



WANG ON GROUP LIMITED
宏安集團有限公司

(Incorporated in Bermuda with limited liability)

2001 ANNUAL REPORT

	Pages
CORPORATE INFORMATION	2
NOTICE OF ANNUAL GENERAL MEETING	3
CHAIRMAN'S STATEMENT	7
REPORT OF THE DIRECTORS	10
REPORT OF THE AUDITORS	19
AUDITED FINANCIAL STATEMENTS	
Consolidated:	
Profit and loss account	20
Statement of recognised gains and losses	21
Balance sheet	22
Cash flow statement	24
Company:	
Balance sheet	26
Notes to financial statements	27
PARTICULARS OF PROPERTIES	61
FIVE YEAR FINANCIAL SUMMARY	62



BOARD OF DIRECTORS

Mr. Tang Ching Ho
Chairman and Managing Director

Ms. Yau Yuk Yin
*Deputy Chairman and
Deputy Managing Director*

Mr. Chan Chun Hong, Thomas
Dr. Lee Peng Fei, Allen, CBE, JP*
Mr. Wong Chun, Justin, MBE, JP*
Dr. Siu Yim Kwan, Sidney*

* *Independent Non-Executive Director*

COMPANY SECRETARY

Mr. Chan Chun Hong, Thomas

PRINCIPAL BANKERS

The Hongkong and Shanghai
Banking Corporation Limited
Dah Sing Bank, Limited
First Pacific Bank Limited
Fortis Bank Asia H.K.
Hua Chiao Commercial Bank Limited
Kincheng Banking Corporation

AUDITORS

Ernst & Young

LEGAL ADVISORS

Chao & Chung

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

12th Floor, Tower 1
South Seas Centre
No.75 Mody Road
Tsimshatsui East
Kowloon

SHARE REGISTRARS

Tengis Limited
4th Floor, Hutchison House
10 Harcourt Road
Hong Kong

STOCK CODE

1222

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Members of the Company will be held at Garden Rooms A-B, 2nd Floor, Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Monday, 13 August 2001 at 3:00 p.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 2001.
2. To re-elect Mr. Chan Chun Hong, Thomas as an executive director.
3. To re-elect Dr. Lee Peng Fei, Allen as an independent non-executive director.
4. To re-appoint Auditors and to authorise the Board of Directors to fix their remuneration.
5. As special business, consider and, if thought fit, pass with or without amendments 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 of HK\$0.01 each 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 might require the exercise of such power, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall be in addition to any other authorisations given to the Directors and shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power 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) 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 for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of Shares or rights to acquire Shares; and
- (iv) any 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 20 per cent. of the aggregate nominal amount of share capital of the Company in issue at the date of passing this Resolution and the said approval shall be limited accordingly;

- (d) subject to the passing of each of the paragraphs (a), (b) and (c) of this Resolution, any prior approvals of the kind referred to in paragraphs (a), (b) and (c) of this Resolution which had been granted to the Directors and which are still in effect be and are hereby revoked; and
- (e) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier 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 any applicable law or the bye-laws of the Company to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by 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 the Shares or any class thereof on the register on a fixed record date in proportion to their then holdings of such Shares or class thereof (subject to such exclusion 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 applicable to the Company).”

(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 of HK\$0.01 each in the capital of the Company (“Shares”) on The Stock Exchange of Hong Kong Limited or on any other stock exchange on which the Shares may be listed and recognised for this purpose by the Securities and Futures Commission and The Stock Exchange of Hong Kong Limited for this purpose (“Reorganised Stock Exchange”) and, subject to and in accordance with all applicable laws and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or those of any other Reorganised Stock Exchange, 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;
- (c) subject to the passing of each of the paragraphs (a) and (b) of this Resolution, any prior approvals of the kind referred to in paragraphs (a) and (b) of this Resolution which had been granted to the Directors and which are still in effect be and are hereby revoked; and
- (d) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier 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 any applicable laws or bye-laws of the Company to be held; or
 - (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting.”
- (C) “THAT conditional upon the resolutions set out in paragraphs (A) and (B) of item 5 in the notice convening of 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 5 set out in the Notice be and is hereby extended by the addition 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 5 set out 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
Chan Chun Hong Thomas
Director and Company Secretary

Hong Kong
6 July 2001

Notes:

- (a) A member entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.
- (b) To be valid, a proxy form 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 lodged with the Company's Share Registrars in Hong Kong, Tengis Limited, 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than 48 hours before the time fixed for holding the Meeting.
- (c) Concerning the resolution set out in paragraph (A) of item 5 of this Notice, the Directors of the Company wish to state that they have no immediate plans to issue new shares of the Company.

RESULTS

The Group's turnover for the year ended 31 March 2001 amounted to HK\$212 million (2000: HK\$342.6 million). Net loss attributable to shareholders amounted to HK\$47.5 million (2000: profit of HK\$21.1 million).

DIVIDENDS

No interim dividend was paid during the year under review (2000: Nil). The directors do not recommend the payment of a final dividend (2000: 1 cent per share).

REVIEW OF OPERATIONS

The year under review was a year of changes, restructuring and consolidation for the Company and its subsidiaries (the "Group"). The drop in turnover was mainly due to the further slow down of the Group's property investment and contracting businesses as a result of the sluggish property market, while the loss was mainly attributable to the write-off of investment in the Group's technology-related business and the provisions on contracting business, investments and certain onerous contracts relating to the Group's commercial management business.

With the "burst" of the "technology bubble" during the year, after due and careful review of the future possible profitability and cash flow of the Group's technology-related business, the board of directors (the "Board") decided not to continue with the China Culture Information Net project and the co-operation with Institute of Computing Technology of the Chinese Academy of Sciences.

Sub-licensing and Management of Chinese Wet Markets

The Group currently operates 11 Chinese wet markets in Hong Kong with a total area of over 215,000 sq. ft.. I am also pleased to announce that the Hong Kong Housing Authority has recently granted to the Group the lease for the Chinese wet market at Tin Chak Shopping Centre, Tin Shui Wai, with a floor area of over 38,000 sq. ft.. Being the largest single private operator of Chinese wet markets in Hong Kong, the Group's business in this area continues to grow and provide steady profit contribution to the Group.

Sub-licensing and Management of Shopping Centres

The Group currently manages and operates 10 shopping centres with a total floor area of over 1.7 million sq. ft. which provide steady profit contribution to the Group. However, the Group's loss reported for the year under review was mainly attributable to the provision for an onerous contract in relation to a shopping centre.



Car Park Management

The car park occupancy rate at the car parks operated by the Group recorded a decline due to the sluggish economy. In accordance with the Group's accounting policy, appropriate provisions for certain onerous contracts were made during the year under review. Barring unforeseen circumstances, a positive contribution to Group result is expected in the coming years.

Pharmaceutical Business

With a view to securing the Group's long-term profit base, apart from the continued expansion of the Group's commercial management business, the Board had decided to diversify into the pharmaceutical business.

The Group's efforts to diversify into the pharmaceutical business were rewarded by the acquisition of the controlling interest in Wai Yuen Tong Medicine Company Limited ("WYT Medicine"), which was completed in February 2001. With its reputable and long-established business, the directors are confident that WYT Medicine will generate a steady and stable income for the Group.

Since the acquisition of WYT Medicine, the Group has taken further steps in its strategy to diversify into the pharmaceutical business. In April 2001, the Group acquired an approximately 19% interest in Luxembourg Medicine Company Limited, which is principally engaged in the manufacturing and sale of medical products under the brand name of "Madam Pearl". More recently, as detailed in the announcement made by the Group on 18 June 2001, the Group has entered into an agreement under which it would subscribe for a 22% interest in a company which will hold a 80% equity interest in Hunan Xiangya Pharmaceutical Company Limited, a joint venture in Hunan Province with an affiliate of Hunan Medical University.

