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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

ANNUAL FINANCIAL HIGHLIGHTS

HK$' million	**FY2018**	FY2017	YoY change
Revenue	845.8	738.4	14.5%
Gross profit	343.8	310.8	10.6%
Loss per share (HK cents)			
– Basic and diluted	(9.14)	(10.57)	13.5%
	As at 31 March 2018	As at 31 March 2017	
Total net asset value	2,560.0	2,657.7	(3.7%)
Cash and cash equivalents	420.8	323.7	30.0%
Gearing ratio	19.8%	16.4%	3.4%

* *For identification purpose only*

RESULTS

The board of directors (the "**Board**" or the "**Directors**") of Wai Yuen Tong Medicine Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2018, together with the comparative figures for the previous financial year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
REVENUE	4	**845,781**	738,440
Cost of sales		**(501,987)**	(427,676)
Gross profit		**343,794**	310,764
Other income and gains, net	4	**124,002**	170,132
Selling and distribution expenses		**(267,344)**	(263,861)
Administrative expenses		**(188,166)**	(172,403)
Other expenses		**(19,170)**	—
Finance costs	6	**(18,926)**	(16,555)
Change in fair value of equity investments at fair value through profit or loss, net		**(17,800)**	(47,545)
Fair value gains/(losses) on investment properties, net		**23,356**	(31,800)
Share of profits and losses of associates		**(94,633)**	(45,091)
LOSS BEFORE TAX	5	**(114,887)**	(96,359)
Income tax credit/(expense)	7	**(2,281)**	2,432
LOSS FOR THE YEAR		**(117,168)**	(93,927)

	Note	2018 HK$'000	2017 HK$'000
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Change in fair value of available-for-sale investments		**(6,263)**	37,204
Share of other comprehensive income/(loss) of an associate		**27,633**	(7,805)
Release of reserves upon deemed partial disposal of equity interests in an associate		**(973)**	—
Translation reserve:			
Translation of foreign operations		**7,350**	(4,430)
Release upon voluntary wind-up of subsidiaries		**—**	(3,030)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**27,747**	21,939
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(89,421)**	(71,988)
Loss attributable to:			
Owners of the parent		**(115,581)**	(93,303)
Non-controlling interests		**(1,587)**	(624)
		(117,168)	(93,927)
Total comprehensive loss attributable to:			
Owners of the parent		**(87,834)**	(71,364)
Non-controlling interests		**(1,587)**	(624)
		(89,421)	(71,988)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted		**HK(9.14) cents**	HK(10.57) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**809,376**	823,487
Investment properties		**503,000**	479,000
Goodwill		**7,700**	15,335
Investments in associates		**298,148**	375,574
Available-for-sale investments		**911,591**	912,093
Loan and interests receivables	10	**—**	80,000
Deposits	11	**49,475**	10,836
Deferred tax assets		**13,196**	13,761
		2,592,486	2,710,086
CURRENT ASSETS			
Inventories		**183,175**	169,712
Trade and other receivables	11	**189,560**	172,908
Amounts due from associates		**7,480**	10,417
Equity investments at fair value through profit or loss		**127,593**	150,303
Loan and interests receivables	10	**134,087**	32,823
Tax recoverable		**1,231**	3,307
Bank balances and cash		**420,849**	323,695
		1,063,975	863,165
CURRENT LIABILITIES			
Trade and other payables	12	**158,549**	149,494
Interest-bearing bank borrowings		**264,790**	62,290
Tax payable		**2,040**	857
		425,379	212,641
NET CURRENT ASSETS		**638,596**	650,524
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,231,082**	3,360,610

	Note	2018 HK$'000	2017 HK$'000
NON-CURRENT LIABILITIES			
Trade and other payables	12	**2,450**	—
Interest-bearing bank borrowings		**662,227**	697,017
Deferred tax liabilities		**6,380**	5,870
		671,057	702,887
NET ASSETS		**2,560,025**	2,657,723
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**12,651**	12,651
Reserves		**2,541,853**	2,639,140
		2,554,504	2,651,791
Non-controlling interests		**5,521**	5,932
TOTAL EQUITY		**2,560,025**	2,657,723

NOTES

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, available-for-sale investments and equity investments at fair value through profit or loss which have been measured at fair value.

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

<u>Basis of consolidation</u>

The consolidated financial statements include the financial statements of the Group for the year ended 31 March 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

(a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosures have been made in a note to the financial statements.

(b) Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as there was no subsidiary classified as a disposal group held for sale as at 31 March 2018.

3. OPERATING SEGMENT INFORMATION

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

(a) production and sale of Chinese pharmaceutical and health food products - manufacturing, processing and sale of traditional Chinese medicine ("**TCM**") which includes Chinese medicinal products sold under the brand name of "Wai Yuen Tong" and a range of products manufactured using selected medicinal materials with traditional prescriptions, mainly in the People's Republic of China (the "**PRC**") and Hong Kong;

(b) production and sale of Western pharmaceutical and health food products - processing and sale of Western pharmaceutical products and personal care products under the brand names of "Madame Pearl's" and "Pearl's", respectively; and

(c) property investment - investment in commercial premises for rental income.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that other income and gains, finance costs, changes in fair value of equity investments at fair value through profit or loss, net, head office and corporate income and expenses and share of profits and losses of associates are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

During the year, management has revised the format of segment reporting to align with that of Wang On Group Limited ("**Wang On**") and as a result, segment asset and liability information is no longer presented. Comparative figures have been revised to conform to the current year's presentation.

