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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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.

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 897)

## MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF PROPERTIES AND NOTICE OF SPECIAL GENERAL MEETING

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



Shingo Capital Limited

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A letter from the Board is set out on pages 4 to 12 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 13 to 14 of this circular. A letter from Shingo, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice in respect of the Agreement is set out on pages 15 to 36 of this circular.

A notice convening the SGM to be held at 20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong on Friday, 20 April 2018 at 12:15 p.m. is set out on pages SGM-1 to SGM-3 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.

\* For identification purpose only

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## DEFINITIONS

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

“Acquisition”	the purchase by Guidepost Investments of all the shares in, and shareholder’s loans owed by, the Target Companies pursuant to the Agreement
“Agreement”	a sale and purchase agreement dated 7 February 2018 entered into between East Run as vendor, WOP as guarantor and Guidepost Investments as purchaser in respect of, among other things, the Acquisition
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“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
“Consideration”	the consideration for the Acquisition, being HK\$350,000,000
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“East Run”	East Run Investments Limited, a company incorporated in the BVI and an indirectly wholly-owned subsidiary of WOP, and the vendor under the Agreement
“Enlarged Group”	the Group and the Target Companies upon completion of the Acquisition
“Group”	the Company and its subsidiaries
“Guidepost Investments”	Guidepost Investments Limited, a company incorporated in the BVI and an indirectly wholly-owned subsidiary of the Company, and the purchaser under the Agreement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

\* For identification purpose only

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## DEFINITIONS

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“Independent Board Committee”	an independent committee of the Board comprising all of the independent non-executive Directors formed for the purpose of advising the Independent Shareholder(s) on the Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Shinco”	Shinco Capital Limited, a corporation licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Agreement and the transactions contemplated thereunder, and as to voting at the SGM
“Independent Shareholders”	Shareholders other than (i) WOG and its associates; and (ii) those other Shareholders who are required to abstain from voting on the resolution(s) to be proposed at the SGM
“Joint Announcement”	the joint announcement dated 7 February 2018 published by the Company and WOP in relation to, among other things, the Agreement and the transactions contemplated thereunder
“Latest Practicable Date”	27 March 2018, 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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Oriental Sino”	Oriental Sino Investments Limited, a company incorporated in Hong Kong and a directly wholly-owned subsidiary of East Run
“PRC”	the People’s Republic of China, which for the purpose of this circular, does not include Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China
“Precious Investments”	Precious Investments Limited, a company incorporated in Hong Kong and a directly wholly-owned subsidiary of East Run
“Properties”	the respective commercial properties held by the Target Companies
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

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## DEFINITIONS

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“SGM”	the special general meeting of the Company to be convened and held at 12:15 p.m. on Friday, 20 April 2018 at 20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong to consider and approve, among other things, the Agreement and the transactions contemplated thereunder
“Shareholder(s)”	the holder(s) of the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shiny World”	Shiny World Investment Limited, a company incorporated in Hong Kong and a directly wholly-owned subsidiary of East Run
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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
“Target Companies”	collectively, Oriental Sino, Precious Investments, Shiny World and Wang To
“Wang To”	Wang To Investments Limited, a company incorporated in Hong Kong and a directly wholly-owned subsidiary of East Run
“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)
“WOP”	Wang On Properties Limited 宏安地產有限公司, 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: 1243)
“%”	per cent.

\* For identification purpose only



**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

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Independent non-executive Directors:*

Mr. Leung Wai Ho, *MH*

Mr. Siu Man Ho, Simon

Mr. Cho Wing Mou

Mr. Li Ka Fai, David

*Head office and principal place  
of business:*

Suite 3101, 31/F., Skyline Tower

39 Wang Kwong Road

Kowloon Bay, Kowloon

Hong Kong

29 March 2018

*To Shareholders*

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION IN RELATION TO  
ACQUISITION OF PROPERTIES**

**INTRODUCTION**

On 7 February 2018, the Company and WOP published the Joint Announcement in relation to, among other things, the Agreement and the transactions contemplated thereunder.

The purpose of this circular is to provide you with, amongst other things, (i) further details of the Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respects of the Agreement and the transactions contemplated thereunder; (iii) a letter of advice from Shinco to the Independent Board Committee and the Independent Shareholders on the Agreement and

\* For identification purpose only

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## LETTER FROM THE BOARD

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the transactions contemplated thereunder; and (iv) a notice convening the SGM at which the relevant resolution(s) will be proposed to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder.

### THE AGREEMENT

On 7 February 2018 (after trading hours), Guidepost Investments, an indirectly wholly-owned subsidiary of the Company, entered into the Agreement with WOP and East Run, an indirectly wholly-owned subsidiary of WOP, in respect of the sale by East Run and the purchase by Guidepost Investments of the entire issued share capital in, and all shareholder's loans owed by, each of the Target Companies. The sole assets of the Target Companies are the Properties. A summary of the terms of the Agreement is set out as follows:

Date	:	7 February 2018
Parties	:	East Run, as the vendor WOP, as the guarantor Guidepost Investments, as the purchaser
Subject Matter	:	Guidepost Investments agreed to acquire, and East Run agreed to dispose of, all the entire issued share capital in, and all shareholder's loans owed by, each of the Target Companies.

The Target Companies are the respective registered owner of the Properties, which are commercial properties subject to mortgage:

Registered owner	Address	Saleable floor area (square feet)	Original acquisition costs to WOP (HK\$ million)
Shiny World	Shop B on Ground Floor, Nos. 106–108 Shau Kei Wan Road, Hong Kong	791	13.0
Wang To	Shop 3 on Level 1, Jade Plaza, No. 3 On Chee Road, Tai Po, New Territories	712	19.7
Oriental Sino	Shop AB on Ground Floor, Po Wing Building, Nos. 61, 63, 65, 67, 71 & 73 Lee Garden Road, Nos. 108, 110, 112, 116, 118 & 120 Percival Street, Hong Kong	1,204	210.0
Precious Investments	Ground and Mezzanine Floor, No. 166 Sai Yeung Choi Street South, Kowloon	1,318	83.3

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## LETTER FROM THE BOARD

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The Properties are currently subject to existing tenancies with the Group (in respect of the Property owned by Oriental Sino) and independent third parties (in respect of the Properties owned by Shiny World, Wang To and Precious Investments).

Consideration : The Consideration in respect of the Acquisition is HK\$350,000,000, which is payable in cash subject to adjustments by reference to the net current asset value (being the Target Companies' total assets (excluding the Properties and any deferred tax) minus their total liabilities (excluding deferred tax, shareholder's loans and existing bank loans) as at the completion date).

The Consideration for the sale and purchase of the shares in and shareholders' loans owed by the Target Companies is to be paid on the basis that (i) the existing mortgage loans borrowed by the Target Companies will be repaid, (ii) the shareholders' loans will be the only other liabilities of the Target Companies at completion apart from the said mortgage loans, and (iii) the only assets held by the Target Companies are the respective Properties. Accordingly, to the extent the Target Companies actually hold more assets/liabilities (including deposits paid to utility companies/security deposits paid by tenants, etc) at completion than as contemplated above, the final Consideration to be paid will be adjusted to account for the additional assets/liabilities transferred (except that deferred tax are not taken into account for the purpose of such adjustment as they are in the nature of provision for future tax).

As some of the income and outgoings by the Target Companies are accrued monthly, the aforesaid adjustments to the Consideration may involve apportionment of those income and expenses as between the vendor and the purchaser taking into account when the completion date actually falls in the relevant monthly period. For illustrative purpose only and based on information currently available to the Company, assuming completion of the Agreement took place on 30 September 2017, there would be an downward adjustment to the Consideration in the amount of approximately HK\$0.7 million.

Guidepost Investments has paid a deposit of HK\$35,000,000, being 10% of the Consideration, to East Run upon signing of the Agreement and the balance of the Consideration (subject to adjustments) is payable on completion.



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## LETTER FROM THE BOARD

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The Consideration was determined after arm's length negotiation between the vendor and the purchaser under the Agreement on normal commercial terms after taking into account a number of factors including (i) the portfolio of Properties held by the Target Companies; and (ii) the indicative preliminary valuation prepared by independent professional valuers in respect of the Properties.

Conditions  
Precedent : Completion of the transactions under the Agreement is conditional upon the satisfaction of the following conditions:

- (i) Guidepost Investments having completed its due diligence findings against the Properties and the business, financial, tax, legal and other aspects of each of the Target Companies and being reasonably satisfied in all respects with then results thereof;
- (ii) the Independent Shareholders having approved the Agreement and the transactions contemplated thereunder at the SGM; and
- (iii) the independent shareholders of WOP having approved the Agreement and the transactions contemplated thereunder at the special general meeting of WOP to be convened for this purpose.

Conditions (ii) and (iii) above are incapable of being waived. As at the Latest Practicable Date, none of the above conditions has been fulfilled.

Completion : Subject to the fulfilment (or waiver, as the case may be) of the conditions stated above, completion of the transaction under the Agreement is expected to take place on or before 29 March 2018 (or such other date as East Run and Guidepost Investments may agree in writing), upon which the Target Companies will become indirectly wholly-owned subsidiaries of the Company and will cease to be subsidiaries of WOP.

Guarantee : WOP has agreed to provide a guarantee and indemnity in favour of Guidepost Investments in respect of East Run's obligations under the Agreement and other related documents underlying the Acquisition.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

The principal businesses of the Group primarily comprise (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; and (ii) the processing and retailing of western pharmaceutical, health food and personal care products under the brand name of “Madame Pearl’s”.

The Properties owned by Oriental Sino is subject to a tenancy with the Group and the other three Properties owned by Precious Investments, Shiny World and Wang To are subject to existing tenancies with independent third parties which will expire in February 2018, August 2019 and September 2019, respectively. The Acquisition presents an opportunity for the Group to further entrench and expand its business presence at strategic retail locations, as the Properties are situated at locations which the Board considers suitable for the Group’s medicine retail business. Accordingly, the Company intends to maintain the Properties for self-use (upon expiry of tenancies in the case of the Properties owned by Precious Investments, Shiny World and Wang To) upon completion of the Acquisition. The Consideration is also attractive, being at a discount of approximately 9.8% to the valuation of the Properties as set out in Appendix V to this circular.

Taking into account the foregoing, the Directors (including the members of the Independent Board Committee who have taken into account the advice of the Independent Financial Adviser) are of the view that the Agreement is on normal commercial terms and are fair and reasonable, and that the Acquisition is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

### INFORMATION ON THE PARTIES TO THE AGREEMENT AND THE TARGET COMPANIES

Each of Guidepost Investments and East Run is principally engaged in investment holding and the Target Companies are principally engaged in the holding of the respective Properties.

The principal businesses of the WOP Group primarily comprise (i) development of residential and commercial properties for sale; and (ii) investment in industrial and commercial premises for rent or for sale.

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## LETTER FROM THE BOARD

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The below table sets out the unaudited aggregate net profits/(loss) before and after taxation attributable to the Target Companies for the years ended 31 March 2016 and 31 March 2017 based on their respective audited financial statements:

	<b>For the year ended 31 March</b>	
	<b>2016</b>	<b>2017</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Net profit/(loss) before taxation	(4,080.3)	9,948.3
Net profit/(loss) after taxation	(4,942.1)	8,925.7

As set out in Appendices IIA to IID to this circular, the unaudited aggregate net asset value of the Target Companies as at 30 September 2017 is HK\$72.2 million.

### **EFFECTS OF THE ACQUISITION ON THE EARNINGS, ASSETS AND LIABILITIES OF THE GROUP**

Upon completion of the Acquisition, the Target Companies will become indirectly wholly-owned subsidiaries of the Company and their assets, liabilities and financial results will be consolidated into the Group's consolidated financial statements. In terms of the effect of the Acquisition to the Group's earnings going forward that the Group will utilise the Properties for self-use (upon completion of the Acquisition or expiration of existing leases with independent third parties, as the case may be), the Group expects to achieve savings in future rental expenses in respect of the use of the Properties for its retail business, but it will incur interest expenses arising from the mortgage loans in respect of the Properties. The Company intends to finance the Acquisition with its internal resources and/or bank financing. As at the Latest Practicable Date, bank loans in the aggregate sum of HK\$230 million at an interest rate of HIBOR plus 1.65% have been drawn from existing banking facilities available to the Group to finance the Acquisition, and the Group is also under negotiations with banks with a view to obtaining further mortgage loan(s) to finance the Acquisition. As at the Latest Practicable Date, the Group has obtained approval-in-principle from a bank for further mortgage loan in the principal sum of HK\$112 million, subject to the Group's acceptance and finalisation of loan documentation. Based on information available to the Group (including the sums already borrowed by the Group to finance the Acquisition and assuming that the said further mortgage loan will be borrowed by the Group), the Group expects to achieve net annual savings in rental expenses (based on the historical rental and estimated rental expenses to be incurred for retail shops of similar size to the relevant Properties, and taking into account the interest expenses to be incurred in relation to financing for the Acquisition) of approximately HK\$10 million, subject to review by the Company's auditors.

The unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular is prepared as if the Acquisition had completed on 30 September 2017 to illustrate the effect of the Acquisition.

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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, WOG is the indirect controlling shareholder (and hence a connected person) of both WOP and the Company holding, respectively, 75.0% and approximately 56.5% of all the issued shares in WOP and the Company. Accordingly, each of East Run and Guidepost Investments is an associate of the Company and WOP respectively for the purposes of the Listing Rules, and the transactions contemplated under the Agreement constitute a connected transaction for the Company. As the applicable percentage ratio(s) (as defined in the Listing Rules) in respect of the Acquisition exceed 25% and are below 100% for the Company, the Agreement and the transactions contemplated thereunder constitute a connected transaction and a major transaction for the Company and are therefore subject to the reporting, announcement and the independent shareholders' approval requirements under Chapters 14A and 14 of the Listing Rules.

WOG and its associates will abstain from voting on the resolution(s) approving the Agreement and the transactions contemplated thereunder at the SGM as required under the Listing Rules. Any other Shareholders who have a material interest in the Agreement and the transactions contemplated thereunder are required to abstain from voting on the relevant resolution(s) approving the same to be proposed at the SGM. In light of Mr. Tang Ching Ho's shareholding interest in WOG (which in turn is the holding company of WOP) and Mr. Chan Chun Hong's directorship in WOP, they have abstained from voting on the relevant Board resolution(s) approving the Agreement in view of their material interests therein.

The Company has established the Independent Board Committee to advise the Independent Shareholders as to, among other things, whether the 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; and (c) in the interests of the Company and the Independent 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 Shinco 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 13 to 14 and pages 15 to 36 for the respective letters from the Independent Board Committee and the Independent Financial Adviser.

### THE SGM

The notice convening the SGM is set out on pages SGM-1 to SGM-3 of this circular. The SGM will be convened at 20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong at 12:15 p.m. on Friday, 20 April 2018 for the Independent Shareholders to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder. The record date for the determination of the entitlement to attend and vote at the SGM will be the close of business on Friday, 13 April 2018. In order to qualify for attending the SGM, all properly completed transfer forms accompanied by the relevant

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## LETTER FROM THE BOARD

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share certificates must be lodged with 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 no later than Friday, 13 April 2018 at 4:30 p.m., Hong Kong time.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend and vote at the SGM in person, please complete the accompanying 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, 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 (as the case may be) 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 13 to 14 of this circular which contains its recommendation to the Independent Shareholders as to voting at the SGM in relation to the Agreement and the transactions contemplated thereunder.

Your attention is also drawn to the letter from Shinco which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder, as well as the principal factors and reasons considered by it in arriving thereat. The text of the letter from Shinco is set out on pages 15 to 36 of this circular.

The Directors (including the independent non-executive Directors who have considered the advice of Independent Financial Adviser) consider that the Agreement and the transactions contemplated thereunder are on normal commercial terms and in the Group's ordinary and usual course of business, 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. Accordingly, the Directors (including the independent non-executive Directors who have considered the advice of the Independent Financial Adviser) recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder. You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser mentioned above before deciding how to vote on the resolution(s) to be proposed at the SGM.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

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

By Order of the Board  
**Wai Yuen Tong Medicine Holdings Limited**  
(位元堂藥業控股有限公司\*)  
**Tang Ching Ho**  
*Chairman*

\* *For identification purpose only*



**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)**

29 March 2018

*To the Independent Shareholders,*

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION IN RELATION TO  
ACQUISITION OF PROPERTIES**

We refer to the letter from the Board set out in the circular dated 29 March 2018 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 the 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; and (c) 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 resolution(s) to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder.

We wish to draw your attention to the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out in the Circular which contains its advice in relation to the Agreement and the transactions contemplated 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, the Independent Financial Adviser as stated in its letter of advice, we consider that the Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms and in

\* For identification purpose only

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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the ordinary and usual course of business of the Group, 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 resolution(s) to be proposed at the SGM approving the Agreement and the transactions contemplated 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*



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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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*The following is the text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.*



Room 1106, 11/F  
Office Plus@Sheung Wan  
No. 93–103 Wing Lok Street  
Sheung Wan  
Hong Kong

29 March 2018

*To the Independent Board Committee and the Independent Shareholders of  
Wai Yuen Tong Medicine Holdings Limited (the “Company”)*

Dear Sir or Madam,

### **MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF PROPERTIES**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the acquisition of the Target Companies and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 29 March 2018 (the “**Circular**”), of which this letter (the “**Letter**”) forms a part. Capitalised terms used in this Letter shall have the same meanings as those defined in the Circular unless otherwise specified.

On 7 February 2018 (after trading hours), Guidepost Investments, an indirectly wholly-owned subsidiary of the Company, entered into the Agreement with WOP and East Run, an indirectly wholly-owned subsidiary of WOP, in respect of the sale by East Run and the purchase by Guidepost Investments of the entire issued share capital in, and all shareholder’s loans owed by, each of the Target Companies for a total consideration of HK\$350,000,000. The sole assets of the Target Companies are the Properties.

As at the Latest Practicable Date, WOG is the indirect controlling shareholder (and hence a connected person) of both WOP and the Company holding, respectively, 75.0% and approximately 56.5% of all the issued shares in WOP and the Company. Accordingly, each of Guidepost Investments and East Run is an associate of the Company and WOP respectively for the purposes of the Listing Rules, and the transactions contemplated under the Agreement constitute a connected transaction for the Company. As the applicable percentage ratio(s) (as defined in the Listing Rules) in respect of the Acquisition exceed 25% and are below 100% for the Company, the Agreement and the transactions

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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contemplated thereunder constitute a connected transaction and a major transaction for the Company and are therefore subject to the reporting, announcement and the independent shareholders' approval requirements under Chapters 14A and 14 of the Listing Rules.

The SGM will be held to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder. WOG and its associates will abstain from voting on the resolution approving the Agreement and the transactions contemplated thereunder at the SGM as required under the Listing Rules. Any other Shareholders who have a material interest in the Agreement and the transactions contemplated thereunder are required to abstain from voting on the relevant resolution(s) approving the same to be proposed at the SGM. In light of Mr. Tang Ching Ho's shareholding interest in WOG (which in turn is the holding company of WOP) and Mr. Chan Chun Hong's directorship in WOP, they have abstained from voting on the relevant Board resolution(s) approving the Agreement in view of their material interests therein.

The Independent Board Committee, comprising Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon, Mr. Cho Wing Mou and Mr. Li Ka Fai, David, all being the independent non-executive Directors, has been established to give advice and recommendation to the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder.

We, Shinco Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Agreement and the transactions contemplated thereunder are (i) fair and reasonable so far as the Independent Shareholders are concerned; (ii) on normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the SGM.

As at the Latest Practicable Date, we did not have any relationships with or interests in the Company or any other parties that could reasonably be regarded as relevant to the independence of us. In addition, for the last two years up to the Latest Practicable Date, we have not acted as an independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to other transactions. Apart from normal professional fee payable to us in connection with this appointment, no arrangements existed or remained in existence whereby we had received or will receive any fees or benefits from the Company or any other party related to the aforesaid transactions. Therefore, we consider we are independent pursuant to Rule 13.84 of the Listing Rules and are accordingly eligible to give independent advice in respect of the Agreement and the transactions contemplated thereunder.

### **BASIS OF OUR OPINION**

In formulating our advice and recommendation, we have reviewed, among other things, the Agreement, the annual report of the Company for the financial year ended 31 March 2017 (the "**2017 Annual Report**"), the interim report of the Company for the six months ended 30 September 2017 (the "**2017 Interim Report**") and the information set out in the Circular in respect of the Target Companies and the Properties, in particular, the

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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valuation report (the “**Valuation Report**”) prepared by Vigers Appraisal And Consulting Limited, an independent valuer (the “**Independent Valuer**”), in relation to the valuation of the Properties. We have also discussed with the Independent Valuer in relation to the valuation of the Properties. Since we are not experts in the valuation of land and properties, we have relied solely upon the Valuation Report for the market value of the Properties.

We have also relied on the accuracy of the information and facts supplied, and the opinions expressed by the Company, the Directors and the management of the Company to us. We have assumed that all statements of belief and intention made by the Directors and the management of the Company in the Circular were made after due enquiries. We have also assumed that all information, representations and opinion made or referred to in the Circular are true, accurate, and complete at the time they were made and continued to be so at the Latest Practicable Date. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, the Directors and the management of the Company, and have been advised by the Directors and the management of the Company that no material facts have been omitted from the information provided and referred to in the Circular.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the 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 in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this Letter.

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 in-depth investigation into the business and affairs or future prospects of the Group, or their respective shareholders, subsidiaries or associates. Nothing contained in this Letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Where information in this Letter has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the Acquisition, we have considered the following principal factors and reasons:

#### 1. Background and financial information of the Company

##### *(i) Principal business activities of the Company*

The principal businesses of the Group primarily comprise (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; and (ii) the processing and retailing of western pharmaceutical, health food and personal care products under the brand names of “Madame Pearl’s”.

##### *(ii) Historical financial information of the Group*

Set out below is a summary of the financial results of the Group for the two financial years ended 31 March 2016 and 2017 and for the six months ended 30 September 2016 and 2017 as extracted from the 2017 Annual Report and the 2017 Interim Report respectively.

	For the year ended 31 March		For the six months ended 30 September	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue ( <i>Note 1</i> )	825,331	738,440	350,939	382,552
— Production and sale of Chinese pharmaceutical and health food products	649,275	578,294	278,621	312,064
— Production and sale of Western pharmaceutical and health food products	163,423	149,859	67,891	64,027
— Rental income from investment properties ( <i>Note 2</i> )	12,633	10,287	4,427	6,461
Profit/(loss) before tax	29,066	(96,359)	(38,776)	(40,553)
Profit/(loss) for the year/period	25,227	(93,927)	(38,776)	(40,553)
Net profit margin ( <i>Note 3</i> )	3.06%	Not applicable	Not applicable	Not applicable

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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*Note:*

- (1) As set out in the table above, the revenue excludes intersegment sales and transfers, which are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.
- (2) Investment properties comprise investment in commercial premises, all of which are retail premises.
- (3) The net profit margin is calculated by dividing the profit for the year/period by revenue.

*For the year ended 31 March 2017*

As set out in the table above, the Group's revenue was mainly comprised (i) production and sale of Chinese pharmaceutical and health food products to external customers; and (ii) production and sale of Western pharmaceutical and health food products to external customers, which accounted for approximately 78.31% and 20.29% respectively for the financial year ended 31 March 2017.

For the financial year ended 31 March 2017, the Group's revenue amounted to approximately HK\$738.44 million, representing a decrease of approximately 10.53% as compared to the previous financial year. With reference to the 2017 Annual Report and as advised by the Company, such decrease was mainly due to (i) a year-on-year decrease in revenue from production and sale of Chinese pharmaceutical and health food products business of approximately 10.93% as a result of a sluggish operating environment and a weak overall consumption and the lowered number of PRC visitors which affected the retail market in Hong Kong; (ii) a year-on-year decrease in revenue from production and sale of Western pharmaceutical and health food products business of approximately 8.30% as a result of the intense market competition and a weaker sales figure recorded in the PRC; and (iii) a year-on-year decrease in rental income from investment properties of approximately 18.57% because of the downturn of the retail market in Hong Kong.

For the financial year ended 31 March 2017, the Group recorded loss before tax and loss for the year of approximately HK\$96.36 million and HK\$93.93 million respectively, compared to the profit before tax and profit for the year of approximately HK\$29.07 million and HK\$25.23 million respectively recorded in the previous financial year. The increase in loss for the financial year ended 31 March 2017 was mainly attributable to (i) the drop in revenue of the Group as above-mentioned; (ii) the net loss on change in fair value of equity investments at fair value through profit or loss of approximately HK\$47.55 million (2016: a net gain of approximately HK\$3.14 million); (iii) share of loss of Easy One Financial Group Limited ("Easy One"), an associate of the Company, of approximately HK\$47.7 million (2016: share of gain of approximately HK\$77.9 million); and (iv) the net fair value losses on investment properties of the Group of approximately

HK\$31.80 million (2016: a net loss of approximately HK\$18.20 million) as a result of downward adjustment in the valuation of the properties during the financial year.

*For the six months ended 30 September 2017*

For the six months ended 30 September 2017, the Group's revenue amounted to approximately HK\$382.55 million, representing an increase of approximately 9.01% over the corresponding period in the previous financial year. With reference to the 2017 Interim Report, such increase was mainly attributable to (i) a year-on-year increase in revenue from Chinese pharmaceutical and health food products business of approximately 12.00% to approximately HK\$312.06 million as a result of (a) the sign of recovery in Hong Kong retail market, (b) continuous increase in awareness of general public in healthcare, (c) confidence of the PRC consumers over the quality of healthcare products and quality herbs in Hong Kong and (d) widen distribution network of the Group's products and enhanced marketing efficiency; and (ii) a year-on-year increase in rental income from investment properties of approximately 45.95% to approximately HK\$6.46 million.

Meanwhile, the Group recorded loss for the period of approximately HK\$40.55 million (2016: approximately HK\$38.78 million) for the six months ended 30 September 2017, which was mainly attributable to (i) a significant increase in share of losses of Easy One of approximately HK\$34.0 million (2016: approximately HK\$18.5 million); and (ii) the unrealised loss in fair value of equity investments at fair value through profit or loss of the Group, during the period.