Investments

Due to the change in market conditions and in accordance with the Group's accounting policy, certain investments (including the Group's shareholding in Town Health International Holdings Company Limited and investment in Whampoa Gourmet Place at Hunghom) were written down to their market/recoverable value.

Building Related Contracting Business

The falling property market had caused this area of business to slow down further. Due to some unexpected claims on certain projects, further provisions were made during the year.

Financial Resources and Liquidity

The audited consolidated balance sheet shows net current assets of over HK\$122.9 million as at 31 March 2001 and the Group currently maintains bank deposits of over HK\$189 million and long-term financial investments of approximately US\$1.6 million. The Group's gearing ratio as at 31 March 2001 was approximately 0.28 (based on the Group's total borrowings and total capital and reserves of approximately HK\$44.4 million and HK\$159.9 million, respectively, as at 31 March 2001).

PROSPECTS

With the strong financial resources available, the Group continues actively to seek further high quality investments which the Board believes will enhance the Group's financial position and return.

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 Company 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 2001 before they were presented to the Board for approval.

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude and appreciation to all shareholders, fellow directors, members of the management and staff of the Group for their support, loyalty and dedication. I believe that, with our continuing efforts, the Group will enjoy further growth and bright prospects.

By Order of the Board

Tang Ching Ho

Chairman and Managing Director

Hong Kong

6 July 2001



The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries and associates are detailed in notes 13 and 14, respectively, to the financial statements. There were no other changes in the nature of the Group's principal activities during the year, except that the Group started to engage in the business of manufacturing and sale of Chinese medicine, herbs and other medicinal products.

SEGMENTAL INFORMATION

The analysis of the Group's turnover and contribution to profit/(loss) from operating activities by principal activity for the year ended 31 March 2001 is as follows:

	Turnover		Contribution to profit/(loss) from operating activities	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By activity:				
Management and sub-licensing of Chinese wet markets	104,923	60,358	7,712	6,828
Management and sub-licensing of shopping centres	20,558	21,390	(9,085)	3,030
Management of car parks	70,109	77,594	(4,629)	14,300
Sale of Chinese medicine, herbs and other medicinal products	9,036	—	959	—
Sales of investment properties and properties held for resale	1,230	74,900	641	(4,121)
Building related contracting business	1,515	86,671	(12,452)	6,732
Trading of building materials	—	19,425	—	4,475
Technology-related business	—	—	(14,241)	(11,635)
Others	4,627	2,308	(15,892)	1,447
	211,998	342,646	(46,987)	21,056

The Group's turnover and contribution to profit/(loss) from operating activities were principally derived in Hong Kong and accordingly, an analysis of such activities by geographical area is not shown.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 20 to 60.

No interim dividend was paid during the year under review. The directors do not recommend the payment of a final dividend in respect of the year ended 31 March 2001.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets of the Company and the Group and investment properties of the Group are set out in note 12 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's principal subsidiaries and its associates are set out in notes 13 and 14, respectively, to the financial statements.

BANK AND OTHER BORROWINGS

Details of the Group's bank and other borrowings at the balance sheet date are set out in notes 25, 27 and 28 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in note 30 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$55,000 (2000: HK\$2,000).



RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Tang Ching Ho

Ms. Yau Yuk Yin

Mr. Chan Chun Hong, Thomas

Independent non-executive directors:

Dr. Lee Peng Fei, Allen, CBE, JP

Mr. Wong Chun, Justein, MBE, JP

Dr. Siu Yim Kwan, Sidney

In accordance with clause 87 of the Company's bye-laws, Mr. Chan Chun Hong, Thomas and Dr. Lee Peng Fei, Allen will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in note 36 to the financial statements, no director had a significant beneficial interest in any material contract to which the Company or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES

At 31 March 2001, the interests of the directors and their respective associates in the issued share capital of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”) were as follows:

Name of director	Nature of interest	Number of shares beneficially held and their nature of interest	
		Number of Shares held	Percentage of the issued share capital
Tang Ching Ho (“Mr. Tang”)	Corporate (<i>Note 1</i>)	36,314,000	4.42%
	Personal	9,927,645	1.21%
	Family (<i>Note 2</i>)	9,927,645	1.21%
	Other (<i>Note 3</i>)	106,347,827	12.94%
Yau Yuk Yin (“Ms. Yau”)	Personal	9,927,645	1.21%
	Family (<i>Note 4</i>)	46,241,645	5.63%
	Other (<i>Note 4</i>)	106,347,827	12.94%
Siu Yim Kwan, Sidney	Personal	100,000	0.01%

Note 1: Mr. Tang was interested in these shares through Caister Limited, a company which is wholly and beneficially owned by Mr. Tang.

Note 2: Mr. Tang was taken to be interested under the SDI Ordinance in those shares in which his spouse, Ms. Yau, was interested.

Note 3: Agreements were entered into between Middlemore Limited, a company wholly and beneficially owned by Mr. Tang, and (i) Ms. Tang Mui Fong; (ii) Ms. Tang Mui Fun; and (iii) Mr. Yau Yuk Tong, all being relatives of Mr. Tang, as a result of which, for the purpose of Sections 9 and 10 of the SDI Ordinance, Mr. Tang was taken (for the purpose of the duty of disclosure only) to be interested in the shares owned by them.

Note 4: Ms. Yau was taken to be interested under the SDI Ordinance in those shares in which her spouse, Mr. Tang, was interested.

Apart from the 56,169,290 issued shares in the capital of the Company held by Mr. Tang and Ms. Yau pursuant to Sections 4 and 8 of the SDI Ordinance, they were also taken (for the purpose of the duty of disclosure only) to be interested in all the issued shares in the capital of the Company referred to in Note 3 above pursuant to Sections 9 and 10 of the SDI Ordinance.

Save as disclosed above, none of the directors or their respective associates had any personal, family, corporate or other interests in the shares of the Company or any of its associated corporations as defined in the SDI Ordinance as at 31 March 2001.

**DIRECTORS' RIGHTS TO ACQUIRE SHARES**

Pursuant to the Company's share option scheme, as further detailed in note 30 to the financial statements, the Company granted to certain directors of the Company the rights to subscribe for ordinary shares in the capital of the Company. Details of the movements in the share options granted to the directors of the Company during the year are set out below. All of the share options are exercisable in the period from 6 March 2001 to 5 February 2005 at an exercise price of HK\$0.13 each.

Name of director	Number of options outstanding as at 31 March 2000	Number of options granted during the year	Number of options exercised during the year	Number of options outstanding as at 31 March 2001
Tang Ching Ho	—	10,900,000	—	10,900,000
Yau Yuk Yin	—	10,900,000	—	10,900,000

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTOR AND SENIOR MANAGEMENT BIOGRAPHIES**Executive directors:**

Mr. Tang Ching Ho, aged 39, is a co-founder of the Group (which was established in 1987), and the chairman and managing director of the Company. He is responsible for the strategic planning, policy making and business development of the Group. He has over 15 years' experience in the decoration and building industry and also has extensive experience in business management. Mr. Tang is also a director of Caister Limited, a substantial shareholder of the Company.

Ms. Yau Yuk Yin, aged 39, is a co-founder of the Group, and deputy chairman and deputy managing director of the Company. She is responsible for the overall human resources and administration of the Group. She has over 10 years' experience in the decoration and building industry. She is the wife of Mr. Tang Ching Ho.