Segment revenue and results

Year ended 31 March

	Production and sale of Chinese pharmaceutical and health food products		Production and sale of Western pharmaceutical and health food products		Property investment		Eliminations		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Sales to external customers	**700,217**	578,294	**135,888**	149,859	**9,676**	10,287	**–**	–	**845,781**	738,440
Intersegment sales	**112**	–	**–**	–	**6,729**	6,936	**(6,841)**	(6,936)	**–**	–
Total	**700,329**	578,294	**135,888**	149,859	**16,405**	17,223	**(6,841)**	(6,936)	**845,781**	738,440
Segment results	**(54,526)**	(35,357)	**(52,853)**	(12,373)	**26,088**	(29,553)	**–**	–	**(81,291)**	(77,283)
Other income and gains, net									**124,002**	170,132
Unallocated expenses									**(26,239)**	(80,017)
Finance costs									**(18,926)**	(16,555)
Change in fair value of equity investments at fair value through profit or loss, net									**(17,800)**	(47,545)
Share of profits and losses of associates									**(94,633)**	(45,091)
Loss before tax									**(114,887)**	(96,359)
Income tax credit/(expense)									**(2,281)**	2,432
Loss for the year									**(117,168)**	(93,927)

Other segment information

Year ended 31 March

	Production and sale of Chinese pharmaceutical and health food products		Production and sale of Western pharmaceutical and health food products		Property investment		Unallocated		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information:										
Capital expenditure (Note (i))	**27,749**	115,936	**9,792**	79,189	**–**	–	**10**	6,997	**37,551**	202,122
Depreciation	**34,457**	8,117	**5,425**	274	**5,092**	5,092	**1,839**	971	**46,813**	14,454
Fair value losses of equity investments at fair value through profit or loss, net	**–**	–	**–**	–	**–**	–	**17,800**	47,545	**17,800**	47,545
Fair value gains/(losses) on investment properties, net	**–**	–	**–**	–	**23,356**	(31,800)	**–**	–	**23,356**	(31,800)
Impairment of trade receivables, net	**1,300**	3,317	**1,027**	1,700	**–**	–	**–**	–	**2,327**	5,017
Impairment of goodwill	**–**	–	**7,635**	–	**–**	–	**–**	–	**7,635**	–
Impairment of items of property, plant and equipment	**3,735**	–	**–**	–	**7,800**	–	**–**	–	**11,535**	–
Allowance for obsolete inventories	**1,298**	3,489	**3,542**	1,469	**–**	–	**–**	–	**4,840**	4,958
Investments in associates	**–**	–	**–**	–	**–**	–	**298,148**	375,574	**298,148**	375,574
Share of losses of associates, net	**–**	–	**–**	–	**–**	–	**94,633**	45,091	**94,633**	45,091

Note:

(i) Capital expenditure includes additions to investment properties and property, plant and equipment.

Geographical information

(a) Revenue from external customers

	2018	2017
	HK$'000	HK$'000
Hong Kong	**606,449**	570,798
Mainland China	**208,153**	130,837
Macau	**13,431**	13,853
Others	**17,748**	22,952
	845,781	738,440

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

(b) Non-current assets

	2018 HK$'000	2017 HK$'000
Hong Kong	**1,540,689**	1,595,309
Mainland China	**113,083**	107,945
Macau	**231**	978
	1,654,003	1,704,232

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

Information about major customers

During the years ended 31 March 2018 and 2017, no revenue from transactions with a single external customer amounted to 10% or more of the total revenue of the Group.

4. REVENUE AND OTHER INCOME AND GAINS, NET

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

An analysis of the Group's revenue, other income and gains, net, is as follows:

	2018 HK$'000	2017 HK$'000
Revenue		
Sales of goods	**835,166**	727,064
Rental income from investment properties	**9,676**	10,287
Management and promotion fees	**939**	1,089
	845,781	738,440
Other income		
Interest income on a loan receivable from an associate	**6,464**	1,585
Interest income on available-for-sale investments	**95,411**	81,979
Imputed interest income on an available-for-sale investment	**3,732**	3,368
Interest income on bank deposits	**1,028**	636
Dividends from equity investments at fair value through profit or loss	**3,353**	3,299
Sub-lease rental income	**12,964**	7,852
Others	**1,050**	1,567
	124,002	100,286
Gains, net		
Gain on disposal of items of property, plant and equipment, net	—	64,531
Gain on wind-up of subsidiaries	—	3,540
Exchange gains, net	—	1,775
	—	69,846
	124,002	170,132

5. LOSS BEFORE TAX

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

	2018	2017
	HK$'000	HK$'000
Cost of inventories recognised as an expense (including allowance for obsolete inventories of HK$4,840,000 (2017: HK$4,958,000))	**501,987**	427,676
Depreciation	**46,813**	14,454
Research and development costs	**15,705**	8,389
Lease payments under operating leases in respect of land and buildings:	**101,544**	119,387
Minimum lease payments		
Contingent rents	**13,296**	13,124
Auditor's remuneration	**2,400**	2,300
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries and other benefits	**171,722**	157,795
Pension scheme contributions	**11,550**	10,777
	183,272	168,572
Foreign exchange differences, net	**2,610**	(1,775)
Impairment of trade receivables, net*	**2,327**	5,017
Gross rental income	**(9,676)**	(10,287)
Less: direct outgoing expenses	**58**	587
	(9,618)	(9,700)
Loss on deemed partial disposal of equity interests in an associate**	**52,170**	—
Impairment of goodwill***	**7,635**	—
Impairment of items of property, plant and equipment***	**11,535**	—

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

** Loss on deemed partial disposal of equity interests in an associate is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss and other comprehensive income.