In spite of the varying market condition and the Group's deteriorated results over the financial years/periods mainly due to share of losses of Easy One and net loss on change in fair value of equity investments at fair value through profit or loss, the management of the Company remains confident with its retailing business and property investment, given increases in revenue from retailing of Chinese pharmaceutical and health food products and rental income from retail premises for the latest six months ended 30 September 2017 amid gradual recovery in the Hong Kong retail market and optimisation of the utilisation of its real estate resources respectively.

**2. Information on the parties to the Agreement, the Target Companies and the Properties**

***(i) Information on the parties to the Agreement***

As set out in the Letter from the Board, Guidepost Investments agreed to acquire, and East Run agreed to dispose of, all the entire issued share capital in, and all shareholder's loans owed by, each of the Target Companies.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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Guidepost Investments, the purchaser of the Agreement, is a company incorporated in the BVI and an indirectly wholly-owned subsidiary of the Company. Guidepost Investments is principally engaged in investment holding.

East Run, the vendor of the Agreement, is a company incorporated in the BVI and an indirectly wholly-owned subsidiary of WOP. East Run is principally engaged in investment holding.

WOP is 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: 1243). The principal businesses of the WOP Group primarily comprise (i) development of residential and commercial properties for sale; and (ii) investment in industrial and commercial premises for rent or for sale.

WOG is 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).

As at the Latest Practicable Date, WOG is the indirect controlling shareholder (and hence a connected person) of both WOP and the Company holding, respectively, 75.0% and approximately 56.5% of all the issued shares in WOP and the Company. Accordingly, each of Guidepost Investments and East Run is an associate of the Company and WOP respectively for the purposes of the Listing Rules.

***(ii) Information on the Target Companies and the Properties***

The Target Companies (collectively, Oriental Sino, Precious Investments, Shiny World and Wang To) are principally engaged in the holding of the respective Properties, which are the sole assets of the Target Companies.



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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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Set out below are the information of the Properties:

Registered owner	Address of the respective Properties	Saleable floor area according to Valuation Report (square feet)	Original acquisition costs to WOP (HK\$ million)	Appraised value (note) (HK\$ million)	Current tenant	Expiry date of the current tenancy
Oriental Sino	Shop AB on Ground Floor, Po Wing Building, Nos. 61, 63, 65, 67, 71 & 73 Lee Garden Road, Nos. 108, 110, 112, 116, 118 & 120 Percival Street, Hong Kong	1,269	210.0	211.0	The Group	March 2018
Precious Investments	Ground and Mezzanine Floor, No. 166 Sai Yeung Choi Street South, Kowloon	in aggregate 1,318	83.3	84.0	Independent third party	February 2018
Shiny World	Shop B on Ground Floor, Nos. 106–108 Shau Kei Wan Road, Hong Kong	824	13.0	51.0	Independent third party	August 2019
Wang To	Shop 3 on Level 1, Jade Plaza, No. 3 On Chee Road, Tai Po, New Territories	712	19.7	42.0	Independent third party	September 2019
<b>Total:</b>				388.0		

*Note: Appraised value of the Properties is the market value in its existing state as at 31 January 2018 appraised by the Independent Valuer.*

As set out in the table above, (i) the respective Properties owned by Oriental Sino are currently subject to a tenancy with the Group; (ii) the respective Properties owned by Precious Investments were subject to a tenancy with an independent third party which has been expired in February 2018; and (iii) the respective Properties owned by Shiny World and Wang To are subject to existing tenancies with independent third parties which will expire in August 2019 and September 2019 respectively.

As confirmed by the management of the Company, the respective property interests of the Properties currently held by the Target Companies will be held by the Group upon completion of the Acquisition, and the Properties are intended to be used for the Group's future own occupation after expiry of the current leases.



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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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We understand from the Company that in considering the Acquisition for the Properties which would be for self-use purpose, the Company will consider, among others, whether it is of reasonable price, in strategic location and with appropriate shop size. As set out in the Valuation Report and our understanding, the Properties are located in well-established commercial and/or residential area with high pedestrian traffic and easy access. We have also discussed and understand from the Company that the shop size of the Properties are appropriate and they provide higher flexibility to the Group in providing more diversified products, such as Chinese health food products, and services, such as the provision of Chinese medical consultation service by the Group's Chinese medicine practitioner and Chinese herbal decoction in these retail shops, in order to generate more income.

Apart from the Properties currently owned by Oriental Sino which is currently leased to the Group by WOP as the Group's retail shop, we have enquired and obtained the list of retails shops located in close proximity to the Properties (the "**Nearby Shops**"), which are respectively owned by Precious Investments (i.e. located in Sai Yeung Choi Street South, Kowloon), Shiny World (i.e. located in Shau Kei Wan Road, Hong Kong), and Wang To (i.e. located in On Chee Road, Tai Po, New Territories). We noted that (i) the Properties are within the radius of no longer than 1.5 kilometres from the farthest Nearby Shops in the same districts; (ii) all the Nearby Shops are currently leased to the Group by landlords who are independent third parties, with expiry date ranging from April 2018 to June 2019, it appeared that the existing tenancies of the Nearby Shops will expire in the short-to-medium term; and (iii) 2 of the Nearby Shops, which are of smaller store size compared to the Properties inevitably limit the product and service variety potentially provided in the shops. The Group currently intends, where possible, to relocate some of its retail shops to the Properties after the expiration of the existing tenancy of the Nearby Shops in the short-to-medium term as stated above, in order to optimise its retail store network.

Having considered the above, we concur with the Board that the Properties are suitable for its retail business in the long term.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### *Historical financial information of the Target Companies*

#### *(i) Oriental Sino*

The table below sets out summary of the historical financial results of Oriental Sino for the financial years ended 31 March 2016 and 2017 and for the six months ended 30 September 2017 based on its audited financial statements:

	<b>For the year ended 31 March</b>		<b>For the six months ended 30 September</b>
	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(Audited)	(Audited)	(Audited)
Revenue	10,200	10,200	5,100
Profit/(loss) before tax	(5,590)	12,357	5,607
Profit/(loss) for the year/ period	(6,252)	11,427	5,225
	<b>As at 31 March</b>		<b>As at 31 September</b>
	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(Audited)	(Audited)	(Audited)
Total assets	231,108	237,161	239,923
Total liabilities	226,510	221,136	218,673
Total equity	4,598	16,025	21,250

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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*(ii) Precious Investments*

The table below sets out summary of the historical financial results of Precious Investments for the period from 8 August 2016 (date of incorporation) to 31 March 2017 and for the six months ended 30 September 2017 based on its audited financial statements:

	<b>Period from 8 August 2016 (date of incorporation) to 31 March 2017 (HK\$'000) (Audited)</b>	<b>For the six months ended 30 September 2017 (HK\$'000) (Audited)</b>
Revenue	495	978
Profit/(loss) before tax	(7,385)	1,145
Profit/(loss) for the year/period	(7,386)	1,126
	<b>As at 31 March 2017 (HK\$'000) (Audited)</b>	<b>As at 31 September 2017 (HK\$'000) (Audited)</b>
Total assets	84,267	84,842
Total liabilities	91,653	91,102
Total equity	(7,386)	(6,260)

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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*(iii) Shiny World*

The table below sets out summary of the historical financial results of Shiny World for the financial years ended 31 March 2016 and 2017 and for the six months ended 30 September 2017 based on its audited financial statements:

	<b>For the year ended 31 March</b>		<b>For the six months ended 30 September</b>
	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(Audited)	(Audited)	(Audited)
Revenue	1,464	1,464	732
Profit before tax	912	2,980	26,859
Profit for the year/period	781	2,904	26,800

  

	<b>As at 31 March</b>		<b>As at 31 September</b>
	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(Audited)	(Audited)	(Audited)
Total assets	31,281	33,907	60,140
Total liabilities	26,326	26,048	25,481
Total equity	4,955	7,859	34,659

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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*(iv) Wang To*

The table below sets out summary of the historical financial results of Wang To for the financial years ended 31 March 2016 and 2017 and for the six months ended 30 September 2017 based on its audited financial statements:

	<b>For the year ended 31 March</b>		<b>For the six months ended 30 September</b>
	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(Audited)	(Audited)	(Audited)
Revenue	1,265	1,070	550
Profit before tax	599	1,994	20,203
Profit for the year/period	529	1,979	20,178

  

	<b>As at 31 March</b>		<b>As at 31 September</b>
	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(Audited)	(Audited)	(Audited)
Total assets	28,838	30,764	50,959
Total liabilities	28,444	28,391	28,408
Total equity	394	2,373	22,551

The unaudited aggregate net asset value of the Target Companies as at 30 September 2017 is approximately HK\$72.2 million. Details of the financial results and financial positions of the Target Companies are set out in Appendices IIA to IID to the Circular.

### 3. The Agreement

#### *(i) Overview*

On 7 February 2018 (after trading hours), Guidepost Investments, an indirectly wholly-owned subsidiary of the Company, entered into the Agreement with WOP and East Run, an indirectly wholly-owned subsidiary of WOP, in respect of the sale by East Run and the purchase by Guidepost Investments of the entire issued share capital in, and all shareholder's loans owed by, each of the Target Companies for a total consideration of HK\$350,000,000. The sole assets of the Target Companies are the Properties. The Acquisition is subject to, among others, the obtaining of the Independent Shareholders' approval on the

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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Agreement and the transactions contemplated thereunder at the SGM. Details of the terms of the Agreement, the Target Companies and the Properties are set out in the Letter from the Board.

*(ii) Basis in determining the Consideration*

The Consideration in respect of the Acquisition is HK\$350,000,000, which is payable in cash subject to adjustments by reference to the net current asset value (being the Target Companies' total assets (excluding the Properties and any deferred tax) minus their total liabilities (excluding deferred tax, shareholder's loans and existing bank loans) as at the date of completion of the Acquisition).

As set out in the Letter from the Board, the Consideration is to be paid on the basis that (i) the existing mortgage loans borrowed by the Target Companies will be repaid; (ii) the shareholders' loans will be the only other liabilities of the Target Companies at completion of the Acquisition apart from the said mortgage loans; and (iii) the only assets held by the Target Companies are the respective Properties. Accordingly, to the extent the Target Companies actually hold more assets/liabilities (including deposits paid to utility companies/security deposits paid by tenants, etc.) at completion of the Acquisition than as contemplated above, the final Consideration to be paid will be adjusted to account for the additional assets/liabilities transferred (except that deferred tax are not taken into account for the purpose of such adjustment as they are in the nature of provision for future tax).

As some of the income and outgoings by the Target Companies are accrued monthly, the aforesaid adjustments to the Consideration may involve apportionment of those income and expenses as between the vendor and the purchaser of the Acquisition taking into account when the date of completion of the Acquisition actually falls in the relevant monthly period. For illustrative purpose only and based on information currently available to the Company, assuming completion of the Acquisition took place on 30 September 2017, there would be a downward adjustment to the Consideration in the amount of approximately HK\$0.7 million.

Guidepost Investments has paid a deposit of HK\$35,000,000 to East Run upon signing of the Agreement and the balance of the Consideration (subject to adjustments) is payable on completion of the Acquisition.

As set out in the Agreement, a sum equal to the aggregate amount of all the sums required to be paid to the banks for releasing/discharging the mortgage of the Properties will be paid directly from Guidepost Investments to the banks, and the balance of the amount of the Consideration will be paid to East Run at completion of the Acquisition.

As set out in the Letter from the Board, the Consideration was determined after arm's length negotiation between the vendor and the purchaser under the Agreement on normal commercial terms after taking into account a number of

factors including (i) the portfolio of the Properties held by the Target Companies; and (ii) the indicative preliminary valuation prepared by Independent Valuer in respect of the Properties.

*(iii) Valuation on the Properties*

We note that the Independent Valuer has been appointed to assess the market value of the Properties as at 31 January 2018, details of which are set out in the Appendix V to the Circular. According to the Valuation Report, the aggregate market value of the Properties is HK\$388,000,000. The Consideration of HK\$350,000,000 represents a discount of approximately 9.8% to the valuation of the Properties.

*(iv) Our review on competence of the Independent Valuer and the Valuation Report*

For our due diligence purpose, we have reviewed and enquired into (i) the terms of engagement of the Independent Valuer with the Company; (ii) the qualification and experience of the Independent Valuer in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Independent Valuer for conducting the valuation. We have also reviewed the Valuation Report and discussed with the Independent Valuer regarding the methodology adopted for and the basis and assumptions used in arriving at the valuation to assess the fairness and reasonableness of the Consideration.

*Competence of the Independent Valuer*

We have interviewed the Independent Valuer and noted that the professional responsible for signing off the Valuation Report has around 27 years' experience in valuation of properties in Hong Kong.

As advised by the Independent Valuer, it has been engaged by the Company in the past for property valuation works, however neither the Independent Valuer nor the Company is aware of any relationship which may render the Independent Valuer not independent. The Independent Valuer has also confirmed that it is independent to the Group, the vendor of the Acquisition and their respective associates.

We have reviewed the engagement letter of the Independent Valuer and we are satisfied with terms of the engagement and the scope of work of the Independent Valuer is sufficient and appropriate for the valuation of the Properties.

Based on the above, we are satisfied that the Independent Valuer is independent from the Company and has sufficient experience, qualification and competent for preparation of the Valuation Report.

*Valuation methodology and assumption*

We have enquired and were given to understand that the Independent Valuer had (i) carried out site visit and inspection on the Properties in February 2018 to research information for determining the appraised value of the Properties; and (ii) reviewed data in relation to the titles of the property interests of the Properties.

We have reviewed the Valuation Report and discussed with the Independent Valuer the methodologies, bases and assumptions which the Independent Valuer has adopted. We noted from the Valuation Report that such valuation is prepared in accordance with “The HKIS Valuation Standards (2017 Edition)” published by The Hong Kong Institute of Surveyors, the requirements contained in Paragraph 34(2) and (3) of Schedule 3 of the Companies Ordinance (Cap. 32) and Chapter 5 and Practice Note 12 to the Listing Rules. Details of the methodologies, bases and assumptions of the valuation are included in the Valuation Report as contained in Appendix V to the Circular.

In the course of our discussion with the Independent Valuer, we were given to understand that there are three commonly adopted valuation methods for valuation of the properties, namely market approach, income approach and cost based approach. As advised by the Independent Valuer, the market approach is adopted with reference to comparable transactions as available in the relevant market in order to arrive at a fair appraisal. The Independent Valuer confirmed that the market approach is universally considered as an accepted valuation approach for valuing these types of properties for self-use purpose and is consistent with normal market practice.

In respect of the Properties, we have obtained from the Independent Valuer details of the comparable transactions that it has applied to evaluate the Properties as well as the underlying workings of the valuation (including the adjustment factors as adopted in the valuation).

Under the valuation, the Independent Valuer has valued the Properties based on latest realised unit prices (i.e. price per square feet saleable floor area) of comparable properties of similar character and location from public information. We observed that there were 1 to 3 comparable transactions for appraising the value of each of the Properties in the market approach. In particular, (i) the comparable transactions were recent commercial property transactions available in the market, or, if not available, as close as possible to the valuation date (i.e. January 2018); (ii) the comparables were located in the same buildings or on the same streets or, if not available, nearby the buildings or streets; and (iii) the comparable properties had the same or similar nature of the Properties, i.e. for retail purpose. We have also enquired and the Independent Valuer has confirmed that, based on their best information, knowledge and belief, the above comparable transactions are



being all of the most suitable comparables which meet their selection criteria and adequate, and the nature and particulars of these comparable transactions are appropriate and relevant for providing a fair and reasonable basis.

We have reviewed and discussed with the Independent Valuer the underlying workings of the valuation and the relevant adjustments made. We understand that the Independent Valuer had analysed the shop uniqueness (such as location, shop size, floor layout, etc.) and the difference in time of transaction, and had carefully weighed against all the respective advantages and disadvantages of each comparable properties compared to the Properties in order to make appropriate adjustments for a fair comparison of capital values under the market approach. In the course of reviewing, we have not found any material facts which may lead us to doubt the adjustments and would render the valuation unfair and unreasonable. We note that the unit rate adopted for valuing the Properties falls within the range/similar to level of the adjusted transacted unit rate of the respective comparables after the aforesaid adjustments. Therefore, we consider that the comparable properties are fair and representative samples for direct comparison purpose in view of the aforesaid reasons.

During our discussion with the Independent Valuer regarding the basis and assumptions of the valuation, (i) we were given to understand that such assumptions are generally adopted in similar valuation activities and are necessary for the Independent Valuer to arrive at a reasonable estimated value of the Properties; and (ii) we have not found any material facts which may lead us to doubt the principal bases, assumptions adopted for or the information used in the valuation. In view of the above, we are satisfied that the Valuation Report and the above-mentioned valuation are fair, reasonable and complete.

**Shareholders should note that valuation of assets or properties usually involves assumptions and therefore the valuation may or may not reflect the true market value of the Properties accurately.**

**(v) *Our view***

Based on the above and having considered in particular that, (i) the Consideration represents a discount to the market value of the Properties as at 31 January 2018; (ii) the valuation was performed by the Independent Valuer in compliance with the Listing Rules and the relevant industry rules and standards; and (iii) reasons for the Acquisition as described below, we are of the view that the Consideration 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.

**4. Reasons for and benefits of entering into the Agreement**

As set out in the Letter from the Board, the Acquisition presents an opportunity for the Group to further entrench and expand its business presence at strategic retail locations, as the Properties are situated at locations which the Board considers suitable for the Group's medicine retail business. Accordingly, the Company intends to maintain the Properties for self-use (upon expiry of tenancies in the case of the Properties owned by Precious Investments, Shiny World and Wang To) upon completion of the Acquisition. The Consideration is also attractive, being at a discount of approximately 9.8% to the valuation of the Properties as set out in Appendix V to the Circular.

The Directors are of the view that the Agreement is on normal commercial terms and are fair and reasonable, and that the Acquisition is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

We have considered the provisional figure of the private retail rents and prices in Hong Kong published by the Rating and Valuation Department of the Hong Kong Government ("RVD").

**Private Retail — Rental and Price Indices (1999 = 100)**

<b>Year</b>	<b>Rents</b>	<b>Prices</b>
2012	151.3	420.5
2013	165.5	506.8
2014	173.1	521.2
2015	182.5	559.2
2016	178.6	526.9
2017	182.5*	558.9*

\* *provisional figures*

*Source:* Rating and Valuation Department of the Hong Kong Government

According to RVD, both the rental and price indices of the private retail surged over the past five years that (i) rental index of the private retail has been increased from 151.3 in 2012 to 178.6 in 2016, with a compound annual growth rate ("CAGR") of approximately 4.23% during the period; and (ii) price index of the private retail has been increased from 420.5 in 2012 to 526.9 in 2016, with a CAGR of approximately 5.80% during the period.

Based upon the provisional data published by RVD, we note that both rent and price of the retail premises have been steadily increased on average over the year 2017, in particular, as compared to the previous year, (i) rental index of the private retail has been increased by approximately 2.2% to 182.5 in 2017 (provisional data); and (ii)

price index of the private retail has been increased by approximately 6.1% to 558.9 in 2017 (provisional data). The general increase in aforesaid rental and price indices indicates a positive outlook in Hong Kong retail premise market.

We have also enquired the Group and are given to understand that the unit rental fee of retail shops operated by the Group nearby the Properties have been increased on average over the past years. Also, as provided by the Company, the average rental fee per square feet saleable floor area of retail shops operated by the Group amounted to approximately HK\$138, HK\$210 and HK\$211 for the three financial years ended 31 March 2015, 2016 and 2017 respectively, representing a CAGR of approximately 23.87% during the period. As noted from the 2017 Annual Report, with respect to the Group's property investment business, the Group continues to look for and acquire sizeable and potential retail premises for (i) optimising its retail shop network in Hong Kong to further enhance the operational cost-effectiveness; and (ii) mitigating the effect of rising rental costs.

Having considered (i) the Properties are located in well-established commercial and/or residential area with suitable shop size for its retail business; (ii) the Acquisition is in line with the Company's business strategy in increasing its presence in strategic location so as to strengthen competitiveness in retail sales in Hong Kong; (iii) the Group would be relieved from the possible pressure from the increase in rents; (iv) the Group could minimise the risk and disruption to the Group if it is unable to renew tenancy agreement(s) or source new shop of desirable size in strategic location(s) where the Properties located; and (v) the Consideration is at a discount of approximately 9.8% to the valuation of the Properties prepared by the Independent Valuer, we are of the view that the reasons for the Acquisition are justifiable and the Acquisition is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. In addition, the Group is engaging in property investment, therefore, apart from rental saving as aforesaid, the Group may also benefit from potential capital appreciation given price index of the private retail in Hong Kong has been increased on average since 2012.

**5. Possible financial effects of the Acquisition**

Upon completion of the Acquisition, the Target Companies will become indirectly wholly-owned subsidiaries of the Company and will cease to be subsidiaries of WOP. The assets, liabilities and financial results of the Target Companies will be consolidated into the Group's consolidated financial statements. Based on the estimation of the Company, the Acquisition would not lead to significant impact on the financial position of the Group.

***(i) Assets and liabilities***

As advised by the Company, the Consideration will be settled by internal resources of the Group, and by way of mortgage loan(s) and/or term loan(s) from bank(s). Upon completion of the Acquisition, the payment of the Consideration in cash and bank borrowing will be offset by the consolidation of the assets and liabilities of the Target Companies into the financial statements of the Group, the Company expects that the Acquisition will not create any significant impact on the Group's net asset value.

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to the Circular, which is prepared as if the Acquisition had completed on 30 September 2017 to illustrate the effect of the Acquisition, the unaudited consolidated pro forma assets and liabilities of the Enlarged Group would be increased from HK\$3,522.73 million and HK\$898.54 million respectively to approximately HK\$3,754.78 million and HK\$1,130.59 million respectively, while the equity will remain the same figure as approximately HK\$2,624.19 million.

***(ii) Working capital***

As advised by the Company, the Company intends to finance the Acquisition with its internal resources and/or bank financing. As part the Consideration shall be satisfied partly by internal financial resources of the Group and partly by the possible banking facilities available to the Group, the working capital of the Group would be reduced as a result of the payment of the Consideration and the gearing level of the Company may increase as a result of the use of banking facilities. As at the Latest Practicable Date, bank loans in the aggregate sum of HK\$230 million at an interest rate of HIBOR plus 1.65% have been drawn from existing banking facilities available to the Group to finance the Acquisition, and the Group is also under negotiations with banks with a view to obtaining further mortgage loan(s) to finance the Acquisition. As at the Latest Practicable Date, the Group has obtained approval-in-principle from a bank for further mortgage loan in the principal sum of HK\$112 million, subject to the Group's acceptance and finalisation of loan documentation.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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The Directors, after taken into account the financial resources available to the Enlarged Group, including internally generated funds and available banking facilities of the Enlarged Group, considered that the Group will have sufficient funds to finance the Acquisition.

*(iii) Earnings*

As advised by the Company, going forward that the Group will utilise the Properties for self-use (upon completion of the Acquisition or expiration of existing leases with independent third parties, as the case may be), the Group expects to achieve savings in future rental expenses in respect of the use of the Properties for its retail business, but it will incur interest expenses arising from the mortgage loans in respect of the Properties. Based on information available to the Group (including the sums already borrowed by the Group to finance the Acquisition and assuming that the said further mortgage loan will be borrowed by the Group), the Group expects to achieve net annual savings in rental expenses (based on the historical rental and estimated rental expenses to be incurred for retail shops of similar size to the relevant Properties, and taking into account the interest expenses to be incurred in relation to financing for the Acquisition) of approximately HK\$10 million, subject to review by the Company's auditors.

The aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be after the completion of the Acquisition. **The actual financial effect as a result of the Acquisition to be recorded by the Group is subject to valuation of the Properties upon completion of the Acquisition and further review by the Company's auditors.**

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATIONS

Having considered the principal factors and reasons described above, we are of the opinion that (i) the Acquisition is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Shinco Capital Limited**  
**Bobby Chow**                      **Teresa Tsang**  
*Managing Director*                      *Director*

*Mr. Bobby Chow is a licensed person registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance and has over 10 years of experience in corporate finance industry.*

*Ms. Teresa Tsang is a licensed person registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance and has over 10 years of experience in corporate finance industry.*

**1. FINANCIAL INFORMATION**

The audited consolidated financial statements of the Group for the years ended 31 March 2015, 31 March 2016 and 31 March 2017, including the independent auditors' report thereon and the notes thereto, have been published in the respective annual reports of the Company and the interim results for the six months ended 30 September 2017 have been published in the 2017 interim report of the Company referred to in the following links:

- (i) for the year ended 31 March 2015 (pages 57 to 154),  
(<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0721/LTN20150721552.pdf>)
- (ii) for the year ended 31 March 2016 (pages 67 to 177)  
(<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0706/LTN20160706591.pdf>)
- (iii) for the year ended 31 March 2017 (pages 67 to 163)  
(<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0727/LTN20170727599.pdf>)
- (iv) for the six months ended 30 September 2017 (pages 27 to 56)  
(<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/1220/LTN20171220447.pdf>)

The above annual reports and the interim report are also available on the Company's website at <http://www.wyth.net>.

**2. INDEBTEDNESS STATEMENT**

As at the close of business on 31 January 2018, being the latest practicable date for the purpose of ascertaining information contained in this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding bank loans of approximately HK\$860.6 million were secured by the Enlarged Group's land and buildings, investment properties and certain rental income generated from there. The carrying values of the Enlarged Group's land and buildings and investment properties as at 31 January 2018, which were pledged to secure the Enlarged Group's bank loans, amounted to approximately HK\$503.0 million and HK\$483.2 million, respectively. The Enlarged Group's secured bank loans bear contractual interest rate ranging from HIBOR plus 1.20% to 1.90%.

Save as otherwise disclosed above, and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have, at the close of business on 31 January 2018, 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 material contingent liabilities.



### **3. WORKING CAPITAL SUFFICIENCY**

Taking into account the financial resources available to the Enlarged Group, including internally generated funds and available banking facilities of the Enlarged Group, the Directors, after due and careful enquiry, are of the opinion that the Enlarged 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 (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).

### **4. MATERIAL ADVERSE CHANGE**

As disclosed in the interim report of the Group for the six months ended 30 September 2017, which have been prepared in accordance with the Hong Kong Accounting Standards, the Group recorded a loss attributable to owners of the parent amounting to approximately HK\$40.5 million (compared to a loss of approximately HK\$38.3 million for the corresponding period in 2016), which was mainly attributable to the unrealised loss in fair value of equity investments at fair value through profit or loss of the Group and share of loss in an associate of the Company during such period.

