



# 位元堂

## Wai Yuen Tong Medicine Holdings Limited

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

# 2017 INTERIM REPORT



# 位元堂

中醫·養生



Preparing Medicine with **DEDICATION**  
Growing Strong with **REPUTATION**

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Tang Ching Ho, *SBS, JP, Chairman*

Mr. Chan Chun Hong, Thomas,

*Managing Director*

Ms. Tang Mui Fun

### Independent Non-executive Directors

Mr. Leung Wai Ho, *MH*

Mr. Siu Man Ho, Simon

Mr. Cho Wing Mou

Mr. Li Ka Fai, David

## AUDIT COMMITTEE

Mr. Li Ka Fai, David, *Chairman*

Mr. Leung Wai Ho, *MH*

Mr. Siu Man Ho, Simon

Mr. Cho Wing Mou

## REMUNERATION COMMITTEE

Mr. Siu Man Ho, Simon, *Chairman*

Mr. Leung Wai Ho, *MH*

Mr. Cho Wing Mou

Mr. Tang Ching Ho, *SBS, JP*

Mr. Chan Chun Hong, Thomas

## NOMINATION COMMITTEE

Mr. Cho Wing Mou, *Chairman*

Mr. Leung Wai Ho, *MH*

Mr. Siu Man Ho, Simon

Mr. Tang Ching Ho, *SBS, JP*

Mr. Chan Chun Hong, Thomas

## EXECUTIVE COMMITTEE

Mr. Tang Ching Ho, *SBS, JP, Chairman*

Mr. Chan Chun Hong, Thomas

Ms. Tang Mui Fun

## AUTHORISED REPRESENTATIVES

Mr. Tang Ching Ho, *SBS, JP*

Mr. Chan Chun Hong, Thomas

## COMPANY SECRETARY

Ms. Mak Yuen Ming, Anita

## AUDITOR

Ernst & Young

## LEGAL ADVISERS

DLA Piper Hong Kong

Gallant

## PRINCIPAL BANKERS

The Bank of East Asia, Limited

DBS Bank (Hong Kong) Limited

The Hongkong and Shanghai Banking Corporation Limited

## REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

**HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Suite 3101, 31/F., Skyline Tower  
39 Wang Kwong Road  
Kowloon Bay  
Kowloon  
Hong Kong

**PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA**

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

**BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG**

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

**BOARD LOT**

5,000 shares

**INVESTOR RELATIONS**

email: [contact@waiyuentong.com](mailto:contact@waiyuentong.com)

**HOMEPAGE**

[www.wyth.net](http://www.wyth.net)

**STOCK CODE**

897

## Interim Dividend

The board of directors (the “**Board**”) of Wai Yuen Tong Medicine Holdings Limited (the “**Company**”, together with its subsidiaries, collectively referred to as the “**Group**”) does not recommend the payment of any interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

## Management Discussion and Analysis

### BUSINESS REVIEW

For the six months ended 30 September 2017 (the “**Period**”), the Group’s revenue increased by approximately 9.0% to approximately HK\$382.6 million (2016: approximately HK\$350.9 million). The Group recorded a loss attributable to owners of the parent amounting to approximately HK\$40.5 million (2016: a loss attributable to owners of the parent amounted to approximately HK\$38.3 million). Loss in results 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 the Period.

#### (1) Chinese Pharmaceutical and Health Food Products

Revenue for the Period has increased by approximately 12.0% from the corresponding period of last year to approximately HK\$312.1 million. The increase in revenue is mainly due to the pick-up sign in Hong Kong retail market. Meanwhile, continuous increase in people’s awareness in healthcare, the consumers’ confidence of the People’s Republic of China (the “**PRC**”) over the quality of healthcare products and quality herbs in Hong Kong, and increase in the exposure of the Group, which drove the increase in the same-store sales of the Group. As the Group continued to widen distribution network of the products, other sales channels including key accounts achieved a mild growth during the Period.

As one of the leading brands of healthcare products in Hong Kong, the product quality of “Wai Yuen Tong” has been trusted by consumers. The Group operates retail stores, some of which provide complementary Traditional Chinese Medicine services, under the brand “Wai Yuen Tong” and also has the largest Chinese medicine retail network in Hong Kong. Currently, there are about 60 shops in Hong Kong. The Group has continued to renovate numerous “Wai Yuen Tong” retail stores to bring in elements of fashionable and modern design, in order to expand customer base.

## **BUSINESS REVIEW** (Continued)

### **(1) Chinese Pharmaceutical and Health Food Products** (Continued)

The Group launched its own mobile app in early August 2017 to accommodate the information receiving and new consumption pattern of young consumers. The app was downloaded heavily at this stage. Also, the app has Chinese doctor appointment and rapid tongue diagnosis functions, with an aim to attract long term use of the consumers. During the Period, the Group's e-store platform has also been a positive way to enhance marketing efficiency, while e-channels continue to record stable revenue during the Period.

The Group continued strictly adhering to the comprehensive quality assurance procedures. In the beginning of 2017, the Group's New Factory for Western pharmaceutical and Chinese traditional medicines in Yuen Long Industrial Estate was completed and commenced production in early April. The new facility not only expands the Group's production capacity, but also complements the Group's effort to pursue innovation, meet market demand and trend and expand product variety for its customers. It is expected that the high value-added new products developed by the Group, such as Angong Niu Huang Wan and Angong Jiangya Wan, will be launched to the market in December 2017 to enrich the existing product portfolio, and the source of revenue. On the other hand, the Group's factory in Mainland China could obtain Good Manufacturing Practice ("**GMP**") certification from the State Food and Drug Administration by the end of 2017. The main products from this factory are Chinese medicine crude slices. Upon its commissioning, the production capacity and variety of our Chinese medicinal products could be expanded.

In addition, "Wai Yuen Tong" continued to implement promotion campaigns to enhance the brand awareness and 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 who is well-recognised in Mainland China, Taiwan and Hong Kong, as the spokesperson of the Group's "Wall-Broken Ganoderma Lucidum Spores (Upgraded Formula)", for promoting the healthy urban living suggestion to the public.

## Management Discussion and Analysis (Continued)

### **BUSINESS REVIEW** (Continued)

#### **(2) Western Pharmaceutical and Health Food Products**

The Hong Kong economy and consumption environment have been gradually recovered, we carried out strategic cooperation with mainstream chain personal care pharmacies in various aspects and leverage on our reputation and resources in pharmaceuticals and personal care products, sales in Hong Kong retail market remained stable, yet sales in Mainland China and oversea regions dropped, resulting in an overall decrease in revenue. Revenue for the Period has decreased by approximately 5.7% from the corresponding period of last year to approximately HK\$64.0 million.

