



## WANG ON GROUP LIMITED

*(Incorporated in Bermuda with limited liability)*

### ANNOUNCEMENT OF ANNUAL RESULTS

### FOR THE YEAR ENDED 31 MARCH 2002

The Board of Directors of Wang On Group Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2002, together with the comparative figures for the previous year, are as follows:

	Notes	Year ended 31 March	
		2002 HK\$'000	2001 HK\$'000
TURNOVER	2	<b>320,047</b>	211,998
Cost of sales		<b>(223,891)</b>	(201,625)
Gross profit		<b>96,156</b>	10,373
Other revenue and gains		<b>22,889</b>	24,190
Selling and distribution costs		<b>(20,762)</b>	(2,637)
Administrative expenses		<b>(53,407)</b>	(40,114)
Other operating expenses		<b>(6,120)</b>	(18,084)
Provision for impairment of investments		-	(20,715)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	3	<b>38,756</b>	(46,987)
Finance costs		<b>(3,482)</b>	(1,850)
Share of profits and losses of associates		<b>3,331</b>	899
Amortisation of goodwill of associates		<b>(4,482)</b>	-
PROFIT/(LOSS) BEFORE TAX		<b>34,123</b>	(47,938)
Tax	4	<b>(3,634)</b>	138
PROFIT/(LOSS) BEFORE			

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MINORITY INTERESTS		<b>30,489</b>	(47,800 )
Minority interests		<b>(2,789 )</b>	287
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS			
		<b>27,700</b>	(47,513 )
EARNINGS/(LOSS) PER SHARE			
Basic	5	<b>1.81 cents</b>	(4.39 cents )
Diluted		<b>1.80 cents</b>	N/A

Notes:

**1. New and revised Statements of Standard Accounting Practice ("SSAPs")**

The following recently-issued and revised SSAPs and related interpretations are effective for the first time for the current year's financial statements:

*	SSAP 9 (Revised):	"Events after the balance sheet date"
*	SSAP 14 (Revised):	"Leases"
*	SSAP 18 (Revised):	"Revenue"
*	SSAP 26:	"Segment reporting"
*	SSAP 28:	"Provisions, contingent liabilities and contingent assets"
*	SSAP 29:	"Intangible assets"
*	SSAP 30:	"Business combinations"
*	SSAP 31:	"Impairment of assets"
*	SSAP 32:	"Consolidated financial statements and accounting for investments in subsidiaries"
*	Interpretation 12:	"Business combinations - subsequent adjustment of fair values and goodwill initially reported"
*	Interpretation 13:	"Goodwill - continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

**2. Turnover and segmental information**

The following table presents turnover and profit/(loss) from operating activities for the Group's business segments.

	Segment turnover		Segment results	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Chinese wet markets	<b>152,770</b>	98,471	<b>13,676</b>	4,641

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Shopping centres and car parks	<b>85,939</b>	97,119	<b>2,194</b>	(10,731)
Pharmaceutical	<b>70,727</b>	9,036	<b>16,198</b>	1,866
Corporate and others	<b>10,611</b>	7,372	<b>4,472</b>	(52,269)
	<b>320,047</b>	211,998	<b>36,540</b>	(56,493)
Unallocated expenses			<b>(5,505)</b>	(4,808)
Interest income			<b>7,721</b>	14,314
Profit/(loss) from operating activities			<b>38,756</b>	(46,987)

No geographical segment information is presented as over 90% of the Group's turnover was derived from customers in Hong Kong during the year.

### 3. Profit/(loss) from operating activities

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting) the following items:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Amortisation of trademarks and patents	<b>2</b>	-
Amortisation of goodwill	<b>25</b>	-
Cost of inventories sold	<b>24,741</b>	3,398
Depreciation	<b>15,813</b>	10,904
Provision for contingency, net	-	8,927
Provision/(write-back of provision) for doubtful debts	<b>(903)</b>	4,544
Provision for impairment of investments	-	20,715
Net provision/(amount released) for onerous contracts	<b>(5,689)</b>	26,676
Gain on disposal of properties held for re-sale	<b>(6)</b>	(641)
Interest income from investments	<b>(1,381)</b>	(2,142)
Gain on disposal of investments	<b>(8,546)</b>	(2,281)
Net holding gain on investments	<b>(84)</b>	(215)
Net rental income	<b>(2,219)</b>	(1,734)

### 4. Tax

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year.