*** Impairment of goodwill and impairment of items of property, plant and equipment are included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2018	2017
	HK$'000	HK$'000
Interest on bank borrowings	**18,926**	16,555

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2018	2017
	HK$'000	HK$'000
Current - Hong Kong		
Charge for the year	**1,844**	1,542
(Over)/under-provision in prior years	**(1,207)**	398
Current - other jurisdiction		
Charge for the year	**569**	—
Deferred taxation	**1,075**	(4,372)
Total tax charge/(credit) for the year	**2,281**	(2,432)

8. DIVIDENDS

The board of directors does not recommend the payment of any dividend in respect of the year ended 31 March 2018 (2017: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year of 1,265,142,888 (2017: 883,085,846).

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 March 2018 and 2017 in respect of a dilution as the impact of the share options outstanding had no dilutive effect on the basic loss per share amounts presented.

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

	2018	2017
	HK$'000	HK$'000
Loss attributable to ordinary equity holders of the parent used in the basic and diluted loss per share calculations	**(115,581)**	(93,303)

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculations	**1,265,142,888**	883,085,846

10. LOAN AND INTERESTS RECEIVABLES

	2018	2017
	HK$'000	HK$'000
Loan receivable, unsecured	**100,000**	80,000
Interests receivables	**34,087**	32,823
	134,087	112,823
Less: Loan receivable classified as a non-current asset	**—**	(80,000)
Portion classified as current assets	**134,087**	32,823

The loan receivable is stated at amortised cost with a principal amount of HK$100,000,000 (2017: HK$80,000,000) and an effective interest rate of 6.5% (2017: 6.5%) per annum, and will be due in October 2018. The carrying amount of the loan receivable approximates to its fair value.

At 31 March 2018 and 2017, the loan and interests receivables that are neither past due nor impaired relate to borrowers for whom there was no recent history of default.

11. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	HK$'000
Trade receivables	**104,976**	87,984
Bills receivables	**640**	—
Less: Accumulated impairment	**(1,663)**	(2,611)
	103,953	85,373
Rental and other deposits	**35,901**	36,597
Prepayments	**54,250**	31,709
Other receivables	**8,002**	19,229
Deposits paid for the acquisition of property, plant and equipment	**36,929**	10,836
	135,082	98,371
Total trade and other receivables	**239,035**	183,744
Less: Deposits classified as non-current assets	**(49,475)**	(10,836)
Portion classified as current assets	**189,560**	172,908

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

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

	2018	2017
	HK$'000	HK$'000
Within 1 month	**40,676**	32,007
1 to 3 months	**35,176**	30,288
3 to 6 months	**21,307**	20,276
Over 6 months	**6,154**	2,802
	103,313	85,373

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of HK$22,518,000 (2017: HK$16,285,000) which were past due at the end of the reporting period for which the Group has not provided for an impairment loss as the directors assessed that the balances will be recovered based on their settlement records. The Group does not hold any collateral over these balances.

12. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	HK$'000
Trade payables	**60,177**	61,077
Rental deposits received	**3,857**	4,563
Other payables	**24,259**	33,044
Accruals	**59,719**	45,370
Receipts in advance	**12,987**	5,440
	160,999	149,494
Less: Portion classified as non-current liabilities	**(2,450)**	—
Portion classified as current liabilities	**158,549**	149,494

An ageing analysis of trade payables as at the end of the reporting period, based on the invoice date is as follows:

	2018	2017
	HK$'000	HK$'000
Within 1 month	**52,661**	22,536
1 to 3 months	**5,254**	23,422
3 to 6 months	**1,704**	10,201
Over 6 months	**558**	4,918
	60,177	61,077

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

13. EVENT AFTER THE REPORTING PERIOD

On 7 February 2018, Guidepost Investments Limited ("**Guidepost Investments**"), an indirectly wholly-owned subsidiary of the Group, entered into an agreement with Wang On Properties Limited ("**WOP**"), a 75%-owned listed subsidiary of Wang On and East Run Investments Limited ("**East Run**"), an indirectly wholly-owned subsidiary of WOP, in respect of the acquisition of the entire issued share capital and shareholder's loans of four wholly-owned subsidiaries of WOP at a total cash consideration of HK$350,000,000. These subsidiaries are property holding companies that hold four retail shops located in Hong Kong. The acquisition was completed on 25 April 2018 and the Group plans to use all of the four properties as its own retail outlets.

14. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and re-presented to conform to the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the year ended 31 March 2018, the Group's revenue increased by approximately 14.5% to approximately HK$845.8 million (2017: approximately HK$738.4 million). The Group recorded a loss attributable to owners of the parent amounting to approximately HK$115.6 million (2017: approximately HK$93.3 million), representing an increase in loss attributable to owners of approximately 23.9% as compared with corresponding period of last year. The deterioration in results was mainly attributable to an one-off gain on disposal of a property, plant and equipment recorded in 2017, impairment losses in property, plant and equipment, an increase in overheads in the Group's factories and a loss on deemed partial disposal of equity interests in an associate, as offsetting by the improvement effects on the net change in fair value of equity investments at fair value through profit or loss and the net change in fair value on investment properties for the year.