In respond to the fierce competition in Mainland China and the seasonal unstable in number of visitor arrival, the Group timely adjusted its marketing strategies. We explored new sale channels and enhanced product types to capture revenue and income. The Group's famous "Pearl's" MosquitOut products is a leading product in the market, however its sales remained stable and only recorded a slight drop due to numerous similar products in the market and increase in price competition. Sales of products under "MP-Professional" brand like Madame Pearl's Breath Easy patches also recorded slight decrease.

Apart from using marketing strategies to further expand the sales in Mainland market, the Group is also enhancing its product R&D to better satisfy the market needs with product variety. The Group's pharmaceutical production plants have obtained GMP license from the Hong Kong Department of Health and the higher qualification of European standard of "The Pharmaceutical Inspection Co-operation Scheme" (PIC/S) in September 2017. The Group is currently making use of the advanced equipment in the new plant to strengthen its R&D of its core medical solution products and further enhance product quality assurance. Meanwhile, the Group will strive to intensify our product penetration into the market through enhanced advertisement and promotion activities and exploration of sales channels, such as institutional sales to hospitals, to boost our sales revenue.

## **BUSINESS REVIEW** (Continued)

### **(3) Property Investment**

At the end of the Period, the Group owned 12 properties which are all retail premises. Some of these properties were leased out for commercial purpose whereas some were used as our retail shops. During the Period, the net fair value gains on investment properties of the Group amounted to HK\$4.2 million. Despite the upward adjustment in the valuation of the properties as compared to last year, we consider that our 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.

During the Period, there has been no change in the Group's shareholding in Easy One. As at 30 September 2017, the Group held approximately 28.51% of the issued shares of Easy One.

The Group's share of loss of Easy One amounted to approximately HK\$34.0 million for the period ended 30 September 2017 (2016: share of loss amounted to approximately HK\$18.5 million).

No impairment on the investment in Easy One was recognised by the Group during the Period (2016: Nil) as the recoverable amount was assessed to be close to the carrying value of the interest in Easy One.

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 report, HK\$100.0 million had been drawn down by instalments by Easy One.

## Management Discussion and Analysis (Continued)

### BUSINESS REVIEW (Continued)

#### (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 PRC.

Pursuant to the subscription agreement dated 4 October 2014 (as supplemented on 28 November 2014), the Group had subscribed an unlisted 5-year bond due November 2019 with coupon rate of 10.0% per annum issued by CAP with an outstanding principal amount of HK\$720.0 million on 28 November 2014 (the “**First CAP Bond**”). In addition, pursuant to the sale and purchase agreement dated 5 July 2016 (as supplemented on 8 July 2016), the Group acquired bonds issued by CAP with an outstanding principal amount of HK\$200 million (the “**Second CAP Bond**”, together with the First CAP Bond, the “**CAP 2019 Bonds**”) from Double Leads Investments Limited (“**Double Leads**”), an indirectly wholly-owned subsidiary of Wang On Group Limited (“**Wang On**”), a controlling shareholder and the ultimate holding company of the Company whose shares are listed on the Main Board of the Stock Exchange.

As at 30 September 2017, the Group held a principal amount of HK\$920.0 million (31 March 2017: HK\$920.0 million) of the CAP 2019 Bonds and the fair value of the CAP 2019 Bonds held by the Group amounted to approximately HK\$909.1 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 has recorded a net loss on change in fair value of equity investments at fair value through profit or loss of approximately HK\$8.8 million for the Period (2016: a net loss of approximately HK\$41.1 million).

### **BUSINESS REVIEW** (Continued)

#### **(7) Commissioning of the New Factory in Yuen Long**

The Group had built a state-of-the-art factory in Yuen Long Industrial Estate to manufacture both Chinese traditional medicines and Western pharmaceuticals, which certifies that our products are “100% made in Hong Kong” and attain international product quality standard.

Upon the completion of the New Factory, the trial production was commenced in 2017 and was gradually put into production in April 2017. Both our overall production capacity and level of product quality control have been enhanced significantly. Meanwhile, in October 2016 and the first half of 2017, the Group’s new GMP factory was awarded the certificate of GMP for Proprietary Chinese Medicine from the Chinese Medicine Council of Hong Kong and the certification for of European standard of “The Pharmaceutical Inspection Co-operation Scheme” (PIC/S), the most stringent manufacturing practice regulation with worldwide recognition, from the Therapeutic Goods Administration of Australia (TGA). With regard to “Luxembourg” new GMP factory, an application for the certification of PIC/S has been submitted to The Pharmacy and Poisons Board of Hong Kong and is expected to be approved in the second half of 2017. It certifies that the Group’s products are “100% made in Hong Kong” and the quality satisfies international pharmaceutical manufacturing standard.

The New Factory has six Chinese medicine production lines and three Western pharmaceutical production lines, which has added separate clean manufacturing units and introduced advanced equipment and inspection instruments for the production system of Chinese medicines and Western medicines to extract and concentrate Chinese medicines by scientific technology and manufacture “Young Yum Pill” and all types of Chinese patent medicines and health food products in a full automation process. In the meantime, the Group will have its production of Luxembourg Western pharmaceutical products in the New Factory through a full automation process. The 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.

## Management Discussion and Analysis (Continued)

### BUSINESS REVIEW (Continued)

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

To expand the Group's manufacturing capacity and further strengthen its business in the PRC, on 16 July 2015, the Group entered into a provisional agreement with The Sky High Plastic Works Limited, a third party independent of and not connected with the Company and its connected persons, for the acquisition of the Mainland Factory comprising a factory building and two dormitory buildings located at Nanbu Village, Pingshan Town, Shenzhen, the PRC, with a gross floor area of approximately 19,475 square meters for a total consideration of approximately HK\$81.3 million.

This factory will be put into production in stages within this year as planned by the Group to accommodate to the synergies of the factory in Hong Kong and to lay the foundation for the Group to expand its PRC market.

### FINANCIAL REVIEW

#### Fund Raising

On 29 September 2016, the Company completed a rights issue on the basis of three rights shares for every one existing share held by qualifying shareholders at an issue price of HK\$0.43 per rights share and a total of 948,857,166 rights shares were issued (the "**Rights Issue**"). The net proceeds from the Rights Issue amounted to approximately HK\$400.7 million, of which the Group intended to utilise (i) approximately HK\$50.0 million for the payment of installation of facilities and equipment for the Group's factory in the PRC; (ii) approximately HK\$200.0 million for the acquisition of the HK\$200.0 million CAP 2019 Bonds from Double Leads; (iii) approximately HK\$50.0 million for the repayment of outstanding bank borrowings and interests of the Group; and (iv) the remaining balance of approximately HK\$100.7 million for general working capital of the Group.