Save for the above, there was no material change in the financial or trading position or outlook of the Group since 31 March 2017, 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.

### **5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP**

The principal businesses of the Group primarily comprise (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; and (ii) the processing and retailing of western pharmaceutical, health food and personal care products under the brand name of “Madame Pearl’s”. There is no change in the Group’s principal activities since 31 March 2017, being the date on which the latest published audited consolidated financial statements of the Group were made up, and there is not expected to be any change to the Group’s principal business as a result of completion of the Acquisition.

“Wai Yuen Tong” has been established in the Hong Kong Chinese medicine market for 120 years, which continues to develop and promotes the rejuvenation of the brand. Except for a mobile app with functions of Chinese doctor appointment and rapid tongue diagnosis launched in recent months so as to attract customer base with age under 50. The Group also released a series of promotion campaigns for enhancing product image. During the Period, “Wai Yuen Tong” used “STAY HEALTHY, STAY PRETTY” as slogan, which invited Ms. Gigi Leung Wing Kei (梁詠琪), a Hong Kong singer and artist which is well-recognised in



Mainland, Taiwan and Hong Kong, as the spokesperson of our “Wall-Broken Ganoderma Lucidum Spores (Upgraded Formula)”, for promoting the healthy urban living suggestion to the public.

In addition, the “Wai Yuen Tong” brand enjoys a distinguished brand recognition in Mainland China, the Group expects that demand of Chinese medicine and health food purchasing will continue to increase and Wai Yuen Tong’s business in Mainland China will gradually improve. Under China Thirteenth Five-Year Plan, traditional Chinese medicine was promoted to a national strategic industry status, with an aim to resolve the critical scientific issue restraining the development of Chinese medicine. It has been a great motivation for the Chinese medicine industry and at the same time promotes the modernisation and international development of Chinese pharmaceuticals. Led by the PRC’s “Belt and Road” initiative, the progressive growth of Chinese medicine market in Mainland China will provide abundant opportunities for the Group.

Under the varying market condition, the Group will continue to adhere to its strict quality control and maintain sincere customer services at its highest quality to capture market share. The Group better understands changes on the market and customers’ consumption pattern through the flexible operating strategies designed to cope with the market variations. The Group also explores and adopts new products and services to diversify our product lines to further broaden our customer base. In terms of marketing, our management will strive to explore new sales channels and promotional activities, keep up with the market, modernise both sales and marketing work and create a younger brand image, enhance brand recognition and to satisfy various needs of different consumer groups.

New plant in Yuen Long commenced operation in April 2017, significantly enhanced the Group’s production capacity and product research capability. The Group developed high value-added new products, such as Angong Niu Huang Wan (安宮牛黃丸) and Angong Jiangya Wan (安宮降壓丸), which have been launched in December 2017, and also health supplements on lowering the so-called “three highs” in response to the market demand with an aim to treat various urban diseases. The Group has also deepened our expansion into Mainland market through online selling platform, self-operated stores and Chinese medicine clinic and will continue to explore suitable merger and acquisition opportunities to diversify its current business portfolio, which not only would expand the scale of its operation but also increase its source of revenue. In addition, the Group will optimise and adjust its retail store network in Hong Kong to further enhance the operational cost-effectiveness. The Group will enhance its own mobile app, attract the younger generation of consumers, enrich interaction with customers to build up a long term and stable relationship.

As “a century-old well-established brand and a Hong Kong brand”, “Wai Yuen Tong” will, based on its solid foundation and trusted position amongst customers, continue to develop its core business and take up the challenges with flexibility, innovative ideas and operational mechanisms, in order to provide our customers in both the Mainland China and Hong Kong, and even from overseas, with quality products and services.

*The following is the text of the accountant's report on Oriental Sino prepared for the sole purpose of incorporation in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.*



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

The Directors  
Wai Yuen Tong Medicine Holdings Limited

Dear Sirs,

We report on the historical financial information of Oriental Sino Investments Limited (“**Oriental Sino**”) set out on pages IIA-4 to IIA-25, which comprises the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of Oriental Sino for each of the years ended 31 March 2015, 2016 and 2017, and the six months ended 30 September 2017 (the “**Relevant Periods**”), and the statements of financial position of Oriental Sino as at 31 March 2015, 2016 and 2017 and 30 September 2017 and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages IIA-4 to IIA-25 forms an integral part of this report, which has been prepared for inclusion in the circular of Wai Yuen Tong Medicine Holdings Limited (the “**Company**”) dated 29 March 2018 (the “**Circular**”) in connection with the acquisition of the entire equity interest and the shareholder's loan of Oriental Sino by a subsidiary of the Company (the “**Oriental Sino Acquisition**”).

## **DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION**

The directors of Oriental Sino are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

## **REPORTING ACCOUNTANTS' RESPONSIBILITY**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute

of Certified Public Accountants (the “**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of Oriental Sino as at 31 March 2015, 2016 and 2017 and 30 September 2017 and of the financial performance and cash flows of Oriental Sino for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

## REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of Oriental Sino which comprises the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 September 2016 and other explanatory information (the “**Interim Comparative Financial Information**”). The directors of Oriental Sino are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF  
SECURITIES ON THE MAIN BOARD OF THE STOCK EXCHANGE AND THE  
COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IIA-4 have been made.

**Dividends**

No dividends have been paid by Oriental Sino in respect of the Relevant Periods.

Yours faithfully,

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

29 March 2018

**I. HISTORICAL FINANCIAL INFORMATION****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of Oriental Sino for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “**Underlying Financial Statements**”).

The statutory financial statements of Oriental Sino for the years ended 31 March 2015, 2016 and 2017 prepared under Hong Kong Financial Reporting Standard were audited by FTO CPA Limited, certified public accountants registered in Hong Kong.

The Historical Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

**(A) STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	<i>Notes</i>	<b>Year ended 31 March</b>			<b>Six months ended 30 September</b>	
		<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(Unaudited)	
REVENUE	4	1,245	10,200	10,200	5,100	5,100
Cost of services provided	6	(28)	—	(2)	(2)	—
Gross profit		1,217	10,200	10,198	5,098	5,100
Administrative expenses		(345)	(2,392)	(2,899)	(1,335)	(2,024)
Finance costs	5	(186)	(1,548)	(1,542)	(736)	(769)
Fair value gain/(loss) on an investment property		10,640	(11,850)	6,600	300	3,300
PROFIT/(LOSS) BEFORE TAX	6	11,326	(5,590)	12,357	3,327	5,607
Income tax expense	8	(462)	(662)	(930)	(479)	(382)
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD		10,864	(6,252)	11,427	2,848	5,225

**(B) STATEMENTS OF FINANCIAL POSITION**

		<b>As at 31 March</b>		<b>As at 30 September</b>	
		<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSET</b>					
Investment property	10	<u>241,000</u>	<u>229,000</u>	<u>235,000</u>	<u>238,000</u>
<b>CURRENT ASSETS</b>					
Other receivables	11	58	—	—	—
Bank balance	12	<u>58</u>	<u>2,108</u>	<u>2,161</u>	<u>1,923</u>
Total current assets		<u>116</u>	<u>2,108</u>	<u>2,161</u>	<u>1,923</u>
<b>CURRENT LIABILITIES</b>					
Deposit received, other payables and accruals	13	65	2,928	2,953	2,946
Due to the immediate holding company	14	146,089	143,008	140,879	140,342
Interest-bearing bank borrowing	15	4,200	4,200	4,200	73,150
Tax payable		<u>—</u>	<u>200</u>	<u>668</u>	<u>618</u>
Total current liabilities		<u>150,354</u>	<u>150,336</u>	<u>148,700</u>	<u>217,056</u>
<b>NET CURRENT LIABILITIES</b>		<u>(150,238)</u>	<u>(148,228)</u>	<u>(146,539)</u>	<u>(215,133)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>90,762</u>	<u>80,772</u>	<u>88,461</u>	<u>22,867</u>
<b>NON-CURRENT LIABILITIES</b>					
Deferred tax liability	16	462	924	1,386	1,617
Interest-bearing bank borrowing	15	<u>79,450</u>	<u>75,250</u>	<u>71,050</u>	<u>—</u>
Total non-current liabilities		<u>79,912</u>	<u>76,174</u>	<u>72,436</u>	<u>1,617</u>
Net assets		<u>10,850</u>	<u>4,598</u>	<u>16,025</u>	<u>21,250</u>
<b>EQUITY</b>					
Share capital	17	—	—	—	—
Retained profits		<u>10,850</u>	<u>4,598</u>	<u>16,025</u>	<u>21,250</u>
Total equity		<u>10,850</u>	<u>4,598</u>	<u>16,025</u>	<u>21,250</u>

## (C) STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i> <i>(note 17)</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Total equity/ (deficiency in assets) <i>HK\$'000</i>
At 1 April 2014	—	(14)	(14)
Profit and total comprehensive income for the year	<u>—</u>	<u>10,864</u>	<u>10,864</u>
At 31 March 2015 and 1 April 2015	—	10,850	10,850
Loss and total comprehensive loss for the year	<u>—</u>	<u>(6,252)</u>	<u>(6,252)</u>
At 31 March 2016 and 1 April 2016	—	4,598	4,598
Profit and total comprehensive income for the year	<u>—</u>	<u>11,427</u>	<u>11,427</u>
At 31 March 2017 and 1 April 2017	—	16,025	16,025
Profit and total comprehensive income for the period	<u>—</u>	<u>5,225</u>	<u>5,225</u>
At 30 September 2017	<u>—</u>	<u>21,250</u>	<u>21,250</u>
(Unaudited)			
At 1 April 2016	—	4,598	4,598
Profit and total comprehensive income for the period	<u>—</u>	<u>2,848</u>	<u>2,848</u>
At 30 September 2016	<u>—</u>	<u>7,446</u>	<u>7,446</u>



## (D) STATEMENTS OF CASH FLOWS

		Year ended 31 March			Six months ended 30 September	
		2015	2016	2017	2016	2017
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Profit/(loss) before tax		11,326	(5,590)	12,357	3,327	5,607
Adjustments for:						
Finance costs	5	186	1,548	1,542	736	769
Fair value gain/(loss) on an investment property	10	(10,640)	11,850	(6,600)	(300)	(3,300)
Accrued rent-free rental income	10	(1,244)	150	600	300	300
		(372)	7,958	7,899	4,063	3,376
Increase/(decrease) in other receivables		(58)	58	—	(2,000)	—
Increase/(decrease) in deposits received, other payables and accruals		65	2,863	25	(81)	(7)
Increase in an amount due to the immediate holding company		—	2,219	2,871	1,398	1,363
Cash generated from operations		(365)	13,098	10,795	3,380	4,732
Hong Kong profits tax paid		—	—	—	—	(201)
Net cash flows from/(used in) operating activities		(365)	13,098	10,795	3,380	4,531
<b>CASH FLOW FROM AN INVESTING ACTIVITY</b>						
Addition to investment property		(229,116)	—	—	—	—
Net cash flow used in an investing Activity		(229,116)	—	—	—	—
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Interest paid		(186)	(1,548)	(1,542)	(736)	(769)
Repayment of bank loan		—	(4,200)	(4,200)	(2,100)	(2,100)
New bank loan		83,650	—	—	—	—
Advance from/(repayment to) the immediate holding company		146,075	(5,300)	(5,000)	—	(1,900)
Net cash flows from/(used in) financing activities		229,539	(11,048)	(10,742)	(2,836)	(4,769)

	<i>Notes</i>	Year ended 31 March			Six months ended 30 September	
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Net cash flows from/(used in) financing activities		<u>229,539</u>	<u>(11,048)</u>	<u>(10,742)</u>	<u>(2,836)</u>	<u>(4,769)</u>
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENT		58	2,050	53	544	(238)
Cash and cash equivalent at beginning of year/period		<u>—</u>	<u>58</u>	<u>2,108</u>	<u>2,108</u>	<u>2,161</u>
CASH AND CASH EQUIVALENT AT END OF YEAR/PERIOD	12	<u><u>58</u></u>	<u><u>2,108</u></u>	<u><u>2,161</u></u>	<u><u>2,652</u></u>	<u><u>1,923</u></u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENT						
Bank balance		<u><u>58</u></u>	<u><u>2,108</u></u>	<u><u>2,161</u></u>	<u><u>2,652</u></u>	<u><u>1,923</u></u>

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

Oriental Sino is a limited liability company incorporated in Hong Kong on 16 January 2009. The registered office of Oriental Sino is located at Suite 3201, 32/F, Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.

During the Relevant Periods, Oriental Sino is principally involved in property investment in Hong Kong.

Oriental Sino is a wholly-owned subsidiary of East Run Investment Limited, a company incorporated in the British Virgin Islands with limited liability. In the opinion of the directors of Oriental Sino, Wang On Group Limited (“WOG”), a company incorporated in the Bermuda with shares being listed on the Main Board of The Stock Exchange of Hong Kong Limited, is the ultimate holding company of Oriental Sino.

### 2.1 BASIS OF PRESENTATION

Despite Oriental Sino's net current liabilities as at 30 September 2017, the Historical Financial Information has been prepared by the directors of Oriental Sino under the going concern concept because Wang On Properties Limited (“WOP”), an intermediate holding company, has agreed to provide continual financial support and adequate funds for Oriental Sino to meet its liabilities as and when they fall due and undertaken not to demand repayment of the amount due to WOP and its subsidiaries until such time as Oriental Sino is in a position to repay such amounts without impairing its liquidity position. The Company has also agreed to provide continual financial support and adequate funds to Oriental Sino to meet its liabilities as and when they fall due after the completion of the Oriental Sino Acquisition.

### 2.2 BASIS OF PREPARATION

The Historical Financial Information has 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 HKICPA and accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. All HKFRSs effective for the accounting period commencing from 1 April 2017, together with the relevant transitional provisions, have been early adopted by Oriental Sino in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Information.

The Historical Financial Information has been prepared under the historical cost convention, except for investment property which has been measured at fair value.

### 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSS

Oriental Sino has not applied the following new and revised HKFRSs that have been issued but are not yet effective in the Historical Financial Information. Among the new and revised HKFRSs, the following are expected to be relevant to the Oriental Sino's Historical Financial Information upon becoming effective:

HKFRS 9	<i>Financial Instruments</i> <sup>1</sup>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> <sup>2</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>1</sup>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i> <sup>1</sup>
HKFRS 16	<i>Leases</i> <sup>2</sup>
Amendments to HKAS 40	<i>Transfers of Investment Property</i> <sup>1</sup>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> <sup>2</sup>

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2018  
<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

Oriental Sino is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, Oriental Sino considers that these new and revised HKFRSs are unlikely to have a significant impact on Oriental Sino's results of operations and financial position.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Fair value measurement

Oriental Sino measures its investment property 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 Oriental Sino. 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.

Oriental Sino 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 Historical Financial Information 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 Historical Financial Information on a recurring basis, Oriental Sino 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.

**Related parties**

A party is considered to be related to Oriental Sino 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 Oriental Sino;
  - (ii) has significant influence over Oriental Sino; or
  - (iii) is a member of the key management personnel of Oriental Sino or of a parent of Oriental Sino;
- or
- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and Oriental Sino 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 Oriental Sino 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 Oriental Sino or an entity related to Oriental Sino;
  - (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 Oriental Sino or to the parent of Oriental Sino.

**Investment property**

An investment property is an interest in land and building (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 property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is 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 property is included in the statement of 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 the statement of profit or loss in the year of the retirement or disposal.

**Leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where Oriental Sino is the lessor, assets leased by Oriental Sino under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms.

**Financial instruments****(a) Financial assets**

Oriental Sino's financial assets include other receivables and bank balance and are classified and accounted for as loans and receivables. Financial assets are recognised on the trade date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Any changes in their value are recognised in the statement of profit or loss.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

An assessment for impairment is undertaken at least at the end of reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment loss on loans and receivables is recognised when there is objective evidence that Oriental Sino will not be able to collect all the amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

**(b) Financial liabilities**

The Oriental Sino's financial liabilities include deposit received and other payables, amounts due to the immediate holding company and interest-bearing bank borrowing. Financial liabilities are recognised when Oriental Sino becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled, or expires.

**Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand 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.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, 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 Oriental Sino operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine the deferred tax.

Deferred tax liabilities are provided in full while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to Oriental Sino and the revenue can be reliably measured.

Rental income is recognised on a time proportion basis over the lease terms.

**Employee benefits*****Retirement benefit costs***

Oriental Sino operates a defined contribution Mandatory Provident Fund retirement benefits 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 Oriental Sino in an independently administered fund. Oriental Sino’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

**Borrowing costs**

Borrowing costs are expensed in profit or loss in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the financing of the construction of a qualifying asset. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The preparation of Oriental Sino’s Historical Financial Information 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 Oriental Sino's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

***Operating lease commitments — as lessor***

Oriental Sino has entered into commercial property lease on its investment property. Oriental Sino has determined, based on an evaluation of the terms and conditions of the arrangement, that it retains all the significant risks and rewards of ownership of this property which is leased out on operating lease.

**Estimation uncertainty**

The key assumption 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.

***Estimation of fair value of investment property***

The investment property is a commercial unit in Hong Kong and is revalued at the end of the reporting period on a market value, existing use basis by independent professionally qualified valuer. Such valuation is based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information from current prices in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the end of the reporting period are used.

**4. REVENUE**

Revenue represents rental income earned from an investment property during the Relevant Periods.



## 5. FINANCE COSTS

	Year ended 31 March			Six months ended 30 September	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Interest on a bank borrowing	<u>186</u>	<u>1,548</u>	<u>1,542</u>	<u>736</u>	<u>769</u>

## 6. PROFIT/(LOSS) BEFORE TAX

Oriental Sino's profit/(loss) before tax is arrived at after charging:

	Year ended 31 March			Six months ended 30 September	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Auditor's remuneration*	—	—	—	—	—
Staff costs (excluding directors' remuneration (note 7))	—	1,907	2,108	1,054	1,100
Wages and salaries	—	12	16	8	5
Pension scheme contribution	<u>—</u>	<u>12</u>	<u>16</u>	<u>8</u>	<u>5</u>
	<u>—</u>	<u>1,919</u>	<u>2,124</u>	<u>1,062</u>	<u>1,105</u>

\* Auditor's remuneration for the Relevant Periods was borne by WOP.

## 7. DIRECTORS' REMUNERATION

No director received any fees or emoluments in respect of their services rendered to Oriental Sino during the Relevant Periods.

## 8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods and the six months ended 30 September 2016.

	Year ended 31 March			Six months ended 30 September	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Provision for the year/period	—	200	468	248	149
Under provision in prior years	—	—	—	—	2
Deferred (note 16)	<u>462</u>	<u>462</u>	<u>462</u>	<u>231</u>	<u>231</u>
Total tax charge for the year/ period	<u>462</u>	<u>662</u>	<u>930</u>	<u>479</u>	<u>382</u>

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rate for the tax expense at the effective tax rate is as follows:

	Year ended 31 March			Six months ended 30 September	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)				
Profit/(loss) before tax	<u>11,326</u>	<u>(5,590)</u>	<u>12,357</u>	<u>3,327</u>	<u>5,607</u>
Tax at the Hong Kong statutory tax rate of 16.5%	1,869	(922)	2,039	549	925
Under/(over) provision in prior year	—	—	—	—	2
Income not subject to tax	(1,756)	—	(1,089)	(50)	(545)
Expense not deductible for tax	—	1,955	—	—	—
Tax loss utilized	—	(351)	—	—	—
Tax loss not recognized in current year	349	—	—	—	—
Tax reduction	<u>—</u>	<u>(20)</u>	<u>(20)</u>	<u>(20)</u>	<u>—</u>
Tax charge at Oriental Sino's effective tax rate	<u>462</u>	<u>662</u>	<u>930</u>	<u>479</u>	<u>382</u>

## 9. DIVIDENDS

No dividend has been paid or declared by Oriental Sino during the Relevant Periods.

## 10. INVESTMENT PROPERTY

	As at 31 March			As at 30 September
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Carrying amount at beginning of year/period	—	241,000	229,000	235,000
Addition	229,116	—	—	—
Accrued rent-free rental income	1,244	(150)	(600)	(300)
Fair value gain/(losses) on an investment property	<u>10,640</u>	<u>(11,850)</u>	<u>6,600</u>	<u>3,300</u>
Carrying amount at end of year/period	<u>241,000</u>	<u>229,000</u>	<u>235,000</u>	<u>238,000</u>

Oriental Sino's investment property consists of a commercial property in Hong Kong. The investment property was revalued on 31 March 2015, 2016 and 2017 and 30 September 2017 by Asset Appraisal Limited ("Asset Appraisal"), independent professionally qualified valuer, at HK\$241,000,000, HK\$229,000,000, HK\$235,000,000 and HK\$238,000,000, respectively. For financial reporting purpose, Asset Appraisal was appointed to perform valuations of Oriental Sino's investment property. Selection criteria of external valuer include market knowledge, reputation, independence and whether professional standards are maintained. Management has discussions with Asset Appraisal on the valuation assumptions and valuation results when the valuations were performed.

Oriental Sino's investment property with a carrying value of HK\$241,000,000, HK\$229,000,000, HK\$235,000,000 and HK\$238,000,000 as at 31 March 2015, 2016 and 2017 and 30 September 2017, respectively, and the rental income generated therefrom were pledged to secure general banking facility granted to Oriental Sino (note 15).

The investment property is leased to a related party under an operating lease, further summary details of which is included in note 18 and note 20 to the Historical Financial Information.

#### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of Oriental Sino's investment property:

	Fair value measurement using significant unobservable inputs (Level 3)			
	As at 31 March		As at 30 September 2017	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000
<i>Recurring fair value measurement for:</i>				
Commercial property	<u>241,000</u>	<u>229,000</u>	<u>235,000</u>	<u>238,000</u>

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

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

	HK\$'000
Carrying amount at 1 April 2014	—
Addition	229,116
Accrued rent-free rental income	1,244
Gain from a fair value adjustment	<u>10,640</u>
Carrying amount at 31 March 2015 and 1 April 2015	241,000
Accrued rent-free rental income	(150)
Loss from a fair value adjustment	<u>(11,850)</u>
Carrying amount at 31 March 2016 and 1 April 2016	229,000
Accrued rent-free rental income	(600)
Gain from a fair value adjustment	<u>6,600</u>
Carrying amount at 31 March 2017 and 1 April 2017	235,000
Accrued rent-free rental income	(300)
Gain from a fair value adjustment	<u>3,300</u>
Carrying amount at 30 September 2017	<u>238,000</u>

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

	Valuation techniques	Significant unobservable inputs	Weighted average
<b>As at 31 March 2015</b>			
Commercial property	Investment method	Estimated rental value per square foot and per month	HK\$405
		Capitalisation rate	2.3%
<b>As at 31 March 2016</b>			
Commercial property	Investment method	Estimated rental value per square foot and per month	HK\$415
		Capitalisation rate	2.5%
<b>As at 31 March 2017</b>			
Commercial property	Investment method	Estimated rental value per square foot and per month	HK\$410
		Capitalisation rate	2.4%
<b>As at 30 September 2017</b>			
Commercial property	Investment method	Estimated rental value per square foot and per month	HK\$438
		Capitalisation rate	2.5%

As at the end of each of the Relevant Periods, the valuations of investment property were based on either the investment method which capitalises the rent receivables from the existing tenancy and potential reversionary market rent of the property.

A significant increase/(decrease) in estimated rental value per square feet in isolation would result in a significantly higher/(lower) fair value of the investment property. A significant increase/(decrease) in the capitalisation rate in isolation would result in a significantly lower/(higher) fair value of the investment property. A significant increase/(decrease) in price per square feet in isolation would result in a significantly higher/(lower) fair value of the investment property.

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

## 11. OTHER RECEIVABLES

The balances are neither past due nor impaired and relates to receivables for which there was no recent history of default. The carrying amount of other receivables approximate to their fair values.

## 12. BANK BALANCE

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of Oriental Sino, and earn interest at the respective short term time deposit rates. The bank balance is deposited with creditworthy banks with no recent history of default. The carrying amount of the cash and cash equivalent approximate to its fair values.

**13. DEPOSIT RECEIVED, OTHER PAYABLES AND ACCRUALS**

The deposit received and other payables are non-interest-bearing. The carrying amounts of the deposit received and other payables approximate to their fair values.

**14. BALANCES WITH GROUP COMPANIES**

At 31 March 2015, 2016 and 2017 and 30 September 2017, the balances with the immediate holding company are unsecured, interest-free and repayable on demand. The balance is non-trade in nature.

Upon the completion of the Oriental Sino Acquisition, the balance due to the immediate holding company will be assigned to a subsidiary of the Company.

**15. INTEREST-BEARING BANK BORROWING**

	As at 31 March		As at 30 September	
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Secured:				
Bank borrowing	<u>83,650</u>	<u>79,450</u>	<u>79,250</u>	<u>73,150</u>
Analysed into:				
Bank borrowing repayable:				
Within one year or on demand (note a)	4,200	4,200	4,200	73,150
In the second year	<u>79,450</u>	<u>75,250</u>	<u>71,050</u>	—
	<u>83,650</u>	<u>79,450</u>	<u>75,250</u>	<u>73,150</u>

At the end of the each Relevant Periods, the maturity profile of interest-bearing bank borrowing based on the scheduled repayment dates set out in the loan agreement is as follow:

	As at 31 March		As at 30 September	
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank borrowing repayable:				
Within one year	4,200	4,200	4,200	4,200
In the second year	4,200	4,200	4,200	4,200
In the third to fifth year, inclusive	12,600	12,600	66,850	64,750
Beyond five year	<u>62,650</u>	<u>58,450</u>	—	—
	<u>83,650</u>	<u>79,450</u>	<u>75,250</u>	<u>73,150</u>

*Notes:*

- (a) The bank borrowing of HK\$68,950,000 as at 30 September 2017 containing an on-demand clause has been classified as current liabilities. For the purpose of the above analysis, the bank borrowing is included within current interest-bearing bank borrowing repayable within one year or on demand.
- (b) The bank borrowing is secured by Oriental Sino's investment property (note 10) and is guaranteed by WOG as at 31 March 2015 and 2016 and by WOP as at 31 March 2017 and 30 September 2017.
- (c) The bank borrowing bore interest at a floating rate of HIBOR + 1.65% as at 31 March 2015, 2016, 2017 and 30 September 2017.
- (d) The carrying amount of the bank borrowing approximates to its fair value.