DIVIDENDS

The Board does not recommend the payment of any final dividend for the year ended 31 March 2018 (2017: Nil). No interim dividend was made for the six months ended 30 September 2017 (30 September 2016: Nil).

BUSINESS REVIEW

(1) Chinese Pharmaceutical and Health Food Products

During the year, the revenue increased by 21.1% year-on-year to approximately HK$700.2 million.

As the economy and consumption environment of Hong Kong recovered gradually, the overall retail sales in Hong Kong increased by 2.2% year-on-year in 2017, as compared to 8.1% decrease in 2016. "Wai Yuen Tong", as one of leading health product brands in Hong Kong, has been trusted by many consumers. During the year, due to recovery of the retail market in Hong Kong, the revenue from the Chinese pharmaceutical and health food products segment increased correspondingly. Meanwhile, a rise in general public's awareness of health increases the demand for health food products; and the confidence of consumers from the mainland China in the quality of Hong Kong-made health food products and TCM together drive sales of the Group.

As the Group continued to widen the distribution network of the products, there was a modest growth in sales channels including key accounts during the current year. The "Wai Yuen Tong" brand represents one of the largest TCM retail network in Hong Kong. At present, it has over 60 shops in Hong Kong, approximately 40 of which provide TCM services.

The Group continuously implements the comprehensive quality assurance procedure. The TCM and Western medicine GMP factory of the Group in Yuen Long Industrial Estate ("**Yuen Long Factory**") was formally completed in early 2017 and put into production in April of 2017, which significantly improves the research and development capacity of the Group and diversifies the existing product mix so that the Group can seize market opportunities and expand sources of income. In response to the enormous demand for cardiovascular medicines in the Hong Kong market, "Angong Niuhuang Wan", a high value-added product newly developed by the Group, was launched into the market at the end of 2017 and has been well accepted by the public.

In terms of brand promotion, "Wai Yuen Tong" keeps pace with the times and carries out optimisation projects for many Wai Yuen Tong retail shops which introduces fashionable elements and modern elements. Meanwhile, it continues to launch diversified promotion activities, so as to improve the brand awareness and image. During the year, for the first time, the Group invited Ms. Gigi Leung Wing-kei, a Hong Kong singer and Mr. Ray Lui Leung-wai, a legendary actor, both of whom are well-known in mainland China, Hong Kong, Macau and Taiwan, to act as product ambassadors of "Wall-Broken Ganoderma Lucidum Spores (Upgraded Formula)" and "Angong Niuhuang Wan". The "Wai Yuen Tong Infant Care Classroom" also carries out a series of activities to promote baby series of products. In addition to traditional advertising platforms such as TV, newspapers and magazines, the Group provides product discounts and uploads health tips from registered Chinese medicine practitioners from time to time through social media, so as to build word-of-mouth and achieve brand influence.

In order to support brand rejuvenation, the Group launched the mobile apps of Wai Yuen Tong for e-commerce and customer relationship management (CRM) in August 2017, so as to strengthen its reach to the young customer base. The mobile apps includes functions of immediate appointment for TCM diagnosis and treatment, and quick tongue diagnosis which is pioneer in Hong Kong and serves as free preliminary assessment. The apps has been well-received since the launch. During the year, Wai Yuen Tong also enhanced integration of marketing channels in Hong Kong and mainland China, and together with business partners launched a cross-border offline-to-online (O2O) platform, on which Chinese consumers can purchase Hong Kong-made Chinese patent medicines and health products of Wai Yuen Tong through the apps, thus improving operating benefit. The online shopping platform of the Group continues to improve product promotion efficiency. Big data collected are conducive to the analysis of customers' buying habits and preferences. During the year, the Group recorded stable revenue from sales on the online shopping platform.

(2) Western Pharmaceutical and Health Food Products

The turnover for the current year decreased by approximately 9.3% to approximately HK$135.9 million compared to last year.

Although the economy and consumption environment of Hong Kong recovered gradually, the overall turnover for two main project series of the Group declined, due to influence by different factors. The shipment volume of "Madame Pearl's Cough Drugs" needs to be controlled to align with commissioning of new factories, due to transition to production by the new factory and compliance with the Department of Health of Hong Kong. Although "Pearl's" mosquito repellent products were sold well in Hong Kong, there were a great number of similar products entering the market during the year, which intensified channel and price competition. Sales of "Pearl's" products stably ranked first in the market, in spite of slowdown in the sales under pressure. The Group recorded a slight decrease in sales of products in "Madame Pearl's Professional Series" including "Madame Pearl's" BreathEasy Patch.

In response to fierce competition in the industry and seasonality of tourist arrivals to Hong Kong, the Group adjusts the marketing strategy in a timely manner, focuses on development of new distribution channels, optimises the product mix, expands the distribution network and maintains the overall operating income. The Group will continue to enhance publicity and promotion, further diversify sales channels, increase the market penetration rate of products, and especially focus on key products including upper airway product series under "Madame Pearl's" and personal care product series under "Pearl's". It retains the No. 1 spot in terms of sales of the two series in the market, thus facilitating increase in the sales revenue of the Group.

The Group continuously enhances research and development of products and diversifies product series to meet market demands. In September 2017, the "Luxembourg" new GMP factory was granted the GMP license by the Department of Health of Hong Kong and the EU "Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme" (PIC/S) license for which more stringent requirements need to be satisfied. Through advanced equipment of new factories, the Group continues to carry out research and development of pharmaceutical aqua products, a core business. It will further promote product diversity and accelerate development of new sales channels.