DIRECTOR AND SENIOR MANAGEMENT BIOGRAPHIES *(continued)***Executive directors** *(continued)*:

Mr. Chan Chun Hong, Thomas, aged 37, joined the Group in March 1997 as a finance director and a company secretary of the Group. He is responsible for managing the finance, accounting, company secretarial functions and legal matters of the Group. He graduated from the Hong Kong Polytechnic University with a degree in accountancy and is a fellow of The Chartered Association of Certified Accountants and an associate of The Hong Kong Society of Accountants. He is also a Certified Public Accountant.

Independent non-executive directors:

Dr. Lee Peng Fei, Allen, CBE, JP, aged 61, joined the Group in November 1993 as a non-executive director of the Company. He is a Deputy, HKSAR, the 9th National People's Congress and a Member of Commission on Strategic Development, HKSAR. He was a member of the Executive Council of Hong Kong from 1985 to 1992, a member of the Legislative Council of Hong Kong from 1978 to 1997.

Dr. Siu Yim Kwan, Sidney, S.B.St.J., aged 54, joined the Group in November 1993 as a non-executive director of the Company. He holds a doctorate degree in management from Pacific Southern University in the United States. He is also an executive member of a number of charitable organisations and sport associations.

Mr. Wong Chun, Justein, MBE, JP, aged 47, joined the Group in November 1993 as a non-executive director of the Company. He holds a bachelor's degree in commerce and computing science from Simon Fraser University, Canada. He was a member of the Fight Crime Committee, the Independent Police Complaints Council and is currently a member of the Shatin District Council, the Advisory Committee Against Narcotics, and other government advisory bodies.

Senior management:

Mr. Kwok Tze Chiu, Samson, aged 43, joined the Group as an estimating department manager for the decoration, renovation and building business. Prior to joining the Group in September 1997, he has over twenty years' experience in the building industry. He graduated from the Hong Kong Polytechnic University with a higher certificate in building studies.

Ms. Lam Mei Lin, Irene, aged 40, joined the Group as a general manager and is an experienced member of the Group's commercial management team. Prior to joining the Group in May 2000, she has over 10 years' experience in the front-line management of car parks and both commercial and residential properties.


DIRECTOR AND SENIOR MANAGEMENT BIOGRAPHIES *(continued)*
Senior management *(continued)*:

Mr. Lui Sai Kit, Eddie, aged 37, joined the Group as a general manager and is the head of the Group's pharmaceutical business. Prior to joining the Group in August 2000, he has over 14 years' commercial experience and held various key management positions in multinational corporations and Hong Kong listed companies. He graduated from University of Ottawa with a master degree in business administration and from York University with a bachelor's degree in business administration. He is a certified member of Certified Management Accountants of Canada.

Ms. Tang Mui Fun, Karen, aged 30, is the head of the Group's commercial management department. Prior to joining the Group in May 1997, she had 4 years' experience in the accounting and auditing fields. She graduated from the University of Hull (England) with a bachelor's degree in accountancy. She is a sister of Mr. Tang.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2001, the following interests of 10% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name of shareholder	Number of ordinary shares held	Percentage held
Caister Limited	36,314,000	4.42%
Tang Ching Ho	9,927,645	1.21%
Yau Yuk Yin	9,927,645	1.21%
Tang Mui Fong	48,604,095	5.91%
Yau Yuk Tong	30,506,825	3.71%
Tang Mui Fun	27,236,907	3.31%
	<u>162,517,117</u>	<u>19.77%</u>

The shareholdings of Caister Limited, Ms. Tang Mui Fong, Mr. Yau Yuk Tong and Ms. Tang Mui Fun in the capital of the Company are also disclosed above as the corporate interests and other interests of Mr. Tang Ching Ho and Ms. Yau Yuk Yin under the heading "Directors' interests in shares".

SUBSTANTIAL SHAREHOLDERS *(continued)*

Pursuant to Sections 9 and 10 of the SDI Ordinance, Caister Limited, Mr. Tang Ching Ho, Ms. Yau Yuk Yin, Ms. Tang Mui Fong, Mr. Yau Yuk Tong and Ms. Tang Mui Fun were taken (for purposes of the duty of disclosure only) to be interested in a total of 162,517,117 shares in the capital of the Company.

Save as disclosed above, no persons had registered an interest in the issued share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance as at 31 March 2001.

MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% (2000: less than 30%) of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 61% (2000: 56%) of the total purchases for the year and purchases from the largest supplier included therein amounted to 42% (2000: 26%).

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the directors, the management shareholders or the substantial shareholders of the Company, or any of their respective associates, have engaged in any business that competes or may compete with the business of the Group or has any other conflict of interest with the Group.

DISTRIBUTABLE RESERVES

At 31 March 2001, the Company had no available reserves for cash distribution and/or distribution in specie computed in accordance with the Companies Act 1981 of Bermuda (as amended) (2000: HK\$46,808,000). The Company's share premium account, amounting to HK\$257,272,000 (2000: HK\$218,987,000), may be distributed in the form of fully paid bonus shares.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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



RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme of the Group and the employer's pension scheme contributions to the profit and loss account for the year are set out in notes 2 and 4 to the financial statements, respectively.

POST BALANCE SHEET EVENTS

Details of the Group's significant post balance sheet events are set out in note 35 to the financial statements.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the year are set out in note 36 to the financial statements.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the Annual Report 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.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Tang Ching Ho

Chairman and Managing Director

Hong Kong

6 July 2001

 **ERNST & YOUNG**

To the members

Wang On Group Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 20 to 60 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2001 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong

6 July 2001



CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 March 2001

	Notes	2001 <u>HK\$'000</u>	2000 <u>HK\$'000</u>
TURNOVER	3	211,998	342,646
Cost of sales		<u>(201,625)</u>	<u>(281,232)</u>
Gross profit		10,373	61,414
Other revenue		24,190	14,156
Selling and distribution costs		(2,637)	—
Administrative expenses		(40,114)	(46,264)
Other operating expenses		(18,084)	(8,250)
Provision for impairment of investments		<u>(20,715)</u>	<u>—</u>
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	(46,987)	21,056
Finance costs	5	(1,850)	(5,989)
Share of profits less losses of associates		<u>899</u>	<u>5,595</u>
PROFIT/(LOSS) BEFORE TAX		(47,938)	20,662
Tax	8	<u>138</u>	<u>389</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(47,800)	21,051
Minority interests		<u>287</u>	<u>—</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	9	(47,513)	21,051
Dividend	10	<u>—</u>	<u>(8,176)</u>
RETAINED PROFITS/(ACCUMULATED LOSSES) FOR THE YEAR		<u>(47,513)</u>	<u>12,875</u>
EARNINGS/(LOSS) PER SHARE	11		
Basic		<u>(6.08 cents)</u>	<u>4.55 cents</u>
Diluted		<u>N/A</u>	<u>4.39 cents</u>



CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

Year ended 31 March 2001

	Notes	2001 HK\$'000	2000 HK\$'000
Surplus/(deficit) on revaluation of investment properties	31	(1,841)	2,095
Net profit/(loss) not recognised in the profit and loss account		(1,841)	2,095
Net profit/(loss) for the year attributable to shareholders		(47,513)	21,051
Total recognised gains and losses		(49,354)	23,146
Goodwill eliminated directly against reserves	31	(95,769)	—
		<u>(145,123)</u>	<u>23,146</u>