As at 30 September 2017, the net proceeds of the Rights Issue was utilised as intended.

## Management Discussion and Analysis (Continued)

### FINANCIAL REVIEW (Continued)

#### Liquidity and Gearing and Financial Resources

As at 30 September 2017, the Group had total assets of approximately HK\$3,522.7 million (31 March 2017: approximately HK\$3,573.3 million) which were financed by current liabilities of approximately HK\$213.0 million (31 March 2017: approximately HK\$212.6 million), non-current liabilities of approximately HK\$685.5 million (31 March 2017: approximately HK\$702.9 million) and shareholders' equity of approximately HK\$2,624.2 million (31 March 2017: approximately HK\$2,657.7 million).

As at 30 September 2017, the Group's bank balances and cash were approximately HK\$210.9 million (31 March 2017: approximately HK\$323.7 million). As at 30 September 2017, the Group's total bank borrowings amounted to approximately HK\$714.4 million (31 March 2017: approximately 759.3 million), all of which bore interest at floating interest rates and were denominated in Hong Kong dollars. As at 30 September 2017, the maturity profile of all bank borrowings based on the scheduled repayment dates set out in the relevant loan agreements was shown below, together with the corresponding figures as at 31 March 2017:

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Bank loans repayable:		
Within one year	34,790	62,290
In the second year	37,500	34,790
In the third to fifth years, inclusive	147,500	139,370
Beyond five years	494,622	522,857
	<b>714,412</b>	<b>759,307</b>

The Group maintained a healthy liquidity position. The current ratio, being a ratio of current assets to current liabilities, was approximately 3.9 (31 March 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 19.2% (31 March 2017: approximately 16.4%). The Group always adopts a conservative approach in its financial management.

## Management Discussion and Analysis (Continued)

### FINANCIAL REVIEW (Continued)

#### Significant Investments Held

As at 30 September 2017, the Group had available-for-sale investment of approximately HK\$909.1 million and equity investments at fair value through profit or loss of approximately HK\$141.5 million, details of which were set out as follows:

Nature of investments	As at 30 September 2017			For the year ended 30 September 2017			Fair value/carrying amount		Investment cost	
	Number of shares held '000	Amount/units held HK\$'000	Percentage of shareholding in such stock %	Percentage to the Group's total assets %	Change in fair value HK\$'000	Imputed interest income HK\$'000	Interests/dividends received HK\$'000	As at 30 September 2017 HK\$'000		As at 31 March 2017 HK\$'000
Available-for-sale investment (unlisted securities debenture):										
CAP 2019 Bonds	–	909,099	–	25.807%	(4,806)	1,812	47,995	909,099	912,093	920,000
		909,099		25.807%	(4,806)	1,812	47,995	909,099	912,093	920,000
Equity investments at fair value through profit or loss:										
A. Listed Investments										
Kingston Financial Group Limited ("Kingston")	12,336	49,097	0.09%	1.394%	17,887	–	308	49,097	31,210	9,413
Jun Yang Solar Power Investments Ltd ("Jun Yang")	1,333	159	0.05%	0.005%	(13)	–	–	159	172	9,705
Town Health International Investment Limited ("Town Health")	52,500	36,750	0.70%	1.043%	(28,351)	–	147	36,750	65,100	16,434
Sino Harbour Property Group Ltd ("Sino Harbour")	36,000	18,000	1.46%	0.511%	(360)	–	360	18,000	18,360	20,049
Wang On	423,000	30,879	2.19%	0.877%	1,269	–	2,115	30,879	29,610	16,819
B. Mutual Funds										
Emerging Market Bond Fund	33	564	–	0.016%	24	–	–	564	540	519
China Growth Fund	13	160	–	0.005%	25	–	–	160	135	130
Asian Equity Plus Fund	20	295	–	0.008%	49	–	–	295	246	212
ASEAN Frontiers Fund	21	255	–	0.006%	21	–	–	255	234	212
USD Money Fund	57	540	–	0.015%	(18)	–	–	540	558	541
Opus Mezzanine Fund 1 LP		4,788	–	0.136%	650	–	–	4,788	4,138	3,900
		141,487		4.016%	(8,817)		2,930	141,487	150,303	77,934

## Management Discussion and Analysis (Continued)

### FINANCIAL REVIEW (Continued)

#### Significant Investments Held (Continued)

##### Principal activities of 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. Jun Yang

Jun Yang is principally engaged in financial services business, solar energy business with a current focus on development, construction, operation and maintenance of power station projects, 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, the PRC.

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 sales of pharmaceutical health food products and personal care products in Hong Kong and the PRC.

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.

## Management Discussion and Analysis (Continued)

### FINANCIAL REVIEW (Continued)

#### Financial Review and Prospect of Significant Investments Held

##### *Available-for-sale investment*

As at 30 September 2017, the Group held a principal amount of HK\$920.0 million (31 March 2017: HK\$920.0 million) of the CAP 2019 Bonds. As at 30 September 2017, the fair value of all such bonds held by the Group amounted to approximately HK\$909.1 million (31 March 2017: approximately HK\$912.1 million). Such bonds provide a reasonable and stable cash income stream to the Group and the Group intends to hold them until their maturities.

##### *Equity investments at fair value through profit or loss*

With a view to optimise its use of cash resources, the Group selectively invests in various listed equity securities and mutual funds. As at 30 September 2017, the Group has maintained a portfolio of listed equity securities in Hong Kong and mutual funds which are held for trading purpose. The Group has recorded a net loss on change in fair value of equity investments at fair value through profit or loss of approximately HK\$8.8 million for the Period (2016: a net loss of approximately HK\$41.1 million). The Group always adopts a prudent investment strategy and will closely monitor the market changes and adjust its investment portfolio as and when necessary.

#### Foreign Exchange

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

#### Capital Commitment

As at 30 September 2017, the Group had capital commitment of approximately HK\$8.4 million (31 March 2017: approximately HK\$11.0 million) in respect of the acquisition of property, plant and equipment, which were contracted for but not provided for in the consolidated financial statements.

## Management Discussion and Analysis (Continued)

### FINANCIAL REVIEW (Continued)

#### Pledge of Assets

As at 30 September 2017, 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\$636.2 million (31 March 2017: approximately HK\$634.6 million).

#### Contingent Liabilities

As at 30 September 2017, the Group had no material contingent liabilities (31 March 2017: Nil).