During the year, full impairment provision of HK$7.6 million of the goodwill relating to the Western Pharmaceutical Business was made.

(3) Property Investment

On 7 February 2018, Guidepost Investments entered into an agreement with, East Run and WOP for the acquisition of the entire issued share capital and their respective shareholder's loans in four target companies, which is holding a retail property located in Causeway Bay, Shau Kei Wan, Mong Kok and Tai Po, respectively for a total cash consideration of HK$350 million, completion of which took place on 25 April 2018. Upon completion of the acquisition, the Company intends to maintain the properties for self-use. The acquisition presents an opportunity for the Group not only to further entrench and expand its business presence at strategic retail locations, but also to reduce its rental burden, as the properties are situated at locations which the Board considers suitable for the Group's medicine retail business. The details of the transactions are disclosed the Company's announcement dated 7 February 2018 and circular dated 29 March 2018.

At the end of the reporting period, the Group owned 12 properties which are all retail properties. Some of these properties were leased out for commercial purpose whereas some were used as our retail shops. During the year, the net fair value gain on investment properties of the Group amounted to HK$23.4 million. Despite the upward adjustment in the valuation of the properties as compared to last year, the Group considers that the investment property portfolio can provide stability to the operating cost of retail shops and strengthen the Group's income base in the long run.

(4) Investment in Easy One Financial Group Limited ("Easy One")

Easy One, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), is principally engaged in the businesses of property development in the PRC, provision of finance and securities brokerage services in Hong Kong.

As at 31 March 2018, the Group held 132,418,625 shares, representing approximately 23.8% of the issued shares of Easy One.

The Group's share of loss of Easy One amounted to approximately HK$96.1 million included a loss on deemed disposal of Easy One of HK$52.2 million for the current year (2017: share of loss amounted to approximately HK$47.7 million).

On 5 October 2016, the Group granted an unsecured revolving loan facility to Easy One of HK$100.0 million for a term of 24 months at an interest rate of 6.5% per annum, details of which were set out in the Company's announcement dated 5 October 2016. As at the date of this announcement, HK$100.0 million had been drawn down by Easy One and remained outstanding.

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

CAP, a company listed on the Main Board of the Stock Exchange, is principally engaged in the management and sales of properties in agricultural produce exchange markets in the mainland China.

Pursuant to the subscription agreement dated 4 October 2014 (as supplemented on 28 November 2014) and the sale and purchase agreement dated 5 July 2016 (as supplemented on 8 July 2016), the Group had subscribed for an unlisted 5-year bond due November 2019 with coupon rate of 10.0% per annum issued by CAP (the "**2019 CAP Bond**") in principal amount of HK$720.0 million on 28 November 2014 and further acquired the 2019 CAP Bond in a principal sum of HK$200.0 million from Double Leads Investments Limited, an indirectly wholly-owned subsidiary of Wang On.

As at 31 March 2018, the Group held a principal amount of HK$920 million (31 March 2017: HK$920 million) of 2019 CAP Bond and the fair value of the 2019 CAP Bond held by the Group amounted to approximately HK$909.6 million (31 March 2017: approximately HK$912.1 million).

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

The Group has maintained a portfolio of listed equity securities in Hong Kong which are held for trading purpose. The Group holds shares of Town Health International Medical Group Limited ("**Town Health**"), which accounts for 0.6% of the total assets of the Group. In 2017, the share price declined, and trading in the shares was suspended. During the year, the Group recognised a fair value loss of HK$41.6 million on the investment in Town Health. The Group has recorded an overall net loss on change in fair value of equity investments at fair value through profit or loss of approximately HK$17.8 million for the current year (2017: HK$47.5 million).

(7) Commissioning of the Yuen Long Factory

The modern TCM and western medicine factory of the Group in Yuen Long Industrial Estate has been gradually put into production since April 2017 and was granted the EU standard certification of the PIC/S by the Therapeutic Goods Administration (TGA) of Australia in the first half of 2017. The "Luxembourg" new GMP factory was granted the PIC/S certification by the Pharmacy and Poisons Board of Hong Kong in September of the same year, certifying that the Group's products are "100% made in Hong Kong" and the quality meets world-class standard. In addition to improvement in the product quality level, fully automated production equipment of the Yuen Long Factory significantly improves the production capacity and reduces the overall operating costs.

In the meantime, we will have our production of Luxembourg Western pharmaceutical products in the new factory through a full automation process. The new factory is also equipped with state-of-the-art laboratory in microbiology and laboratory equipment. With the pure water system conforming to the specifications in the British Pharmacopoeia, the products will be in compliance with the Hospital Authority's medicine tenders requirement as well as the indicators of the prescription medicines by local doctors.

(8) Factory Building in the PRC

To expand the Group's manufacturing capacity and further strengthen its business in mainland China, the Group acquired a factory building and two dormitory buildings located at Nanbu Village, Pingshan Town, Shenzhen, China, with a gross floor area of approximately 19,475 square meters.

During the year, the Group completed the renovation of this factory and contracted out the production to a GMP licensed manufacturer on a temporary basis to path the way for the Group's future expansion in mainland China market.

