	51.32%
Ms. Yau Yuk Yin *(Note 3)*	Interest of spouse	649,322,940	51.32%
Chu Yuet Wah	Interest of a controlled corporation	369,520,929	29.20%
Active Dynamic Limited	Interest of a controlled corporation	369,520,929	29.20%
Galaxy Sky Investments Limited	Interest of a controlled corporation	369,520,929	29.20%
Kingston Capital Asia Limited	Interest of a controlled corporation	369,520,929	29.20%
Kingston Financial Group Limited	Interest of a controlled corporation	369,520,929	29.20%
Kingston Securities Limited	Others	369,520,929	29.20%

Notes:

1. The percentage represented the percentage of the Company's share capital as stated in the relevant disclosure of interests forms filed by the above persons.

2. WOG is taken to be interested in the interests in Shares by Rich Time. Rich Time, an indirectly wholly-owned subsidiary of WOG, which was the beneficial owner of 69,830,735 Shares and was interested in for 209,492,205 Rights Shares comprising the full acceptance of its provisional entitlements under the Rights Issue and 370,000,000 excess Rights Shares for which application will be made by it pursuant to the WOG Irrevocable Undertaking. Mr. Tang Ching Ho is an executive director of WOG.

3. Ms. Yau Yuk Yin is taken to be interested in the Shares in which her spouse, Mr. Tang Ching Ho, is interested as stated above in the sub-paragraph headed "(a) Directors' interests" in this Appendix.

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any member of the Group.

4. COMPETING INTERESTS OF DIRECTORS AND CLOSE ASSOCIATES

As at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquiries, none of the Directors and their respective close associates were considered to have any interests in businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group that need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

5. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS AND CONTRACTS

As at the Latest Practicable Date, save for Mr. Tang Ching Ho's indirect interests in the Bond through his indirect shareholding in WOG, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 March 2016 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has a service contract with any member of the Group which was not determinable by the Group within one year without payment of compensation (other than statutory compensation).

None of the Directors has a service contract with the Company or any of its subsidiaries or associated companies, which: (i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the date of the Joint Announcement; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

7. EXPERTS AND CONSENTS

The following is the qualifications of the experts who have given opinion and advice, which is contained in this circular:

Name	Qualification
Ernst & Young	Certified Public Accountants
Beijing Securities	a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Vigers Appraisal and Consulting Limited	Professional surveyors and valuers

As at the Latest Practicable Date, each of the experts referred to above (i) had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) had no direct or indirect interest in any assets which had been, since 31 March 2016 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and (iii) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the reference to its name included herein in the form and context in which it appears.

8. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, the Group was not engaged in any litigation or claims of material importance, and so far as the Directors are aware, no litigation or claims of material importance is pending or threatened against the Group.

9. MATERIAL CONTACTS

Within the two years immediately preceding the date of the Joint Announcement and ending on the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group which are or may be material:

(a) the Underwriting Agreement;

(b) the Bond Transfer Agreement;

(c) the SZ Removal Agreement;

(d) the SZ Supplemental Agreements;

(e) the SZ Provisional Agreement;

(f) a provisional sale and purchase agreement dated 25 November 2015 entered into between an individual who is an Independent Third Party and Smart First Investment Limited, an indirectly wholly-owned subsidiary of the Company, in relation to the disposal of a property located at Ground Floor, First Floor, Second Floor and Rooftop of No. 68 San Hong Street, Sheung Shui, New Territories, Hong Kong for a total consideration of HK$88.0 million, the details of which were set out in the announcement issued by the Company on 26 November 2015;

(g) a conditional sale and purchase agreement dated 13 November 2015 entered into between Guidepost Investments Limited ("**Guidepost**"), an indirectly wholly-owned subsidiary of the Company as purchaser, and East Run Investments Limited, an indirectly non-wholly-owned subsidiary of WOG as vendor, in relation to the acquisition by Guidepost of Sunbo Investment Limited and Good Excellent Limited, which hold properties located at Shop B on Ground Floor, including the Cockloft, Yan Oi House, No. 237 Sha Tsui Road, Nos. 87 & 89 Chuen Lung Street, Tsuen Wan, New Territories and all that Shop on Ground Floor, with the Cockloft, 60A Yen Chow Street, Kowloon, respectively, for an aggregate consideration of HK$70.0 million (subject to adjustment as stipulated in the agreement), the details of which were set out in the announcement and circular issued by the Company on 13 November 2015 and 4 December 2015, respectively;