### EMPLOYEES

As at 30 September 2017, the Group had 1,016 (31 March 2017: 947) employees, of whom approximately 55.7% (31 March 2017: approximately 57.2%) were located in Hong Kong and the rest were located in Mainland China. The Group remunerates its employees based on industry practices and individual performance and experience. On top of the regular remuneration, discretionary bonus and share options may be granted to selected staff by reference to the Group's performance as well as the individual performance. Other benefits such as medical and retirement benefits and structured training programs are also provided.

## Management Discussion and Analysis (Continued)

### PROSPECTS

In accordance with the statistics published by the Census and Statistics Department, the overall retail sales in Hong Kong has been shown the sign of recovery since April 2017, the value index of retail sales in August 2017 also increased by 2.7% year-on-year. As pick-up in the retail market as well as the second half in 2017 to the early 2018 will be the festive shopping peak season of festivals, we have confidence that the sales of the Group will be benefited.

“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, we 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, we expect 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. We better understand changes on the market and customers’ consumption pattern through the flexible operating strategies designed to cope with the market variations. We also explore and adopt 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 group.

## Management Discussion and Analysis (Continued)

### PROSPECTS (Continued)

New plant in Yuen Long commenced operation in April 2017, significantly enhanced our production capacity and product research capability. The Group developed high value-added new products, such as Angong Niu Huang Wan and Angong Jiangya Wan, which are expected to launch 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. We have also deepened our expansion into Mainland market through online selling platform, self-operated stores and Chinese medicine clinic. The Group will continue to explore suitable merger and acquisition opportunities to diversify its current business portfolio, which not only would expand the scale of our operation but also increase the Group’s source of revenue. In addition, the Group will optimise and adjust its retail store network in Hong Kong and Mainland China 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.

## Disclosure of Interests

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

As at 30 September 2017, the interests and short positions of the directors and chief executive of the Company and/or any of their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

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

Name of director	Name of corporation	Nature of interest/capacity	Number of shares	Approximate percentage %
Mr. Tang Ching Ho (Note 1)	the Company	Interest of controlled corporation	715,322,940	56.54 (Note 2)
	Wang On	Interest of controlled corporation	9,984,356,772	51.76 (Note 3)

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

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

Notes:

- Under the SFO, Mr. Tang Ching Ho is taken to be interested in the interests of the Company as he is taken to be interested in an aggregate of 9,984,356,772 shares in Wang On, representing approximately 51.76% of all the issued Wang On's shares, by virtue of his own beneficial shareholding, the shareholding interests of his spouse in Wang On, the shareholding interests of a company wholly and beneficially owned by him, and his deemed interests by virtue of being the founder of Tang's Family Trust. Wang On is taken to be interested in the interests in shares by Rich Time Strategy Limited ("Rich Time"). Rich Time, an indirectly wholly-owned subsidiary of Wang On, which was the beneficial owner of 715,322,940 shares of the Company. Therefore, Mr. Tang Ching Ho was deemed to be interested in 715,322,940 shares of the Company held by Wang On for the sole purpose of Part XV of the SFO.
- The percentage represented the number of shares over the total number of issued shares of the Company as at 30 September 2017 of 1,265,142,888 shares.
- The percentage represented the number of shares over the total number of issued shares of Wang On as at 30 September 2017 of 19,288,520,047 shares.

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

Name of director	Date of grant	Exercise price per share HK\$	Number of share options outstanding	Exercisable period (Note 1)	Number of underlying shares	Approximate percentage of the Company's total issued share capital (Note 2) %
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 the 1st anniversary of the date of grant:	30% vested
On the 2nd anniversary of the date of grant:	Further 30% vested
On the 3rd anniversary of the date of grant:	Remaining 40% vested
- The percentage represented the number of shares over the total number of issued shares of the Company as at 30 September 2017 of 1,265,142,888 shares.

## Disclosure of Interests (Continued)

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

Save as disclosed above, as at 30 September 2017, none of the directors and chief executive of the Company and/or any of their respective associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

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

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

As at 30 September 2017, to the best knowledge of the directors of the Company, the following persons (other than the directors or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

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

### Long positions in the shares of the Company:

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

#### Notes:

- Rich Time, a wholly-owned subsidiary of WOE, which is a wholly-owned subsidiary of Wang On, beneficially owned 715,322,940 shares of the Company. WOE and Wang On are taken to be interested in 715,322,940 shares of the Company held by Rich Time.
- Ms. Yau Yuk Yin is taken to be interested in the shares in which her spouse, Mr. Tang Ching Ho, was interested as stated above in the sub-paragraph headed "Directors' interests and short positions in shares, underlying shares or debentures of the Company and its associated corporations".
- The percentages represented the number of shares over the total number of issued shares of the Company as at 30 September 2017 of 1,265,142,888 shares.

Save as disclosed above, as at 30 September 2017, there were no other persons (other than the directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

## Share Option Scheme

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

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

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

Name or category of participant	Number of share options				Outstanding as at 30 September 2017	Date of grant	Exercise price per share HK\$	Exercisable period (Note)
	Outstanding as at 1 April 2017	Granted during the Period	Exercised during the Period	Lapsed during the Period				
<b>Executive Director</b>								
Ms. Tang Mui Fun	4,554	-	-	-	4,554	8.1.2009	20.6927	8.1.2010 - 7.1.2019
	4,554	-	-	-	4,554			
<b>Other employees</b>								
In aggregate	16,677	-	-	(1,401)	15,276	8.1.2009	20.6927	8.1.2010 - 7.1.2019
	26,346	-	-	(7,006)	19,340	12.5.2010	7.4197	12.5.2011 - 11.5.2020
	43,023	-	-	(8,407)	34,616			
	<b>47,577</b>	-	-	<b>(8,407)</b>	<b>39,170</b>			

## Share Option Scheme (Continued)

*Note:* The share options granted under the 2003 Scheme were vested as follows:

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

Save as disclosed above, during the Period, no share option was granted, exercised or cancelled under the 2003 Scheme and the 2013 Scheme and an aggregate of 8,407 share options lapsed under the 2003 Scheme. As at 30 September 2017, the Company had 39,170 share options outstanding under the 2003 Scheme. Upon expiry of the vesting periods, the exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 39,170 additional ordinary shares of the Company and additional share capital of approximately HK\$391.7 and share premium of approximately HK\$553,441.5 (before issue expenses).

# Corporate Governance and Other Information

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company has complied with the applicable code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules throughout the period for the six months ended 30 September 2017.

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

## UPDATE ON DIRECTORS' INFORMATION

Mr. Siu Man Ho, Simon was appointed as an independent non-executive director of Shuang Yun Holdings Limited (Stock Code: 1706) on 20 October 2017, which was listed on the Main Board of the Stock Exchange on 15 November 2017.