FINANCIAL REVIEW

Liquidity and Gearing and Financial Resources

As at 31 March 2018, the Group had total assets of approximately HK$3,656.5 million (2017: approximately HK$3,573.3 million) which were financed by current liabilities of approximately HK$425.4 million (2017: approximately HK$212.6 million), non-current liabilities of approximately HK$671.1 million (2017: approximately HK$702.9 million) and shareholders' equity of approximately HK$2,560.0 million (2017: approximately HK$2,657.7 million).

As at 31 March 2018, the Group's bank balances and cash were approximately HK$420.8 million (2017: approximately HK$323.7 million). As at 31 March 2018, the Group's total bank borrowings amounted to approximately HK$927.0 million (2017: approximately HK$759.3 million), all of which bore interest at floating interest rates and were denominated in Hong Kong dollars. As at 31 March 2018, the maturity profile of all bank borrowings based on the dates set out in the relevant loan agreements was shown below, together with the corresponding figures as at 31 March 2017:

	2018	2017
	HK$'000	HK$' 000
Bank loans repayable:		
Within one year	**264,790**	62,290
In the second year	**42,290**	34,790
In the third to fifth years, inclusive	**151,869**	139,370
Beyond five years	**468,068**	522,857
	927,017	759,307

The Group maintained a healthy liquidity position. The current ratio, being a ratio of total current assets to total current liabilities, was approximately 2.5 (2017: approximately 4.1). The gearing ratio, being the ratio of total borrowings net of bank balances and cash to equity attributable to owners of the parent, was approximately 19.8% (2017: approximately 16.4%). The Group always adopts a conservative approach in its financial management.

Significant Investments Held

As at 31 March 2018, the Group had available-for-sale investments of approximately HK$911.6 million and equity investments at fair value through profit or loss of approximately HK$127.6 million, details of which were set out as follows:

	As at 31 March 2018				For the year ended 31 March 2018				Fair value/carrying amount		
Nature of investments	Number of shares held	Amount/ units held	Percentage of shareholding in such stocks	Percentage to the Group's total assets	Addition/ (Disposal)	Change in Fair value	Imputed interest income	Interests/ Dividends received	As at 31 March 2018	As at 31 March 2017	Investment cost
	'000	HK$'000	%	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Available- for-sale investments:											
– unlisted securities debenture											
2019 CAP Bond		909,562		24.875%	–	(6,263)	3,732	95,403	909,562	912,093	920,000
– listed securities debenture											
Korean Air Line Co. Ltd. - 5.875% 3-year Bonds		2,029		0.055%	2,029	–	–	8	2,029	–	2,029
		911,591		24.930%	2,029	(6,263)	3,732	95,411	911,591	912,093	922,029
Equity investments at fair value through profit or loss:											
A.Listed Investments											
Kingston Financial Group Limited ("**Kingston**")	12,336	43,299	0.09%	1.184%	–	12,089	–	308	43,299	31,210	9,413
Power Financial Group Limited ("**Power Financial**")	1,333	292	0.04%	0.008%	–	120	–	–	292	172	9,705
Town Health	52,500	23,520	0.60%	0.643%	–	(41,580)	–	147	23,520	65,100	16,434
Sino Harbour Holdings Group Limited ("**Sino Harbour**")	36,000	14,580	1.46%	0.399%	–	(3,780)	–	360	14,580	18,360	20,049
Wang On	423,000	43,992	2.23%	1.203%	–	14,382	–	2,538	43,992	29,610	16,819
B.Mutual Funds											
Emerging Market Bond Fund	33	559		0.016%	–	19	–	–	559	540	519
China Growth Fund	13	189		0.005%	–	54	–	–	189	135	130
Asian Equity Plus Fund	20	327		0.009%	–	81	–	–	327	246	212
ASEAN Frontiers Fund	21	293		0.008%	–	59	–	–	293	234	212
USD Money Fund	57	542		0.015%	–	(16)	–	–	542	558	541
Opus Mezzanine Fund 1 LP		–		–	(4,910)	772	–	–	–	4,138	3,900
		127,593		3.490%	(4,910)	(17,800)	–	3,353	127,593	150,303	77,934

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

1. *Kingston*

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

2. *Power Financial*

   Power Financial is principally engaged in financial services business, money lending business and asset investment business.

3. *Town Health*

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

4. *Sino Harbour*

   Sino Harbour is principally engaged in the property development business with a focus on residential properties in Jiangxi Province, China.

5. *Wang On*

   Wang On is principally engaged in property development, property investment, management and sub-licensing of Chinese wet markets, treasury management and production and sale of pharmaceutical products in Hong Kong and mainland China.

The Group also invested in certain other mutual funds including an emerging market bond fund, a China-focused growth fund, an Asian equity "plus" fund and an US dollar currency fund.

Financial Review and Prospect of Significant Investments Held

Available-for-sale investments

As at 31 March 2018, the Group held the 2019 CAP Bond in the principal amount of HK$920.0 million (2017: HK$920.0 million) and Korean Air Line Co. Ltd. Bonds in the principal amount of HK$2.0 million (2017: Nil). As at 31 March 2018, the fair value of the 2019 CAP Bond amounted to approximately HK$909.6 million (2017: approximately HK$912.1 million) and the fair value of the Korean Air Line Co. Ltd. Bonds amounted to approximately HK$2.0 million (2017: Nil). The Bonds had provided a reasonable and stable cash income stream to the Group and the Group intended to hold them to maturity.