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	<b>2002</b>	2001
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Group:		
Hong Kong profits tax	<b>3,092</b>	411
Overprovision in the prior year	<b>(138)</b>	(1,644)
Deferred	-	919
	<b>2,954</b>	(314)
Share of tax attributable to:		
Associates	<b>680</b>	176
Tax charge/(credit) for the year	<b>3,634</b>	(138)

## 5. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the net profit attributable to shareholders for the year of HK\$27,700,000 (2001: loss of HK\$47,513,000) and on the weighted average number of 1,531,551,990 (2001: 1,082,338,198) ordinary shares in issue during the year, as adjusted to reflect the rights issue and bonus issue during the year.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the year of HK\$27,700,000. The weighted average number of ordinary shares used in the calculation is 1,531,551,990 ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average of 6,425,028 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

The diluted loss per share for the year ended 31 March 2001 has not been shown as the share options outstanding had an anti-dilutive effect on the basic loss per share.

## RESULTS

The Group's turnover and net profit attributable to shareholders for the year amounted to HK\$320.0 million (2001: HK\$212.0 million) and HK\$27.7 million (2001: loss of HK\$47.5 million) respectively.

## DIVIDEND

No interim dividend was paid during the year under review (2001: Nil). The directors do not recommend the payment of a final dividend (2001: Nil).

## **REVIEW OF OPERATIONS**

It was an encouraging year for our Group. Despite the downturn of the global economy and the difficult restructuring of the Hong Kong economy, the Group's business has continued to grow with returns to shareholders being strengthened. Turnover increased over 50% from last year, a net profit of HK\$27.7 million was recorded (as compared with a loss for last year) and our cash and cash equivalents and shareholders' equity were increased from last year's HK\$185.6 million and HK\$159.9 million, respectively, to the current year's HK\$313.8 million and HK\$468.0 million, respectively.

### **Management and Sub-licensing of Chinese Wet Markets**

This area of business continues to be the Group's core business, contributing nearly half of the Group's turnover in the year under review. Relating to people's everyday necessities, turnover and profit contribution continued their growth despite the sluggish Hong Kong economy.

I am pleased to announce that the Hong Kong Housing Authority has recently granted to the Group the lease for the Chinese wet market at Yu Chui Shopping Centre, Shatin, with a floor area of approximately 15,000 sq. ft., which will add to the existing 12 Chinese wet markets, with a total area of 257,000 sq.ft., currently operated by the Group.

### **Management and Sub-licensing of Shopping Centres and Car Parks**

The Group currently manages and operates 8 shopping centres with a total floor area of over 1.4 million sq. ft. and over 3,800 car parking bays, which continue to generate steady contribution to the Group.

### **Wai Yuen Tong Medicine Company Limited ("Wai Yuen Tong")**

The acquisition of Wai Yuen Tong in February 2001 has proven to be an excellent investment decision. With the efforts contributed by the Group, Wai Yuen Tong's turnover and net profit increased from HK\$39.4 million and HK\$9.1 million (excluding a one-off gain on disposal of property, plant and equipment of HK\$3.3 million), respectively, for the 15 months ended 31 March 2001 to HK\$72.4 million and HK\$14.9 million, respectively, for the year ended 31 March 2002, which resulted in a significant contribution to the Group's turnover and net profit.

As described in the section "Investment in Dailywin Group Limited" below, with a view to enhance the Group's investment in Dailywin and to assist the Dailywin Group to improve its financial performance, the Group has since the end of the year under review disposed of Wai Yuen Tong to Dailywin in return for Dailywin's shares and convertible notes.

### **Other Investments in Pharmaceutical Business**

During the year under review, the Group has invested in Luxembourg Medicine Company Limited ("Luxembourg") by acquisitions of an aggregate of approximately 47.5% equity interest in Luxembourg.