(h) an acknowledgement deed dated 16 July 2015 entered into by Hearty Limited ("**Hearty**") and Suntech Investments Limited ("**Suntech**"), indirectly wholly-owned subsidiaries of the Company, in favour of PNG Resources Holdings Limited ("**PNG**", which is now known as Easy One Financial Group Limited) confirming the revised subscription price of HK$0.105 per rights share under the PNG 2015 Rights Issue (as defined below) and agreeing that the terms of the WYT Irrevocable Undertaking (as defined below) remain unchanged save for the change to the latest time for acceptance in respect of the PNG 2015 Rights Issue and the resulting change to the maximum aggregate amount payable by Hearty and Suntech to subscribe in full for their respective provisional entitlements, and by Hearty to subscribe in full for the 380,000,000 rights shares for which it will have made an excess application under the PNG 2015 Rights Issue pursuant to the WYT Irrevocable Undertaking (as defined below). Further details of the said acknowledgement deed are set out in the joint announcement issued by the Company and PNG dated 16 July 2015;

(i) an irrevocable undertaking (the "**WYT Irrevocable Undertaking**") dated 28 May 2015 granted by Hearty and Suntech in favour of PNG under which Hearty and Suntech agreed to subscribe for, respectively, 665,958,750 rights shares and 8,460,000 rights shares, which comprise the full acceptance of their respective provisional entitlements, and Hearty further agreed to apply, by way of excess application, for 380,000,000 rights shares, under PNG's rights issue (the "**PNG 2015 Rights Issue**") at HK$0.168 per rights share of PNG, the details of which were set out in the joint announcement issued by the Company and PNG dated 4 June 2015;

(j) a provisional sale and purchase agreement dated 24 April 2015 entered into between Dvorak Limited, the Company and Guidepost, in relation to the disposal by Guidepost of Smart Star Investments Limited, which held a property located at Shops A and B on Ground Floor, No. 296 Electric Road, North Point, Hong Kong for a consideration of HK$45.0 million, the details of which were set out in the announcement issued by the Company on 27 April 2015;

(k) an underwriting agreement dated 25 March 2015 entered into between the Company and Kingston in relation to the rights issue by the Company on the basis of one rights shares for every two then existing shares at a subscription price of HK$0.108 per rights share (as detailed in the Company's announcements dated 26 March 2015 and 18 May 2015, respectively and the prospectus dated 24 April 2015);

(l) an underwriting agreement dated 23 December 2014 (as varied on 8 January 2015 and 28 January 2015) entered into between CAP, the Company, Jade Range Limited (an indirectly wholly-owned subsidiary of the Company) and Kingston in relation to, among others, the underwriting of 660 million rights shares in CAP contemplated under the rights issue of CAP, the details of which were set out in the announcements jointly issued by the Company, CAP, PNG and WOG dated 8 January 2015 and 29 January 2015 and the circular of the Company dated 13 March 2015, respectively;

(m) a facility letter dated 28 November 2014 entered into between Winning Rich and CAP pursuant to which Winning Rich has agreed to extend the repayment of the accrued interests of HK$18,950,685 from 28 November 2014 to 31 May 2015;

(n) a placing agreement dated 20 November 2014 entered into between the Company and Kingston pursuant to which the Company has agreed to place, through Kingston, 700 million new shares to not fewer than six independent third parties at a placing price of HK$0.133 per share for an aggregate net proceeds of approximately HK$90.5 million, which was completed on 4 December 2014, details of which were set out in the announcement of the Company dated 20 November 2014;