Equity investments at fair value through profit or loss

With a view to optimise its use of cash resources, the Group invested in various listed equity securities and mutual funds for trading purposes with prudence and in a cautious manner. As at 31 March 2018, the Group maintained an investment portfolio of listed equity securities in Hong Kong and mutual funds. The Group had recorded a net loss on change in fair value of equity investments through profit or loss of approximately HK$17.8 million for the year under review (2017: a net loss of approximately HK$47.5 million). The Group has always adopted a prudent investment strategy and would closely monitor the market changes and adjust its investment portfolio as and when necessary.

Foreign Exchange

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

Capital Commitment

As at 31 March 2018, the Group had capital commitment of approximately HK$ 317.6 million (2017: approximately HK$11.0 million) in respect of the acquisitions of property, plant and equipment and subsidaries, which were contracted for but not provided for in the consolidated financial statements.

Pledge of Assets

As at 31 March 2018, the Group's bank borrowings were secured by the Group's land and buildings and investment properties, with a total carrying value of approximately HK$645.7 million (2017: approximately HK$634.6 million).

Contingent Liabilities

As at 31 March 2018, the Group had no material contingent liabilities (2017: Nil).

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group recognises our employees as the key element that contributes to the Group's success. As at 31 March 2018, the Group had 1,009 (2017: 947) employees, of whom approximately 53.9% (2017: approximately 57.2%) were located in Hong Kong and the rest were located in the mainland China. The Group remunerated its employees based on industry practices and individual performance and experience. On top of the regular remuneration, discretionary bonus and share options would also be granted to selected staff by reference to the Group's performance as well as the individual's performance. The Group also provides a defined contribution to the Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for our eligible employees in Hong Kong. Other benefits such as medical and retirement benefits and structured training programs were also provided. Meanwhile, the Group endeavours to provide a safe workplace to our employees. The Board believes that the Group maintains admirable relations with the employees.

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

PRINCIPLE RISKS AND UNCERTAINTIES

The Group has examined the principal risks facing the Group through our risk management and internal control system and we consider that the major risks and uncertainties that may affect the Group included:

(i) industrial policy risk: with the deepening of medical system reform and the issuance of a number of industrial policies and laws in respect of medical charge control and control of medicines and certification for Traditional Chinese Medicine significant effect may be brought to the future development of the pharmaceutical industry;

(ii) low growth of customer base: due to the decrease in the number of mainland tourists and Hong Kong economy recession this year;

(iii) environmental protection policies: environmental impact, efficiency and security of key infrastructure;

(iv) cost control;

(v) impairment of inventory: impairment value of inventory due to weather, expiry date and other damages;

(vi) supply chain disruption: due to industrial issues, risks of supplier control and flexibilities, to deal with competitive pricings;

(vii) inability to penetrate emerging markets: with potential difficulties to effectively penetrate traditional industries and traditional products into emerging markets;

(viii) respond to customer behaviour: economy recession, consumers reduced consumption, reduction in consumer spending and change of impulsive shopping behavior;

(ix) sourcing: less globalised sourcing, the impact on the relative competitiveness of costs;

(x) volatility in retail rental: continue increasing in retail rental; and

(xi) foreign exchange: fluctuations in the exchange rate affecting the Group's cash flow and profits.

In response to the above mentioned possible risks, the Group has been closely monitoring the changes in the policies in Hong Kong and mainland China, and would strengthen our interpretation and analysis of policies and adjust strategies in advance to cope with the ever-changing operating environment. In particular, the Group will strengthen the marketing management to cope with changes in consumer behavior and needs, closely control inventories, establish our own sales policies and product development, safety management and environmental protection level, and push forward the construction of lean management and risk control system. For possible risks, the Company would actively propose solutions to lower their impacts on the business of the Company.

PROSPECTS

In accordance with the statistics published by the Census and Statistics Department of Hong Kong, the overall tourist arrivals to Hong Kong increased by 3.2% year-on-year; while PRC tourist arrivals to Hong Kong increased by 3.9%, reversing the 6.7% drop in 2016. The overall retail sales in Hong Kong increased by 2.2% year-on-year in 2017, as compared to 8.1% decrease in 2016, reversing the three-year decline. The Group is confident that sales will benefit from the significant recovery of the retail market.

Mainland China has strongly supported the development of TCM. The national policy for Guangdong-Hong Kong-Macau Greater Bay Area, as a key development area, also provides a bright prospect for TCM development. The Group will take Hong Kong as a platform and seize the good opportunity for entry of TCM into the Chinese market. In Hong Kong, the first TCM hospital is about to be completed, which represents greater support from the government for the TCM industry. This is conducive to TCM scientific research and industrial development. Therefore, the Group will actively support national blueprints for mid-and-long-term TCM development. It is committed to giving full play to competitive edges including the advantage of Wai Yuen Tong as a century-old brand, world-class quality monitoring procedures and production capacity enhancement. It will seize development opportunities and potential business opportunities. With the "Wai Yuen Tong" brand well-known in mainland China, the Group expects that the demand for TCMs and health food will increase continuously, and Wai Yuen Tong businesses in mainland China are expected to grow steadily. Meanwhile, the Group will continue to enhance the cross-border offline-to-online (O2O) platform for shopping through the mobile apps of Wai Yuen Tong, and strengthen the interaction and communication with customers, so as to seize enormous opportunities in the e-commence market.