The Group also acquired 22% equity interests in China Field Enterprises Limited which holds a 80% equity interests in Hunan Xiangya Pharmaceutical Company Limited.

### **Investment in Dailywin Group Limited ("Dailywin")**

Since acquiring a significant equity interest in Dailywin in August 2001, substantial efforts were contributed by the Group in the restructuring and re-engineering of the financial and business position of Dailywin. As detailed in Dailywin's announcement dated 7 February 2002, the legal disputes between Dailywin and the trustee for the holders of the convertible loan stocks were resolved.

Since the end of the year under review, and as stated in an announcement dated 22 May 2002 with further details being provided in a circular of the Company dated 17 June 2002, the Group entered into an agreement with Dailywin to dispose of its entire interest of 75.79% in Wai Yuen Tong to Dailywin at a consideration of approximately HK\$167.0 million to be satisfied by the issue by Dailywin of new shares and convertible notes. The transaction was approved in the Company's and Dailywin's special general meetings held on 3 July 2002 and was completed on 9 July 2002.

The disposal together with the placement by the Company on 9 July 2002 of some of Dailywin's shares received as part of the consideration for the Wai Yuen Tong disposal, resulted in cash inflow of around HK\$35.0 million to the Group while the Group will, through its long-term increased shareholding in Dailywin, continue to enjoy the benefit generated from any future growth of Wai Yuen Tong.

## **LIQUIDITY AND FINANCIAL RESOURCES**

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With a view to enlarging the Company's shareholder base and strengthening the financial position of the Company, the following fund raising capital exercises were made during the year:

- a. In August 2001, convertible bonds amounting to HK\$30,080,000, with a conversion price of HK\$0.188 per share, were issued. The bonds were subsequently fully converted into 160 million ordinary shares during the month.
- b. In October 2001, approximately HK\$12 million was raised through a top-up placing of 160 million new ordinary shares at HK\$0.08 per share.
- c. In November 2001, approximately HK\$20 million was raised through a top-up placing of 228 million new ordinary shares at HK\$0.09 per share.
- d. In December 2001, approximately HK\$24 million was raised through a top-up placing of 274 million new ordinary shares at HK\$0.09 per share.
- e. In March 2002, approximately HK\$190 million was raised through a rights issue on the basis of four rights shares for every existing share held with one bonus share for four fully paid rights shares.

Subsequent to the year end, in May 2002, approximately HK\$36.5 million was raised through a top-up placing of 1,950 million new ordinary shares at HK\$0.02 per share. In June 2002, 2,000 million unlisted warrants with an initial exercise price of 1.7 cents per share were issued at a subscription price of 0.1 cent per share.

The Group's gearing ratio as at 31 March 2002 was approximately 0.10 (calculated with reference to the Group's total borrowings and capital and reserves of approximately HK\$46.1 million and HK\$468.0 million, respectively, as at 31 March 2002).

At 31 March 2002, the Group's investment properties and property held for re-sale with an aggregate value of approximately HK\$22.9 million and certain rental income generated therefrom were pledged to secure the Group's general banking facilities, approximately HK\$27.6 million of which was utilised at 31 March 2002.

The Group's contingent liabilities as at 31 March 2002 amounted to approximately HK\$27.9 million (2001: HK\$42.8 million).

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 March 2002, the Group had around 600 full time employees, over 95% of whom were located in Hong Kong.

The Group remunerates its employees mainly based on industry practices and individual performance and experience. On top of the regular remuneration, discretionary bonus and share option may be granted to selected staff by reference to the Group's performance as well as the individual's performance. Other benefits, such as medical and retirement benefits, are also provided.

## **PROSPECTS**

With its strong financial resources and liquidity, the Group will continue to consolidate and strengthen its commercial properties management business and actively look for good investment opportunities with the potential to enhance the Group's future returns.