(o) a subscription agreement dated 4 October 2014 (as amended by a supplemental agreement dated 28 November 2014) entered into between (i) CAP, as the issuer; (ii) Double Leads, Peony Finance Limited and Winning Rich, collectively as the subscribers; and (iii) CCB International Capital Limited, as the placing agent, in relation to, inter alia, the subscription for the unsecured five-year 10.0% coupon bonds issued by CAP on 28 November 2014 to Winning Rich ("**2019 CAP Bonds**") for an aggregate sum of HK$720 million, details of which were set out in the announcements of the Company dated 4 October 2014 and 28 November 2014, respectively, and the circular of the Company dated 24 October 2014;

(p) a supplemental agreement dated 30 September 2014 to the loan agreement dated 10 March 2011 (as amended by an amendment deed dated 6 September 2012 and further amended by an assignment dated 25 June 2013) entered into between Winning Rich, as the lender, and CAP, as the borrower, for the extension of the repayment date from 30 September 2014 to 30 November 2014 in consideration that CAP will use the net proceed from the issue of the 2019 CAP Bonds to repay such unsecured loan facility of a sum of HK$15.0 million, the details of which were set out in the announcement of the Company dated 4 October 2014;

(q) a supplemental agreement dated 30 September 2014 to the loan agreement dated 11 January 2011 (as amended by an amendment deed dated 6 September 2012 and further amended by an assignment dated 25 June 2013) entered into between Winning Rich, as the lender, and CAP, as the borrower, for the extension of the repayment date from 30 September 2014 to 30 November 2014 in consideration that CAP will use the net proceed from the issue of the 2019 CAP Bonds to repay such unsecured loan facility of a sum of HK$60.0 million, the details of which were set out in the announcement of the Company dated 4 October 2014; and

(r) a top-up placing and subscription agreement dated 20 August 2014 entered into between Rich Time, as the vendor and the subscriber, the Company, as the issuer, and Kingston, as the placing agent, pursuant to which (i) Rich Time has agreed to place, through Kingston, 586 million existing shares to not fewer than six placees at a placing price of HK$0.186 per share; and (ii) Rich Time has conditionally agreed to subscribe for 586 million new shares at the subscription price of HK$0.186 per share. The aggregate net proceeds from the top-up placing and the top-up subscription were approximately HK$105.7 million, and were completed on 25 August 2014 and 28 August 2014, respectively, the details of which were set out in the announcement of the Company dated 20 August 2014.

10. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK$8.2 million, which are payable by the Company.

11. SHAREHOLDINGS AND DEALINGS

In addition to the matters disclosed in the paragraph headed "Further Information on the WOG Concert Group" in Part C of the Letter from the Board in this circular, as at the Latest Practicable Date:

(a) save for:

(i) Mr. Tang Ching Ho's interests in approximately 51.76% of the entire issued WOG Shares by virtue of his own beneficial shareholding, the shareholding interests of his spouse in WOG, 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; and

(ii) the Company's interests in approximately 2.19% of the entire issued WOG Shares through Suntech,

the Company and the Directors did not have any interest in, hold, control or have direction over any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in any member of the WOG Concert Group, and had not dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in any member of the WOG Concert Group during the period commencing six months before the date of the Joint Announcement and ending on the Latest Practicable Date. In addition, none of the Directors has any beneficial shareholding in Shares entitling them to vote at the SGM;

(b) save as disclosed in the section headed "3. Disclosure of Interests" in this Appendix, none of the Directors is interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, and none of them had dealt for value in the same during the period commencing six months before the date of the Joint Announcement and ending on the Latest Practicable Date;

(c) no Shares, convertible securities, warrants, options and derivatives in the Company were owned or controlled by a subsidiary of the Company or by a pension fund of any member of the Group or by any advisor to the Company as specified in class (2) of the definition of associate under the Takeovers Code and none of them had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the period commencing six months before the date of the Joint Announcement and ending on the Latest Practicable Date;

(d) save for the Underwriting Agreement, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate in the Takeovers Code and none of them had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the period commencing six months before the date of the Joint Announcement and ending on the Latest Practicable Date;

(e) no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by any fund manager (other than exempt fund manager) connected with the Company and none of them had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the period commencing six months before the date of the Joint Announcement and ending on the Latest Practicable Date;

(f) none of the Directors had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;

(g) no benefit will be given to any Director as compensation for loss of office in any member of the Group or otherwise in connection with the Rights Issue or the Whitewash Waiver;