Save as disclosed above, during the Period, there is no other change in information of directors of the Company since the publication of the 2017 annual report which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## DISCLOSURES PURSUANT TO RULE 13.20 OF THE LISTING RULES

At the end of the Period, the Group, through its indirectly wholly-owned subsidiaries, had subscribed for the following debt securities from CAP and granted the following loan facilities to Easy One:

- (a) pursuant to a bond transfer agreement dated 5 July 2016 (as supplemented and amended by the supplemental agreement dated 8 July 2016), the Group, through its indirectly wholly-owned subsidiary, Winning Rich Investments Limited ("**Winning Rich**") acquired from Wang On a 10.0% coupon bond due 2019 issued by CAP with an outstanding principal amount of HK\$200.0 million, details of which were set out in the Company's announcement and circular dated 8 July 2016 and 9 August 2016, respectively. In aggregate with the First CAP Bond with an outstanding principal amount of HK\$720.0 million subscribed pursuant to the subscription agreement dated 4 October 2014 (as amended and supplemented on 28 November 2014), the Group held an aggregate outstanding principal amount of HK\$920.0 million of CAP 2019 Bonds;

### DISCLOSURES PURSUANT TO RULE 13.20 OF THE LISTING RULES

(Continued)

- (b) on 29 May 2017, 15 September 2017 and 18 October 2017, Winning Rich entered into various extension agreements with CAP to extend the payment dates for interests accrued on the CAP 2019 Bonds from 29 May 2017 to 31 August 2017, 30 November 2017 and 31 January 2018, respectively, in an aggregate outstanding amount of HK\$91,949,705 (the “**Outstanding Bond Interests**”) at an interest rate of 12% per annum on the Outstanding Bond Interests for such extension periods; and
- (c) pursuant to a loan agreement dated 5 October 2016, the Group, through its indirectly wholly-owned subsidiary, Hearty Limited, made available an unsecured revolving loan facility of not exceeding a sum of HK\$100.0 million to Easy One for a period up to 4 October 2018 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 end of the Period and up to the date of this report, CAP and EOF indebted to the Group an aggregate outstanding principal amounts of HK\$920.0 million and HK\$100.0 million, respectively.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 September 2017.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

## Corporate Governance and Other Information (Continued)

### AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with specific written terms of reference in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over, among other things, the Group’s financial reporting process, internal controls, risk management and other corporate governance issues. The Audit Committee has reviewed with the management the unaudited condensed consolidated financial statements for the six months ended 30 September 2017 of the Group. The Audit Committee comprises the four independent non-executive directors of the Company, namely Messrs. Li Ka Fai, David, Leung Wai Ho, Siu Man Ho, Simon and Cho Wing Mou, and is chaired by Mr. Li Ka Fai, David.

### APPRECIATIONS

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

By Order of the Board

**Tang Ching Ho**

*Chairman*

Hong Kong, 21 November 2017

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Six months ended 30 September 2017

	Notes	Six months ended 30 September	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<b>REVENUE</b>	4	<b>382,552</b>	350,939
Cost of sales		<b>(232,027)</b>	(194,621)
Gross profit		<b>150,525</b>	156,318
Other income and gains	4	<b>62,494</b>	112,206
Selling and distribution expenses		<b>(121,700)</b>	(130,519)
Administrative expenses		<b>(83,538)</b>	(80,576)
Finance costs	6	<b>(9,720)</b>	(7,712)
Change in fair value of equity investments at fair value through profit or loss, net		<b>(8,817)</b>	(41,066)
Fair value gains/(losses) on investment properties, net		<b>4,200</b>	(29,000)
Share of losses of associates		<b>(33,997)</b>	(18,427)
<b>LOSS BEFORE TAX</b>	5	<b>(40,553)</b>	(38,776)
Income tax	7	–	–
<b>LOSS FOR THE PERIOD</b>		<b>(40,553)</b>	(38,776)
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Change in fair value of an available-for-sale investment		<b>(4,806)</b>	46,844
Share of other comprehensive income/(loss) of an associate		<b>5,973</b>	(11,739)
Translation reserve:			
Translation of foreign operations		<b>5,851</b>	(2,040)
Release upon voluntary winding-up of subsidiaries		–	(3,030)

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

Six months ended 30 September 2017

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
	<i>Note</i>	
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>7,018</b>	30,035
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(33,535)</b>	(8,741)
Loss attributable to:		
Owners of the parent	<b>(40,492)</b>	(38,268)
Non-controlling interests	<b>(61)</b>	(508)
	<b>(40,553)</b>	(38,776)
Total comprehensive loss attributable to:		
Owners of the parent	<b>(33,474)</b>	(8,233)
Non-controlling interests	<b>(61)</b>	(508)
	<b>(33,535)</b>	(8,741)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>		
Basic and diluted	9 <b>HK(3.20) cents</b>	HK(7.61) cents

# Condensed Consolidated Statement of Financial Position

30 September 2017

		30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	816,958	823,487
Investment properties	11	483,200	479,000
Goodwill		15,335	15,335
Other intangible assets		164	213
Investments in associates		347,550	375,574
Available-for-sale investment		909,099	912,093
Loan and interests receivables		100,000	80,000
Deposit paid for the acquisition of property, plant and equipment	13	10,749	10,623
Deferred tax assets		13,761	13,761
<b>Total non-current assets</b>		<b>2,696,816</b>	2,710,086
<b>CURRENT ASSETS</b>			
Inventories		196,483	169,712
Trade and other receivables	13	181,719	172,908
Due from associates	14	7,940	10,417
Equity investments at fair value through profit or loss		141,487	150,303
Loan and interests receivables		84,031	32,823
Tax recoverable		3,307	3,307
Bank balances and cash		210,944	323,695
<b>Total current assets</b>		<b>825,911</b>	863,165

# Condensed Consolidated Statement of Financial Position (Continued)

30 September 2017

		30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
	<i>Notes</i>		
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	177,307	149,476
Bank borrowings		34,790	62,290
Deferred franchise income		93	18
Tax payable		857	857
Total current liabilities		213,047	212,641
<b>NET CURRENT ASSETS</b>			
		612,864	650,524
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		3,309,680	3,360,610
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings		679,622	697,017
Deferred tax liabilities		5,870	5,870
Total non-current liabilities		685,492	702,887
<b>NET ASSETS</b>			
		2,624,188	2,657,723
<b>EQUITY</b>			
Issued capital	16	12,651	12,651
Reserves		2,605,666	2,639,140
Equity attributable to owners of the parent		2,618,317	2,651,791
Non-controlling interests		5,871	5,932
<b>TOTAL EQUITY</b>			
		2,624,188	2,657,723