In terms of research and development of new products, with commissioning of the Yuen Long Factory in Yuen Long in April 2017, the production and product research and development capacities will be improved significantly. In response to the urbanites' demand for health preservation and healthcare, the Group is committed to developing high value-added products. "Angong Niuhuang Wan" was launched into the market in December 2017. Products in the same series, such as "Angong Jiangya Wan", are planned to be launched in 2018. Given the increasing market demand for metropolis health products and men's health products, the Group will launch various Chinese patent medicines for men's and metropolis series in this year, including "Golden Dura-Gizer (金裝剛勁)", "Golden Deer's Tail (金裝鹿尾巴)", "Uricid Aid Capsules (降酸通膠囊)" and "Gastrointestinal Pills (整腸正氣丸)", so as to further increase their market share. The Group will continue to implement strict quality control, and will flexibly formulate operating strategies in response to market demand and change in consumption models of customers. It will expand product portfolio and introduce new product and service offerings, and expand the customer base.

With a history of over 120 years in the TCM market, "Wai Yuen Tong" has a well-established brand and continuously keeps pace with the times. In order to promote brand rejuvenation, the Group launched a series of promotion activities during the year to attract more customers under 50 years of age. For the first time, it invited Ms. Gigi Leung Wing-kei, a Hong Kong singer to act as the ambassador of "Wall-Broken Ganoderma Lucidum Spores (Upgraded Formula)", and sponsored GIGI Goodtime Worldtour Hong Kong. In addition, the Group invited Mr. Ray Lui Leung-wai, a legendary actor to serve as the ambassador of "Angong Niuhuang Wan", so as to enhance the brand image of "Wai Yuen Tong". In terms of marketing, the management continuously explores new sales channels and promotion methods, keeps pace with the times and improves the product awareness by diversifying promotion models.

The Group will continue to explore suitable merger and acquisition opportunities to diversify its current business portfolio, which not only would promote long-term capital appreciation but also increase the Group's source of revenue. In addition, the Group will continue to optimise and adjust its retail store network in Hong Kong and mainland China to further enhance the operational cost-effectiveness.

As "a century-old well-established brand and a Hong Kong brand", "Wai Yuen Tong" will continue to develop its core business, build on its solid customer base and customer confidence in the brand, and take up the challenges with flexibility, innovative ideas and operational mechanisms, in order to provide our customers in mainland China, Hong Kong and beyond, with quality products and services.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

CORPORATE SOCIAL RESPONSIBILITY

The Group endeavours to promote business development, strives for greater rewards for our stakeholders and assumes the corporate social responsibility to build the community where our business has been established and developed. Details of the Group's corporate social responsibility and activities during the year under review will be set out in the section under "Environmental, Social and Governance Report" of the Company's 2018 annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year under review.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Board has reviewed the corporate governance practices of the Company and is satisfied that the Company had applied the principles and complied with the code provisions set out in the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") throughout the financial year ended 31 March 2018.

Further details of the Company's corporate governance practices will be set out in the corporate governance report to be contained in the Company's 2018 annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its code of conduct regarding the securities transactions by the Directors on the terms no less exacting terms than the required standard set forth in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all Directors, the Company confirmed that all Directors had complied with the required standard set out in the Model Code throughout the financial year under review and up to the date hereof. No incident of non-compliance by the Directors was noted by the Company during the year.

AUDIT COMMITTEE

The Company has established its audit committee (the "**Audit Committee**") with specific terms of reference (as amended from time to time) in accordance with the requirements of the Listing Rules. The Audit Committee comprises Mr. Li Ka Fai, David, Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon and Mr. Cho Wing Mou, all of them are the independent non-executive Directors, and Mr. Li Ka Fai, David was elected as the chairman of the Audit Committee.

During the year, the Audit Committee met twice with the management and the external auditor to review and consider, among other things, the accounting principles and practices adopted by the Group, the financial reporting matters (including the review of interim and final results), the statutory compliance, internal controls and risk management, continuing connected transactions and the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function as well as their training programmes and budget.

The Audit Committee has reviewed and approved the Group's consolidated financial statements for the year ended 31 March 2018.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2018 as set out in this announcement have been agreed by the Company's independent auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with *Hong Kong Standards on Auditing*, *Hong Kong Standards on Review Engagements* or *Hong Kong Standards on Assurance Engagements* issued by the *Hong Kong Institute of Certified Public Accountants* and consequently no assurance has been expressed by Ernst & Young on this announcement.

ANNUAL GENERAL MEETING

The 2018 annual general meeting (the "**2018 AGM**") of the shareholders of the Company will be held at Garden Room A-D, 2/F, New World Millennium Hong Kong Hotel, 72 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Wednesday, 29 August 2018 at 11:30 a.m. and the notice convening such meeting will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 22 August 2018 to Wednesday, 29 August 2018 (both days inclusive) for determining eligibility to attend and vote at the 2018 AGM. In order to be eligible to attend and vote at the 2018 AGM, all transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m., Tuesday, 21 August 2018.

PUBLICATION OF FINAL RESULTS AND DESPATCH OF ANNUAL REPORT

This final results announcement is published on the websites of HKExnews (www.hkexnews.hk) and the Company (www.wyth.net). The 2018 annual report of the Company containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

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

Hong Kong, 20 June 2018

As at the date of this announcement, the executive Directors are Mr. Tang Ching Ho, Mr. Chan Chun Hong, Thomas, Ms. Tang Mui Fun and Ms. Tang Wai Man and the independent non-executive Directors are Mr. Siu Man Ho, Simon, Mr. Leung Wai Ho, Mr. Cho Wing Mou and Mr. Li Ka Fai, David.

* *For identification purpose only*