**16. DEFERRED TAX LIABILITY**

The component of deferred tax liability during the Relevant Periods is as follows:

	<b>Depreciation allowance in excess of related depreciation HK\$'000</b>
At 1 April 2014	—
Deferred tax charged to profit or loss during the year ( <i>note 8</i> )	<u>462</u>
At 31 March 2015 and 1 April 2015	462
Deferred tax charged to profit or loss during the year ( <i>note 8</i> )	<u>462</u>
At 31 March 2016 and 1 April 2016	924
Deferred tax charged to profit or loss during the year ( <i>note 8</i> )	<u>462</u>
At 31 March 2017 and 1 April 2017	1,386
Deferred tax charged to profit or loss during the period ( <i>note 8</i> )	<u>231</u>
At 30 September 2017	<u><u>1,617</u></u>

**17. SHARE CAPITAL**

	<b>As at 31 March</b>			<b>As at 30 September</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
Issued and fully paid:				
2 ordinary shares	<u><u>2</u></u>	<u><u>2</u></u>	<u><u>2</u></u>	<u><u>2</u></u>

**18. CONTINGENT LIABILITIES**

At the end of each of the Relevant Periods, Oriental Sino did not have any significant contingent liabilities.

**19. OPERATING LEASE ARRANGEMENT****As lessor**

Oriental Sino leases its investment property (note 10) under an operating lease arrangement, with lease negotiated for terms of three years. The terms of the lease also require the tenant to pay security deposit.

At the end of each of the Relevant Periods, Oriental Sino had total future minimum lease receivable under non-cancellable operating lease with its tenant falling due as follows:

	<b>As at 31 March</b>		<b>As at 30 September</b>	
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	10,800	10,800	9,900	4,500
In the second to fifth years, inclusive	<u>20,700</u>	<u>9,900</u>	<u>—</u>	<u>—</u>
	<u><u>31,500</u></u>	<u><u>20,700</u></u>	<u><u>9,900</u></u>	<u><u>4,500</u></u>

**20. RELATED PARTY TRANSACTIONS**

- (a) In addition to the transactions detailed elsewhere in the Historical Financial Information, Oriental Sino had the following transactions with related parties during the Relevant Periods and the six months ended 30 September 2016:

	<b>Year ended 31 March</b>			<b>Six months ended 30 September</b>	
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Rental income received from:					
— a related company of WOG	—	10,350	5,400	5,400	—
— a fellow subsidiary	—	—	5,400	—	5,400
Management fees charged by fellow subsidiaries	<u>—</u>	<u>433</u>	<u>515</u>	<u>258</u>	<u>258</u>

The above transactions were conducted at terms and conditions mutually agreed between the relevant parties.

- (b) During the year ended 31 March 2015 and 2016 and during the year ended 31 March 2017 and six month period ended 30 September 2017, WOG and WOP, respectively, had given a corporate guarantee to a bank in respect of a bank borrowing granted to Oriental Sino (note 15). WOG and WOP received no consideration for providing these guarantees.

**(c) Outstanding balances with related parties**

Details of Oriental Sino's balances with its immediate holding company as at the end of each of the Relevant Periods are disclosed in note 14 to the Historical Financial Information.

**21. NOTE TO THE STATEMENT OF CASH FLOWS****Change in liabilities arising from financing activities**

	<b>Interest- bearing bank borrowing <i>HK\$'000</i></b>	<b>Due to the immediate holding company <i>HK\$'000</i></b>
At 1 April 2014	—	14
Changes from financing cash flows	83,650	146,075
Changes from operating cash flows	<u>—</u>	<u>—</u>
As at 31 March 2015 and 1 April 2015	83,650	146,089
Changes from financing cash flows	(4,200)	(5,300)
Changes from operating cash flows	<u>—</u>	<u>2,219</u>
As at 31 March 2016 and 1 April 2016	79,450	143,008
Changes from financing cash flows	(4,200)	(5,000)
Changes from operating cash flows	<u>—</u>	<u>2,871</u>
As at 31 March 2017 and 1 April 2017	75,250	140,879
Changes from financing cash flows	(2,100)	(1,900)
Changes from operating cash flows	<u>—</u>	<u>1,363</u>
As at 30 September 2017	<u><u>73,150</u></u>	<u><u>140,342</u></u>
(Unaudited)		
As at 1 April 2016	79,450	143,008
Changes from financing cash flows	(2,100)	—
Changes from operating cash flows	<u>—</u>	<u>1,398</u>
As at 30 September 2016	<u><u>77,350</u></u>	<u><u>144,406</u></u>



**22. FINANCIAL INSTRUMENTS BY CATEGORY**

All financial assets and liabilities of Oriental Sino as at the end of each of the Relevant Periods are loans and receivables, and financial liabilities at amortised cost, respectively.

**23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

Oriental Sino's principal financial instruments include other receivables, balances with the group companies, bank balance, deposit received, other payables and interest-bearing bank borrowing. The main purpose of these financial instruments is to raise finance for Oriental Sino's operations.

Management meets periodically to analyse and formulate measures to manage Oriental Sino's exposure to financial risks, principally relating to interest rate risk and liquidity risk. Oriental Sino had no significant exposures to credit risk, foreign currency risk and equity price risk. Generally Oriental Sino employs a conservative strategy regarding its risk management.

**Interest risk**

Oriental Sino's exposure to the risk of changes in market interest rates relates primarily to Oriental Sino's bank borrowing which is based on HIBOR. Oriental Sino mitigates the risk by monitoring closely the movements in interest rates and reviewing its banking facility regularly. Oriental Sino had not used any interest rate swap to hedge its exposure to interest rate risk.

As at 31 March 2015, 2016 and 2017 and 30 September 2017, if the interest rate on borrowing had been 100 basis points higher/lower, which was considered reasonably possible by management, with all other variables held constant, the profit before tax for the year would have been decreased/increased by HK\$105,000, HK\$817,000, HK\$772,000 and HK\$373,000, respectively, as a result of higher/lower interest expenses on bank borrowing.

**Liquidity risk**

Oriental Sino's objective is to maintain a balance between continuity of funding and flexibility through the use of fund provided by the immediate holding company.

Oriental Sino had not experienced any difficulty in obtaining continual financial support from the immediate holding company in the past, and hence the directors of Oriental Sino are of the opinion that liquidity risk of Oriental Sino is not significant.

Oriental Sino's financial liabilities as at the end of each of the Relevant Periods were all payable within one year.

**Capital management**

The primary objectives of Oriental Sino's capital management are to safeguard Oriental Sino's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

Oriental Sino manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, Oriental Sino may adjust the dividend payment to shareholders, return capital to shareholder or issue new shares. Oriental Sino is not subject to any externally imposed capital requirements.

**24. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by Oriental Sino in respect of any period subsequent to 30 September 2017.

*The following is the text of the accountant's report on Precious Investments prepared for the sole purpose of incorporation in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.*



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

The Directors  
Wai Yuen Tong Medicine Holdings Limited

Dear Sirs,

We report on the historical financial information of Precious Investments Limited (“**Precious Investments**”) set out on pages IIB-4 to IIB-24, which comprises the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of Precious Investments for each of the periods ended from 8 August 2016 (the date of incorporation) to 31 March 2017 and the six months ended 30 September 2017 (the “**Relevant Periods**”), and the statements of financial position of Precious Investments as at 31 March 2017 and 30 September 2017 and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages IIB-4 to IIB-24 forms an integral part of this report, which has been prepared for inclusion in the circular of Wai Yuen Tong Medicine Holdings Limited (the “**Company**”) dated 29 March 2018 (the “**Circular**”) in connection with the acquisition of the entire equity interest and the shareholder's loan of Precious Investments by a subsidiary of the Company (the “**Precious Investments Acquisition**”).

## **DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION**

The directors of Precious Investments are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

## **REPORTING ACCOUNTANTS' RESPONSIBILITY**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute

of Certified Public Accountants (the “**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of Precious Investments as at 31 March 2017 and 30 September 2017 and of the financial performance and cash flows of Precious Investments for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

## REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of Precious Investments which comprises the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period from 8 August 2016 (the date of incorporation) to 30 September 2016 and other explanatory information (the “**Interim Comparative Financial Information**”). The directors of Precious Investments are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all

significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF  
SECURITIES ON THE MAIN BOARD OF THE STOCK EXCHANGE AND THE  
COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IIB-4 have been made.

**Dividends**

No dividends have been paid by Precious Investments in respect of the Relevant Periods.

Yours faithfully,

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

29 March 2018

**I. HISTORICAL FINANCIAL INFORMATION****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of Precious Investments for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “**Underlying Financial Statements**”).

The statutory financial statements of Previous Investments for the period ended from 8 August 2016 (date of incorporation) to 31 March 2017 prepared under Hong Kong Financial Reporting Standards were audited by FTO CPA Limited, certified public accountants registered in Hong Kong.

The Historical Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

**(A) STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

		Period from 8 August 2016 (date of incorporation) to 31 March 2017 <i>HK\$'000</i>	Period from 8 August 2016 (date of incorporation) to 30 September 2016 <i>HK\$'000</i>	Six months ended 30 September 2017 <i>HK\$'000</i>
	<i>Notes</i>			
REVENUE	4	495	—	978
Cost of services provided	6	<u>(6)</u>	<u>—</u>	<u>(20)</u>
Gross profit		489	—	958
Administrative expenses		(137)	—	(112)
Finance costs	5	(370)	—	(701)
Fair value gain/(loss) on an investment property		<u>(7,367)</u>	<u>—</u>	<u>1,000</u>
PROFIT/(LOSS) BEFORE TAX	6	(7,385)	—	1,145
Income tax expense	8	<u>(1)</u>	<u>—</u>	<u>(19)</u>
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD		<u><u>(7,386)</u></u>	<u><u>—</u></u>	<u><u>1,126</u></u>

**(B) STATEMENTS OF FINANCIAL POSITION**

		<b>As at 31 March 2017 HK\$'000</b>	<b>As at 30 September 2017 HK\$'000</b>
	<i>Notes</i>		
<b>NON-CURRENT ASSET</b>			
Investment property	10	<u>83,400</u>	<u>84,400</u>
<b>CURRENT ASSET</b>			
Bank balance	11	<u>867</u>	<u>442</u>
<b>CURRENT LIABILITIES</b>			
Deposit received, other payables and accruals	12	281	306
Due to an intermediate holding company	13	184	552
Due to the immediate holding company	13	1,298	1,375
Interest-bearing bank borrowing	14	2,081	40,047
Loan from an intermediate holding company	13	48,801	48,801
Tax payable		<u>—</u>	<u>20</u>
Total current liabilities		<u>52,645</u>	<u>91,101</u>
<b>NET CURRENT LIABILITIES</b>		<u>(51,778)</u>	<u>(90,659)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>31,622</u>	<u>(6,259)</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowing		39,007	—
Deferred tax liability	15	<u>1</u>	<u>1</u>
Total non-current liabilities		<u>39,008</u>	<u>1</u>
Net liabilities		<u>(7,386)</u>	<u>(6,260)</u>
<b>DEFICIENCY IN ASSETS</b>			
Share capital	16	—	—
Accumulated losses		<u>(7,386)</u>	<u>(6,260)</u>
Deficiency in assets		<u>(7,386)</u>	<u>(6,260)</u>



**(C) STATEMENTS OF CHANGES IN EQUITY**

	<b>Share capital</b> <i>HK\$'000</i> <i>(note 16)</i>	<b>Accumulated losses</b> <i>HK\$'000</i>	<b>Deficiency in assets</b> <i>HK\$'000</i>
At 8 August 2016 (date of incorporation)	—	—	—
Loss and total comprehensive loss for the period	<u>—</u>	<u>(7,386)</u>	<u>(7,386)</u>
At 31 March 2017 and 1 April 2017	—	(7,386)	(7,386)
Profit and total comprehensive income for the period	<u>—</u>	<u>1,126</u>	<u>1,126</u>
At 30 September 2017	<u><u>—</u></u>	<u><u>(6,260)</u></u>	<u><u>(6,260)</u></u>
(Unaudited)			
At 8 August 2016 (date of incorporation)	—	—	—
Profit and total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>—</u>
At 30 September 2016	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

**(D) STATEMENTS OF CASH FLOWS**

		Period from 8 August 2016 (date of incorporation) to 31 March 2017 <i>HK\$'000</i>	Period from 8 August 2016 (date of incorporation) to 30 September 2016 <i>HK\$'000</i>	Six months ended 30 September 2017 <i>HK\$'000</i>
	<i>Notes</i>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit/(loss) before tax		(7,385)	—	1,145
Adjustments for:				
Finance costs	5	370	—	701
Fair value loss/(gain) on an investment property	10	<u>7,367</u>	<u>—</u>	<u>(1,000)</u>
		352	—	846
Increase in deposit received, other payables and accruals		281	—	25
Increase in an amount due to the immediate holding company		<u>53</u>	<u>—</u>	<u>77</u>
Net cash flows from operating activities		<u>686</u>	<u>—</u>	<u>948</u>
<b>CASH FLOW FROM AN INVESTING ACTIVITY</b>				
Addition to investment property		<u>(90,767)</u>	<u>—</u>	<u>—</u>
Net cash flow used in an investing activity		<u>(90,767)</u>	<u>—</u>	<u>—</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Interest paid		(186)	—	(333)
New bank loan		41,650	—	—
Repayment of bank loan		(562)	—	(1,040)
Loan from an intermediate holding company		48,801	—	—
Advance from the immediate holding company		<u>1,245</u>	<u>—</u>	<u>—</u>
Net cash flows from/(used in) financing activities		<u>90,948</u>	<u>—</u>	<u>(1,373)</u>

		Period from 8 August 2016 (date of incorporation) to 31 March 2017 <i>HK\$'000</i>	Period from 8 August 2016 (date of incorporation) to 30 September 2016 <i>HK\$'000</i>	Six months ended 30 September 2017 <i>HK\$'000</i>
	<i>Note</i>			
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT		867	—	(425)
Cash and cash equivalent at beginning of period		<u>—</u>	<u>—</u>	<u>867</u>
CASH AND CASH EQUIVALENT AT END OF PERIOD	11	<u><u>867</u></u>	<u><u>—</u></u>	<u><u>442</u></u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENT				
Bank balance		<u><u>867</u></u>	<u><u>—</u></u>	<u><u>442</u></u>

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

Precious Investments is a limited liability company incorporated in Hong Kong on 8 August 2016. The registered office of Precious Investments is located at Suite 3201, 32/F, Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.

During the Relevant Periods, Precious Investments is principally involved in property investment in Hong Kong.

Precious Investments is a wholly-owned subsidiary of East Run Investment Limited, a company incorporated in the British Virgin Islands with limited liability. In the opinion of the directors of Precious Investments, Wang On Group Limited (“WOG”), a company incorporated in the Bermuda with shares being listed on the Main Board of The Stock Exchange of Hong Kong Limited, is the ultimate holding company of Precious Investments.

### 2.1 BASIS OF PRESENTATION

Despite Precious Investments's net liabilities as at 30 September 2017, the Historical Financial Information has been prepared by the directors of Precious Investments under the going concern concept because Wang On Properties Limited (“WOP”), an intermediate holding company, has agreed to provide continual financial support and adequate funds for Precious Investments to meet its liabilities as and when they fall due and undertaken not to demand repayment of the amount due to WOP and its subsidiaries until such time as Precious Investments is in a position to repay such amounts without impairing its liquidity position. The Company has also agreed to provide continual financial support and adequate funds to Precious Investments to meet its liabilities as and when they fall due after the completion of the Precious Investments Acquisition.

### 2.2 BASIS OF PREPARATION

The Historical Financial Information has 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 HKICPA and accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. All HKFRSs effective for the accounting period commencing from 1 April 2017, together with the relevant transitional provisions, have been early adopted by Precious Investments in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for investment property which has been measured at fair value.

The Interim Comparative Financial Information covered the period from 8 August 2016 (date of incorporation) to 30 September 2016 which is less than six months. Accordingly, the corresponding amounts presented for the statement of cash flows and related notes are not entirely comparable to the financial information of Previous Investments for the six months ended 30 September 2017.

### 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSS

Precious Investments has not applied the following new and revised HKFRSSs that have been issued but are not yet effective in the Historical Financial Information. Among the new and revised HKFRSSs, the following are expected to be relevant to the Precious Investments' Historical Financial Information upon becoming effective:

HKFRS 9	<i>Financial Instruments</i> <sup>1</sup>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> <sup>2</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>1</sup>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i> <sup>1</sup>
HKFRS 16	<i>Leases</i> <sup>2</sup>
Amendments to HKAS 40	<i>Transfers of Investment Property</i> <sup>1</sup>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

Precious Investments is in the process of making an assessment of the impact of these new and revised HKFRSSs upon initial application. So far, Precious Investments considers that these new and revised HKFRSSs are unlikely to have a significant impact on Precious Investments results of operations and financial position.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Fair value measurement

Precious Investments measures its investment property 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 Precious Investments. 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.

Precious Investments 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 Historical Financial Information 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 Historical Financial Information on a recurring basis, Precious Investments 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.

### **Related parties**

A party is considered to be related to Precious Investments 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 Precious Investments;
  - (ii) has significant influence over Precious Investments; or
  - (iii) is a member of the key management personnel of Precious Investments or of a parent of Precious Investments;
- or
- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and Precious Investments 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 Precious Investments 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 Precious Investments or an entity related to Precious Investments;
  - (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 Precious Investments or to the parent of Precious Investments.

**Investment property**

An investment property is an interest in land and building (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 property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is 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 property is included in the statement of 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 the statement of profit or loss in the year of the retirement or disposal.

**Leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where Precious Investments is the lessor, assets leased by Precious Investments under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms.

**Financial instruments****(a) Financial assets**

Precious Investments financial asset includes bank balance and is classified and accounted for as loans and receivables. Financial asset is recognised on the trade date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Any changes in their value are recognised in the statement of profit or loss.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

An assessment for impairment is undertaken at least at the end of reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment loss on loans and receivables is recognised when there is objective evidence that Precious Investments will not be able to collect all the amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

**(b) Financial liabilities**

The Precious Investments financial liabilities include deposit received, other payables, amounts due to group companies, loan from an intermediate holding company and interest-bearing bank borrowing. Financial liabilities are recognised when Precious Investments becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled, or expires.

**Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand 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.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposit received, other payables, and assets similar in nature to cash, 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 Precious Investments operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine the deferred tax.

Deferred tax liabilities are provided in full while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to Precious Investments and the revenue can be reliably measured.

Rental income is recognised on a time proportion basis over the lease terms.

**Employee benefits*****Retirement benefit costs***

Precious Investments operates a defined contribution Mandatory Provident Fund retirement benefits 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 Precious Investments in an independently administered fund. Precious Investments’ employer contributions vest fully with the employees when contributed into the MPF Scheme.



**Borrowing costs**

Borrowing costs are expensed in profit or loss in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the financing of the construction of a qualifying asset. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The preparation of Precious Investments' Historical Financial Information 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 Precious Investments' accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

***Operating lease commitments — as lessor***

Precious Investments has entered into commercial property lease on its investment property. Precious Investments has determined, based on an evaluation of the terms and conditions of the arrangement, that it retains all the significant risks and rewards of ownership of this property which is leased out on operating lease.

**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.

***Estimation of fair value of investment property***

The investment property is a commercial unit in Hong Kong and is revalued at the end of the reporting period on a market value, existing use basis by independent professionally qualified valuer. Such valuation is based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information from current prices in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the end of the reporting period are used.

**4. REVENUE**

Revenue represents rental income earned from an investment property during the Relevant Periods.

**5. FINANCE COSTS**

	Period from 8 August 2016 (date of incorporation) to 31 March 2017 HK\$'000	Period from 8 August 2016 (date of incorporation) to 30 September 2016 HK\$'000	Six months ended 30 September 2017 HK\$'000
Interest on a loan from an intermediate holding company	184	—	368
Interest on a bank borrowing	<u>186</u>	<u>—</u>	<u>333</u>
	<u>370</u>	<u>—</u>	<u>701</u>

**6. PROFIT/(LOSS) BEFORE TAX**

Precious Investments profit/(loss) before tax is arrived at after charging:

	Period from 8 August 2016 (date of incorporation) to 31 March 2017 HK\$'000	Period from 8 August 2016 (date of incorporation) to 30 September 2016 HK\$'000	Six months ended 30 September 2017 HK\$'000
Cost of services provided	6	—	20
Auditor's remuneration*	—	—	—
Staff costs (excluding directors' remuneration (note 7))			
Wages and salaries	42	—	87
Pension scheme contribution	<u>1</u>	<u>—</u>	<u>1</u>
	<u>43</u>	<u>—</u>	<u>88</u>

\* Auditor's remuneration for the Relevant Periods was borne by WOP.

**7. DIRECTORS' REMUNERATION**

No director received any fees or emoluments in respect of their services rendered to Precious Investments during the Relevant Periods.

**8. INCOME TAX EXPENSE**

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods.

	Period from 8 August 2016 (date of incorporation) to 31 March 2017 HK\$'000	Period from 8 August 2016 (date of incorporation) to 30 September 2016 HK\$'000	Six months ended 30 September 2017 HK\$'000
Provision for the period	—	—	19
Deferred (note 15)	<u>1</u>	<u>—</u>	<u>—</u>
Total tax charge for the period	<u><u>1</u></u>	<u><u>—</u></u>	<u><u>19</u></u>

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rate for the tax expense at the effective tax rate is as follows:

	Period from 8 August 2016 (date of incorporation) to 31 March 2017 HK\$'000	Period from 8 August 2016 (date of incorporation) to 30 September 2016 HK\$'000	Six months ended 30 September 2017 HK\$'000
Profit/(loss) before tax	<u>(7,385)</u>	<u>—</u>	<u>1,145</u>
Tax at the Hong Kong statutory tax rate of 16.5%	(1,219)	—	188
Income not subject to tax	—	—	(165)
Expense not deductible for tax	1,216	—	—
Tax loss utilised from previous period	—	—	(4)
Tax loss not recognised	<u>4</u>	<u>—</u>	<u>—</u>
Tax charge at Precious Investments' effective tax rate	<u><u>1</u></u>	<u><u>—</u></u>	<u><u>19</u></u>

**9. DIVIDENDS**

No dividend has been paid or declared by Precious Investments during the Relevant Periods.

## 10. INVESTMENT PROPERTY

	As at 31 March 2017 HK\$'000	As at 30 September 2017 HK\$'000
Carrying amount at beginning of period	—	83,400
Addition	90,767	—
Fair value gain/(loss) on an investment property	<u>(7,367)</u>	<u>1,000</u>
Carrying amount at end of period	<u>83,400</u>	<u>84,400</u>

Precious Investments's investment property consists of a commercial property in Hong Kong. The investment property was revalued on 31 March 2017 and 30 September 2017 by Asset Appraisal Limited ("Asset Appraisal"), independent professionally qualified valuer, at HK\$83,400,000 and HK\$84,400,000, respectively. For financial reporting purpose, Asset Appraisal was appointed to perform valuations of Precious Investments's investment property. Selection criteria of external valuer include market knowledge, reputation, independence and whether professional standards are maintained. Management has discussions with Asset Appraisal on the valuation assumptions and valuation results when the valuations were performed.

Precious Investments's investment property with a carrying value of HK\$83,400,000 and HK\$84,400,000 as at 31 March 2017 and 30 September 2017, respectively, and the rental income generated therefrom were pledged to secure general banking facility granted to Precious Investments (note 14).

The investment property is leased to a third party under an operating lease, further summary details of which is included in note 18 to the Historical Financial Information.

**Fair value hierarchy**

The following table illustrates the fair value measurement hierarchy of Precious Investments investment property:

	Fair value measurement using significant unobservable inputs (Level 3)	
	As at 31 March 2017 HK\$'000	As at 30 September 2017 HK\$'000
<i>Recurring fair value measurement for:</i>		
Commercial property	<u>83,400</u>	<u>84,400</u>

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

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

	<i>HK\$'000</i>
Carrying amount at 8 August 2016	—
Addition	90,767
Loss from a fair value adjustment	<u>(7,367)</u>
Carrying amount at 31 March 2017 and 1 April 2017	83,400
Gain from a fair value adjustment	<u>1,000</u>
Carrying amount at 30 September 2017	<u><u>84,400</u></u>

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

	<b>Valuation techniques</b>	<b>Significant unobservable inputs</b>	<b>Weighted average</b>
<b>As at 31 March 2017</b>			
Commercial property	Direct comparison method	Price per square foot	HK\$107,198
<b>As at 30 September 2017</b>			
Commercial property	Direct comparison method	Price per square foot	HK\$108,483

As at the end of each of the Relevant Periods, the valuations of investment property was based on direct comparison method by reference to comparable market transactions.

A significant increase/(decrease) in price per square feet in isolation would result in a significantly higher/(lower) fair value of the investment property.

## **11. BANK BALANCE**

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of Precious Investments, and earn interest at the respective short term time deposit rates. The bank balance is deposited with creditworthy bank with no recent history of default. The carrying amount of the cash and cash equivalent approximate to its fair value.

## **12. DEPOSIT RECEIVED, OTHER PAYABLES AND ACCRUALS**

The deposit received and other payables are non-interest-bearing. The carrying amounts of the deposit received and other payables approximate to their fair values.

**13. BALANCES WITH GROUP COMPANIES**

At 31 March 2017 and 30 September 2017, the balances with group companies are unsecured, interest-free and repayable on demand, except for the loan from an intermediate holding company which is unsecured, and bears interest of 1.5% per annum and has no fixed term of repayment. The balances are non-trade in nature and the carrying amounts of these balances approximate to their fair values.

Upon the completion of the Precious Investments Acquisition, the balances due to an intermediate holding company and the immediate holding company and the loan from an intermediate holding company will be assigned to a subsidiary of the Company.