# Condensed Consolidated Statement of Changes in Equity

Six months ended 30 September 2017

	Attributable to owners of the parent											Total equity (Unaudited) HK\$'000		
	Issued capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Special reserve (Unaudited) HK\$'000 <i>(note a)</i>	Contributed surplus reserve (Unaudited) HK\$'000 <i>(note b)</i>	Share option reserve (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000	Reserve funds (Unaudited) HK\$'000 <i>(note d)</i>	Other reserve (Unaudited) HK\$'000 <i>(note a)</i>	Available-for-sale investment revaluation reserve (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000		Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000
At 1 April 2016	3,163	1,725,243	(27,150)	275,693	493	5,086	399	(653)	(38,282)	28,014	350,774	2,322,490	7,066	2,329,556
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	(38,268)	(38,268)	(508)	(38,776)
Other comprehensive income/ (loss) for the period:														
Change in fair value of an available-for-sale investment	-	-	-	-	-	-	-	-	46,844	-	-	46,844	-	46,844
Share of other comprehensive loss of an associate	-	-	-	-	-	(9,829)	-	-	(1,910)	-	-	(11,739)	-	(11,739)
Translation reserve:														
Exchange differences on translation of foreign operations	-	-	-	-	-	(2,040)	-	-	-	-	-	(2,040)	-	(2,040)
Release upon voluntary winding-up of subsidiaries	-	-	-	-	-	(3,030)	-	-	-	-	-	(3,030)	-	(3,030)
Total comprehensive income/ (loss) for the period	-	-	-	-	-	(14,869)	-	-	44,934	-	(38,268)	(8,233)	(508)	(8,741)
Rights issue	9,488	398,321	-	-	-	-	-	-	-	-	-	408,009	-	408,009
Share issue expenses	-	(7,344)	-	-	-	-	-	-	-	-	-	(7,344)	-	(7,344)
At 30 September 2016	12,651	2,116,420	(27,150)	275,693	493	(9,863)	399	(653)	6,652	28,014	312,506	2,714,922	6,558	2,721,480

# Condensed Consolidated Statement of Changes in Equity (Continued)

Six months ended 30 September 2017

	Attributable to owners of the parent												Total equity (Unaudited) HK\$'000	
	Issued capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Special reserve (Unaudited) HK\$'000 <i>(note a)</i>	Contributed surplus reserve (Unaudited) HK\$'000 <i>(note b)</i>	Share option reserve (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000	Reserve funds (Unaudited) HK\$'000 <i>(note c)</i>	Other reserve (Unaudited) HK\$'000 <i>(note d)</i>	Available-for-sale investment revaluation reserve (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000		Non-controlling interests (Unaudited) HK\$'000
At 1 April 2017	12,651	2,116,420	(27,150)	275,693	383	(27,266)	359	11,463	3,643	28,014	257,581	2,651,791	5,932	2,657,723
Loss for the period	-	-	-	-	-	-	-	-	-	-	(40,492)	(40,492)	(61)	(40,553)
Other comprehensive income/ (loss) for the period														
Change in fair value of an available-for-sale investment	-	-	-	-	-	-	-	-	(4,806)	-	-	(4,806)	-	(4,806)
Share of other comprehensive income/ (loss) of an associate	-	-	-	-	-	9,316	-	(3,620)	277	-	-	5,973	-	5,973
Translation reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	-	-	5,851	-	-	-	-	-	5,851	-	5,851
Total comprehensive income/ (loss) for the period	-	-	-	-	-	15,167	-	(3,620)	(4,529)	-	(40,492)	(33,474)	(61)	(33,535)
At 30 September 2017	12,651	2,116,420*	(27,150)*	275,693*	383*	(12,099)*	359*	7,843*	(886)*	28,014*	217,089*	2,618,317	5,871	2,624,188

\* These reserve accounts comprise the consolidated reserves of approximately HK\$2,605,666,000 (31 March 2017: approximately HK\$2,639,140,000) in the condensed consolidated statement of financial position.

## Notes:

- The special reserve of the Group represents the difference between the nominal value of ordinary shares issued by the Company and the aggregate nominal value of the issued ordinary share capital of the subsidiaries acquired pursuant to a group reorganisation in 1995.
- The contributed surplus reserve represents the credits arising from the capital reduction effected by the Company less the amount utilised for the purpose of bonus issue of shares by the Company.
- Pursuant to the relevant laws and regulations in the PRC, a portion of the profits of the company's subsidiaries in the PRC has been transferred to the reserve funds which are restricted to use.
- The other reserve comprises the Group's share of other reserve of its associate which represents the share of other reserve of the associate's another associate.

# Condensed Consolidated Statement of Cash Flows

Six months ended 30 September 2017

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash used in operations	(24,050)	(67,584)
Interest received	757	206
Hong Kong profits tax refunded	–	208
Net cash used in operating activities	(23,293)	(67,170)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of items of property, plant and equipment	(17,321)	(20,734)
Purchase of an available-for-sale investment	–	(206,849)
Purchase of equity investments at fair value through profit or loss	–	(3,989)
Increase in a loan receivable	(20,000)	–
Additions of cost of trademarks	(31)	(31)
Interest received	–	36,079
Proceeds of disposal of equity investments at fair value through profit or loss	–	3,216
Net proceeds of disposal of items of property, plant and equipment	–	88,559
Prepayments for acquisition of items of property, plant and equipment	(2,402)	–
Net cash flows used in investing activities	(39,754)	(103,749)

## Condensed Consolidated Statement of Cash Flows (Continued)

Six months ended 30 September 2017

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	–	408,099
Share issue expenses	–	(7,344)
New bank borrowings	<b>250,000</b>	1,000,000
Repayments of bank borrowings	<b>(295,000)</b>	(964,936)
Interest paid	<b>(9,615)</b>	(7,712)
Net cash flows from/(used in) financing activities	<b>(54,615)</b>	428,017
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(117,662)</b>	257,098
Cash and cash equivalents at beginning of period	<b>323,695</b>	205,608
Effect of foreign exchange rate changes, net	<b>4,911</b>	(85)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>210,944</b>	462,621
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Bank balances and cash	<b>210,944</b>	462,621

# Notes to Condensed Consolidated Financial Statements

## 1. BASIS OF PREPARATION

The Company is a limited liability company incorporated in Bermuda and whose shares are publicly traded on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The principal activities of the Group are described in note 3 to the unaudited interim condensed consolidated financial statements.

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

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2017.

The accounting policies and the basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group's audited financial statements for the year ended 31 March 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the revised HKFRSs as disclosed in note 2 below.

