



# WANG ON GROUP LIMITED

(incorporated in Bermuda with limited liability)

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2003

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 2003, together with the comparative figures for the previous year, are as follows :

		Year ended 31 March	
	Notes	2003 HK\$'000	2002 HK\$'000
TURNOVER	2	292,156	320,047
Cost of sales		(230,432)	(223,891)
Gross profit		61,724	96,156
Other revenue and gains		24,415	22,889
Selling and distribution costs		(17,695)	(20,762)
Administrative expenses		(57,032)	(53,407)
Other operating expenses		(10,168)	(6,120)
Gain on disposal of subsidiaries		17,031	—
Gain on disposals of interests in an associate		73,891	—
Deficit on revaluation of investment properties		(6,210)	—
Provision for an amount due from an associate		(3,400)	—
PROFIT FROM OPERATING ACTIVITIES	3	82,556	38,756
Finance costs		(2,552)	(3,482)
Share of profits and losses of associates		(11,409)	3,331
Amortisation of goodwill of associates		(16,454)	(4,482)
Provision for impairment of goodwill of an associate		(7,000)	—
PROFIT BEFORE TAX		45,141	34,123
Tax	4	(3,207)	(3,634)
PROFIT BEFORE MINORITY INTERESTS		41,934	30,489
Minority interests		(641)	(2,789)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>41,293</u>	<u>27,700</u>
TRANSFER TO RESERVES	5	<u>(1,511)</u>	<u>—</u>
DIVIDEND			
Proposed final		<u>—</u>	<u>—</u>
EARNINGS PER SHARE	6		
Basic		<u>HK\$0.357</u>	<u>HK\$1.809</u>
Diluted		<u>N/A</u>	<u>HK\$1.801</u>

Notes:—

## 1. NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPS”)

The following new and revised SSAPs are effective for the first time for the current year’s financial statements:

- SSAP 1 (Revised): “Presentation of financial statements”
- SSAP 11 (Revised): “Foreign currency translation”
- SSAP 15 (Revised): “Cash flow statements”
- SSAP 34: “Employee benefits”

## 2. TURNOVER AND SEGMENTAL INFORMATION

### Business segments

The following tables present revenue and profit/(loss) information for the Group’s business segments.

Group	Chinese wet markets		Shopping centres and car parks		Pharmaceutical		Property investment		Corporate and others		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Segment revenue:														
Sales to external customers	145,981	152,770	77,349	85,939	27,167	70,727	4,515	2,071	37,144	8,540	—	—	292,156	320,047
Intersegment sales	3,921	767	873	994	—	1,609	—	—	—	—	(4,794)	(3,370)	—	—
Other revenue	919	995	3,248	2,713	333	1,052	123	40	99,841	10,368	—	—	104,464	15,168
<b>Total</b>	<b>150,821</b>	<b>154,532</b>	<b>81,470</b>	<b>89,646</b>	<b>27,500</b>	<b>73,388</b>	<b>4,638</b>	<b>2,111</b>	<b>136,985</b>	<b>18,908</b>	<b>(4,794)</b>	<b>(3,370)</b>	<b>396,620</b>	<b>335,215</b>
Segment results	7,323	13,676	3,814	2,194	6,475	17,044	(4,265)	1,318	67,927	3,154	892	(846)	82,166	36,540
Unallocated expenses													(10,482)	(5,505)
Interest income													10,872	7,721
Profit from operating activities													82,556	38,756
Finance costs													(2,552)	(3,482)
Share of profits and losses of associates (including amortisation of goodwill)													(27,863)	(1,151)
Provision for impairment of goodwill of an associate													(7,000)	—
Profit before tax													45,141	34,123
Tax													(3,207)	(3,634)
Profit before minority interests													41,934	30,489
Minority interests													(641)	(2,789)
Net profit from ordinary activities attributable to shareholders													41,293	27,700

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 FROM OPERATING ACTIVITIES

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

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Amortisation of trademarks and patents	5	2
Amortisation of goodwill	947	25
Cost of inventories sold	21,924	24,741
Depreciation	15,000	15,813
Net holding loss/(gain) on investments	570	(84)
Provision for impairment of investments	637	—
Gain on disposal of investments, net	(200)	(8,546)
Gain on disposal of properties held for re-sale	(493)	(6)
	<u>          </u>	<u>          </u>

### 4. TAX

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Group:		
Hong Kong profits tax	2,246	3,092
Under/(over)provision in the prior year	37	(138)
	<u>2,283</u>	<u>2,954</u>
Share of tax of associates	924	680
	<u>          </u>	<u>          </u>
Tax charge for the year	<u>3,207</u>	<u>3,634</u>

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the year.

### 5. TRANSFER TO RESERVES

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Capital reserve	<u>(1,511)</u>	<u>          </u>

The amount represented transfer to capital reserve upon deemed disposal of interests in an associate.

### 6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$41,293,000 (2002: HK\$27,700,000) and on the weighted average of 115,739,546 (2002: 15,315,520) ordinary shares in issue during the year, as adjusted to reflect the capital reorganisation during the year.

A diluted earnings per share amount for the year ended 31 March 2003 has not been shown as the share options and warrants outstanding had no dilutive effect on the basic earnings per share during the year.