(h) none of the Directors has entered into any agreement or arrangement with any other persons which is conditional on or dependent upon the outcome of the Rights Issue or the Whitewash Waiver;

(i) save for the WOG Irrevocable Undertaking, there was no material contract entered into by any member of the WOG Concert Group in which any Director had a material personal interest;

(j) there is no agreement, arrangement or understanding (including any compensation arrangement) exists between (i) any of the members of the WOG Concert Group; and (ii) any Director, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the outcome of the Rights Issue or the Whitewash Waiver; and

(k) there was no agreement, arrangement or understanding that any securities acquired by the WOG Concert Group under the Rights Issue would be transferred, charged or pledged to any other persons.

12. MARKET PRICES

The table below shows the closing prices of the Shares as recorded on the Stock Exchange on (i) the last day on which dealings took place in each of the six months immediately preceding the date of the Joint Announcement; (ii) the Last Trading Day; and (iii) the Latest Practicable Date.

Date	Closing price of the Shares *(HK$)*
29 January 2016	1.46 *(Note)*
29 February 2016	1.14 *(Note)*
31 March 2016	0.92
29 April 2016	1.00
31 May 2016	0.93
30 June 2016	0.86
5 July 2016 (Last Trading Day)	0.84
29 July 2016	0.56
5 August 2016 (Latest Practicable Date)	0.58

Note: Adjusted for the effect of a capital reorganisation involving consolidation of shares and capital reduction, details of which were set out in the Company's announcements dated 1 February 2016 and 15 March 2016 and the circular dated 19 February 2016.

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the period commencing from 8 January 2016, being the date falling six months immediately prior to the date of the Joint Announcement, and ending on the Latest Practicable Date were HK$1.68 as quoted on the Stock Exchange on 8 January 2016 and HK$0.51 quoted on 4 August 2016 respectively.

13. CORPORATE INFORMATION OF THE COMPANY

Board of Directors	Correspondence address
Executive Directors	
Mr. Tang Ching Ho, JP *(Chairman)*	Winners Lodge Nos. 9-15 Ma Yeung Path Shatin New Territories Hong Kong

Mr. Chan Chun Hong, Thomas *(Managing Director)*	Flat F, 5/F., Block 3 Whampoa Garden Site 4 Hung Hom, Kowloon Hong Kong
Ms. Tang Mui Fun	Flat A, 19/F., Block 9, Ocean Shores O King Road Tseung Kwan O New Territories Hong Kong

Independent Non-executive Directors

Mr. Siu Man Ho, Simon	Flat A, 11/F., Tower 5 One Beacon Hill l Beacon Hill Road Kowloon Tong Kowloon Hong Kong
Mr. Leung Wai Ho, *MH*	Tower 5, 10 A/F Regency Park 3 Wah King Hill Road Kowloon Hong Kong
Mr. Cho Wing Mou	16/F., Block 25 Celestial Heights Phase 2 80 Sheung Shing Street Ho Man Tin Kowloon Hong Kong
Mr. Li Ka Fai, David	Flat C, 2/F, Pinewood Garden 39 Perkins Road Hong Kong

Audit Committee

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

Company Secretary

Ms. Mak Yuen Ming, Anita

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

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

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

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

Branch Share Registrar and Transfer Office in Hong Kong

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

Principal Share Registrar and Transfer Agent in Bermuda

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

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

Auditors

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

Legal Advisers

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

Authorised Representatives

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

Stock Code

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www.wyth.net

14. PARTIES INVOLVED IN THE RIGHTS ISSUE

Name and address of WOG	Wang On Group Limited 5/F., Wai Yuen Tong Medicine Building 9 Wang Kwong Road Kowloon Bay Kowloon Hong Kong
Name of directors of WOG	*Executive Directors* Mr. Tang Ching Ho, *JP* Ms. Yau Yuk Yin Mr. Chan Chun Hong, Thomas *Independent Non-executive Directors* Dr. Lee Peng Fei, Allen, *CBE, BS, FHKIE, JP* Mr. Wong Chun, Justein, *BBS, MBE, JP* Mr. Siu Yim Kwan, Sidney, *S.B.St.J.* Mr. Siu Kam Chau
Financial adviser to the Company	Kingston Corporate Finance Limited Suite 2801, 28/F. One International Finance Centre 1 Harbour View Street Central Hong Kong
Independent financial adviser to the Independent Board Committee and the Independent Shareholders	Beijing Securities Limited 14/F., Shanghai Industrial Investment Building 48 Hennessy Road Wanchai Hong Kong
Underwriter	Kingston Securities Limited Suite 2801, 28/F. One International Finance Centre 1 Harbour View Street Central Hong Kong