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

## 2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
<i>Annual Improvement 2014-2016 Cycle</i>	Amendments in relation to HKFRS 12 – <i>Disclosure of Interest in Other Entities</i>

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

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

## 3. OPERATING SEGMENT INFORMATION

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

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

**3. OPERATING SEGMENT INFORMATION** (Continued)

- (b) production and sale of Western pharmaceutical and health food products  
- processing and sale of Western pharmaceutical products and personal care products under the brand name of “Madame Pearl’s” and “Pearl’s”, respectively; and
- (c) property investment - investment in commercial premises for rental income.

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

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

## Notes to Condensed Consolidated Financial Statements (Continued)

### 3. OPERATING SEGMENT INFORMATION (Continued)

#### Six months ended 30 September

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

	Production and sale of Chinese pharmaceutical and health food products		Production and sale of Western pharmaceutical and health food products		Property investment		Eliminations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
<b>Segment revenue:</b>										
Sales to external customers	312,064	278,621	64,027	67,891	6,461	4,427	-	-	382,552	350,939
Intersegment sales	-	-	-	-	3,666	2,965	(3,666)	(2,965)	-	-
<b>Total</b>	<b>312,064</b>	<b>278,621</b>	<b>64,027</b>	<b>67,891</b>	<b>10,127</b>	<b>7,392</b>	<b>(3,666)</b>	<b>(2,965)</b>	<b>382,552</b>	<b>350,939</b>
<b>Segment results</b>	<b>(7,664)</b>	<b>(5,594)</b>	<b>(23,963)</b>	<b>(12,486)</b>	<b>4,865</b>	<b>(27,979)</b>			<b>(26,762)</b>	<b>(46,059)</b>
Other income and gains									62,494	112,206
Unallocated expenses									(23,751)	(37,718)
Finance costs									(9,720)	(7,712)
Change in fair value of equity investments at fair value through profit or loss, net									(8,817)	(41,066)
Share of losses of associates									(33,997)	(18,427)
Loss before tax									(40,553)	(38,776)
Income tax									-	-
Loss for the period									(40,553)	(38,776)

## Notes to Condensed Consolidated Financial Statements (Continued)

### 4. REVENUE, OTHER INCOME AND GAINS

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

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

	Six months ended 30 September	
	2017	2016
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
<b>Revenue</b>		
Sales of goods	<b>375,613</b>	346,034
Rental income from investment properties	<b>6,461</b>	4,427
Management and promotion fees	<b>478</b>	478
	<b>382,552</b>	350,939
<b>Other income</b>		
Interest income on a loan receivable	<b>3,223</b>	–
Interest income on an available-for-sale investment	<b>47,985</b>	36,134
Imputed interest income on an available-for-sale investment	<b>1,812</b>	1,635
Interest income on bank deposits	<b>757</b>	206
Dividends from equity investments at fair value through profit or loss	<b>2,930</b>	2,874
Sub-lease rental income	<b>4,820</b>	1,361
Others	<b>967</b>	1,220
	<b>62,494</b>	43,430

## Notes to Condensed Consolidated Financial Statements (Continued)

### 4. REVENUE, OTHER INCOME AND GAINS (Continued)

	Six months ended 30 September	
	2017	2016
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
<b>Gains</b>		
Gain on disposal of items of property, plant and equipment	–	65,746
Gain on voluntary winding-up of subsidiaries	–	3,030
	–	68,776
Other income and gains	<b>62,494</b>	112,206

## Notes to Condensed Consolidated Financial Statements (Continued)

### 5. LOSS BEFORE TAX

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

	Six months ended 30 September	
	2017	2016
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Cost of inventories recognised as an expense (including provision of allowance for obsolete inventories of approximately HK\$2,259,000 (2016: approximately HK\$1,698,000))	<b>232,027</b>	194,621
Depreciation	<b>25,850</b>	6,979
Amortisation of other intangible assets	<b>80</b>	86
Exchange losses, net	<b>1,353</b>	534
Impairment of trade receivables*	<b>1,430</b>	1,490
Write-off of items of property, plant and equipment	<b>1,217</b>	–
Lease payments under operating leases in respect of land and buildings:		
Minimum lease payments	<b>48,524</b>	48,751
Contingent rents	<b>6,210</b>	6,380
	<b>54,734</b>	55,131
Gross rental income	<b>(6,461)</b>	(4,427)
Less: direct outgoing expenses	<b>77</b>	226
	<b>(6,384)</b>	(4,201)

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

## Notes to Condensed Consolidated Financial Statements (Continued)

### 6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings	9,720	7,712

### 7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profit arising in Hong Kong in the current and prior periods. Tax on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Total tax charge for the period	–	–

### 8. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2017 (six month ended 30 September 2016: 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 period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 1,265,142,888 (30 September 2016: 503,116,548) in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the periods ended 30 September 2017 and 2016 in respect of a dilution as the impact of share options outstanding had no dilutive effect on the basic loss per share amounts presented.

The weighted average number of ordinary shares adopted in the calculation of the basic and diluted loss per share for the period ended 30 September 2016 has been adjusted to reflect the impact of the rights issue completed on 29 September 2016.

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

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<b>Loss</b>		
Loss attributable to ordinary equity holders of the parent, used in basic and diluted loss per share calculation	<b>(40,492)</b>	(38,268)

## 9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

	Number of shares	
	Six months ended 30 September 2017 (Unaudited)	2016 (Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	<b>1,265,142,888</b>	503,116,548

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group incurred approximately HK\$19,597,000 (six months period ended 30 September 2016: approximately HK\$33,537,000) on the additions of items of property, plant and equipment, and there were disposals or write-off of property, plant and equipment with carrying amount of HK\$1,217,000 (six months period ended 30 September 2016: HK\$22,813,000).

## 11. INVESTMENT PROPERTIES

	HK\$'000
Carrying amount at 1 April 2017	479,000
Net gains from fair value adjustments recognised in profit or loss	4,200
Carrying amount at 30 September 2017 (Unaudited)	483,200

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

## Notes to Condensed Consolidated Financial Statements (Continued)

### 11. INVESTMENT PROPERTIES (Continued)

#### Fair value hierarchy

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

During the six months ended 30 September 2017, there were no transfers of fair value measurements between Level 1 and 2 and no transfer into or out of Level 3 (six months ended 30 September 2016: Nil).