CONSOLIDATED BALANCE SHEET

31 March 2001

	Notes	2001 <u>HK\$'000</u>	2000 <u>HK\$'000</u>
NON-CURRENT ASSETS			
Fixed assets	12	66,371	45,668
Interests in associates	14	729	4,329
Long term investments	15	7,437	—
Loans receivable		2,586	4,106
Rental deposits paid		21,650	15,388
Deposit paid	16	—	19,507
		98,773	88,998
CURRENT ASSETS			
Properties held for re-sale	18	5,134	5,723
Short term investments	15	11,263	—
Inventories	19	4,359	—
Trade receivables	20	6,711	11,631
Prepayments, deposits and other debtors		19,237	21,551
Tax recoverable		182	2,050
Pledged time deposits	21	—	8,037
Cash and cash equivalents	22	185,636	230,547
Due from a director	23	—	61
		232,522	279,600
CURRENT LIABILITIES			
Trade payables	24	5,440	16,325
Other payables and accruals		27,703	18,869
Deposits received and receipts in advance		49,881	28,199
Interest-bearing bank and other borrowings	25	14,676	4,425
Provision for onerous contracts	26	9,367	4,990
Tax payable		2,467	3,940
Proposed final dividend		—	8,176
		109,534	84,924
NET CURRENT ASSETS		122,988	194,676
TOTAL ASSETS LESS CURRENT LIABILITIES		221,761	283,674

CONSOLIDATED BALANCE SHEET

31 March 2001



	<i>Notes</i>	<u>2001</u> <i>HK\$'000</i>	<u>2000</u> <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	27	29,526	12,612
Finance lease payables	28	168	113
Provision for onerous contracts	26	23,339	5,590
Deferred tax	29	983	—
		<u>54,016</u>	<u>18,315</u>
MINORITY INTERESTS			
		<u>7,829</u>	<u>—</u>
		<u>159,916</u>	<u>265,359</u>
CAPITAL AND RESERVES			
Issued capital	30	8,221	6,826
Reserves	31	151,695	258,533
		<u>159,916</u>	<u>265,359</u>

Tang Ching Ho
Director

Chan Chun Hong, Thomas
Director



CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2001

	Notes	<u>2001</u> HK\$'000	<u>2000</u> HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	32(a)	694	76,511
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest income from investments		2,142	—
Interest received		12,172	6,240
Interest paid		(1,845)	(5,968)
Interest element of finance lease rental payments		(5)	(21)
Dividend received from an associate		—	4,167
Dividend paid		(6,867)	—
Net cash inflow from returns on investments and servicing of finance		<u>5,597</u>	<u>4,418</u>
TAX			
Hong Kong profits tax paid		<u>(340)</u>	<u>(6,541)</u>
INVESTING ACTIVITIES			
Decrease/(increase) in due from an associate		3,041	(1,980)
Decrease in pledged time deposits		8,037	4,550
Purchases of subsidiaries	32(b)&(c)	(108,693)	—
Purchases of associates		(2,226)	—
Proceeds from disposal of subsidiaries	32(d)	4,972	3,630
Proceeds from disposal of interests in a subsidiary	32(e)	30,029	—
Purchases of fixed assets		(12,910)	(6,651)
Purchases of investment properties		(41)	(15,905)
Proceeds from disposal of fixed assets		970	104
Proceeds from disposal of investments		44,744	—
Deposit paid		—	(19,507)
Purchases of long term investments		(36,447)	—
Purchases of short term investments		(48,216)	—
Net cash outflow from investing activities		<u>(116,740)</u>	<u>(35,759)</u>

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2001

	<i>Note</i>	<u>2001</u> <i>HK\$'000</i>	<u>2000</u> <i>HK\$'000</i>
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES		<u>(110,789)</u>	<u>38,629</u>
FINANCING ACTIVITIES	32(f)		
Proceeds from issue of shares		39,150	203,626
Share issue expenses		(779)	(4,468)
Redemption of convertible notes		—	(23,750)
Repayment of bank loans		(3,666)	(59,890)
New bank loans		30,000	13,000
Capital element of finance lease rental payments		63	(94)
Contributions from minority interests		287	—
Net cash inflow from financing activities		<u>65,055</u>	<u>128,424</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(45,734)	167,053
Cash and cash equivalents at beginning of year		<u>230,547</u>	<u>63,494</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>184,813</u>	<u>230,547</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		30,799	7,914
Unpledged time deposits with original maturity of less than three months when acquired		154,837	222,633
Bank overdrafts		(823)	—
		<u>184,813</u>	<u>230,547</u>



BALANCE SHEET

31 March 2001

	Notes	2001 <u>HK\$'000</u>	2000 <u>HK\$'000</u>
NON-CURRENT ASSETS			
Fixed assets	12	49	60
Interests in subsidiaries	13	56,490	68,049
Interests in associates	14	219	219
		<u>56,758</u>	<u>68,328</u>
CURRENT ASSETS			
Prepayments, deposits and other debtors		154	1,084
Cash and cash equivalents	22	111,306	203,437
		<u>111,460</u>	<u>204,521</u>
CURRENT LIABILITIES			
Other payables and accruals		519	228
Proposed final dividend		—	8,176
		<u>519</u>	<u>8,404</u>
NET CURRENT ASSETS		<u>110,941</u>	<u>196,117</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>167,699</u>	<u>264,445</u>
CAPITAL AND RESERVES			
Issued capital	30	8,221	6,826
Reserves	31	159,478	257,619
		<u>167,699</u>	<u>264,445</u>

Tang Ching Ho
Director

Chan Chun Hong, Thomas
Director

1. CORPORATE INFORMATION

The head office and principal place of business of Wang On Group Limited is located at 12th Floor, Tower 1, South Seas Centre, No. 75 Mody Road, Tsimshatsui East, Kowloon.

During the year, the Group was involved in the following principal activities:

- management and sub-licensing of Chinese wet markets, shopping centres and car parks
- manufacturing and sale of Chinese medicine, herbs and other medicinal products
- provision of project management and agency services
- provision of building related contracting services
- property investments

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("SSAP"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of investment properties and certain investments in securities, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2001 together with the Group's share of the results for the year and net assets of its associates as set out below. The results of the subsidiaries and associates acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been impairment in values, when they are written down to values determined by the directors.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of its issued share capital and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for impairment in values deemed necessary by the directors, other than those considered to be temporary in nature.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are stated at cost less any provisions for impairment in values deemed necessary by the directors, other than those considered to be temporary in nature.

Goodwill or capital reserve

The goodwill or capital reserve arising on consolidation of subsidiaries and on acquisition of associates represents the excess or shortfall, respectively, of the purchase consideration paid for subsidiaries and associates over the fair values ascribed to the net underlying assets acquired, and is eliminated against or credited to reserves, respectively, in the year of acquisition. On disposal of such subsidiaries or associates, the relevant portion of attributable goodwill or capital reserve previously eliminated against or credited to reserves is written back and included in the calculation of the gain or loss on disposal.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fixed assets and depreciation *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Buildings	2%
Leasehold improvements	10%-20%
Plant and machinery	15%-20%
Furniture, fixtures and office equipment	15%-20%
Motor vehicles	20%-30%
Computer equipment	15%-30%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit will be charged to the profit and loss account. Where a deficit has previously been charged to the profit and loss account and a revaluation surplus subsequently arises, this surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On the disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Provision for onerous contracts

Onerous contracts represent lease contract for certain Hong Kong properties and projects where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Provisions for onerous contracts are calculated based on the difference between the unavoidable rental payments receivable by the Group and those payable by the Group under the contracts, together with any compensation or penalties arising from failure to fulfill the contracts.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to produce a constant periodic rate of charge over the lease terms.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leased assets *(continued)*

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rental receipts or payments under such operating leases are credited or charged to the profit and loss account on the straight-line basis over the lease terms.

Investments

Debt securities which are intended to be held to maturity are accounted for as held-to-maturity securities, while other securities are accounted for as investment securities or other investments, as explained below.