Legal adviser to the Company	*Hong Kong Law* Reed Smith Richards Butler 20/F., Alexandra House 18 Chater Road Central Hong Kong
Reporting accountants	Ernst & Young Certified Public Accountants 22/F., CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Valuers	Vigers Appraisal and Consulting Limited International Assets Appraisal Consultants 10th Floor, The Grande Building 398 Kwun Tong Road Kowloon Hong Kong
Branch share registrar and transfer office in Hong Kong	Tricor Secretaries Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong

15. PROFILES 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 WOG. 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 Life Chairman and the Chairman of Social Affairs of Federation of Hong Kong Guangxi Community Organisations Limited. He is the brother of Ms. Tang Mui Fun, an executive Director.

Mr. Chan Chun Hong, aged 52, was appointed as the managing Director 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 WOG, the non-executive chairman of Wang On Properties Limited (stock code: 1243), the chairman and managing director of Easy One Financial Group Limited (stock code: 221), the chairman and chief executive officer of CAP, all companies are listed on the Main Board of the Stock Exchange. 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 45, joined the Group in 2000 and was appointed as the executive Director in September 2007. Ms. Tang is a member of the executive committee of the Company and acts as directors of certain subsidiaries of the Group. She is responsible for the overall strategic planning and development and policy making for the core business of the Group. She graduated from the University of Hull (England) with a bachelor degree in accountancy. Prior to joining the Group, she had four years of experience in the accounting and auditing fields and five years of experience in general management. She is a sister of Mr. Tang Ching Ho, the chairman of the Company.

Independent Non-executive Directors

Mr. Leung Wai Ho, *MH*, aged 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. 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 was a committee member of the 8th Political Consultative Conference Guangxi and is also a committee member of the Political Consultative Conference of Yulin City, Guangxi Province and Life Chairman of Political Consultative Conference of Maoming City, Guangdong Province and also the Honorary Life Chairman of Supervisor Gee Tuck General Association Hong Kong Limited and 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 (stock code: 563). 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 (stock code: 1123), Cosmopolitan International Holdings Limited (stock code: 120) and Goldlion Holdings Limited (stock code: 533), 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 (stock code: 144), and an independent non-executive director, member of the audit committee and member of the remuneration committee of AVIC International Holding (HK) Limited (stock code: 232), 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.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (Saturdays and public holidays excepted) at 5/F., Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong from the date of this circular up to and including Friday, 26 August 2016 (being the date of the SGM) and will be displayed on the website of the SFC (www.sfc.hk) and the website of the Company (www.wyth.net).

(a) the memorandum of association and bye laws of the Company and WOG;

(b) the letter from the Board, the text of which is set out on pages 16 to 50 of this circular;

(c) the letter from the Independent Board Committee, the text of which is set out on pages 51 to 52 of this circular;

(d) the letter from Beijing Securities, the text of which is set out on pages 53 to 79 of this circular;

(e) the report on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group upon completion of the Rights Issue, the text of which is set out in Appendix IIA to this circular;

(f) the report on the unaudited pro forma financial information of the Group upon completion of the Rights Issue and the acquisition of the Bond, the text of which is set out in Appendix IIB to this circular;

(g) the report on the unaudited pro forma financial information of the Group upon completion of the SZ Acquisition, the SZ Removal Agreement and the SZ Supplemental Agreements, the text of which is set out in Appendix IIC to this circular;

(h) the report on the unaudited pro forma financial information of the Group upon completion of the Rights Issue, the acquisition of the Bond, the SZ Acquisition, the SZ Removal Agreement and the SZ Supplemental Agreements, the text of which is set out in Appendix IID to this circular;