## **AUDIT COMMITTEE**

Pursuant to the requirements of the revised Code of Best Practice set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company has set up an audit committee with written terms of reference, comprising two independent non-executive directors of the Company. A meeting of the audit committee was held to review the Group's annual results for the year ended 31 March 2002 before they were presented to the Board for approval.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

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

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

In the opinion of the directors, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year ended 31 March 2002, save that the independent non-executive directors of the Company are not appointed for specific terms, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

## **PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE**

The 2002 annual report of the Group containing the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be released on the website of The Stock Exchange of Hong Kong Limited ([www.hkex.com.hk](http://www.hkex.com.hk)) in due course.

By Order of the Board

**Tang Ching Ho**

*Chairman and Managing Director*

Hong Kong, 19 July 2002

## **NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Garden Rooms C-D, 2nd Floor, Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Thursday, 22 August 2002 at 10:45 a.m. for the following purposes:-

1. To receive and consider the Audited Consolidated Financial Statements and the Reports of the Directors and Auditors for the year ended 31 March 2002.
2. To re-elect Dr. Siu Yim Kwan, Sidney as an independent non-executive director.
3. To re-appoint Auditors and to authorised the Board of Directors to fix their remuneration.
4. As special business, consider and, if thought fit, pass with or without modifications the following resolutions as Ordinary Resolutions:-

(A) "THAT:

- (a) subject to paragraph (c) below, the exercise by the directors of the Company ("Directors") during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company ("Shares") or securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares, and to make or grant offers, agreements and options which would or might require the exercise of such powers, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;

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- (b) the approval in paragraph (a) of this resolution shall in addition to any other authorisations given to the Directors authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to:
  - (i) a Rights Issue (as hereinafter defined);
  - (ii) the exercise of rights of subscription or conversion under terms of any warrants issued by the Company or any securities which are convertible into Shares;
  - (iii) the exercise of any option under the share option scheme or similar arrangement of the Company for the time being adopted for the grant or issue to eligible persons Shares or rights to acquire Shares; or
  - (iv) an issue of Shares as scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on the Shares in accordance with the bye-laws of the Company in force from time to time,

shall not exceed in total 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution, and the said approval shall be limited accordingly; and

- (d) for the purpose of this resolution:-

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by Bermuda law or the Company's bye-laws to be held; or

- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means the allotment, issue or grant of Shares pursuant to an offer of Shares open for a period fixed by the Directors to holders of Shares or any class thereof on the register of members on a fixed record date in proportion to their then holdings of such Shares or class thereof (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or stock exchange in any territory outside Hong Kong)."

(B) "THAT:

- (a) subject to paragraph (b) below, the exercise by the directors of the Company ("Directors") during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares in the capital of the Company ("Shares") be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the Shares which may be repurchased by the Company pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution, and the said approval shall be limited accordingly; and
- (c) for the purpose of this Resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by Bermuda law or the Company's bye-laws to be held; or

(iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting."

(C) "THAT conditional upon the passing of the resolutions set out in paragraphs (A) and (B) of item 4 in the notice convening this meeting ("Notice"), the general mandate granted to the directors of the Company ("Directors") to exercise the powers of the Company to allot, issue and otherwise deal with shares of the Company pursuant to resolution set out in paragraph (A) of item 4 in the Notice be and is hereby extended by the additional to the aggregate nominal amount of the share capital of the Company which may be allotted by the Directors pursuant to such general mandate an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to resolution set out in paragraph (B) of item 4 in the Notice, provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution."

By Order of the Board  
**Wang On Group Limited**  
**Chan Chun Hong, Thomas**  
*Director and Company Secretary*

Hong Kong  
19 July, 2002

*Notes:*

- (1) A member entitled to attend and vote at the above Meeting is entitled to appoint one or more than one proxy to attend and to vote instead of him. A proxy need not be a member of the Company.
- (2) To be valid, a form of proxy, together with any power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company's Hong Kong branch share registrar, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the Meeting.
- (3) Completion and delivery of the form of proxy will not preclude members from attending and voting at the above Meeting or any adjournment thereof, in which case the form of proxy shall be deemed to be revoked.

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Please also refer to the published version of this announcement in The Standard dated 22 July 2002.