The profit or loss on disposal of an investment is credited or charged to the profit and loss account in the period in which the disposal occurs as the difference between the net sales proceeds and the carrying amount of the investment.

Provisions against the carrying values of investments are written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Held-to-maturity securities

Investments in dated debt securities which are intended to be held to maturity are stated at cost, adjusted for the amortisation of premiums or discounts arising on acquisitions, less any provisions for impairment in values.

The carrying amounts of held-to-maturity securities are reviewed as at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised as an expense in the profit and loss account in the period in which they arise.

Investment securities

Investments in dated debt securities and equity securities, intended to be held for a continuing strategic or identified long term purpose, are stated at cost less any provisions for impairment in values deemed necessary by the directors, other than those considered to be temporary in nature, on an individual basis.

When such impairment in values have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairment are charged to the profit and loss account for the period in which they arise. When the circumstances and events which led to the impairment in values cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amounts of the impairment previously charged are credited to the profit and loss account to the extent of the amounts previously charged.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments *(continued)*

Other investments

Investments in equity securities which are not intended to be held for an identified long term purpose are stated in the balance sheet at fair values. Fair values are determined on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in fair values of such investments are credited or charged to the profit and loss account in the period in which they arise.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and in the case of finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling price less any estimated costs to be incurred to completion and disposal.

Construction, renovation and decoration contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the cost of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the percentage of billings raised to the estimated total billings for each contract.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is reflected as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is reflected as an amount due to contract customers.

Website development cost

Costs incurred for the development and enhancement of websites are charged to the profit and loss account as incurred.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Scheme Ordinance, for those employees who are eligible to participate in the Scheme. The Scheme became effective from 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme.

Prior to the Scheme being effective, the Group operated a defined contribution retirement benefits scheme for those employees who were eligible to participate in the scheme. This scheme operated in a similar way to the Scheme, except that when an employer left the scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of forfeited contributions. This scheme was terminated with effect from 1 December 2000.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from construction and decoration contracts, based on the percentage of completion basis as further explained in the accounting policy for "Construction, renovation and decoration contracts" above;
- (b) from project management and agency services, when services are rendered;
- (c) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (d) from the sale of properties, at the time when the sale agreement becomes unconditional;
- (e) rental and sub-licensing fee income, on an accrual basis; and
- (f) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Properties held for re-sale

Properties held for re-sale are stated at the lower of their carrying values and net realisable values, which are determined by the directors by reference to prevailing market prices.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of the balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

3. TURNOVER AND REVENUE

Turnover represents the invoiced value of building related contracting services, building materials, Chinese medicine, herbs and other medicinal products sold, and sub-licensing fee income, the proceeds from the disposal of properties. All significant intra-group transactions have been eliminated.

An analysis of turnover and revenue is as follows:

	2001	2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
Management and sub-licensing of Chinese wet markets	104,923	60,358
Management and sub-licensing of shopping centres	20,558	21,390
Management of car parks	70,109	77,594
Sale of Chinese medicine, herbs and other medicinal products	9,036	—
Sales of investment properties and properties held for resale	1,230	74,900
Building related contracting business	1,515	86,671
Trading of building materials	—	19,425
Others	4,627	2,308
	<hr/>	<hr/>
Turnover	211,998	342,646
Interest income	12,172	6,240
Gain on disposal of investments	2,281	—
	<hr/>	<hr/>
Revenue	<u>226,451</u>	<u>348,886</u>

**4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES**

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

	Group	
	2001	2000
	HK\$'000	HK\$'000
Cost of inventories sold	3,398	96,289
Depreciation:		
Owned fixed assets	10,791	8,830
Leased fixed assets	113	210
Operating lease rentals for land and buildings	119,515	114,064
Website development cost	7,169	5,449
Auditors' remuneration	945	784
Staff costs (including directors' remuneration — Note 6):		
Wages and salaries	40,262	29,491
Pension scheme contributions	754	287
Less: Forfeited contributions	(148)	(144)
	40,868	29,634
Loss/(gain) on disposal of properties held for re-sale	(641)	2,074
Loss on disposal of fixed assets	19	5,048
Provision for contingency, net	8,927	1,200
Provision for doubtful debts	5,182	3,480
Loss/(gain) on disposal of interests in subsidiaries	(1,060)	1,885
Provision/(amount released) for onerous contracts — Note 26	26,676	(1,706)
Provision for impairment of investments	20,715	—
Write-back of provision for doubtful debts and bad debt expenses	(638)	(6,431)
Gain on disposal of investments, net	(2,281)	—
Net holding gain on investments	(215)	—
Interest income from investments	(2,142)	—
Exchange losses/(gains), net	12	(10)
Gain on early redemption of convertible notes	—	(1,250)
Interest income	(12,172)	(6,240)
Gross rental income	(1,734)	(1,863)
Less: Outgoings	—	122
Net rental income	(1,734)	(1,741)

5. FINANCE COSTS

	Group	
	2001	2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
Interest on bank loans, overdrafts and other loans wholly repayable within five years	1,845	5,968
Interest on finance leases	5	21
	<u>1,850</u>	<u>5,989</u>

6. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2001	2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
Fees:		
Executive directors	—	—
Independent non-executive directors	631	331
Other emoluments for executive directors:		
Salaries and allowances	9,012	8,649
Pension scheme contributions	48	51
	<u>9,691</u>	<u>9,031</u>

The remuneration of the directors fell within the following bands:

	Number of directors	
	2001	2000
Nil — HK\$1,000,000	3	3
HK\$1,000,001 — HK\$1,500,000	—	1
HK\$1,500,001 — HK\$2,000,000	1	—
HK\$2,500,001 — HK\$3,000,000	1	1
HK\$4,000,001 — HK\$4,500,000	1	1
	<u>6</u>	<u>6</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

No value is included in directors' remuneration in respect of share options granted during the year because, in the absence of a readily available market value for the options on the Company's shares, the directors are unable to arrive at an accurate assessment of the value of the options granted. Details of the options granted to the directors during the year are set out in the section "Directors' rights to acquire shares" in the Report of the Directors.

**7. FIVE HIGHEST PAID EMPLOYEES**

The five highest paid employees during the year included three (2000: three) directors, details of whose remuneration are disclosed in note 6 above. The details of the remuneration of the remaining two (2000: two) non-director, highest paid employees are as follows:

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and allowances	2,199	2,167
Pension scheme contributions	45	47
	<u>2,244</u>	<u>2,214</u>

The remuneration of the two (2000: two) non-director, highest paid employees fell within the following bands:

	Number of employees	
	2001	2000
Nil to HK\$1,000,000	1	1
HK\$1,500,001 to HK\$2,000,000	1	1
	<u>2</u>	<u>2</u>

8. TAX

Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during the year. In the prior year, no provision for Hong Kong profits tax had been made because the Group had no estimated assessable profits arising in Hong Kong.

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Group:		
Hong Kong profits tax	411	—
Overprovision in prior year	(1,644)	(725)
Deferred — <i>Note 29</i>	919	(450)
	<u>(314)</u>	<u>(1,175)</u>
Share of tax attributable to:		
Associates	176	786
Tax credit for the year	<u>(138)</u>	<u>(389)</u>

9. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$136,426,000 (2000: profit of HK\$15,332,000).

10. DIVIDEND

	<u>2001</u>	<u>2000</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Proposed final — Nil cent (2000: 1 cent) per ordinary share	<u>—</u>	<u>8,176</u>

In the prior year, the directors proposed a final dividend of 1 cent per ordinary share with an option to elect to receive new shares of the Company credited as fully paid in lieu of cash payment in respect of part or all of the final dividend by way of a scrip dividend.

11. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss attributable to shareholders for the year of HK\$47,513,000 (2000: profit of HK\$21,051,000) and on the weighted average number of 781,688,699 (2000: 463,095,553) ordinary shares in issue during the year.

In the prior year, the calculation of diluted earnings per share was based on the net profit attributable to shareholders for the year of HK\$21,051,000. The weighted average number of ordinary shares used in the calculation is 463,095,553 ordinary shares in issue as used in the basic earnings per share calculation, and the weighted average of 16,862,965 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options.

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

12. FIXED ASSETS
Group

	Leasehold land and buildings	Investment properties	Leasehold improve- ments	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Computer equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation:								
At beginning of year	—	18,000	22,206	4,675	26,632	2,919	2,540	76,972
Additions	—	41	9,006	1,591	1,888	—	425	12,951
Acquisition of subsidiaries	6,156	1,550	894	2,381	40,980	1,534	962	54,457
Disposals	—	—	(12)	(106)	(107)	(1,602)	(989)	(2,816)
Deficit on revaluation	—	(1,841)	—	—	—	—	—	(1,841)
At 31 March 2001	6,156	17,750	32,094	8,541	69,393	2,851	2,938	139,723
Accumulated depreciation:								
At beginning of year	—	—	9,991	3,129	14,384	2,547	1,253	31,304
Provided during the year	35	—	4,278	684	5,351	248	308	10,904
Acquisition of subsidiaries	796	—	880	2,244	26,838	1,502	711	32,971
Disposals	—	—	(3)	(74)	(44)	(1,578)	(128)	(1,827)
At 31 March 2001	831	—	15,146	5,983	46,529	2,719	2,144	73,352
Net book value:								
At 31 March 2001	<u>5,325</u>	<u>17,750</u>	<u>16,948</u>	<u>2,558</u>	<u>22,864</u>	<u>132</u>	<u>794</u>	<u>66,371</u>
At 31 March 2000	<u>—</u>	<u>18,000</u>	<u>12,215</u>	<u>1,546</u>	<u>12,248</u>	<u>372</u>	<u>1,287</u>	<u>45,668</u>
Analysis of cost or valuation:								
At cost	6,156	—	32,094	8,541	69,393	2,851	2,938	121,973
At 31 March 2001 valuation	—	17,750	—	—	—	—	—	17,750
	<u>6,156</u>	<u>17,750</u>	<u>32,094</u>	<u>8,541</u>	<u>69,393</u>	<u>2,851</u>	<u>2,938</u>	<u>139,723</u>

12. FIXED ASSETS (continued)

Company

	Furniture, fixtures and office equipment	Computer equipment	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:			
At beginning of year	—	66	66
Additions	10	—	10
At 31 March 2001	10	66	76
Accumulated depreciation:			
At beginning of year	—	6	6
Provided during the year	1	20	21
At 31 March 2001	1	26	27
Net book value:			
At 31 March 2001	<u>9</u>	<u>40</u>	<u>49</u>
At 31 March 2000	<u>—</u>	<u>60</u>	<u>60</u>

The net book value of the fixed assets of the Group held under finance leases included in the total amount of office equipment at 31 March 2001 amounted to HK\$240,453 (2000: HK\$141,600). At 31 March 2000, net book value of HK\$280,425 of motor vehicles was held under finance leases.

The Group's leasehold land and buildings and investment properties are all situated in Hong Kong and held under medium term leases.

The Group's investment properties were revalued on 31 March 2001 by DTZ Debenham Tie Leung Limited, an independent professional valuer, at HK\$17,750,000 on an open market, existing use basis.

At 31 March 2001, certain of the Group's investment properties were pledged to secure general banking facilities granted to the Group (Note 27).

13. INTERESTS IN SUBSIDIARIES

	Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Unlisted shares, at cost	71,000	71,000
Due from subsidiaries — <i>Note (i)</i>	327,341	189,501
Loans to subsidiaries — <i>Note (ii)</i>	93,863	92,313
Due to subsidiaries — <i>Note (i)</i>	(16,265)	(9,649)
	475,939	343,165
Provisions for impairment in values	(419,449)	(275,116)
	56,490	68,049

Notes:

- (i) The amounts due are unsecured, interest-free and have no fixed terms of repayment in the current and prior years.
- (ii) The loans to the Company's subsidiaries are unsecured and have no fixed terms of repayment in the current and prior years. Except for a loan to a subsidiary of HK\$20,232,000 which bears interest at 8% per annum for the current year, the remaining balances are interest-free. In the prior year, loans to subsidiaries of HK\$22,835,000 bore interest at 8.5% per annum.

Particulars of the principal subsidiaries at the balance sheet date are as follows:

Name	Place of incorporation/ registration	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Billion Good Investment Limited	Hong Kong	Ordinary HK\$2	—	75.79	Property holding and investment
Charter Golden Design & Contracting Limited	Hong Kong	Ordinary HK\$2	—	100	Provision of decoration services
Conway Consultants Limited	Hong Kong	Ordinary HK\$1,050,000 Non-voting preference ^(Note 2) HK\$450,000	—	70	Provision of medical consultation services
Denox Management Limited	Hong Kong	Ordinary HK\$2	—	100	Management and property sub-letting

13. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Fenny Planning & Project Management Limited	Hong Kong	Ordinary HK\$100	—	100	Promotion of Chinese wet markets activities
Fulling Limited	Hong Kong	Ordinary HK\$100	—	100	Money lending
Geswin Limited	Hong Kong	Ordinary HK\$2	—	100	Investment holding
Goodtech Management Limited	Hong Kong	Ordinary HK\$1,100,100	—	100	Management of shopping centres
Grand Quality Development Limited	Hong Kong	Ordinary HK\$2	—	100	Property investment
Join China Investment Limited	Hong Kong	Ordinary HK\$2	—	100	Investment holding
Kinetic Technology Limited (Notes 5 and 6)	Hong Kong	Ordinary HK\$2	—	100	Provision of technology services
Lead Fortune Limited	Hong Kong	Ordinary HK\$1,000	—	100	Property investment
Lica Parking Company Limited	Hong Kong	Ordinary HK\$25,500,000	—	99	Management and sub-licensing of car parks
Majorluck Limited	Hong Kong	Ordinary HK\$10,000	—	100	Management and sub-licensing of Chinese wet markets
Parking Lot Management Limited	Hong Kong	Ordinary HK\$2	—	100	Management and sub-licensing of car parks
Real World Limited	British Virgin Islands	Ordinary US\$1	—	100	Investment holding

13. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Royal Focus Limited	Hong Kong	Ordinary HK\$2	—	100	Investment holding
Wai Yuen Tong Medicine Company Limited	Hong Kong	Ordinary HK\$217,374 Non-voting deferred ^(Note 3) HK\$17,373,750	—	75.79	Manufacturing and sale of Chinese medicine, herbs and other medicinal products
Wang On Builders Limited	Hong Kong	Ordinary HK\$2	—	100	Provision of renovation and project management services
Wang On Commercial Management Limited	British Virgin Islands	Ordinary US\$2	—	100	Investment holding
Wang On Construction Engineering Limited	Hong Kong	Ordinary HK\$15,000,000 Non-voting deferred ^(Note 3) HK\$100	—	100	Provision of construction, renovation & project management services
Wang On Design & Contracting Limited	Hong Kong	Ordinary HK\$1,000,000	—	100	Provision of decoration services
Wang On Engineering Holding Limited	Hong Kong	Ordinary HK\$477 Non-voting deferred ^(Note 3) HK\$1,262,523	—	100	Provision of decoration & project management services
Wang On Enterprises (BVI) Limited	British Virgin Islands	Ordinary US\$1	100	—	Investment holding
Wang On Majorluck Limited	Hong Kong	Ordinary HK\$1,000	—	100	Management and sub-licensing of Chinese wet markets
Wang On Shopping Centre Management Limited	Hong Kong	Ordinary HK\$2	—	100	Management and sub-licensing of shopping centres
Willing Dental Consultants Limited	Hong Kong	Ordinary HK\$100	—	100	Provision of dental consultation services