**14. INTEREST-BEARING BANK BORROWING**

	As at 31 March 2017 HK\$'000	As at 30 September 2017 HK\$'000
Secured:		
Bank borrowing	41,088	40,047
Analysed into:		
Bank borrowing repayable:		
Within one year or on demand ( <i>note a</i> )	2,081	40,047
In the second year	39,007	—
	41,088	40,047

At the end of the each Relevant Periods, the maturity profile of interest-bearing bank borrowing based on the scheduled repayment dates set out in the loan agreement is as follow:

	As at 31 March 2017 HK\$'000	As at 30 September 2017 HK\$'000
Bank borrowing repayable:		
Within one year	2,081	2,081
In the second year	2,081	2,081
In the third to fifth year, inclusive	6,246	6,247
Beyond 5 years	30,680	29,638
	41,088	40,047

*Notes:*

- (a) The bank borrowing of HK\$37,966,000 as at 30 September 2017 containing an on-demand clause has been classified as current liabilities. For the purpose of the above analysis, the bank borrowing is included within current interest-bearing bank borrowing repayable within one year or on demand.
- (b) The bank borrowing is secured by Precious Investments investment property (note 10) and is guaranteed by WOP as at 31 March 2017 and 30 September 2017.
- (c) The bank borrowing bore interest at a floating rate of HIBOR + 1.75% as at 31 March 2017 and 30 September 2017.

(d) The carrying amount of the bank borrowing approximates to its fair value.

#### 15. DEFERRED TAX LIABILITY

The component of deferred tax liability during the Relevant Periods is as follows:

	<b>Depreciation allowance in excess of related depreciation HK\$'000</b>
At 8 August 2016 (date of incorporation)	—
Deferred tax charged to profit or loss during the period ( <i>note 8</i> )	<u>1</u>
At 31 March 2017 and 1 April 2017	1
Deferred tax charged to profit or loss during the period ( <i>note 8</i> )	<u>—</u>
At 30 September 2017	<u><u>1</u></u>

#### 16. SHARE CAPITAL

	<b>As at 31 March 2017 HK\$'000</b>	<b>As at 30 September 2017 HK\$'000</b>
Issued and fully paid:		
1 ordinary share	<u><u>1</u></u>	<u><u>1</u></u>

Precious Investments was incorporated on 8 August 2016 and 1 share was issued at HK\$1 for cash to the subscriber on the same date as the initial capital of Precious Investments.

#### 17. CONTINGENT LIABILITIES

At the end of each of the Relevant Periods, Precious Investments did not have any significant contingent liabilities.

#### 18. OPERATING LEASE ARRANGEMENT

##### As lessor

Precious Investments leases its investment property (note 10) under an operating lease arrangement, with lease negotiated for terms of three years. The terms of the lease also require the tenant to pay security deposit.

At the end of each of the Relevant Periods, Precious Investments had total future minimum lease receivable under non-cancellable operating lease with its tenant falling due as follows:

	As at 31 March 2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>
Within one year	<u>1,793</u>	<u>815</u>

## 19. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in the Historical Financial Information, Precious Investments had the following transactions with related parties during the Relevant Periods:

		Period from 8 August 2016 (date of incorporation) to 31 March 2017 <i>HK\$'000</i>	Period from 8 August 2016 (date of incorporation) to 30 September 2016 <i>HK\$'000</i>	Six months ended 30 September 2017 <i>HK\$'000</i>
	<i>Notes</i>			
Management fees charged by a fellow subsidiary	(i)	10	—	5
Interest expense charged by an intermediate holding company	(ii)	<u>184</u>	<u>—</u>	<u>367</u>

*Notes:*

- (i) The above transactions were conducted at terms and conditions mutually agreed between the relevant parties.
- (ii) The interest expenses were in respect of a loan from an intermediate holding company, the terms of which are set out in note 13 to the Historical Financial Information.
- (b) During the year ended 31 March 2017 and six month period ended 30 September 2017, WOP, respectively, had given a corporate guarantee to a bank in respect of a bank borrowing granted to Precious Investments (note 14). WOP received no consideration for providing these guarantees.
- (c) **Outstanding balances with related parties**

Details of Precious Investments balances with its intermediate holding company and immediate holding company and loan from its intermediate holding company as at the end of each of the Relevant Periods are disclosed in note 13 to the Historical Financial Information.



**20. NOTE TO THE STATEMENT OF CASH FLOWS**

**Change in liabilities arising from financing activities**

	<b>Interest-bearing bank borrowing</b> <i>HK\$'000</i>	<b>Loan from the immediate holding company</b> <i>HK\$'000</i>	<b>Due to an intermediate holding company</b> <i>HK\$'000</i>	<b>Due to the immediate holding company</b> <i>HK\$'000</i>
At 8 August 2016 (date of incorporation)	—	—	—	—
Changes from financing cash flows	41,088	48,801	—	1,245
Interest expense	—	—	184	—
Changes from operating cash flows	—	—	—	53
As at 31 March 2017 and 1 April 2017	41,088	48,801	184	1,298
Changes from financing cash flows	(1,040)	—	—	—
Interest expense	—	—	368	—
Changes from operating cash flows	—	—	—	77
As at 31 September 2017	<u>40,048</u>	<u>48,801</u>	<u>552</u>	<u>1,375</u>
(Unaudited)				
At 8 August 2016 (date of incorporation)	—	—	—	—
Changes from financing cash flows	—	—	—	—
Changes from operating cash flows	—	—	—	—
As at 30 September 2016	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

**21. FINANCIAL INSTRUMENTS BY CATEGORY**

All financial assets and liabilities of Precious Investments as at the end of each of the Relevant Periods are loans and receivables, and financial liabilities at amortised cost, respectively.

**22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

Precious Investments principal financial instruments include balances with the group companies, a loan from an intermediate holding company, bank balance, deposit received, other payables and interest-bearing bank borrowing. The main purpose of these financial instruments is to raise finance for Precious Investments operations.

Management meets periodically to analyse and formulate measures to manage Precious Investments' exposure to financial risks, principally relating to interest rate risk and liquidity risk. Precious Investments had no significant exposures to credit risk, foreign currency risk and equity price risk. Generally Precious Investments employs a conservative strategy regarding its risk management.

**Interest risk**

Precious Investments's exposure to the risk of changes in market interest rates relates primarily to Precious Investments's bank borrowing which is based on HIBOR. Precious Investments mitigates the risk by monitoring closely the movements in interest rates and reviewing its banking facility regularly. Precious Investments had not used any interest rate swap to hedge its exposure to interest rate risk.

As at 31 March 2017 and 30 September 2017, if the interest rate on borrowing had been 100 basis points higher/lower, which was considered reasonably possible by management, with all other variables held constant, the profit before tax for the year would have been decreased/increased by HK\$205,000 and HK\$99,000, respectively, as a result of higher/lower interest expenses on bank borrowing.

**Liquidity risk**

Precious Investments objective is to maintain a balance between continuity of funding and flexibility through the use of fund provided by the immediate holding company and an intermediate holding company.

Precious Investments had not experienced any difficulty in obtaining continual financial support from the immediate holding company and an intermediate holding company in the past, and hence the directors of Precious Investments are of the opinion that liquidity risk of Precious Investments is not significant.

Precious Investments financial liabilities as at the end of each of the Relevant Periods were all payable within one year.

**Capital management**

The primary objectives of Precious Investments capital management are to safeguard Precious Investments ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

Precious Investments manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, Precious Investments may adjust the dividend payment to shareholders, return capital to shareholder or issue new shares. Precious Investments is not subject to any externally imposed capital requirements.

**23. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by Precious Investments in respect of any period subsequent to 30 September 2017.

*The following is the text of the accountant's report on Shiny World prepared for the sole purpose of incorporation in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.*



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

The Directors  
Wai Yuen Tong Medicine Holdings Limited

Dear Sirs,

We report on the historical financial information of Shiny World Investment Limited (“**Shiny World**”) set out on pages IIC-4 to IIC-23, which comprises the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of Shiny World for each of the years ended 31 March 2015, 2016 and 2017, and the six months ended 30 September 2017 (the “**Relevant Periods**”), and the statements of financial position of Shiny World as at 31 March 2015, 2016 and 2017 and 30 September 2017 and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages IIC-4 to IIC-23 forms an integral part of this report, which has been prepared for inclusion in the circular of Wai Yuen Tong Medicine Holdings Limited (the “**Company**”) dated 29 March 2018 (the “**Circular**”) in connection with the acquisition of the entire equity interest and the shareholder's loan of Shiny World by a subsidiary of the Company (the “**Shiny World Acquisition**”).

## **DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION**

The directors of Shiny World are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

## **REPORTING ACCOUNTANTS' RESPONSIBILITY**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute

of Certified Public Accountants (the “**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of Shiny World as at 31 March 2015, 2016 and 2017 and 30 September 2017 and of the financial performance and cash flows of Shiny World for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

## REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of Shiny World which comprises the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 September 2016 and other explanatory information (the “**Interim Comparative Financial Information**”). The directors of Shiny World are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an

audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF  
SECURITIES ON THE MAIN BOARD OF THE STOCK EXCHANGE AND THE  
COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IIC-4 have been made.

**Dividends**

No dividends have been paid by Shiny World in respect of the Relevant Periods.

Yours faithfully,

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

29 March 2018

**I. HISTORICAL FINANCIAL INFORMATION****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of Shiny World for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “**Underlying Financial Statements**”).

The statutory financial statements of Shiny World for the years ended 31 March 2015, 2016 and 2017 prepared under Hong Kong Financial Reporting Standards were audited by FTO CPA Limited, certified public accountants registered in Hong Kong.

The Historical Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

**(A) STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	<i>Notes</i>	Year ended 31 March			Six months ended 30 September	
		2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i>
REVENUE	4	1,464	1,464	1,464	732	732
Cost of services provided	6	<u>(17)</u>	<u>(17)</u>	<u>(17)</u>	<u>(11)</u>	<u>(7)</u>
Gross profit		1,447	1,447	1,447	721	725
Administrative expenses		(289)	(183)	(410)	(139)	(97)
Finance costs	5	(387)	(352)	(457)	(191)	(269)
Fair value gain on an investment property		<u>1,500</u>	<u>—</u>	<u>2,400</u>	<u>—</u>	<u>26,500</u>
PROFIT BEFORE TAX	6	2,271	912	2,980	391	26,859
Income tax expense	8	<u>(107)</u>	<u>(131)</u>	<u>(76)</u>	<u>(45)</u>	<u>(59)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		<u>2,164</u>	<u>781</u>	<u>2,904</u>	<u>346</u>	<u>26,800</u>

**(B) STATEMENTS OF FINANCIAL POSITION**

		<b>As at 31 March</b>			<b>As at 30 September 2017</b>
	<i>Notes</i>	<b>2015</b>	<b>2016</b>	<b>2017</b>	
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSET</b>					
Investment property	10	<u>30,400</u>	<u>30,400</u>	<u>32,800</u>	<u>59,300</u>
<b>CURRENT ASSETS</b>					
Due from the ultimate holding company	11	5,982	—	—	—
Tax recoverable		—	—	75	17
Bank balances	12	<u>187</u>	<u>881</u>	<u>1,032</u>	<u>823</u>
Total current assets		<u>6,169</u>	<u>881</u>	<u>1,107</u>	<u>840</u>
<b>CURRENT LIABILITIES</b>					
Deposit received, other payables and accruals	13	469	492	620	490
Due to an intermediate holding company	11	700	—	—	—
Due to the immediate holding company	11	14,643	12,102	5,316	5,798
Due to fellow subsidiaries	11	1,099	—	—	—
Interest-bearing bank borrowing	14	15,420	13,700	20,080	19,160
Tax payable		<u>38</u>	<u>3</u>	<u>—</u>	<u>—</u>
Total current liabilities		<u>32,369</u>	<u>26,297</u>	<u>26,016</u>	<u>25,448</u>
NET CURRENT LIABILITIES		<u>(26,200)</u>	<u>(25,416)</u>	<u>(24,909)</u>	<u>(24,608)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,200</u>	<u>4,984</u>	<u>7,891</u>	<u>34,692</u>
<b>NON-CURRENT LIABILITY</b>					
Deferred tax liability	15	<u>26</u>	<u>29</u>	<u>32</u>	<u>33</u>
Net assets		<u>4,174</u>	<u>4,955</u>	<u>7,859</u>	<u>34,659</u>
<b>EQUITY</b>					
Share capital	16	—	—	—	—
Retained profits		<u>4,174</u>	<u>4,955</u>	<u>7,859</u>	<u>34,659</u>
Total equity		<u>4,174</u>	<u>4,955</u>	<u>7,859</u>	<u>34,659</u>



## (C) STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i> (note 16)	Retained profits <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 April 2014	—	2,010	2,010
Profit and total comprehensive income for the year	<u>—</u>	<u>2,164</u>	<u>2,164</u>
At 31 March 2015 and 1 April 2015	—	4,174	4,174
Profit and total comprehensive income for the year	<u>—</u>	<u>781</u>	<u>781</u>
At 31 March 2016 and 1 April 2016	—	4,955	4,955
Profit and total comprehensive income for the year	<u>—</u>	<u>2,904</u>	<u>2,904</u>
At 31 March 2017 and 1 April 2017	—	7,859	7,859
Profit and total comprehensive income for the period	<u>—</u>	<u>26,800</u>	<u>26,800</u>
At 30 September 2017	<u>—</u>	<u>34,659</u>	<u>34,659</u>
(Unaudited)			
At 1 April 2016	—	4,955	4,955
Profit and total comprehensive income for the period	<u>—</u>	<u>346</u>	<u>346</u>
At 30 September 2016	<u>—</u>	<u>5,301</u>	<u>5,301</u>

## (D) STATEMENTS OF CASH FLOWS

		Year ended 31 March			Six months ended 30 September	
		2015	2016	2017	2016	2017
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Profit before tax		2,271	912	2,980	391	26,859
Adjustments for:						
Finance costs	5	387	352	457	191	269
Fair value gain on an investment property	10	(1,500)	—	(2,400)	—	(26,500)
		1,158	1,264	1,037	582	628
Increase/(decrease) in deposit received, other payables and accruals		(11)	23	128	139	(130)
Increase/(decrease) in an amount due to the immediate holding company		—	132	314	708	82
Increase/(decrease) in amounts due to fellow subsidiaries		229	—	—	—	—
Cash generated from operations		1,376	1,419	1,479	1,429	580
Hong Kong profits tax paid		(12)	(163)	(151)	—	—
Net cash flows from operating activities		1,364	1,256	1,328	1,429	580
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Interest paid		(387)	(352)	(457)	(191)	(269)
Repayment of bank loan		(1,720)	(1,720)	(14,620)	(13,700)	(920)
New bank loan		—	—	21,000	21,000	—
Advance from/(repayment to) the immediate holding company		590	1,510	(7,100)	(7,100)	400
Net cash flows from/(used in) financing activities		(1,517)	(562)	(1,177)	9	(789)

	<i>Note</i>	Year ended 31 March			Six months ended 30 September	
		2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
					(Unaudited)	
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		(153)	694	151	1,438	(209)
Cash and cash equivalents at beginning of year/period		<u>340</u>	<u>187</u>	<u>881</u>	<u>881</u>	<u>1,032</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	12	<u><u>187</u></u>	<u><u>881</u></u>	<u><u>1,032</u></u>	<u><u>2,319</u></u>	<u><u>823</u></u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS						
Bank balances		<u><u>187</u></u>	<u><u>881</u></u>	<u><u>1,032</u></u>	<u><u>2,319</u></u>	<u><u>823</u></u>

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

Shiny World is a limited liability company incorporated in Hong Kong on 26 January 2005. The registered office of Shiny World is located at Suite 3201, 32/F, Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.

During the Relevant Periods, Shiny World is principally involved in property investment in Hong Kong.

Shiny World is a wholly-owned subsidiary of East Run Investment Limited, a company incorporated in the British Virgin Islands with limited liability. In the opinion of the directors of Shiny World, Wang On Group Limited (“WOG”), a company incorporated in the Bermuda with shares being listed on the Main Board of The Stock Exchange of Hong Kong Limited, is the ultimate holding company of Shiny World.

### 2.1 BASIS OF PRESENTATION

Despite Shiny World’s net current liabilities as at 30 September 2017, the Historical Financial Information has been prepared by the directors of Shiny World under the going concern concept because Wang On Properties Limited (“WOP”), an intermediate holding company, has agreed to provide continual financial support and adequate funds for Shiny World to meet its liabilities as and when they fall due and undertaken not to demand repayment of the amount due to WOP and its subsidiaries until such time as Shiny World is in a position to repay such amounts without impairing its liquidity position. The Company has also agreed to provide continual financial support and adequate funds to Shiny World to meet its liabilities as and when they fall due after the completion of the Shiny World Acquisition.

### 2.2 BASIS OF PREPARATION

The Historical Financial Information has 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 HKICPA and accounting principles generally accepted in Hong Kong and Hong Kong Companies Ordinance. All HKFRSs effective for the accounting period commencing from 1 April 2017, together with the relevant transitional provisions, have been early adopted by Shiny World in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Information.

The Historical Financial Information has been prepared under the historical cost convention, except for investment property which has been measured at fair value.

### 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSS

Shiny World has not applied the following new and revised HKFRSs that have been issued but are not yet effective in the Historical Financial Information. Among the new and revised HKFRSs, the following are expected to be relevant to the Shiny World’s Historical Financial Information upon becoming effective:

HKFRS 9	<i>Financial Instruments</i> <sup>1</sup>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> <sup>2</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>1</sup>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i> <sup>1</sup>
HKFRS 16	<i>Leases</i> <sup>2</sup>
Amendments to HKAS 40	<i>Transfers of Investment Property</i> <sup>1</sup>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> <sup>2</sup>

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2018  
<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

Shiny World is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, Shiny World considers that these new and revised HKFRSs are unlikely to have a significant impact on Shiny World's results of operations and financial position.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Fair value measurement

Shiny World measures its investment property 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 Shiny World. 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.

Shiny World 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 Historical Financial Information 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 Historical Financial Information on a recurring basis, Shiny World 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.

### Related parties

A party is considered to be related to Shiny World 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 Shiny World;
  - (ii) has significant influence over Shiny World; or

- (iii) is a member of the key management personnel of Shiny World or of a parent of Shiny World;
- or
- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and Shiny World 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 Shiny World 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 Shiny World or an entity related to Shiny World;
  - (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 Shiny World or to the parent of Shiny World.

**Investment property**

An investment property is an interest in land and building (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 property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is 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 property is included in the statement of 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 the statement of profit or loss in the year of the retirement or disposal.

**Leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where Shiny World is the lessor, assets leased by Shiny World under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms.

**Financial instruments****(a) Financial assets**

Shiny World's financial assets include an amount due from group companies and bank balances and are classified and accounted for as loans and receivables. Financial assets are recognised on the trade date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Any changes in their value are recognised in the statement of profit or loss.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

An assessment for impairment is undertaken at least at the end of reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment loss on loans and receivables is recognised when there is objective evidence that Shiny World will not be able to collect all the amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

**(b) Financial liabilities**

The Shiny World's financial liabilities include deposit received, other payables, amounts due to group companies and interest-bearing bank borrowing. Financial liabilities are recognised when Shiny World becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled, or expires.

**Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand 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.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, 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 Shiny World operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine the deferred tax.

Deferred tax liabilities are provided in full while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

#### **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to Shiny World and the revenue can be reliably measured.

Rental income is recognised on a time proportion basis over the lease terms.

#### **Employee benefits**

##### ***Retirement benefit costs***

Shiny World operates a defined contribution Mandatory Provident Fund retirement benefits 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 Shiny World in an independently administered fund. Shiny World’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

#### **Borrowing costs**

Borrowing costs are expensed in profit or loss in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the financing of the construction of a qualifying asset. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

### **3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The preparation of Shiny World’s Historical Financial Information 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 Shiny World’s accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

##### ***Operating lease commitments — as lessor***

Shiny World has entered into commercial property lease on its investment property. Shiny World has determined, based on an evaluation of the terms and conditions of the arrangement, that it retains all the significant risks and rewards of ownership of this property which is leased out on operating lease.



**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.

**Estimation of fair value of investment property**

The investment property is a commercial unit in Hong Kong and is revalued at the end of the reporting period on a market value, existing use basis by independent professionally qualified valuer. Such valuation is based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information from current prices in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the end of the reporting period are used.

**4. REVENUE**

Revenue represents rental income earned from an investment property during the Relevant Periods.

**5. FINANCE COSTS**

	Year ended 31 March			Six months ended 30 September	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Interest on a bank borrowing	<u>387</u>	<u>352</u>	<u>457</u>	<u>191</u>	<u>269</u>

**6. PROFIT BEFORE TAX**

Shiny World's profit before tax is arrived at after charging:

	Year ended 31 March			Six months ended 30 September	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Auditor's remuneration*	—	—	—	—	—
Staff costs (excluding directors' remuneration (note 7))					
Wages and salaries	180	92	120	60	65
Pension scheme contribution	<u>14</u>	<u>4</u>	<u>8</u>	<u>4</u>	<u>2</u>
	<u>194</u>	<u>96</u>	<u>128</u>	<u>64</u>	<u>67</u>

\* Auditor's remuneration for the Relevant Periods was borne by WOP.

**7. DIRECTORS' REMUNERATION**

No director received any fees or emoluments in respect of their services rendered to Shiny World during the Relevant Periods.

**8. INCOME TAX EXPENSE**

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods and the six months ended 30 September 2016.

	Year ended 31 March			Six months ended 30 September	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Provision for the year/period	104	128	73	42	58
Deferred ( <i>note 15</i> )	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>1</u>
Total tax charge for the year/period	<u>107</u>	<u>131</u>	<u>76</u>	<u>45</u>	<u>59</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the tax expense at the effective tax rate is as follows:

	Year ended 31 March			Six months ended 30 September	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Profit before tax	<u>2,271</u>	<u>912</u>	<u>2,980</u>	<u>391</u>	<u>26,859</u>
Tax at the Hong Kong statutory tax rate of 16.5%	375	151	492	65	4,432
Income not subject to tax	(248)	—	(396)	—	(4,373)
Tax reduction	<u>(20)</u>	<u>(20)</u>	<u>(20)</u>	<u>(20)</u>	<u>—</u>
Tax charge at Shiny World's effective tax rate	<u>107</u>	<u>131</u>	<u>76</u>	<u>45</u>	<u>59</u>

**9. DIVIDENDS**

No dividend has been paid or declared by Shiny World during the Relevant Periods.

## 10. INVESTMENT PROPERTY

	As at 31 March			As at
	2015	2016	2017	30 September
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Carrying amount at beginning of year/period	28,900	30,400	30,400	32,800
Fair value gain on an investment property	1,500	—	2,400	26,500
Carrying amount at end of year/period	30,400	30,400	32,800	59,300

Shiny World's investment property consists of a commercial property in Hong Kong. The investment property was revalued on 31 March 2015, 2016 and 2017 and 30 September 2017 by Asset Appraisal Limited ("Asset Appraisal"), independent professionally qualified valuer, at HK\$30,400,000, HK\$30,400,000, HK\$32,800,000 and HK\$59,300,000, respectively. For financial reporting purpose, Asset Appraisal was appointed to perform valuations of Shiny World's investment property. Selection criteria of external valuer include market knowledge, reputation, independence and whether professional standards are maintained. Management has discussions with Asset Appraisal on the valuation assumptions and valuation results when the valuations were performed.

Shiny World's investment property with a carrying value of HK\$30,400,000, HK\$30,400,000, HK\$32,800,000 and HK\$59,300,000 as at 31 March 2015, 2016 and 2017 and 30 September 2017, respectively, and the rental income generated therefrom were pledged to secure general banking facility granted to Shiny World (note 14).

The investment property is leased to a third party under an operating lease, further summary details of which is included in note 18 to the Historical Financial Information.

**Fair value hierarchy**

The following table illustrates the fair value measurement hierarchy of Shiny World's investment property:

	Fair value measurement using significant unobservable inputs (Level 3)			As at
	2015	2016	2017	30 September
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
<i>Recurring fair value measurement for:</i>				
Commercial property	30,400	30,400	32,800	59,300

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

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

	<i>HK\$'000</i>
Carrying amount at 1 April 2014	28,900
Gain from a fair value adjustment	<u>1,500</u>
Carrying amount at 31 March 2015 and 1 April 2015	30,400
Gain from a fair value adjustment	<u>—</u>
Carrying amount at 31 March 2016 and 1 April 2016	30,400
Gain from a fair value adjustment	<u>2,400</u>
Carrying amount at 31 March 2017 and 1 April 2017	32,800
Gain from a fair value adjustment	<u>26,500</u>
Carrying amount at 30 September 2017	<u><u>59,300</u></u>

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

	Valuation techniques	Significant unobservable inputs	Weighted average
<b>As at 31 March 2015</b>			
Commercial property	Direct comparison method	Price per square foot	HK\$38,432
<b>As at 31 March 2016</b>			
Commercial property	Direct comparison method	Price per square foot	HK\$38,432
<b>As at 31 March 2017</b>			
Commercial property	Direct comparison method	Price per square foot	HK\$41,466
<b>As at 30 September 2017</b>			
Commercial property	Direct comparison method	Price per square foot	HK\$74,968

As at the end of each of the Relevant Periods, the valuations of investment property was based on direct comparison method by reference to comparable market transactions.

A significant increase/(decrease) in price per square feet in isolation would result in a significantly higher/(lower) fair value of the investment property.

## 11. BALANCES WITH GROUP COMPANIES

At 31 March 2015, 2016 and 2017 and 30 September 2017, the balances with the ultimate holding company, an intermediate holding company, the immediate holding company and fellow subsidiaries are unsecured, interest-free and repayable on demand. The balances are non-trade in nature.

Upon the completion of the Shiny World Acquisition, the balance due to the immediate holding company will be assigned to a subsidiary of the Company.

**12. BANK BALANCES**

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of Shiny World, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

**13. DEPOSIT RECEIVED, OTHER PAYABLES AND ACCRUALS**

The deposit received and other payables are non-interest-bearing. The carrying amounts of the deposit received and other payables approximate to their fair values.

**14. INTEREST-BEARING BANK BORROWING**

	As at 31 March		As at 30 September	
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Secured:				
Bank borrowing	<u>15,420</u>	<u>13,700</u>	<u>20,080</u>	<u>19,160</u>
Analysed into:				
Bank borrowing repayable:				
Within one year or on demand (note a)	<u>15,420</u>	<u>13,700</u>	<u>20,080</u>	<u>19,160</u>

At the end of the each Relevant Periods, the maturity profile of interest-bearing bank borrowing based on the scheduled repayment dates set out in the loan agreements is as follow:

	As at 31 March		As at 30 September	
	2015	2016	2017	2017
Bank borrowing repayable:				
Within one year	1,720	13,700	1,840	1,840
In the second year	<u>13,700</u>	<u>—</u>	<u>18,240</u>	<u>17,320</u>
	<u>15,420</u>	<u>13,700</u>	<u>20,080</u>	<u>19,160</u>

*Notes:*

- (a) The bank borrowing of HK\$13,700,000, nil, HK\$18,240,000 and HK\$17,320,000 as at 31 March 2015, 2016, 2017 and 30 September 2017, respectively, containing an on-demand clause has been classified as current liabilities. For the purpose of the above analysis, the bank borrowing is included within current interest-bearing bank borrowing repayable within one year or on demand.
- (b) The bank borrowing is secured by Shiny World's investment property (note 10) and is guaranteed by WOG as at 31 March 2015 and 2016 and by WOP as at 31 March 2017 and 30 September 2017.
- (c) The bank borrowing bore interest at a floating rate of HIBOR + 2.0% as at 31 March 2015 and 2016 and HIBOR + 1.9% as at 31 March 2017 and 30 September 2017.
- (d) The carrying amount of the bank borrowing approximates to its fair value.