### 12. PLEDGE OF ASSETS

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

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Land and buildings	153,012	155,558
Investment properties	483,200	479,000
	<b>636,212</b>	634,558

## 13. TRADE AND OTHER RECEIVABLES

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Trade receivables	98,368	87,984
Less: Accumulated impairment	(4,041)	(2,611)
	<b>94,327</b>	85,373
Rental and other deposits	33,130	36,597
Prepayments	35,800	31,709
Other receivables	18,462	19,229
Deposit paid for the acquisition of property, plant and equipment	10,749	10,623
	<b>98,141</b>	98,158
Total trade and other receivables	<b>192,468</b>	183,531
Less: Deposit classified as a non-current asset	(10,749)	(10,623)
Current portion	<b>181,719</b>	172,908

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

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

## Notes to Condensed Consolidated Financial Statements (Continued)

### 13. TRADE AND OTHER RECEIVABLES (Continued)

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

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Within 1 month	44,541	32,007
1 to 3 months	32,769	30,288
3 to 6 months	14,084	20,276
Over 6 months	2,933	2,802
	<b>94,327</b>	85,373

### 14. DUE FROM ASSOCIATES

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Trade receivables due from associates	<b>7,940</b>	10,417

## Notes to Condensed Consolidated Financial Statements (Continued)

### 14. DUE FROM ASSOCIATES (Continued)

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

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Within 1 month	1,785	2,456
1 to 3 months	2,502	4,983
3 to months	2,190	2,878
Over 6 months	1,463	100
	<b>7,940</b>	<b>10,417</b>

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

### 15. TRADE AND OTHER PAYABLES

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Trade payables	94,460	61,077
Accrual of salaries and commission	26,631	17,955
Accrual of advertising and promotion	11,378	15,570
Rental deposits received	4,318	4,563
Other payables and accruals	40,520	50,311
	<b>177,307</b>	<b>149,476</b>

## Notes to Condensed Consolidated Financial Statements (Continued)

### 15. TRADE AND OTHER PAYABLES (Continued)

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

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Within 1 month	43,780	22,536
1 to 3 months	44,946	23,422
3 to 6 months	5,734	10,201
Over 6 months	–	4,918
	<b>94,460</b>	<b>61,077</b>

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

### 16. SHARE CAPITAL

#### Shares

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Authorised:		
60,000,000,000 ordinary shares of HK\$0.01 each	<b>600,000</b>	600,000
Issued and fully paid:		
1,265,142,888 ordinary shares of HK\$0.01 each	<b>12,651</b>	12,651

## Notes to Condensed Consolidated Financial Statements (Continued)

### 16. SHARE CAPITAL (Continued)

#### Share options

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

### 17. OPERATING LEASE ARRANGEMENTS

#### (a) As lessor

The Group leases its investment properties (note 11) and sub-leases under operating lease arrangements, with leases negotiated for terms ranging from one to four years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Within one year	17,101	15,264
In the second to fifth years, inclusive	20,945	19,903
	<b>38,046</b>	35,167

## Notes to Condensed Consolidated Financial Statements (Continued)

### 17. OPERATING LEASE ARRANGEMENTS (Continued)

#### (b) As lessee

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

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

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Within one year	73,050	74,059
In the second to fifth years, inclusive	95,049	84,977
After five years	–	3,541
	<b>168,099</b>	<b>162,577</b>

### 18. COMMITMENTS

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

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Contracted, but not provided for: Property, plant and equipment	<b>8,379</b>	10,971

## Notes to Condensed Consolidated Financial Statements (Continued)

### 19. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 September	
	2017	2016
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Fellow subsidiaries of		
Wang On Group Limited		
(other than the Group)		
– Rental income earned		
by the Group	(i) <b>4,820</b>	1,361
– Rental expense incurred		
by the Group	(i) <b>5,400</b>	5,100
– Sales of Chinese		
pharmaceutical products		
by the Group	(ii) <b>5,191</b>	2,011
– Acquisition of a debt		
security	(i) <b>–</b>	206,849
Associates		
– Sales of Chinese		
pharmaceutical products		
by the Group	(ii) <b>12,360</b>	8,647
– Rental income earned		
by the Group	(i) <b>956</b>	1,434
– Management and		
promotion fees earned		
by the Group	(i) <b>478</b>	478
– Interest income on a loan		
earned by the Group	(iii) <b>3,223</b>	–

## Notes to Condensed Consolidated Financial Statements (Continued)

### 19. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

*Notes:*

- (i) The transactions were based on terms mutually agreed between the Group and the related parties.
- (ii) Sales to the related parties were made according to the published prices and conditions that the Group offered to its customers.
- (iii) Interest was charged by the Group on a loan advanced to Easy One Financial Group Limited at an effective interest rate of 6.5% per annum.

(b) Compensation of key management personnel of the Group

	Six months ended 30 September	
	2017	2016
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Short-term employment benefits	7,180	7,180
Post-employment benefits	36	36
	<b>7,216</b>	7,216

(c) Outstanding balances with a related party

The Group's loan and interests receivables owed from its associate as at 30 September 2017 are HK\$100,000,000 and HK\$4,808,000, respectively (31 March 2017: HK\$80,000,000 and HK\$1,585,000, respectively).

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

## 20. FAIR VALUE HIERARCHY

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

- the fair values of financial assets and financial liabilities at amortised costs are determined in accordance with generally accepted pricing models based on the discounted cash flow analysis; and
- the fair value of the equity investments at fair value through profit or loss is determined based on quoted market bid prices in the active market.

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

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

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

## Notes to Condensed Consolidated Financial Statements (Continued)

### 20. FAIR VALUE HIERARCHY (Continued)

Assets measured at fair value:

As at 30 September 2017	Fair value measurement using			Total (Unaudited) HK\$'000
	Quoted prices in active markets Level 1 (Unaudited) HK\$'000	Significant observable inputs Level 2 (Unaudited) HK\$'000	Significant unobservable inputs Level 3 (Unaudited) HK\$'000	
Available-for-sale investment	-	-	909,099	909,099
Equity investments at fair value through profit or loss	134,885	6,602	-	141,487
	<b>134,885</b>	<b>6,602</b>	<b>909,099</b>	<b>1,050,586</b>

As at 31 March 2017	Fair value measurement using			Total (Audited) HK\$'000
	Quoted prices in active markets Level 1 (Audited) HK\$'000	Significant observable inputs Level 2 (Audited) HK\$'000	Significant unobservable inputs Level 3 (Audited) HK\$'000	
Available-for-sale investment	-	-	912,093	912,093
Equity investments at fair value through profit or loss	144,452	5,851	-	150,303
	<b>144,452</b>	<b>5,851</b>	<b>912,093</b>	<b>1,062,396</b>

## Notes to Condensed Consolidated Financial Statements (Continued)

### 20. FAIR VALUE HIERARCHY (Continued)

The Group did not have any financial liabilities measured at fair value as at 30 September 2017 and 31 March 2017.

During the six months ended 30 September 2017, there were no transfers of fair value measurements between Level 1 and 2 and no transfer into or out of Level 3 (six months ended 30 September 2016: Nil).

### 21. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 21 November 2017.