13. INTERESTS IN SUBSIDIARIES (continued)

Notes:

- (1) The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.
- (2) The non-voting preference shares carry no voting rights, but they rank in priority to any other class of shares provided the assets of the company available for distribution to its members.
- (3) The non-voting deferred shares carry no voting rights or rights to dividends. On the winding up of the companies, the non-voting deferred shares have a right to repayment in proportion to the amounts paid-up on all ordinary and deferred shares after the first HK\$1,000,000,000 thereof has been distributed among the holders of the ordinary shares.
- (4) All of the subsidiaries have their principal operations in Hong Kong except for Kinetic Technology Limited, for which the principal operation is in the People's Republic of China.
- (5) The financial statements of the company is not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.
- (6) Subsequent to the balance sheet date, the company applied for a members' voluntary winding-up.

14. INTERESTS IN ASSOCIATES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	—	—	—	—
Share of net assets	102	661	—	—
Due from associates	1,227	3,668	219	219
	1,329	4,329	219	219
Provisions for impairment in values	(600)	—	—	—
	729	4,329	219	219

Due from associates are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal associates at the balance sheet date are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of ownership interest attributable to the Group		Principal activities
			2001	2000	
			%	%	
Hong Kong Classic Information Technology Limited — (Note 2)	Corporate	Hong Kong	50	—	Provision of technology services
Tse's Waxing & Cleaning Company Limited	Corporate	Hong Kong	50	—	Provision of cleaning services

14. INTERESTS IN ASSOCIATES *(continued)*
Notes:

- (1) The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets and liabilities of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.
- (2) The financial statements of the company is not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

15. INVESTMENTS
(a) Long term investments

	Group	
	2001	2000
	HK\$'000	HK\$'000
Held-to-maturity securities		
Hong Kong listed dated debt securities, at amortised cost	7,437	—
Investment securities		
Investment in unlisted shares, at cost	12,521	—
Less: Provisions for impairment in values	(12,521)	—
	7,437	—

The aggregate market value of the Hong Kong listed dated debt securities totalled approximately HK\$8,132,000 at 31 March 2001.

(b) Short term investments

	Group	
	2001	2000
	HK\$'000	HK\$'000
Held-to-maturity securities		
Hong Kong listed dated debt securities, at amortised cost #	4,906	—
Investment securities		
Hong Kong listed equity securities, at cost #	13,531	—
Less: Provisions for impairment in values	(8,194)	—
Other investments		
Hong Kong listed equity securities, at fair value	1,020	—
	11,263	—

The aggregate market value of the Hong Kong listed dated debt securities and Hong Kong listed equity securities totalled approximately HK\$4,910,000 and HK\$17,176,000, respectively, at 31 March 2001.

The Hong Kong listed securities were disposed after the balance sheet date and the provision for impairment in value had been incorporated in the financial statements at 31 March 2001.

16. DEPOSIT PAID

The amount paid in the prior year represented deposit for the acquisition of the remaining 51% equity interest in Majorluck Limited in which the Group had a 49% equity interest as at 31 March 2000. The conditions for completion of the agreement on the acquisition of 51% equity interest in Majorluck Limited were fulfilled during the year.

17. CONSTRUCTION CONTRACTS

Retentions of HK\$224,000 (2000: HK\$1,320,000) held by customers for contract works were included in trade receivables in current assets.

18. PROPERTIES HELD FOR RE-SALE

Properties held for re-sale at the balance sheet date represented the Group's interests in certain retail shops situated in Hong Kong. The properties are currently leased to third parties.

The Group's properties held for re-sale are situated in Hong Kong and are held under medium term leases. At 31 March 2001, all of the properties held for re-sale and the rental income therefrom were pledged to secure certain banking facilities granted to the Group (Notes 25 and 27).

19. INVENTORIES

	Group	
	2001	2000
	HK\$'000	HK\$'000
Raw materials	952	—
Packing materials	1,065	—
Finished goods	2,342	—
	4,359	—

20. TRADE RECEIVABLES

The aging analysis of trade receivables at the balance sheet date was as follows:

	Group			
	2001	%	2000	%
	<u><i>HK\$'000</i></u>		<u><i>HK\$'000</i></u>	
Current to 90 days	6,460	92	7,675	46
91 days to 180 days	62	1	247	2
Over 180 days	504	7	8,668	52
	7,026	100	16,590	100
Less: Provision for doubtful debts	<u>(315)</u>		<u>(4,959)</u>	
	<u>6,711</u>		<u>11,631</u>	

The Group generally does not grant any credit to customers, except for the Group's medical and medicinal distribution business which offers a credit term of 30 to 180 days.

As at 31 March 2001, retentions held by customers for contract works, as included in trade receivables in current assets amounted to HK\$224,000 (2000: HK\$1,320,000).

21. PLEDGED TIME DEPOSITS

The Group's time deposits pledged to banks for general banking facilities granted to certain group companies in the prior year were released during the current year.

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2001	2000	2001	2000
	<u><i>HK\$'000</i></u>	<u><i>HK\$'000</i></u>	<u><i>HK\$'000</i></u>	<u><i>HK\$'000</i></u>
Cash and bank balances				
Time deposits	30,799	7,914	417	64
	154,837	222,633	110,889	203,373
	<u>185,636</u>	<u>230,547</u>	<u>111,306</u>	<u>203,437</u>

23. DUE FROM A DIRECTOR

Particulars of the amount due from a director disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

Group

<i>Name</i>	31 March 2001	Maximum amount outstanding during the year	1 April 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. Tang Ching Ho	—	61	61

The balance in the prior year represented the outstanding amount of shortfall in rental income, as detailed in note 36(b) and rental receivable, as detailed in note 36(c) and was fully settled in April 2000.

24. TRADE PAYABLES

The aging analysis of trade payables at the balance sheet date was as follows:

	2001	Group		%
	<i>HK\$'000</i>	%	2000	
			<i>HK\$'000</i>	
Current to 90 days	1,191	22	4,846	30
91 days to 180 days	—	—	—	—
Over 180 days	4,249	78	11,479	70
	5,440	100	16,325	100

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	<i>Notes</i>	Group	
		2001	2000
		<i>HK\$'000</i>	<i>HK\$'000</i>
Current portion of bank loans and overdrafts	27	14,618	4,375
Current portion of finance lease payables	28	58	50
		14,676	4,425

**26. PROVISION FOR ONEROUS CONTRACTS**

	Group	
	2001	2000
	HK\$'000	HK\$'000
At beginning of year	10,580	38,068
Provided during the year	26,676	—
Utilised during the year	(4,550)	(25,782)
Released during the year	—	(1,706)
At 31 March	32,706	10,580
Portion classified as current liabilities	(9,367)	(4,990)
Long term portion	23,339	5,590

27. INTEREST-BEARING BANK LOANS AND OVERDRAFTS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Bank overdrafts:		
Unsecured	823	—
Bank loans:		
Secured	7,118	16,987
Unsecured	36,203	—
	43,321	16,987
	44,144	16,987
Bank overdrafts repayable on demand	823	—
Bank loans repayable:		
Within one year	13,795	4,375
In the second year	13,864	4,375
In the third to fifth years, inclusive	13,458	7,502
Beyond five years	2,204	735
	44,144	16,987
Portion classified as current liabilities (<i>Note 25</i>)	(14,618)	(4,375)
Long term portion	29,526	12,612

At 31 March 2001, all of the Group's properties held for resale and rental therefrom and certain of the Group's investment properties were pledged to secure the banking facilities granted to the Group.