**15. DEFERRED TAX LIABILITY**

The component of deferred tax liability during the Relevant Periods is as follows:

	<b>Depreciation allowance in excess of related depreciation HK\$'000</b>
At 1 April 2014	23
Deferred tax charged to profit or loss during the year ( <i>note 8</i> )	<u>3</u>
At 31 March 2015 and 1 April 2015	26
Deferred tax charged to profit or loss during the year ( <i>note 8</i> )	<u>3</u>
At 31 March 2016 and 1 April 2016	29
Deferred tax charged to profit or loss during the year ( <i>note 8</i> )	<u>3</u>
At 31 March 2017 and 1 April 2017	32
Deferred tax charged to profit or loss during the period ( <i>note 8</i> )	<u>1</u>
At 30 September 2017	<u><u>33</u></u>

**16. SHARE CAPITAL**

	<b>As at 31 March</b>			<b>As at 30 September</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Issued and fully paid:				
1 ordinary share	<u><u>1</u></u>	<u><u>1</u></u>	<u><u>1</u></u>	<u><u>1</u></u>

**17. CONTINGENT LIABILITIES**

At the end of each of the Relevant Periods, Shiny World did not have any significant contingent liabilities.

**18. OPERATING LEASE ARRANGEMENT****As lessor**

Shiny World leases its investment property (note 10) under an operating lease arrangement, with lease negotiated for terms of three years. The terms of the lease also require the tenant to pay security deposit.

At the end of each of the Relevant Periods, Shiny World had total future minimum lease receivable under non-cancellable operating lease with its tenant falling due as follows:

	<b>As at 31 March</b>		<b>As at 30 September</b>	
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,464	610	1,464	1,464
In the second to fifth years, inclusive	<u>610</u>	<u>—</u>	<u>2,074</u>	<u>1,342</u>
	<u><u>2,074</u></u>	<u><u>610</u></u>	<u><u>3,538</u></u>	<u><u>2,806</u></u>

**19. RELATED PARTY TRANSACTIONS**

- (a) In addition to the transactions detailed elsewhere in the Historical Financial Information, Shiny World had the following transactions with related parties during the Relevant Periods and the six months ended 30 September 2016:

	<b>Year ended 31 March</b>			<b>Six months ended 30 September</b>	
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Management fees charged by fellow subsidiaries	<u>30</u>	<u>22</u>	<u>31</u>	<u>15</u>	<u>15</u>

The above transactions were conducted at terms and conditions mutually agreed between the relevant parties.

- (b) During the year ended 31 March 2015 and 2016 and during the year ended 31 March 2017 and six month period ended 30 September 2017, WOG and WOP, respectively, had given a corporate guarantee to a bank in respect of a bank borrowing granted to Shiny World (note 14). WOG and WOP received no consideration for providing these guarantees.
- (c) **Outstanding balances with related parties**

Details of Shiny World's balances with its ultimate holding company, intermediate holding company, immediate holding company and fellow subsidiaries as at the end of each of the Relevant Periods are disclosed in note 11 to the Historical Financial Information.

**20. NOTE TO THE STATEMENT OF CASH FLOWS****Major non-cash transaction**

During the year ended 31 March 2016, an amount due from the ultimate holding company of HK\$5,982,000 and amounts due to an intermediate holding company and fellow subsidiaries with an aggregate amount of HK\$1,799,000 were assigned to the immediate holding company.

**Change in liabilities arising from financing activities**

	<b>Interest- bearing bank borrowing HK\$'000</b>	<b>Due to the immediate holding company HK\$'000</b>
At 1 April 2014	17,140	14,053
Changes from financing cash flows	(1,720)	590
Changes from operating cash flows	<u>—</u>	<u>—</u>
As at 31 March 2015 and 1 April 2015	15,420	14,643
Changes from financing cash flows	(1,720)	1,510
Changes from operating cash flows	—	132
Assignment of an amount due from the ultimate holding company	—	(5,982)
Assignment of amounts due to an intermediate holding company and fellow subsidiaries	<u>—</u>	<u>1,799</u>
As at 31 March 2016 and 1 April 2016	13,700	12,102
Changes from financing cash flows	6,380	(7,100)
Changes from operating cash flows	<u>—</u>	<u>314</u>
As at 31 March 2017 and 1 April 2017	20,080	5,316
Changes from financing cash flows	(920)	400
Changes from operating cash flows	<u>—</u>	<u>82</u>
As at 30 September 2017	<u>19,160</u>	<u>5,798</u>
(Unaudited)		
As at 1 April 2016	13,700	12,102
Changes from financing cash flows	7,300	(7,100)
Changes from operating cash flows	<u>—</u>	<u>708</u>
As at 30 September 2016	<u>21,000</u>	<u>5,710</u>

**21. FINANCIAL INSTRUMENTS BY CATEGORY**

All financial assets and liabilities of Shiny World as at the end of each of the Relevant Periods are loans and receivables, and financial liabilities at amortised cost, respectively.



**22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

Shiny World's principal financial instruments include balances with the group companies, bank balances, deposits received, other payables and interest-bearing bank borrowing. The main purpose of these financial instruments is to raise finance for Shiny World's operations.

Management meets periodically to analyse and formulate measures to manage Shiny World's exposure to financial risks, principally relating to interest rate risk and liquidity risk. Shiny World had no significant exposures to credit risk, foreign currency risk and equity price risk. Generally Shiny World employs a conservative strategy regarding its risk management.

**Interest risk**

Shiny World's exposure to the risk of changes in market interest rates relates primarily to Shiny World's bank borrowing which is based on HIBOR. Shiny World mitigates the risk by monitoring closely the movements in interest rates and reviewing its banking facility regularly. Shiny World had not used any interest rate swap to hedge its exposure to interest rate risk.

As at 31 March 2015, 2016 and 2017 and 30 September 2017, if the interest rate on borrowing had been 100 basis points higher/lower, which was considered reasonably possible by management, with all other variables held constant, the profit before tax for the year would have been decreased/increased by HK\$164,000, HK\$146,000, HK\$176,000 and HK\$99,000, respectively, as a result of higher/lower interest expenses on bank borrowing.

**Liquidity risk**

Shiny World's objective is to maintain a balance between continuity of funding and flexibility through the use of fund provided by the immediate holding company.

Shiny World had not experienced any difficulty in obtaining continual financial support from the immediate holding company in the past, and hence the directors of Shiny World are of the opinion that liquidity risk of Shiny World is not significant.

Shiny World's financial liabilities as at the end of each of the Relevant Periods were all payable within one year.

**Capital management**

The primary objectives of Shiny World's capital management are to safeguard Shiny World's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

Shiny World manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, Shiny World may adjust the dividend payment to shareholders, return capital to shareholder or issue new shares. Shiny World is not subject to any externally imposed capital requirements.

**23. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by Shiny World in respect of any period subsequent to 30 September 2017.

*The following is the text of the accountant's report on Wang To prepared for the sole purpose of incorporation in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.*



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

The Directors  
Wai Yuen Tong Medicine Holdings Limited

Dear Sirs,

We report on the historical financial information of Wang To Investments Limited (“**Wang To**”) set out on pages IID-4 to IID-24, which comprises the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of Wang To for each of the years ended 31 March 2015, 2016 and 2017, and the six months ended 30 September 2017 (the “**Relevant Periods**”), and the statements of financial position of Wang To as at 31 March 2015, 2016 and 2017 and 30 September 2017 and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages IID-4 to IID-24 forms an integral part of this report, which has been prepared for inclusion in the circular of Wai Yuen Tong Medicine Holdings Limited (the “**Company**”) dated 29 March 2018 (the “**Circular**”) in connection with the acquisition of the entire equity interest and the shareholder's loan of Wang To by a subsidiary of the Company (the “**Wang To Acquisition**”).

#### **DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION**

The directors of Wang To are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

#### **REPORTING ACCOUNTANTS' RESPONSIBILITY**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute

of Certified Public Accountants (the “**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of Wang To as at 31 March 2015, 2016 and 2017 and 30 September 2017 and of the financial performance and cash flows of Wang To for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

## REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of Wang To which comprises the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 September 2016 and other explanatory information (the “**Interim Comparative Financial Information**”). The directors of Wang To are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an

audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF  
SECURITIES ON THE MAIN BOARD OF THE STOCK EXCHANGE AND THE  
COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IID-4 have been made.

**Dividends**

No dividends have been paid by Wang To in respect of the Relevant Periods.

Yours faithfully,

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

29 March 2018

**I. HISTORICAL FINANCIAL INFORMATION****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of Wang To for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “**Underlying Financial Statements**”).

The statutory financial statements of Wang To for the years ended 31 March 2015, 2016 and 2017 prepared under Hong Kong Financial Reporting Standards were audited by FTO CPA Limited, certified public accountants registered in Hong Kong.

The Historical Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

**(A) STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	<i>Notes</i>	<b>Year ended 31 March</b>			<b>Six months ended 30 September</b>	
		<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(Unaudited)	
REVENUE	4	1,116	1,265	1,070	523	550
Cost of services provided	6	(27)	(6)	(31)	(7)	—
Gross profit		1,089	1,259	1,039	516	550
Administrative expenses		(151)	(169)	(259)	(96)	(103)
Finance costs	5	(412)	(546)	(565)	(271)	(294)
Fair value gain/(loss) on an investment property		1,056	55	1,779	(16)	20,050
PROFIT BEFORE TAX	6	1,582	599	1,994	133	20,203
Income tax expense	8	(206)	(70)	(15)	(6)	(25)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		<u>1,376</u>	<u>529</u>	<u>1,979</u>	<u>127</u>	<u>20,178</u>

**(B) STATEMENTS OF FINANCIAL POSITION**

		As at 31 March			As at
		2015	2016	2017	30 September
	Notes	HK\$'000	HK\$'000	HK\$'000	2017
					HK\$'000
<b>NON-CURRENT ASSET</b>					
Investment property	10	<u>20,000</u>	<u>20,000</u>	<u>22,000</u>	<u>42,000</u>
<b>CURRENT ASSETS</b>					
Trade receivable	11	—	110	—	—
Due from the ultimate holding company	12	16,102	—	—	—
Due from the immediate holding company	12	10,588	7,963	8,149	8,072
Tax recoverable		6	17	74	51
Bank balances	13	<u>566</u>	<u>748</u>	<u>541</u>	<u>836</u>
Total current assets		<u>27,262</u>	<u>8,838</u>	<u>8,764</u>	<u>8,959</u>
<b>CURRENT LIABILITIES</b>					
Deposits received, other payables and accruals	14	393	414	357	372
Due to fellow subsidiaries	12	18,978	—	—	—
Interest-bearing bank borrowings	15	<u>28,000</u>	<u>28,000</u>	<u>28,000</u>	<u>28,000</u>
Total current liabilities		<u>47,371</u>	<u>28,414</u>	<u>28,357</u>	<u>28,372</u>
<b>NET CURRENT LIABILITIES</b>		<u>(20,109)</u>	<u>(19,576)</u>	<u>(19,593)</u>	<u>(19,413)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(109)</u>	<u>424</u>	<u>2,407</u>	<u>22,587</u>
<b>NON-CURRENT LIABILITY</b>					
Deferred tax liability	16	<u>26</u>	<u>30</u>	<u>34</u>	<u>36</u>
Net assets/(liabilities)		<u>(135)</u>	<u>394</u>	<u>2,373</u>	<u>22,551</u>
<b>EQUITY</b>					
Share capital	17	—	—	—	—
Retained profits/(accumulated losses)		<u>(135)</u>	<u>394</u>	<u>2,373</u>	<u>22,551</u>
Total equity/(deficiency in assets)		<u>(135)</u>	<u>394</u>	<u>2,373</u>	<u>22,551</u>

## (C) STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i> <i>(note 17)</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Total equity/ (deficiency in assets) <i>HK\$'000</i>
At 1 April 2014	—	(1,511)	(1,511)
Profit and total comprehensive income for the year	<u>—</u>	<u>1,376</u>	<u>1,376</u>
At 31 March 2015 and 1 April 2015	—	(135)	(135)
Profit and total comprehensive income for the year	<u>—</u>	<u>529</u>	<u>529</u>
At 31 March 2016 and 1 April 2016	—	394	394
Profit and total comprehensive income for the year	<u>—</u>	<u>1,979</u>	<u>1,979</u>
At 31 March 2017 and 1 April 2017	—	2,373	2,373
Profit and total comprehensive income for the period	<u>—</u>	<u>20,178</u>	<u>20,178</u>
At 30 September 2017	<u>—</u>	<u>22,551</u>	<u>22,551</u>
(Unaudited)			
At 1 April 2016	—	394	394
Profit and total comprehensive income for the period	<u>—</u>	<u>127</u>	<u>127</u>
At 30 September 2016	<u>—</u>	<u>521</u>	<u>521</u>



## (D) STATEMENTS OF CASH FLOWS

		Year ended 31 March			Six months ended 30 September	
		2015	2016	2017	2016	2017
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Profit before tax		1,582	599	1,994	133	20,203
Adjustments for:						
Finance costs	5	412	546	565	271	294
Accrued rent-free rental income	10	(44)	55	(221)	(16)	50
Fair value gain on an investment property	10	(1,056)	(55)	(1,779)	16	(20,050)
		894	1,145	559	404	497
(Increase)/decrease in trade receivable		—	(110)	110	43	—
Increase/(decrease) in deposit received, other payables and accruals		65	21	(57)	56	15
Decrease/(increase) in an amount due from the immediate holding company		27	(251)	(586)	(292)	77
Increase/(decrease) in amounts due to fellow subsidiaries		139	—	—	—	—
Cash generated from operations		1,125	805	26	211	589
Hong Kong profits tax paid		(222)	(77)	(68)	—	—
Net cash flows from/(used in) operating activities		903	728	(42)	211	589
<b>CASH FLOWS FROM AN INVESTING ACTIVITY</b>						
Repayment from/(advance to) the immediate holding company		(10,615)	—	400	400	—
Net cash flow from/(used in) an investing activity		(10,615)	—	400	400	—

	<i>Note</i>	Year ended 31 March			Six months ended 30 September	
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES						
Interest paid		(412)	(546)	(565)	(270)	(294)
Repayment to the immediate holding company		(2,592)	—	—	—	—
New bank loan		13,000	—	—	—	—
Net cash flows from/(used in) financing activities		9,996	(546)	(565)	(270)	(294)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		284	182	(207)	341	295
Cash and cash equivalents at beginning of year/ period		282	566	748	748	541
CASH AND CASH EQUIVALENTS AT END OF YEAR/ PERIOD	13	566	748	541	1,089	836
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS						
Bank balances		566	748	541	1,089	836

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

Wang To is a limited liability company incorporated in Hong Kong on 26 May 1994. The registered office of Wang To is located at Suite 3201, 32/F, Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.

During the Relevant Periods, Wang To is principally involved in property investment in Hong Kong.

Wang To is a wholly-owned subsidiary of East Run Investment Limited, a company incorporated in the British Virgin Islands with limited liability. In the opinion of the directors of Wang To, Wang On Group Limited (“WOG”), a company incorporated in the Bermuda with shares being listed on the Main Board of The Stock Exchange of Hong Kong Limited, is the ultimate holding company of Wang To.

### 2.1 BASIS OF PRESENTATION

Despite Wang To's net current liabilities as at 30 September 2017, the Historical Financial Information has been prepared by the directors of Wang To under the going concern concept because Wang On Properties Limited (“WOP”), an intermediate holding company, has agreed to provide continual financial support and adequate funds for Wang To to meet its liabilities as and when they fall due and undertaken not to demand repayment of the amount due to WOP and its subsidiaries until such time as Wang To is in a position to repay such amounts without impairing its liquidity position. The Company has also agreed to provide continual financial support and adequate funds to Wang To to meet its liabilities as and when they fall due after the completion of the Wang To Acquisition.

### 2.2 BASIS OF PREPARATION

The Historical Financial Information has 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 HKICPA and accounting principles generally accepted in Hong Kong and Hong Kong Companies Ordinance. All HKFRSs effective for the accounting period commencing from 1 April 2017, together with the relevant transitional provisions, have been early adopted by Wang To in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Information.

The Historical Financial Information has been prepared under the historical cost convention, except for investment property which has been measured at fair value.

### 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSS

Wang To has not applied the following new and revised HKFRSs that have been issued but are not yet effective in the Historical Financial Information. Among the new and revised HKFRSs, the following are expected to be relevant to the Wang To's Historical Financial Information upon becoming effective:

HKFRS 9	<i>Financial Instruments</i> <sup>1</sup>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> <sup>2</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>1</sup>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i> <sup>1</sup>
HKFRS 16	<i>Leases</i> <sup>2</sup>
Amendments to HKAS 40	<i>Transfers of Investment Property</i> <sup>1</sup>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> <sup>2</sup>

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2018  
<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

Wang To is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, Wang To considers that these new and revised HKFRSs are unlikely to have a significant impact on Wang To's results of operations and financial position.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Fair value measurement

Wang To measures its investment property 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 Wang To. 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.

Wang To 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 Historical Financial Information 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 Historical Financial Information on a recurring basis, Wang To 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.

### Related parties

A party is considered to be related to Wang To 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 Wang To;
  - (ii) has significant influence over Wang To; or

- (iii) is a member of the key management personnel of Wang To or of a parent of Wang To;  
or
- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and Wang To 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 Wang To 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 Wang To or an entity related to Wang To;
  - (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 Wang To or to the parent of Wang To.

**Investment property**

An investment property is an interest in land and building (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 property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is 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 property is included in the statement of 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 the statement of profit or loss in the year of the retirement or disposal.

**Leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where Wang To is the lessor, assets leased by Wang To under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms.

**Financial instruments****(a) Financial assets**

Wang To's financial assets include an amount due from the group companies, trade receivable and bank balances and are classified and accounted for as loans and receivables. Financial assets are recognised on the trade date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Any changes in their value are recognised in the statement of profit or loss.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

An assessment for impairment is undertaken at least at the end of reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment loss on loans and receivables is recognised when there is objective evidence that Wang To will not be able to collect all the amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

**(b) Financial liabilities**

The Wang To's financial liabilities include deposit received, deposit received and other payables, amounts due to group companies and interest-bearing bank borrowings. Financial liabilities are recognised when Wang To becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled, or expires.

**Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand 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.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, 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 Wang To operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine the deferred tax.

Deferred tax liabilities are provided in full while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

#### **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to Wang To and the revenue can be reliably measured.

Rental income is recognised on a time proportion basis over the lease terms.

#### **Employee benefits**

##### ***Retirement benefit costs***

Wang To operates a defined contribution Mandatory Provident Fund retirement benefits 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 Wang To in an independently administered fund. Wang To’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

#### **Borrowing costs**

Borrowing costs are expensed in profit or loss in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the financing of the construction of a qualifying asset. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

### **3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The preparation of Wang To’s Historical Financial Information 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 Wang To’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 — as lessor***

Wang To has entered into commercial property lease on its investment property. Wang To has determined, based on an evaluation of the terms and conditions of the arrangement, that it retains all the significant risks and rewards of ownership of this property which is leased out on operating lease.

**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.

**Estimation of fair value of investment property**

The investment property is a commercial unit in Hong Kong and is revalued at the end of the reporting period on a market value, existing use basis by independent professionally qualified valuer. Such valuation is based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information from current prices in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the end of the reporting period are used.

**4. REVENUE**

Revenue represents rental income earned from an investment property during the Relevant Periods.

**5. FINANCE COSTS**

	Year ended 31 March			Six months ended 30 September	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Interest on bank borrowings	<u>412</u>	<u>546</u>	<u>565</u>	<u>271</u>	<u>294</u>

**6. PROFIT BEFORE TAX**

Wang To's profit before tax is arrived at after charging:

	Year ended 31 March			Six months ended 30 September	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Auditor's remuneration*	—	—	—	—	—
Staff costs (excluding directors' remuneration (note 7))					
Wages and salaries	83	91	120	60	65
Pension scheme contribution	<u>14</u>	<u>8</u>	<u>8</u>	<u>4</u>	<u>2</u>
	<u>97</u>	<u>99</u>	<u>128</u>	<u>64</u>	<u>67</u>

\* Auditor's remuneration for the Relevant Periods was borne by WOP.

**7. DIRECTORS' REMUNERATION**

No director received any fees or emoluments in respect of their services rendered to Wang To during the Relevant Periods.



**8. INCOME TAX EXPENSE**

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods and the six months ended 30 September 2016.

	Year ended 31 March			Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Provision for the year/period	63	66	11	4	23
Underprovision in prior years	139	—	—	—	—
Deferred ( <i>note 16</i> )	<u>4</u>	<u>4</u>	<u>4</u>	<u>2</u>	<u>2</u>
Total tax charge for the year/ period	<u>206</u>	<u>70</u>	<u>15</u>	<u>6</u>	<u>25</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the tax expense at the effective tax rate is as follows:

	Year ended 31 March			Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Profit before tax	<u>1,582</u>	<u>599</u>	<u>1,995</u>	<u>133</u>	<u>20,203</u>
Tax at the Hong Kong statutory tax rate of 16.5%	261	99	329	22	3,333
Adjustments in respect of current tax of prior years	139	—	—	—	—
Income not subject to tax	(174)	(9)	(294)	(3)	(3,308)
Tax reduction	<u>(20)</u>	<u>(20)</u>	<u>(20)</u>	<u>(13)</u>	<u>—</u>
Tax charge at Wang To's effective tax rate	<u>206</u>	<u>70</u>	<u>15</u>	<u>6</u>	<u>25</u>

**9. DIVIDENDS**

No dividend has been paid or declared by Wang To during the Relevant Periods.

## 10. INVESTMENT PROPERTY

	As at 31 March			As at
	2015	2016	2017	30 September
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Carrying amount at beginning of year/ period	18,900	20,000	20,000	22,000
Accrued rent-free rental income	44	(55)	221	(50)
Fair value gain on an investment property	<u>1,056</u>	<u>55</u>	<u>1,779</u>	<u>20,050</u>
Carrying amount at end of year/period	<u>20,000</u>	<u>20,000</u>	<u>22,000</u>	<u>42,000</u>

Wang To's investment property consists of a commercial property in Hong Kong. The investment property was revalued on 31 March 2015, 2016 and 2017 and 30 September 2017 by Asset Appraisal Limited ("Asset Appraisal"), independent professionally qualified valuer, at HK\$20,000,000, HK\$20,000,000, HK\$22,000,000 and HK\$42,000,000, respectively. For financial reporting purpose, Asset Appraisal was appointed to perform valuations of Wang To's investment property. Selection criteria of external valuer include market knowledge, reputation, independence and whether professional standards are maintained. Management has discussions with Asset Appraisal on the valuation assumptions and valuation results when the valuations were performed.

Wang To's investment property with a carrying value of HK\$20,000,000, HK\$20,000,000, HK\$22,000,000 and HK\$42,000,000 as at 31 March 2015, 2016 and 2017 and 30 September 2017, respectively, and the rental income generated therefrom were pledged to secure general banking facility granted to Wang To (note 14).

The investment property is leased to a third party under an operating lease, further summary details of which is included in note 18 to the Historical Financial Information.

**Fair value hierarchy**

The following table illustrates the fair value measurement hierarchy of Wang To's investment property:

	Fair value measurement using significant unobservable inputs (Level 3)			As at
	As at 31 March			30 September
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Recurring fair value measurement for:</i>				
Commercial property	<u>20,000</u>	<u>20,000</u>	<u>22,000</u>	<u>42,000</u>

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

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

	<i>HK\$'000</i>
Carrying amount at 1 April 2014	18,900
Accrued rent-free rental income	44
Gain from a fair value adjustment	<u>1,056</u>
Carrying amount at 31 March 2015 and 1 April 2015	20,000
Accrued rent-free rental income	(55)
Gain from a fair value adjustment	<u>55</u>
Carrying amount at 31 March 2016 and 1 April 2016	20,000
Accrued rent-free rental income	221
Gain from a fair value adjustment	<u>1,779</u>
Carrying amount at 31 March 2017 and 1 April 2017	22,000
Accrued rent-free rental income	(50)
Gain from a fair value adjustment	<u>20,050</u>
Carrying amount at 30 September 2017	<u><u>42,000</u></u>

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

	Valuation techniques	Significant unobservable inputs	Weighted average
<b>As at 31 March 2015</b>			
Commercial property	Direct comparison method	Price per square foot	HK\$28,090
<b>As at 31 March 2016</b>			
Commercial property	Direct comparison method	Price per square foot	HK\$28,090
<b>As at 31 March 2017</b>			
Commercial property	Direct comparison method	Price per square foot	HK\$30,899
<b>As at 30 September 2017</b>			
Commercial property	Direct comparison method	Price per square foot	HK\$58,989

As at the end of each of the Relevant Periods, the valuations of investment property was based on direct comparison method by reference to comparable market transactions.

A significant increase/(decrease) in price per square feet in isolation would result in a significantly higher/(lower) fair value of the investment property.

**11. TRADE RECEIVABLE**

	As at 31 March		As at
	2015	2016	30 September
	2017	2017	2017
	HK\$'000	HK\$'000	HK\$'000
Rental receivable	—	110	—

Wang To generally grants a credit period of 30 days for its tenant. Wang To seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. The rental receivable is non-interest bearing.

The aged analysis of trade receivable that are neither individually nor collectively considered to be impaired is as follows:

	As at 31 March		As at
	2015	2016	30 September
	2017	2017	2017
	HK\$'000	HK\$'000	HK\$'000
Neither past due nor impaired	—	110	—

Trade receivable that were neither past due nor impaired relate to a tenant for whom there was no recent history of default.