The calculation of diluted earnings per share for the year ended 31 March 2002 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 the 15,315,520 ordinary shares in issue during the year as used in the basic earnings per share calculation, and the weighted average of 64,250 ordinary shares (as adjusted to reflect the capital reorganisation during the year ended 31 March 2003) assumed to have been issued at no consideration on the deemed exercise of all share options during the year ended 31 March 2002.

## **RESULTS**

The Group's turnover and net profit attributable to shareholders for the year amounted to HK\$292.2 million (2002 : HK\$320.0 million) and HK\$41.3 million (2002: HK\$27.7 million), respectively.

## **DIVIDEND**

No interim dividend was paid during the year under review (2002: Nil). The directors do not recommend the payment of a final dividend (2002: Nil).

## **REVIEW OF OPERATIONS**

It was another encouraging year for our Group. Despite the continual downturn of the economy which resulted in a drop in turnover for the year under review, a net profit of HK\$41.3 million, which represented a 49% increase from last year, was recorded.

Our shareholders' equity was increased from HK\$468.0 million in the previous year to HK\$620.5 million as at 31 March 2003 and our liquidity remains strong with our cash and cash equivalents remaining at over HK\$214 million.

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

With the grand opening of the Chinese wet market at Yu Chui Shopping Centre, Shatin in January 2003, our Group currently operates 12 Chinese wet markets with a total area of approximately 260,000 sq. ft. and continues to be the largest single operator of Chinese wet markets in Hong Kong.

Although there was a drop in profit contribution in the current year under review due to deterioration of the rental market, this area of business was relatively less affected by the downturn in economy and continues to generate steady income for the Group.

The directors will continue to look for opportunities to expand this area of business, including expansion into the PRC.

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

The Group was granted a new car park management contract, with over 1,800 car parking bays mainly located in Kowloon East and Tung Chung, for the Housing Authority in April 2003.

The Group currently manages 7 shopping centres with total floor space of over 1.03 million sq. ft. and over 4,500 car parking bays.

With the termination of certain loss-making management contracts, profit contribution for the year from this segment increased as compared with the previous year. In view of the continuing privatization policy of the government, the directors are optimistic of the future prospects of this area of business.

## **Wai Yuen Tong Medicine Holdings Limited (“WYT Holdings”)**

After the successful injection of the Wai Yuen Tong business into WYT Holdings and the efforts in streamlining its traditional watch manufacturing business, the loss for WYT Holdings was reduced. The Group currently holds an approximately 31% shareholdings, and convertible notes of HK\$64 million in WYT Holdings. Long and short term loans and interest receivable of an aggregate amount of approximately HK\$82.7 million was advanced by the Group to WYT Holdings as at 31 March 2003. The directors will continue to assist WYT Holdings to continue to re-engineer its business and look for new business opportunities.

## **Luxembourg Medicine Company Limited (“Luxembourg”)**

With a view to further strengthen the Group’s investment in the pharmaceutical business, the Group entered into an agreement on 17 February 2003 to acquire a further 52% shareholdings in Luxembourg at an aggregate consideration of HK\$70.5 million, which was satisfied by WYT Holdings shares and HK\$1.5 million cash. This transfer of WYT Holdings shares resulted in a gain of approximately HK\$59.8 million for the Group.

Although Luxembourg incurred a loss during the year due to the restructuring of its marketing, costs and production policies, the directors are confident of a turnaround in its results in the coming year and that this investment will continue to generate stable return to the Group in the long term.

## **LIQUIDITY AND FINANCIAL RESOURCES**

In May 2002, net proceeds of approximately HK\$36 million were raised through a top-up placing of 1,950 million new shares at HK\$0.02 per share. In July 2002, 2,000 million unlisted warrants with an initial exercise price of HK1.7 cents per share were issued (the exercise price was subsequently adjusted to HK\$1.7 per share as a result of the Company’s capital reorganisation in October 2002). The warrants will expire on 31 July 2003.

The Group currently has cash resources of around HK\$197 million. The Group has also invested, in aggregate, approximately HK\$31 million in certain long-term guaranteed-return funds, certificates of deposits and other conservative investments with a major bank.

The Group’s gearing ratio as at 31 March 2003 was approximately 0.12 (calculated with reference to the Group’s total borrowings and capital and reserves of HK\$76.1 million and HK\$620.5 million, respectively, as at 31 March 2003).

At 31 March 2003, the Group’s investment properties with net book value of approximately HK\$129 million and certain rental income generated therefrom were pledged to secure the Group’s banking facilities, approximately HK\$113 million of which was utilized as at 31 March 2003.

The Group’s contingent liabilities as at 31 March 2003 amounted to approximately HK\$36.0 million.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 March 2003, the Group had over 460 full time employees, around 90% 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 options 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**

Taking advantage of the low interest environment and its strong financial resources, the Group will continue to strengthen its existing business whilst continuing to seek for new business opportunities to enhance the shareholders' returns.

## **AUDIT COMMITTEE**

Pursuant to the requirements of the Code of Best Practices 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 2003 before they were presented to the Board of Directors 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 2003, 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 meetings of the Company in accordance with the Company's bye-laws.

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

The 2003 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, 30 May 2003

Please also refer to the published version of this announcement in The Standard.