(i) the annual reports of the Company for the three financial years ended 31 March 2014, 2015 and 2016;

(j) the letter, valuation certificates and valuation report relating to the existing properties of the Group prepared by Vigers Appraisal and Consulting Limited, the text of which is set out in Appendix IIIA to this circular;

(k) the letter, valuation certificate and valuation report relating to the SZ Properties prepared by Vigers Appraisal and Consulting Limited, the text of which is set out in Appendix IIIB to this circular;

(l) the material contracts as referred to in the section headed "material contracts" in this Appendix;

(m) the written consent referred to in the paragraph headed "Experts and Consents" in this appendix; and

(n) this circular.

17. MISCELLANEOUS

(a) The company secretary of the Company is Ms. Mak Yuen Ming, Anita. She is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

(b) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

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

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

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting (the "**SGM**") of Wai Yuen Tong Medicine Holdings Limited (位元堂藥業控股有限公司*) (the "**Company**") will be held at 20/F., Alexandra House, 18 Chater Road, Central, Hong Kong on Friday, 26 August 2016 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**:

(a) subject to and conditional upon fulfillment of the conditions of the Underwriting Agreement (as defined below), including passing of resolutions numbered 2 and 3 below, and the Underwriting Agreement not being terminated in accordance with its terms, the Rights Issue (as defined below) and the transactions contemplated thereunder be and are hereby approved;

For the purpose of this resolution, "**Rights Issue**" means the issue by way of rights of not less than 948,857,166 ordinary shares ("**Shares**") of the Company of HK$0.01 each and not more than 949,013,133 Shares (the "**Rights Shares**") at a subscription price of HK$0.43 per Rights Share to qualifying shareholders of the Company (the "**Qualifying Shareholders**") whose names appear on the register of members of the Company on the date and time by reference to which entitlement to the Rights Issue will be determined (other than those shareholders (the "**Excluded Shareholders**") with addresses on the register of members of the Company outside Hong Kong whom the directors of the Company (the "**Directors**"), after making enquiries, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) on the basis of three (3) Rights Shares for every one (1) Share then held and otherwise pursuant to and subject to the fulfilment of the

* *For identification purpose only*

conditions set out in the underwriting agreement (the "**Underwriting Agreement**") (a copy of which has been tabled to the SGM marked "A" and initialled by the chairman of the SGM for the purpose of identification) dated 5 July 2016 (as amended by a supplemental agreement dated 8 July 2016 and a second supplemental agreement dated 27 July 2016) and entered into among between the Company and Kingston Securities Limited (the "**Underwriter**");

(b) any one Director be and is hereby authorised to allot and issue the Rights Shares pursuant to and in connection with the Rights Issue notwithstanding that: (i) the Rights Shares may be offered, allotted or issued otherwise than to the Excluded Shareholders and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements and/or Excluded Shareholders as they deem necessary, desirable or expedient having regard to any restrictions or obligations under the bye-laws of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and (ii) Rights Shares which would otherwise have been made available for application by the Qualifying Shareholders or the Excluded Shareholders (as the case may be) will be made available for subscription under forms of application for excess Rights Shares;

(c) the entering into of the Underwriting Agreement by the Company be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated thereunder by the Company (including but not limited to the arrangements for taking up of the underwritten Rights Shares, if any, by the Underwriter) be and are hereby approved;

(d) any one Director be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to the Rights Issue or as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder."

2. "**THAT**:

(a) subject to and conditional upon the passing of resolution numbered 1 above, the waiver (the "**Whitewash Waiver**") granted or to be granted by the executive director (the "**Executive Director**") of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate of the Executive Director pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers in respect of the obligation on the part of Wang On Group Limited ("**WOG**") to make a general offer for all the issued Shares not already owned or agreed to be acquired by WOG and persons acting in concert with it (the "**WOG Concert Group**") which, in the absence of the

Whitewash Waiver, may otherwise arise as a result of the subscription of the Rights Shares by the WOG Concert Group pursuant to the irrevocable undertaking dated 5 July 2016 given by Rich Time Strategy Limited in favour of the Company whereby Rich Time Strategy Limited agreed to subscribe or procure subscription for 209,492,205 Rights Shares and to apply or procure application, by way of excess application, for 370,000,000 Rights Shares, be and is hereby approved and confirmed; and

(b) any one Director be and is hereby authorised to sign and execute such documents with or without amendments and do all such acts and things incidental to the Whitewash Waiver as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Whitewash Waiver."