**12. BALANCES WITH GROUP COMPANIES**

At 31 March 2015, 2016 and 2017 and 30 September 2017, the balances with the ultimate holding company, an intermediate holding company, the immediate holding company and fellow subsidiaries are unsecured, interest-free and repayable on demand. The balances are non-trade in nature.

Upon the completion of the Wang To Acquisition, the balance due from the immediate holding company will be assigned to a subsidiary of the Company.

**13. BANK BALANCES**

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of Wang To, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

**14. DEPOSIT RECEIVED, OTHER PAYABLES AND ACCRUALS**

The deposit received and other payables are non-interest-bearing. The carrying amounts of the deposit received and other payables approximate to their fair values.

## 15. INTEREST-BEARING BANK BORROWINGS

	As at 31 March			As at
	2015	2016	2017	30 September
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Secured:				
Bank borrowings	<u>28,000</u>	<u>28,000</u>	<u>28,000</u>	<u>28,000</u>
Analysed into:				
Bank borrowings repayable:				
Within one year or on demand ( <i>note a</i> )	<u>28,000</u>	<u>28,000</u>	<u>28,000</u>	<u>28,000</u>

At the end of the each Relevant Periods, the maturity profile of interest-bearing bank borrowings based on the scheduled repayment dates set out in the loan agreements is as follow:

	As at 31 March			As at
	2015	2016	2017	30 September
				2017
Bank borrowings repayable:				
Within one year	—	—	15,000	15,000
In the second year	—	15,000	—	—
In the third to fifth year, inclusive	<u>28,000</u>	<u>13,000</u>	<u>13,000</u>	<u>13,000</u>
	<u>28,000</u>	<u>28,000</u>	<u>28,000</u>	<u>28,000</u>

*Notes:*

- (a) The bank borrowings of HK\$28,000,000, HK\$28,000,000, HK\$13,000,000 and HK\$13,000,000 as at 31 March 2015, 2016 and 2017 and 30 September 2017, respectively, containing an on-demand clause have been classified as current liabilities. For the purpose of the above analysis, the bank borrowings are included within current interest-bearing bank borrowings repayable within one year or on demand.
- (b) The bank borrowings are secured by Wang To's investment property (note 10) and is guaranteed by WOG as at 31 March 2015 and 2016 and by WOP as at 31 March 2017 and 30 September 2017.
- (c) The bank borrowings bore interest at a floating rate of HIBOR + 1.75% as at 31 March 2015, 2016 and 2017 and 30 September 2017.
- (d) The carrying amount of the bank borrowings approximate to their fair values.

**16. DEFERRED TAX LIABILITY**

The component of deferred tax liability during the Relevant Periods is as follows:

	<b>Depreciation allowance in excess of related depreciation HK\$'000</b>
At 1 April 2014	22
Deferred tax charged to profit or loss during the year ( <i>note 8</i> )	<u>4</u>
At 31 March 2015 and 1 April 2015	26
Deferred tax charged to profit or loss during the year ( <i>note 8</i> )	<u>4</u>
At 31 March 2016 and 1 April 2016	30
Deferred tax charged to profit or loss during the year ( <i>note 8</i> )	<u>4</u>
At 31 March 2017 and 1 April 2017	34
Deferred tax charged to profit or loss during the period ( <i>note 8</i> )	<u>2</u>
At 30 September 2017	<u><u>36</u></u>

**17. SHARE CAPITAL**

	<b>As at 31 March</b>			<b>As at 30 September</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Issued and fully paid:				
2 ordinary shares	<u><u>2</u></u>	<u><u>2</u></u>	<u><u>2</u></u>	<u><u>2</u></u>

**18. CONTINGENT LIABILITIES**

At the end of each of the Relevant Periods, Wang To did not have any significant contingent liabilities.

**19. OPERATING LEASE ARRANGEMENT****As lessor**

Wang To leases its investment property (note 10) under an operating lease arrangement, with lease negotiated for terms of two to three years. The terms of the lease also require the tenant to pay security deposit.

At the end of each of the Relevant Periods, Wang To had total future minimum lease receivable under non-cancellable operating lease with its tenant falling due as follows:

	<b>As at 31 March</b>			<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>30 September</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i>
				<i>HK\$'000</i>
Within one year	1,320	550	1,200	1,200
In the second to fifth years, inclusive	<u>550</u>	<u>—</u>	<u>1,800</u>	<u>1,200</u>
	<u>1,870</u>	<u>550</u>	<u>3,000</u>	<u>2,400</u>

**20. RELATED PARTY TRANSACTIONS**

- (a) In addition to the transactions detailed elsewhere in the Historical Financial Information, Wang To had the following transactions with related parties during the Relevant Periods and the six months ended 30 September 2016:

	<b>Year ended 31 March</b>			<b>Six months ended</b>	
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>30 September</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>	<i>2017</i>
				<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Management fees charged by fellow subsidiaries	<u>15</u>	<u>19</u>	<u>31</u>	<u>15</u>	<u>15</u>

The above transactions were conducted at terms and conditions mutually agreed between the relevant parties.

- (b) During the year ended 31 March 2015 and 2016 and during the year ended 31 March 2017 and six month period ended 30 September 2017, WOG and WOP, respectively, had given a corporate guarantee to a bank in respect of a bank borrowings granted to Wang To (note 15). WOG and WOP received no consideration for providing these guarantees.

**(c) Outstanding balances with related parties**

Details of Wang To's balances with its ultimate holding company, immediate holding company and fellow subsidiaries as at the end of each of the Relevant Periods are disclosed in note 12 to the Historical Financial Information.

**21. NOTE TO THE STATEMENT OF CASH FLOWS****Major non-cash transaction**

During the year ended 31 March 2016, an amount due from the ultimate holding company of HK\$16,102,000 and amounts due to fellow subsidiaries with an aggregate amount of HK\$18,978,000 were assigned to the immediate holding company.

**Change in liabilities arising from financing activities**

	<b>Interest- bearing bank borrowings</b> <i>HK\$'000</i>	<b>Due to/(from) the immediate holding company</b> <i>HK\$'000</i>
At 1 April 2014	15,000	2,595
Changes from financing cash flows	13,000	(2,595)
Changes from investing cash flows	—	(10,615)
Changes from operating cash flows	<u>—</u>	<u>27</u>
As at 31 March 2015 and 1 April 2015		<u><u>(10,588)</u></u>
As at 31 March 2015, 1 April 2015, 31 March 2016, 1 April 2016, 30 September 2016, 31 March 2017, 1 April 2017 and 30 September 2017	<u><u>28,000</u></u>	

**22. FINANCIAL INSTRUMENTS BY CATEGORY**

All financial assets and liabilities of Wang To as at the end of each of the Relevant Periods are loans and receivables, and financial liabilities at amortised cost, respectively.

**23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

Wang To's principal financial instruments include balances with the group companies, trade receivable, bank balances, deposit received and other payables and interest-bearing bank borrowing. The main purpose of these financial instruments is to raise finance for Wang To's operations.

Management meets periodically to analyse and formulate measures to manage Wang To's exposure to financial risks, principally relating to interest rate risk and liquidity risk. Wang To had no significant exposures to credit risk, foreign currency risk and equity price risk. Generally Wang To employs a conservative strategy regarding its risk management.

**Interest risk**

Wang To's exposure to the risk of changes in market interest rates relates primarily to Wang To's bank borrowing which is based on HIBOR. Wang To mitigates the risk by monitoring closely the movements in interest rates and reviewing its banking facility regularly. Wang To had not used any interest rate swap to hedge its exposure to interest rate risk.



As at 31 March 2015, 2016 and 2017 and 30 September 2017, if the interest rate on borrowing had been 100 basis points higher/lower, which was considered reasonably possible by management, with all other variables held constant, the profit before tax for the year would have been decreased/increased by HK\$280,000, HK\$280,000, HK\$280,000 and HK\$140,000, respectively, as a result of higher/lower interest expenses on bank borrowing.

**Liquidity risk**

Wang To's objective is to maintain a balance between continuity of funding and flexibility through the use of fund provided by the immediate holding company.

Wang To had not experienced any difficulty in obtaining continual financial support from the immediate holding company in the past, and hence the directors of Wang To are of the opinion that liquidity risk of Wang To is not significant.

Wang To's financial liabilities as at the end of each of the Relevant Periods were all payable within one year.

**Capital management**

The primary objectives of Wang To's capital management are to safeguard Wang To's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

Wang To manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, Wang To may adjust the dividend payment to shareholders, return capital to shareholder or issue new shares. Wang To is not subject to any externally imposed capital requirements.

**24. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by Wang To in respect of any period subsequent to 30 September 2017.

Set out below is the management discussion and analysis of the Target Companies for each of the years ended 31 March 2015, 2016, 2017 and the six months ended 30 September 2017.

## **A. ORIENTAL SINO**

### **Business Review**

The principal asset of Oriental Sino is the relevant Property and Oriental Sino is principally engaged in property investment.

### **Financial Review**

#### *Revenue*

The revenue of Oriental Sino for each of the years ended 31 March 2015, 2016, 2017 and the six months ended 30 September 2017 was approximately HK\$1.2 million, HK\$10.2 million, HK\$10.2 million and HK\$5.1 million respectively which was derived from property leasing, being the sole business of Oriental Sino.

#### *Administrative expenses*

The administrative expenses which primarily comprise audit fees, secretarial fees, donations to charities and other administrative expenses, of Oriental Sino for each of the years ended 31 March 2015, 2016, 2017 and the six months ended 30 September 2017 were approximately HK\$0.3 million, HK\$2.4 million, HK\$2.9 million and HK\$2.0 million respectively.

#### *Net profit/(loss)*

The net profit/(loss) of Oriental Sino for each of the years ended 31 March 2015, 2016, 2017 and the six months ended 30 September 2017 were approximately HK\$10.9 million, (HK\$6.3 million), (HK\$11.4 million) and HK\$5.2 million respectively.

### **Liquidity, Financial Resources and Capital Structure**

As at 30 September 2017, Oriental Sino had total liabilities of HK\$218.7 million, which mainly comprised interest-bearing bank borrowings and due to the immediate holding company. The gearing ratio, calculated by reference to its interest-bearing bank borrowings net of bank balances divided by its total equity, of Oriental Sino was 335.1% as at 30 September 2017.

As at 30 September 2017, Oriental Sino did not have any significant capital commitments. Oriental Sino's secured bank borrowings bear contractual interest rate of HIBOR plus 1.65%.

Oriental Sino had not used any derivatives or other instruments for managing its interest rate risk, or for hedging purposes. Please refer to note 23 to the financial information of Oriental Sino set out in Appendix IIA to this circular for information regarding Oriental Sino interest rate risk, liquidity risk and capital management.

**Charge on Assets**

The investment property of Oriental Sino with carrying amounts of approximately HK\$238.0 million was pledged to secure general banking facility granted to Oriental Sino as at 30 September 2017.

**Employees**

Oriental Sino had no employee throughout each of the years ended 31 March 2015, 2016, 2017 and the six months ended 30 September 2017.

**Future Plan for Material Investments or Capital Assets**

Oriental Sino does not have present intention to engage in any material investment or acquire capital assets and its sole business is expected to remain to be the holding of the respective Property.

**Contingent Liabilities**

Oriental Sino did not have any material contingent liability as at 30 September 2017.

**B. PRECIOUS INVESTMENTS****Business Review**

The principal asset of Precious Investments is the relevant Property and Precious Investments is principally engaged in property investment.

**Financial Review*****Revenue***

The revenue of Precious Investments for the year ended 31 March 2017 and the six months ended 30 September 2017 was approximately HK\$0.5 million and HK\$1.0 million respectively which was derived from property leasing, being the sole business of Precious Investments.

***Administrative expenses***

The administrative expenses which primarily comprise audit fees, secretarial fees, and other administrative expenses, of Precious Investments for the period ended 31 March 2017 and the six months ended 30 September 2017 were approximately HK\$0.1 million and HK\$0.1 million respectively.

***Net profit/(loss)***

The net profit/(loss) of Precious Investments for the period ended 31 March 2017 and the six months ended 30 September 2017 were approximately (HK\$7.4 million) and HK\$1.1 million respectively.

**Liquidity, Financial Resources and Capital Structure**

As at 30 September 2017, Precious Investments had total liabilities of HK\$91.1 million, which mainly comprised interest-bearing bank borrowings, loan from an intermediate holding company and due to the immediate holding company and an intermediate holding company. The gearing ratio was not applicable, as Precious Investments was deficiency in assets as at 30 September 2017.

As at 30 September 2017, Precious Investments did not have any significant capital commitments. Precious Investments's secured bank borrowings bear contractual interest rate of HIBOR plus 1.75%.

Precious Investments had not used any derivatives or other instruments for managing its interest rate risk, or for hedging purposes. Please refer to note 22 to the financial information of Precious Investments set out in Appendix IIB to this circular for information regarding Precious Investments interest rate risk, liquidity risk and capital management.

**Charge on Assets**

The investment property of Precious Investments with carrying amounts of approximately HK\$84.4 million was pledged to secure general banking facility granted to Precious Investments as at 30 September 2017.

**Employees**

Precious Investments had no employee throughout the period ended 31 March 2017 and the six months ended 30 September 2017.

**Future Plan for Material Investments or Capital Assets**

Precious Investments does not have present intention to engage in any material investment or acquire capital assets and its sole business is expected to remain to be the holding of the respective Property.

**Contingent Liabilities**

Precious Investments did not have any material contingent liability as at 30 September 2017.

**C. SHINY WORLD****Business Review**

The principal asset of Shiny World is the relevant Property and Shiny World is principally engaged in property investment.

**Financial Review*****Revenue***

The revenue of Shiny World for each of the years ended 31 March 2015, 2016, 2017 and the six months ended 30 September 2017 was approximately HK\$1.5 million, HK\$1.5 million, HK\$1.5 million and HK\$0.7 million respectively which was derived from property leasing, being the sole business of Shiny World.

***Administrative expenses***

The administrative expenses which primarily comprise audit fees, secretarial fees, and other administrative expenses, of Shiny World for each of the years ended 31 March 2015, 2016, 2017 and the six months ended 30 September 2017 were approximately HK\$0.3 million, HK\$0.2 million, HK\$0.4 million and HK\$0.1 million respectively.

***Net profit***

The net profit of Shiny World for each of the years ended 31 March 2015, 2016, 2017 and the six months ended 30 September 2017 were approximately HK\$2.2 million, HK\$0.8 million, HK\$2.9 million and HK\$26.8 million respectively.

**Liquidity, Financial Resources and Capital Structure**

As at 30 September 2017, Shiny World had total liabilities of HK\$25.5 million, which mainly comprised interest-bearing bank borrowings and due to the immediate holding company. The gearing ratio, calculated by reference to its interest-bearing bank borrowings net of bank balances divided by its total equity, of Shiny World was 52.9% as at 30 September 2017.

As at 30 September 2017, Shiny World did not have any significant capital commitments. Shiny World's secured bank borrowings bear contractual interest rate of HIBOR plus 1.9%.

Shiny World had not used any derivatives or other instruments for managing its interest rate risk, or for hedging purposes. Please refer to note 22 to the financial information of Shiny World set out in Appendix IIC to this circular for information regarding Shiny World interest rate risk, liquidity risk and capital management.

**Charge on Assets**

The investment property of Shiny World with carrying amounts of approximately HK\$59.3 million was pledged to secure general banking facility granted to Shiny World as at 30 September 2017.

**Employees**

Shiny World had no employee throughout each of the years ended 31 March 2015, 2016, 2017 and the six months ended 30 September 2017.

**Future Plan for Material Investments or Capital Assets**

Shiny World does not have present intention to engage in any material investment or acquire capital assets and its sole business is expected to remain to be the holding of the respective Property.

**Contingent Liabilities**

Shiny World did not have any material contingent liability as at 30 September 2017.

**D. WANG TO****Business Review**

The principal asset of Wang To is the relevant Property and Wang To is principally engaged in property investment.

**Financial Review*****Revenue***

The revenue of Wang To for each of the years ended 31 March 2015, 2016, 2017 and the six months ended 30 September 2017 was approximately HK\$1.1 million, HK\$1.3 million, HK\$1.1 million and HK\$0.6 million respectively which was derived from property leasing, being the sole business of Wang To.

***Administrative expenses***

The administrative expenses which primarily comprise audit fees, secretarial fees, donations to charities and other administrative expenses, of Wang To for each of the years ended 31 March 2015, 2016, 2017 and the six months ended 30 September 2017 were approximately HK\$0.2 million, HK\$0.2 million, HK\$0.3 million and HK\$0.1 million respectively.

***Net profit***

The net profit of Wang To for each of the years ended 31 March 2015, 2016, 2017 and the six months ended 30 September 2017 were approximately HK\$1.4 million, HK\$0.5 million, HK\$2.0 million and HK\$20.2 million respectively.

**Liquidity, Financial Resources and Capital Structure**

As at 30 September 2017, Wang To had total liabilities of HK\$28.4 million, which mainly comprised interest-bearing bank borrowings and due to the immediate holding company. The gearing ratio, calculated by reference to its interest-bearing bank borrowings net of bank balances divided by its total equity, of Wang To was 120.5% as at 30 September 2017.

As at 30 September 2017, Wang To did not have any significant capital commitments. Wang To's secured bank borrowings bear contractual interest rate ranging of HIBOR plus 1.75%.

Wang To had not used any derivatives or other instruments for managing its interest rate risk, or for hedging purposes. Please refer to note 23 to the financial information of Wang To set out in Appendix IID to this circular for information regarding Wang To interest rate risk, liquidity risk and capital management.

**Charge on Assets**

The investment property of Wang To with carrying amounts of approximately HK\$42.0 million was pledged to secure general banking facility granted to Wang To as at 30 September 2017.

**Employees**

Wang To had no employee throughout each of the years ended 31 March 2015, 2016, 2017 and the six months ended 30 September 2017.

**Future Plan for Material Investments or Capital Assets**

Wang To does not have present intention to engage in any material investment or acquire capital assets and its sole business is expected to remain to be the holding of the respective Property.

**Contingent Liabilities**

Wang To did not have any material contingent liability as at 30 September 2017.

**A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP****Introduction**

This unaudited pro forma consolidated statement of financial position (the “**Unaudited Pro Forma Financial Information**”) has been prepared for the purpose of providing shareholders of the Company with information about the impact of the Acquisition by illustrating how the Acquisition might have affected the financial position of the Group as at 30 September 2017, had the Acquisition taken place on 30 September 2017.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Group, as enlarged by the acquisition of the Target Companies, that would have been attained had the Acquisition been completed on 30 September 2017. Neither does the Unaudited Pro Forma Financial Information purport to predict the future financial position of the Enlarged Group.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group following the completion of the Acquisition.

The Unaudited Pro Forma Financial Information has been prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2017, which has been extracted from the published interim report of the Group for the six months ended 30 September 2017, and the audited statement of financial position of each of Oriental Sino, Precious Investments, Shiny World and Wang To as at 30 September 2017, which have been extracted from the accountants’ report of each of Oriental Sino, Precious Investments, Shiny World and Wang To as set out in Appendix IIA, IIB, IIC and IID, respectively, to this circular, after giving effect to the unaudited pro forma adjustments as described in the accompanying notes.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular. The Unaudited Pro Forma Financial Information does not take into account any trading or other transactions subsequent to the dates of the respective financial statements of the companies comprising the Enlarged Group.



**APPENDIX IV**
**UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP**
**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL  
POSITION OF THE ENLARGED GROUP**

	The Group as at 30 September 2017 HK\$'000 Note 1	Oriental Sino as at 30 September 2017 HK\$'000 Note 1	Precious Investments as at 30 September 2017 HK\$'000 Note 1	Shiny World as at 30 September 2017 HK\$'000 Note 1	Wang To as at 30 September 2017 HK\$'000 Note 1	Pro forma adjustments			Unaudited pro forma of the Enlarged group as at 30 September 2017 HK\$'000
						HK\$'000 Note 2(a)	HK\$'000 Note 2(b)	HK\$'000 Note 2(c)	
<b>NON-CURRENT ASSETS</b>									
Property, plant and equipment	816,958	—	—	—	—	350,000		2,680	1,169,638
Investment properties	483,200	238,000	84,400	59,300	42,000	(423,700)			483,200
Goodwill	15,335	—	—	—	—				15,335
Other intangible assets	164	—	—	—	—				164
Investment in associates	347,550	—	—	—	—				347,550
Available-for-sale investment	909,099	—	—	—	—				909,099
Loans and interest receivables	100,000	—	—	—	—				100,000
Deposit paid for the acquisition of property, plant and equipment	10,749	—	—	—	—				10,749
Deferred tax assets	13,761	—	—	—	—				13,761
<b>Total non-current assets</b>	<b>2,696,816</b>	<b>238,000</b>	<b>84,400</b>	<b>59,300</b>	<b>42,000</b>				<b>3,049,496</b>
<b>CURRENT ASSETS</b>									
Inventories	196,483	—	—	—	—				196,483
Trade and other receivables	181,719	—	—	—	—		(2,700)		179,019
Due from associates	7,940	—	—	—	—				7,940
Equity investments at fair value through profit or loss	141,487	—	—	—	—				141,487
Loans and interest receivables	84,031	—	—	—	—				84,031
Tax recoverable	3,307	—	—	17	51				3,375
Bank balances and cash	210,944	1,923	442	823	836	(119,340)		(2,680)	92,948
Due from the immediate holding company	—	—	—	—	8,072	(8,072)			—
<b>Total current assets</b>	<b>825,911</b>	<b>1,923</b>	<b>442</b>	<b>840</b>	<b>8,959</b>				<b>705,283</b>
<b>CURRENT LIABILITIES</b>									
Trade and other payables	177,307	2,946	306	490	372		(2,700)		178,721
Bank borrowings	34,790	73,150	40,047	19,160	28,000	69,643			264,790
Deferred franchise income	93	—	—	—	—				93
Tax payable	857	618	20	—	—				1,495
Due to the immediate holding company	—	140,342	1,375	5,798	—	(147,515)			—
Due to an intermediate holding company	—	—	552	—	—	(552)			—
Loan from an intermediate holding company	—	—	48,801	—	—	(48,801)			—
<b>Total current liabilities</b>	<b>213,047</b>	<b>217,056</b>	<b>91,101</b>	<b>25,448</b>	<b>28,372</b>				<b>445,099</b>
<b>NET CURRENT ASSETS</b>	<b>612,864</b>	<b>(215,133)</b>	<b>(90,659)</b>	<b>(24,608)</b>	<b>(19,413)</b>				<b>260,184</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>3,309,680</b>	<b>22,867</b>	<b>(6,259)</b>	<b>34,692</b>	<b>22,587</b>				<b>3,309,680</b>
<b>NON-CURRENT LIABILITIES</b>									
Bank borrowings	679,622	—	—	—	—				679,622
Deferred tax liabilities	5,870	1,617	1	33	36	(1,687)			5,870
<b>Total non-current liabilities</b>	<b>685,492</b>	<b>1,617</b>	<b>1</b>	<b>33</b>	<b>36</b>				<b>685,492</b>
<b>Net assets</b>	<b>2,624,188</b>	<b>21,250</b>	<b>(6,260)</b>	<b>34,659</b>	<b>22,551</b>				<b>2,624,188</b>
<b>EQUITY</b>									
<b>Equity attributable to owners of the parent</b>									
Issued capital	12,651	—	—	—	—				12,651
Reserves	2,605,666	21,250	(6,260)	34,659	22,551	(72,200)			2,605,666
	2,618,317	21,250	(6,260)	34,659	22,551				2,618,317
Non-controlling interests	5,871	—	—	—	—				5,871
<b>Total Equity</b>	<b>2,624,188</b>	<b>21,250</b>	<b>(6,260)</b>	<b>34,659</b>	<b>22,551</b>				<b>2,624,188</b>

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## APPENDIX IV      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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*Notes:*

### 1. BASIS OF PREPARATION

This Unaudited Pro Forma Financial Information has been prepared in accordance with Rule 4.29 of the Listing Rules and based upon: (i) the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2017, which has been extracted from the unaudited interim financial information of the Group for the six months ended 30 September 2017, and (ii) the audited statement of financial position of each of Oriental Sino, Precious Investments, Shiny World and Wang To as at 30 September 2017, which have been extracted from the accountants' report of each of Oriental Sino, Precious Investments, Shiny World and Wang To included in Appendix IIA, IIB, IIC and IID to this circular, respectively; and adjusted in accordance with the pro forma adjustments described in note 2 below, as if the Acquisition had been completed on 30 September 2017.

This Unaudited Pro Forma Financial Information has been prepared in a manner consistent with both the format and accounting policies adopted by the Group in the unaudited interim financial information for the six months ended 30 September 2017.

### 2. NOTES TO THE PRO FORMA ADJUSTMENTS

- (a) The Target Companies are principally holding investment properties in Hong Kong and do not carry out any other active business operations. Moreover, the Group intends to utilise the Properties for its retail business (upon completion of the Acquisition or expiration of existing lease with independent third parties, as the case may be). As such, the Properties will be accounted for as property, plant and equipment in accordance with HKAS 16 *Property, plant and equipment* upon the completion of Acquisition. Under Hong Kong Financial Reporting Standard 3 (Revised) *Business Combinations* ("HKFRS 3") issued by the Hong Kong Institute of Certified Public Accountants, the acquisition method does not apply to a situation where the acquisition of an asset or a group of assets does not constitute a business. The Acquisition is not considered as a business combination and, accordingly, the Group account for the Acquisition as an assets acquisition and the Consideration shall be allocated to the individual identifiable assets, mainly the Properties. In addition, under Hong Kong Accounting Standard 12 *Income Taxes*, when the deferred tax liability arises from the initial recognition of an asset 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, the initial recognition exception applies. Accordingly, the deferred tax liabilities recognised by the Target Companies in respect of the Properties should be reversed by the Group.

Pursuant to the Agreement, the Consideration is HK\$350,000,000, subject to the adjustments on net current asset value of the Target Companies in the completion account. For the purpose of the Unaudited Pro Forma Financial Information, it is assumed that the net current assets value of the Target Companies on the date of completion of the Acquisition are the same as that on 30 September 2017. Accordingly, the Consideration payable by the Group is adjusted as follow:

	<i>HK\$'000</i>
Consideration	350,000
Less: Net current assets value of the Target Companies ( <i>note</i> )	<u>(660)</u>
	<u>349,340</u>

*Note:* The net current assets value of the Target Companies comprises an aggregated tax recoverable of HK\$68,000, an aggregated bank balances and cash of HK\$4,024,000, an aggregated other payable of HK\$4,114,000 and an aggregated tax payable of HK\$638,000.