3. "**THAT** subject to and conditional upon completion of the Rights Issue (as defined in resolution numbered 1 above), the bond transfer agreement dated 5 July 2016 entered into between Winning Rich Investments Limited ("**Winning Rich**", an indirectly wholly-owned subsidiary of the Company), Double Leads Investments Limited and WOG (as amended by a supplemental agreement dated 8 July 2016) (the "**Bond Transfer Agreement**", a copy of which has been tabled to the SGM marked "B" and initialed by the chairman of the SGM for the purpose of identification) in relation to the acquisition by Winning Rich from Double Leads Investments limited a 10.0% bond due on 28 November 2019 with an outstanding principal amount of HK$200,000,000 (the "**Bond**") issued by China Agri-Products Exchange Limited, whose obligations under the Bond will be guaranteed in favour of Winning Rich by WOG under the Bond Transfer Agreement, for a consideration of HK$200,000,000 subject to upward adjustments for any accrued but unpaid interest on the Bond up to and including the date of completion of the transactions contemplated under the Bond Transfer Agreement, together with the transactions contemplated thereunder, be and are hereby approved."

4. "**THAT** the agreement dated 5 July 2016 (the "**SZ Removal Agreement**") entered into between New Grade Limited (the "**SZ Purchaser**", an indirectly wholly-owned subsidiary of the Company), Caffco International Ltd ("**Caffco**") and The Sky High Plastic Works Limited (the "**SZ Vendor**") and the five agreements, being a sewage treatment agreement, a fittings sale and purchase agreement, a fire services consultancy agreement, a laboratory design consultancy agreement and a liaison consultancy agreement, all dated 5 July 2016 (the "**SZ Supplemental Agreements**") entered into between the SZ Purchaser and the SZ Vendor (copies of which have been tabled to the SGM marked "C" and initialed by the chairman of this SGM for the purpose of identification) in respect of, among other things, the procurement by Caffco the vacation of the SZ Properties (as defined below) and the sale of certain existing fittings on the SZ Properties and provision of consultation services by the SZ Vendor to the SZ Purchaser in relation to the acquisition by the SZ Purchaser of a factory building and two dormitory buildings erected on the

Land Lot No. G12204-0126 located at Nanbu Village, Pingshan Town, Shenzhen, the People's Republic of China ("**SZ Properties**"), details of which are set out in the announcements of the Company dated 20 July 2015, 20 October 2015, 30 December 2015, 24 February 2016, 27 April 2016 and 27 July 2016, respectively, together with the transactions contemplated thereunder, be and are hereby approved."

By Order of the Board
Wai Yuen Tong Medicine Holdings Limited
(位元堂藥業控股有限公司*)
Mak Yuen Ming, Anita
Company Secretary

Hong Kong, 9 August 2016

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

Notes:

1. A form of proxy for use at the SGM is enclosed.

2. Any member of the Company entitled to attend and vote at the SGM is entitled to appoint one proxy or, if such member is a holder of more than one share of the Company, more than one proxy represent him and vote on his behalf at the SGM. A proxy need not be a member of the Company.

3. In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as practicable but in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be).

4. Delivery of the form of proxy will not preclude members from attending and voting in person at the SGM or any adjustment thereof (as the case may be) should they so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. Where there are joint holders of any share of the Company, any one of such holders may vote at the SGM either personally or by proxy in respect of such share(s) as if he/she was solely entitled thereto provided that if more than one of such joint holders be present at the SGM whether personally or by proxy, the person whose name stands first on the register of members of the Company in respect of such share(s) shall be accepted to the exclusion of the vote(s) of the other joint holders.

6. The above resolutions will be voted by way of a poll at the SGM.

* *For identification purpose only*