The Directors estimated that HK\$119,340,000 will be financed by internal funds, while the remaining HK\$230,000,000 will be financed by banking facilities offered by banks.

The adjustment represents (i) the cash payment of the Consideration of HK\$119,340,000, including the settlement of all the existing bank borrowings of the Target Companies of HK\$160,357,000 by part of the Consideration paid; (ii) the elimination of the amount due from the immediate holding companies of the Target Companies of HK\$8,072,000; (iii) the elimination of the amount due to the immediate holding companies of the Target Companies of HK\$147,515,000; (iv) the elimination of the amount due to an intermediate holding company of the Target Companies of HK\$552,000; (v) the elimination of the loan from an intermediate holding company of HK\$48,801,000; (vi) the elimination of the share capital of the Target Company of HK\$6 and pre-acquisition retained earnings of HK\$72,200,000; (vii) the reversal of the deferred tax liabilities of the Target Companies by the Group of HK\$1,687,000; and (viii) additional borrowing of HK\$230,000,000 for financing the Acquisition.

- (b) The adjustment represents the elimination of rental deposit of HK\$2,700,000 paid to Oriental Sino by the Group as at 30 September 2017, as Oriental Sino will become a subsidiary of the Group after the completion of the Acquisition.
- (c) For the purpose of the Unaudited Pro Forma Financial Information, the transaction expenses, such as professional services fees, that are directly attributable to the Acquisition are estimated to be HK\$2,680,000. The amount will be capitalised as part of cost of the Properties.
- (d) No other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group and the Target Companies entered into subsequent to 30 September 2017.

**B. 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, Certified 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

To the Directors of Wai Yuen Tong Medicine Holdings Limited

Dear Sirs,

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 purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position of the Group as at 30 September 2017 and the related notes set out in section A of Appendix IV of the circular dated 29 March 2018 issued by the Company (the “**Circular**”) (the “**Unaudited Pro Forma Financial Information**”) in connection with the proposed acquisition of the entire equity interest in each of Oriental Sino Investments Limited (“**Oriental Sino**”), Precious Investments Limited (“**Precious Investments**”), Shiny World Investment Limited (“**Shiny World**”) and Wang To Investments Limited (“**Wang To**”) (collectively referred to as the “**Target Companies**”) and all shareholder’s loans owned by the Target Companies (the “**Acquisition**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page IV-1 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group’s financial position as at 30 September 2017, as if the Acquisition had taken place on 30 September 2017. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Company’s unaudited interim financial information for the six months ended 30 September 2017. Information about the financial position of each of the Target Companies as at 30 September 2017, has been extracted by the Directors from the accountant’s report of each of Oriental Sino, Precious Investments, Shiny World and Wang To as set out in Appendix IIA, IIB, IIC and IID, respectively, to the Circular.

**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 Unaudited 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 Unaudited 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 Acquisition on unadjusted financial information of the Group as if the Acquisition 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 Acquisition 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 Acquisition, 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' judgment, 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 compiled 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

29 March 2018

*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 Properties as at 31 January 2018.*

**Vigers Appraisal And Consulting Limited**  
*International Asset Appraisal Consultants*  
10th Floor, The Grande Building  
398 Kwun Tong Road  
Kowloon  
Hong Kong



29 March 2018

**The Board of Directors**  
Wai Yuen Tong Medicine Holdings Limited  
Suite 3101, 31/F., Skyline Tower  
39 Wang Kwong Road  
Kowloon Bay  
Kowloon  
Hong Kong

Dear Sirs,

**RE: VARIOUS PROPERTIES IN HONG KONG**

In accordance with your instructions for us to value the property interests to be acquired by Wai Yuen Tong Medicine Holdings Limited and/or its subsidiaries (together referred to as “**the Group**”) which are currently held by WOP 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 the values of the properties as at 31 January 2018 (“**the date of valuation**”).

Our valuation is our opinion of market value of the property 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 owners 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 affect the values of the properties.

In valuing the property interests intended for future own occupation after the expiry of the current leases by the Group, we have adopted the market approach by making reference to comparable transactions as available in the relevant market. Appropriate adjustments and analysis are made to the differences between the comparable properties and the subject



property. Whilst the properties are subject to long existing leases, the rent receivable from the existing tenancies will be capitalized, the reversionary interests to market value will be added after the expiry of the existing lease.

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.

We have inspected the exterior of the properties but we have not carried out any structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible to us. We are therefore unable to report whether the properties are free from any structural or non-structural defects.

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 the properties and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of this valuation, we have assumed that such investigation would not disclose the presence of any such material in any adverse conditions.

The properties were inspected by Ms. Tina C. P. Kong in February 2018. Ms. Tina C. P. Kong possesses MSc degree in Real Estate and has about 20 years' experience in valuation of properties in Hong Kong.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the properties or 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.

Our valuation has been prepared in accordance with the "HKIS Valuation Standards 2017" 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).



We enclose herewith the summary of valuation and valuation certificates.

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

*Note:* Mr. Gilbert K. M. Yuen is a Registered Professional Surveyor in General Practice Division with about 27 years' post qualification valuation experience on properties in Hong Kong.

## SUMMARY OF VALUATION

		Market Value as at 31 January 2018
1.	Shop AB on Ground Floor, Po Wing Building, Nos. 61, 63, 65, 67, 71 & 73 Lee Garden Road, Nos. 108, 110, 112, 116, 118 & 120 Percival Street, Hong Kong	HK\$211,000,000
2.	Ground Floor & Mezzanine Floor, No. 166 Sai Yeung Choi Street South, Kowloon	HK\$84,000,000
3.	Shop 3 on Level 1, Jade Plaza, No. 3 On Chee Road, Tai Po, New Territories	HK\$42,000,000
4.	Shop B on Ground Floor, Nos. 106–108 Shau Kei Wan Road, Hong Kong	HK\$51,000,000
<b>Total</b>		<b>HK\$388,000,000</b>

## VALUATION CERTIFICATES

	Property	Description & Tenure	Particular of Occupancy	Market Value in its existing state as at 31 January 2018
1	Shop AB on Ground Floor, Po Wing Building, Nos. 61, 63, 65, 67, 71 & 73 Lee Garden Road, Nos. 108, 110, 112, 116, 118 & 120 Percival Street, Hong Kong	<p>The property comprises a shop unit on the Ground Floor of a 14-storey composite building completed around 1967.</p> <p>The saleable floor area of the property is approximately 1,269 sq.ft. (117.89 sq.m.).</p> <p>The property is held under Government Lease for a lease term of 982 years commencing from 25 June 1860.</p> <p>The determined rent is HK\$44 per annum for the whole Section Z of Inland Lot No. 29.</p>	<p>As provided by the Group as at 31 January 2018, the property was leased for a term of 3 years expiring on 15 February 2018 at a monthly rent of \$900,000 exclusive of rates and management fees but inclusive of government rent.</p> <p>The property will be reserved for own occupation after the expiry of the current lease.</p>	HK\$211,000,000

*Notes:*

1. The registered owner is Oriental Sino Investments Limited.
2. The property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited to secure all moneys in respect of general banking facilities vide Memorial No. 15030602650161 dated 16 February 2015.
3. The property is subject to a Rent Assignment in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 15030602650171 dated 16 February 2015.
4. The property is zoned “Commercial (1)” under Causeway Bay Outline Zoning Plan No. S/H6/15 dated 17 September 2010.
5. Po Wing Building is located on the north-eastern side of Percival Street near its junction with Hysan Avenue within Causeway Bay district of Hong Kong Island. The locality is well-established and within the commercial hub of Causeway Bay district. Developments in the vicinity comprises mostly multi-storey commercial buildings, commercial/residential composite buildings, small to medium scale hotels. The locality is conveniently served by public transportation such as buses, light buses and taxis. The MTR—Causeway Bay station is located at a few minutes’ walk from the property.
6. As the current lease will be soon to expire and the property will be reverted to own occupation, in our valuation, we have made reference to comparable transactions of similar properties in the market. Appropriate adjustments and analysis are made to the difference between the comparable properties and the subject property such as location, size, time of transaction, floor layout etc. The adjusted unit rates of these comparables are within the range of HK\$150,900 to HK\$181,500 per sq.ft. saleable floor area. Our valuation of the subject property falls within this range.

	Property	Description & Tenure	Particular of Occupancy	Market Value in its existing state as at 31 January 2018
2	Ground Floor & Mezzanine Floor, No. 166 Sai Yeung Choi Street South, Kowloon	The property comprises a shop unit on ground and mezzanine floors of a 9-storey composite building completed around 1966.	As provided by the Group as at 31 January 2018, the property was leased for a term of 3 years expiring on 8 February 2018 at a monthly rent of \$163,000 exclusive of rates and management fees but inclusive of government rent.	HK\$84,000,000
	The property comprises 3/11th shares of and in the Remaining Portion of Kowloon Inland Lot No. 1708.	The saleable floor areas of ground and mezzanine floors of the property are approximately 776 sq.ft. (72.09 sq.m.) and 542 sq.ft. (50.35 sq.m.) respectively.	The property will be reserved for own occupation after the expiry of the current lease.	
		The property is held under Government Lease for a lease term of 75 years commencing from 8 January 1924 and has been renewed for a further term of 75 years.		
		The new rent is HK\$40,680 per annum.		

*Notes:*

1. The registered owner is Precious Investments Limited.
2. The property is subject to an Order No. UBSCN/14-34/0002/11 by the Building Authority under Section 24(1) of the Buildings Ordinance vide Memorial No. 15101600760254 dated 12 August 2015.
3. The property is subject to an Order No. UBSCN/14-34/0001/11 by the Building Authority under Section 24(1) of the Buildings Ordinance vide Memorial No. 15112000870327 dated 12 August 2015.
4. The property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited to secure all moneys in respect of general banking facilities vide Memorial No. 17011902590283 dated 30 December 2016.
5. The property is subject to a Rent Assignment in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 17011902590292 dated 30 December 2016.
6. The property is subject to an Order No. DR00458/K/17 by the Building Authority under Section 28(3) of the Buildings Ordinance vide Memorial No. 17112200680077 dated 31 October 2017.
7. The property is zoned “Residential (Group A)” under Mong Kok Outline Zoning Plan No. S/K3/30 dated 31 May 2013.

8. The subject building is located on the eastern side of Sai Yeung Choi Street South, near its junction with Mong Kok Road within Mong Kok district of Kowloon. The locality is well-established, mixed commercial and residential area. Developments in the vicinity comprises mostly low to medium rise commercial/residential buildings and multi-storey commercial buildings of various ages. The locality is conveniently served by public transportation such as buses, light buses and taxis. The MTR—Mong Kok station is also located at the opposite side of the property.
9. As the current lease will be soon to expire and the property will be reverted to own occupation, in our valuation, we have made reference to comparable transactions of similar properties in the market. Appropriate adjustments and analysis are made to the difference between the comparable properties and the subject property such as location, size, time of transaction, floor layout etc. The adjusted unit rates of these comparables are within the range of HK\$80,300 to HK\$101,000 per sq.ft. saleable floor area. Our valuation of the subject property falls within this range.

	Property	Description & Tenure	Particular of Occupancy	Market Value in its existing state as at 31 January 2018
3	Shop 3 on Level 1, Jade Plaza, No. 3 On Chee Road, Tai Po, New Territories  The property comprises 118/5500 of 5500/16800th shares of and in Tai Po Town Lot No. 7.	<p>The property comprises a shop unit on ground floor of a development of Jade Plaza which comprises 4 blocks of 22-storey residential buildings built over 2 commercial podiums on Levels 1 and 2, car parks on basement and playground on Level 3. The development was completed in 1986.</p> <p>The saleable floor area of the property is approximately 712 sq.ft. (66.15 sq.m.).</p> <p>The property is held under New Grant No. TP11899 for a term originally expired on 30 June 1997 and has been extended to 30 June 2047 by New Territories Leases (Extension) Ordinance.</p> <p>The annual government rent is equivalent to 3% of the rateable value for the time being of the property.</p>	<p>As provided by the Group as at 31 January 2018, the property was leased for a term of 3 years expiring on 18 September 2019 at a monthly rent of \$100,000 exclusive of rates and management fees and government rent.</p> <p>The property will be reserved for own occupation after the expiry of the current lease.</p>	HK\$42,000,000

*Notes:*

- The registered owner is Wang To Investments Limited.
- The property is subject to a Legal Charge/Mortgage in favour of Citic Bank International Limited to the extent of all moneys vide Memorial No. 10062202200190 dated 18 June 2010.
- The property is subject to a Rental Assignment in favour of Citic Bank International Limited vide Memorial No. 10062202200202 dated 18 June 2010.
- The property is zoned “Residential (Group A)4” under Tai Po Outline Zoning Plan No. S/TP/27 dated 4 August 2017.
- Jade Plaza is located at the junction of On Chee Road and On Cheung Road, opposite to Fortune Plaza, within Tai Po district of New Territories. The locality is a residential area. Developments in the vicinity comprises mostly private housing estates of various ages. The locality is conveniently served by public transportation such as buses, light buses and taxis. The MTR—Tai Po Market station is located about 5 minutes’ drive from the property.
- In our valuation, we have made reference to comparable transactions of similar properties in the market. Appropriate adjustments and analysis are made to the difference between the comparable property and the subject property such as location, size, time of transaction, floor layout etc. The adjusted unit rate of the only comparable in Jade Plaza in these 3 years is about HK\$59,200. Our valuation of the property is about this order. As the property is subject to existing lease, the net passing rent is capitalized at about 2.4% and the reversionary interests to market value is added after the expiry of the existing lease.

Property	Description & Tenure	Particular of Occupancy	Market Value in its existing state as at 31 January 2018
4 Shop B on Ground Floor, Nos. 106–108 Shau Kei Wan Road, Hong Kong	The property comprises a shop unit on ground floor of a 6-storey composite building completed around 1976.	As provided by the Group as at 31 January 2018, the property was leased for a term of 3 years expiring on 6 August 2019 at a monthly rent of \$122,000 exclusive of rates and management fees but inclusive of government rent.	HK\$51,000,000
The property comprises 20/107 of the Remaining Portion of	The saleable floor area of the property is approximately 824 sq.ft. (76.55 sq.m.).		
Shaukiwan Inland Lot No. 472.	The property is held under Government Lease for a term of 75 years commencing from 31 January 1921 and has been renewed for a further term of 75 years.  The new rent is HK\$12,780 per annum.	The property will be reserved for own occupation after the expiry of the current lease.	

*Notes:*

1. The registered owner is Shiny World Investment Limited.
2. The property is subject to a Legal Charge/Mortgage in favour of China Everbright Bank Co., Ltd., Hong Kong Branch to the extent of all moneys vide Memorial No. 13090901510185 dated 20 August 2013.
3. The property is subject to an Assignment of Rentals in favour of China Everbright Bank Co., Ltd., Hong Kong Branch vide Memorial No. 13090901510195 dated 20 August 2013.
4. The property is subject to a Fire Safety Compliance Order by the Magistrate under S.6 (1) of Fire Safety (Buildings) Ordinance (Chapter 572) vide Memorial No. 16050900770028 dated 25 February 2016.
5. The property is zoned “Residential (Group A)2” under Shau Kei Wan Outline Zoning Plan No. S/H9/18 dated 17 April 2015.
6. The subject building is located on the south-western side of Shau Kei Wan Road, near its junction with Shing On Street within Shau Kei Wan district of Hong Kong. The locality is a residential area. Developments in the vicinity comprises mostly old tenement buildings, residential and commercial composite buildings of various ages. The locality is conveniently served by public transportation such as buses, light buses and taxis. The MTR—Shau Kei Wan station is located in close proximity to the property.
7. In our valuation, we have made reference to comparable transactions of similar properties in the market. Appropriate adjustments and analysis are made to the difference between the comparable properties and the subject property such as location, size, time of transaction, floor layout etc. The adjusted unit rates of these comparables are within the range of HK\$59,700 to HK\$67,500 per sq.ft. saleable floor area. Our valuation of the subject property falls within this range. As the property is subject to existing lease, the net passing rent is capitalized at about 2.4% and the reversionary interests to market value is added after the expiry of the existing lease.

## 1. RESPONSIBILITY STATEMENT

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.

## 2. 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:

#### (i) Long positions in Shares

Name	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)	715,322,940	56.54%

*Notes:*

- The percentage represented the percentage of the Company's share capital as stated in the relevant disclosure of interests forms.
- Under the SFO, Mr. Tang Ching Ho is taken to be interested in the interests of the Company as he is taken to be interested in an aggregate of 9,984,356,772 shares in WOG (as associated corporation of the Company under the meaning of the SFO), representing approximately 52.75% of all the issued shares of WOG, 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 held by Rich Time Strategy Limited ("**Rich Time**"). Rich Time, an indirectly wholly-owned subsidiary of WOG, which was the beneficial owner of 715,322,940 Shares. Therefore, Mr. Tang Ching Ho was deemed to be interested in 715,322,940 Shares held by WOG for the sole purpose of Part XV of the SFO.

***(ii) Long positions in underlying Shares of the Company***

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

*Notes:*

- The exercise period of the above share options beneficially held by Ms. Tang Mui Fun was 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
- The percentage represented the number of Shares underlying such share options over the total number issued shares of the Company as at the Latest Practicable Date of 1,265,142,888 Shares.

***(iii) Long positions in underlying shares of an associated corporation, namely Easy One Financial Group Limited ("EOF")***

Name of Director	Date of grant	Nature of interest	Exercise price per share	Number of share options outstanding or underlying shares	Exercise period	Approximate percentage of EOF's total issued share capital
						(Note)
			HK\$	(Note 1)		
Mr. Chan Chun Hong, Thomas	23.2.2018	Personal interest	0.48	4,600,000	23.2.2018–22.2.2025	0.83%

*Note:* The percentage represented the number of shares underlying such share options over the total number issued shares of EOF as at the Latest Practicable Date of 556,432,500 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 which would fall to be disclosed to the Company under the provisions Divisions 2 and 3 of Part XV of the SFO.

***Long Positions in Shares***

<b>Name</b>	<b>Nature of interest/ Capacity</b>	<b>Number of Shares</b>	<b>Approximate percentage in the Company's total issued share capital (Note 1)</b>
WOG	Interest of controlled corporations (Note 2)	715,322,940	56.54%
Wang On Enterprises (BVI) Limited	Interest of controlled corporations (Note 2)	715,322,940	56.54%
Rich Time	Beneficial owner	715,322,940	56.54%
Ms. Yau Yuk Yin	Interest of spouse (Note 3)	715,322,940	56.54%

***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 is indirectly wholly-owned by WOG through WOG's ownership of Wang On Enterprises (BVI) Limited, and is the beneficial owner of 715,322,940 Shares as at the Latest Practicable Date. 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 which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**3. 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.

**4. 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 Target Companies through his indirect shareholding in the Company and WOP through his ownership of shares in WOG, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 March 2017 (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.

**5. 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).

**6. EXPERTS AND CONSENTS**

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

<b>Name</b>	<b>Qualification</b>
Ernst & Young	Certified Public Accountants
Shinco	a licensed corporation to conduct type 6 (advising on corporate finance) regulated activities as defined under the SFO
Vigers Appraisal & Consulting Limited	an independent professional valuer

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 2017 (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.

## 7. 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.

## 8. MATERIAL CONTRACTS

Within the two years immediately preceding the date of this circular and up to 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 Agreement;
- (b) a conditional underwriting agreement dated 4 July 2017 entered into between China Agri-Products Exchange Limited (“CAP”), Key High Limited (an indirectly wholly-owned subsidiary of the Company), the Company and Kingston in relation to the underwriting of certain rights shares to be proposed to issue by CAP, which had been terminated on 15 September 2017 pursuant to the termination agreement dated 15 September 2017, the details of which were set out in the announcements dated 26 July 2017 and 15 September 2017 respectively jointly issued by, *inter alia*, CAP, the Company and WOG;
- (c) a conditional subscription agreement dated 4 July 2017 entered into between CAP and Key High Limited in relation to the subscription of convertible notes to be proposed to issue by CAP, which had been terminated on 15 September 2017 pursuant to the termination agreement dated 15 September 2017, the details of which were set out in the announcements dated 26 July 2017 and 15 September 2017 respectively jointly issued by, *inter alia*, CAP, the Company and WOG;
- (d) letters of request issued by CAP and acknowledged by Winning Rich Investments Limited (an indirectly wholly-owned subsidiary of the Company) as a bondholder on 29 May 2017, 4 July 2017, 15 September 2017 and 18 October 2017 respectively, pursuant to which Winning Rich Investments Limited agreed to extend the payment date of the interest accrued on the 5-year 10.0% coupon bonds due 2019 issued by CAP to be otherwise due and payable on 29 May 2017 to 31 August 2017 and further to 30 November 2017 and 31 January 2018 at an interest rate of 12% on the outstanding interest, the details of which were set out

in the announcements jointly issued by, *inter alia*, the Company, WOG and CAP dated 29 May 2017, 26 July 2017, 15 September 2017 and 18 October 2017 respectively;

- (e) a loan agreement dated 5 October 2016 entered into between Able Trend Limited (an indirectly wholly-owned subsidiary of the Company) as the lender and Easy One as the borrower, in relation to the grant of an unsecured revolving credit facility of not exceeding a sum of HK\$100.0 million at an interest rate of 6.5% per annum to Easy One for a term of 24 months commencing from 5 October 2016 and expiring on 4 October 2018, the details of which are set out in the announcement of the Company dated 5 October 2016;
- (f) an office sub-licensing agreement dated 19 September 2016 entered into between Daywin Limited as licensor and Wang On Management Services Limited (a wholly-owned subsidiary of WOG), as licensee in relation to the sub-licensing of office premises located in Kowloon Bay, Kowloon and the details of which are set out in the announcement of the Company dated 19 September 2016;
- (g) an office sub-licensing agreement dated 19 September 2016 entered into between Daywin Limited as licensor and Wang On Properties Services Limited, a wholly-owned subsidiary of WOP, as licensee in relation to the sub-licensing of office premises located in Kowloon Bay, Kowloon and the details of which are set out in the announcement of the Company dated 19 September 2016;
- (h) an underwriting agreement dated 5 July 2016 (as amended by a supplemental agreement dated 8 July 2016) entered into between the Company and the Kingston Securities Limited in relation to a rights issues undertaken by the Company on the terms as set out in the Company's prospectus dated 6 September 2016;
- (i) 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 Investments Limited, WOG and Winning Rich Investments Limited (an indirectly wholly-owned subsidiary of the Company) under which, among other things, Winning Rich Investments Limited will acquire a 10.0% bond due on 28 November 2019 issued by CAP with an outstanding principal amount of HK\$200,000,000 from Double Leads Investments Limited at a consideration of HK\$200,000,000;
- (j) an agreement dated 5 July 2016 entered into between Caffco International Ltd, The Sky High Plastic Works Limited (the "**SZ Vendor**") and New Grade Limited (an indirectly wholly-owned subsidiary of the Company, the "**SZ Purchaser**") in respect of procurement for vacation of a factory building and two dormitory buildings erected on the Land Lot No. G12204-0126 located at Nanbu Village, Pingshan Town, Shenzhen, the PRC (the "**SZ Property**"), at a consideration of HK\$9,000,000; and

- (k) five agreements 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 for the development of the SZ Property at an aggregate consideration of HK\$19 million.

## **9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours (Saturdays and public holidays excepted) at Suite 3101, 31/F., Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong from the date of this circular up to and including Friday, 20 April 2018.

- (a) the memorandum of association and bye laws of the Company;
- (b) the annual reports of the Company for the years ended 31 March 2015, 2016 and 2017;
- (c) the interim report of the Company for the six months ended 30 September 2017;
- (d) the letter from Shinco, the text of which is set out on pages 15 to 36 of this circular;
- (e) the accountants' reports of the Target Companies, the text of which is set out in Appendix IIA to IID to this circular;
- (f) the report by the auditors on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;
- (g) the letter, valuation certificates and valuation report relating to the Properties, the text of which is set out in Appendix V to this circular;
- (h) the written consent referred to in the paragraph headed "Experts and Consents" in this appendix;
- (i) the material contracts as referred to in the section headed "Material Contracts" in this appendix; and
- (j) this circular.

## **10. 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 Company's branch share registrar and transfer office in Hong Kong is Tricor Secretaries Limited, located at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) 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 THE 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 20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong on Friday, 20 April 2018 at 12:15 p.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution:

**ORDINARY RESOLUTION**

**“THAT**

- (a) the sale and purchase agreement dated 7 February 2018 entered into between Guidepost Investments Limited (“**Guidepost Investments**”, an indirectly wholly-owned subsidiary of the Company), East Run Investments Limited (“**East Run**”) and Wang On Properties Limited (the “**Agreement**”, a copy of which has been tabled to the SGM marked “A” and initialed by the chairman of the SGM for the purpose of identification) in relation to the acquisition by Guidepost Investments from East Run the entire issued capital in, and shareholder’s loans owed by, (i) Shiny World Investment Limited, (ii) Wang To Investments Limited, (iii) Oriental Sino Investments Limited and (iv) Precious Investments Limited, for a consideration of HK\$350,000,000 (subject to adjustments pursuant to the terms and conditions therein), together with the transactions contemplated thereunder, be and are hereby approved; and

\* For identification purpose only



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## NOTICE OF THE SGM

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- (b) any one director of the Company be and is hereby authorised to take such action and execute such documents (with any further amendments as any one director of the Company may approve) as he/she may consider appropriate and expedient in respect of the transactions contemplated under the Agreement, including the approval of variation orders, for the purpose of implementation or giving effect to the Agreement and the transactions contemplated thereunder.”

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, 29 March 2018

*Registered Office:*  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and principal place of  
Business in Hong Kong*  
Suite 3101, 31/F., Skyline Tower  
39 Wang Kwong Road,  
Kowloon Bay, Kowloon,  
Hong Kong

*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 to 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 adjournment 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

\* For identification purpose only

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## NOTICE OF THE SGM

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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. In order to qualify for attending the SGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with 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 no later than Friday, 13 April 2018 at 4:30 p.m., Hong Kong time. The record date for the determination of the entitlement to attend and vote at the SGM will be the close of business on Friday, 13 April 2018.
7. The above resolution will be voted on by way of poll at the SGM.