At 31 March 2000, the Group's cash and bank balances of HK\$8,037,000 were pledged to secure the banking facilities granted to the Group.

28. FINANCE LEASE PAYABLES

There were obligations under finance leases at the balance sheet date as follows:

	Group	
	2001	2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
Amounts payable:		
Within one year	58	54
In the second year	58	29
In the third to fifth years, inclusive	<u>110</u>	<u>84</u>
Total minimum lease payments	226	167
Future finance charges	<u>—</u>	<u>(4)</u>
Total net lease payables	226	163
Portion classified as current liabilities (<i>Note 25</i>)	<u>(58)</u>	<u>(50)</u>
Long term portion	<u><u>168</u></u>	<u><u>113</u></u>

29. DEFERRED TAX

	Group	
	2001	2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
Balance at beginning of year	—	450
Acquisition of a subsidiary	64	—
Charge/(credit) for the year — <i>Note 8</i>	<u>919</u>	<u>(450)</u>
At 31 March	<u><u>983</u></u>	<u><u>—</u></u>

There are no significant potential deferred tax liabilities for which provision has not been made.

The revaluation of the Group's investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

**30. SHARE CAPITAL**

	<u>2001</u>	<u>2000</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:		
10,000,000,000 (2000: 10,000,000,000) ordinary shares of HK\$0.01 (2000: HK\$0.01) each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
822,060,933 (2000: 682,593,914) ordinary shares of HK\$0.01 (2000: HK\$0.01) each	<u>8,221</u>	<u>6,826</u>

On 13 July 2000, 135,000,000 ordinary shares of HK\$0.01 each were issued for cash at subscription price of HK\$0.29 per share for a total cash consideration, before expenses, of HK\$39,150,000. The net proceeds were used for acquisition and investment, for the expansion of the commercial management in Chinese wet markets, car parks and shopping centres, for repayment of bank loans and working capital.

A summary of the transactions during the year with reference to the above movements of the Company's ordinary share capital is as follows:

	Nominal value of shares issued	Number of shares issued
	<i>HK\$'000</i>	
At beginning of year	6,826	682,593,914
Issue of 135,000,000 shares of HK\$0.01 each	1,350	135,000,000
Scrip dividend (Notes 10 and 31)	45	4,467,019
	<u>8,221</u>	<u>822,060,933</u>

As a result of the scrip dividend option in respect of the final dividend in the prior year, 4,467,019 new ordinary shares were issued at a subscription price of HK\$0.293 per share during the year under review.

Share option scheme

On 6 February 1995, the Company approved a share option scheme under which the directors may, at their discretion, invite any full-time employee or executive director of the Group to take up options to subscribe for shares of the Company at any time during the 10 years from the date of approval. The maximum number of shares on which options may be granted may not exceed 10% of the issued share capital of the Company from time to time, excluding any shares issued on the exercise of options. The scheme became effective upon the listing of the Company's shares on The Stock Exchange of Hong Kong Limited on 28 February 1995.

During the year, the Company granted a total of 43,800,000 share options which entitle the holders to subscribe for ordinary shares in the capital of the Company in the period from 6 March 2001 to 5 February 2005 at an exercise price of HK\$0.13 each. The aggregate consideration paid by each grantee for each lot of share options granted is HK\$1.00.

No share option was exercised during the year and the Company had 43,800,000 outstanding share options at the balance sheet date. Exercise in full of such share options would, under the present capital structure of the Company, result in the issue of 43,800,000 additional ordinary shares and would generate cash proceeds, before the related issue expenses, of approximately HK\$5,694,000.

31. RESERVES

Group

	Share premium account	Capital reserve	Investment properties revaluation reserve	Retained profits/ (accumulated losses)	Total
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 1999	160,997	5,721	—	(154,226)	12,492
Issue of shares	193,924	—	—	—	193,924
Share issue expenses	(4,468)	—	—	—	(4,468)
Transfer from share premium	(131,466)	—	—	131,466	—
Reduction in nominal value of shares	—	—	—	41,615	41,615
Surplus on revaluation of investment properties	—	—	2,095	—	2,095
Profit for the year	—	—	—	21,051	21,051
Proposed final dividend	—	—	—	(8,176)	(8,176)
At 31 March and 1 April 2000	218,987	5,721	2,095	31,730	258,533
Issue of shares	37,800	—	—	—	37,800
Share issue expenses	(779)	—	—	—	(779)
Premium on shares issued by way of scrip dividend	1,264	—	—	—	1,264
Goodwill on acquisition	—	(5,721)	—	(90,048)	(95,769)
Deficit on revaluation of investment properties	—	—	(1,841)	—	(1,841)
Loss for the year	—	—	—	(47,513)	(47,513)
At 31 March 2001	<u>257,272</u>	<u>—</u>	<u>254</u>	<u>(105,831)</u>	<u>151,695</u>
Reserves retained by:					
Company and subsidiaries	257,272	—	254	(106,084)	151,442
Associates	—	—	—	253	253
At 31 March 2001	<u>257,272</u>	<u>—</u>	<u>254</u>	<u>(105,831)</u>	<u>151,695</u>
Company and subsidiaries	218,987	5,721	2,095	24,705	251,508
Associates	—	—	—	7,025	7,025
At 31 March 2000	<u>218,987</u>	<u>5,721</u>	<u>2,095</u>	<u>31,730</u>	<u>258,533</u>



31. RESERVES (continued)

Company

	Notes	Share premium account	Contributed surplus	Retained profits/ (accumulated losses)	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 1999		160,997	31,476	(173,081)	19,392
Issue of shares		193,924	—	—	193,924
Share issue expenses		(4,468)	—	—	(4,468)
Transfer from share premium	(i)	(131,466)	—	131,466	—
Reduction in nominal value of shares	(ii)	—	—	41,615	41,615
Profit for the year		—	—	15,332	15,332
Proposed final dividend		—	—	(8,176)	(8,176)
		<u>218,987</u>	<u>31,476</u>	<u>7,156</u>	<u>257,619</u>
At 31 March and 1 April 2000		218,987	31,476	7,156	257,619
Issue of shares		37,800	—	—	37,800
Share issue expenses		(779)	—	—	(779)
Premium on shares issued by way of scrip dividend		1,264	—	—	1,264
Loss for the year		—	—	(136,426)	(136,426)
		<u>257,272</u>	<u>31,476</u>	<u>(129,270)</u>	<u>159,478</u>
At 31 March 2001		<u>257,272</u>	<u>31,476</u>	<u>(129,270)</u>	<u>159,478</u>

Notes:

- (i) Pursuant to a special resolution passed on 20 December 1999, the Company's share premium account was reduced by an amount of HK\$131,466,000, which was applied to offset the accumulated losses of the Company.
- (ii) Pursuant to a resolution passed on 24 September 1999, the nominal value of the shares in the capital of the Company was reduced from HK\$0.10 each to HK\$0.01 each by cancelling the issued capital to the extent of HK\$0.09 paid up on each of the issued shares and that every unissued share be sub-dividend to the extent that each unissued share of HK\$0.10 shall become ten unissued shares of HK\$0.01 each.
- (iii) The contributed surplus of the Company originally derived from the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to the Group reorganisation on 6 February 1995 and the par value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

32. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) from operating activities to net cash inflow from operating activities:

	2001	2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
Profit/(loss) from operating activities	(46,987)	21,056
Net holding gain on investments	(215)	—
Interest income from investments	(2,142)	—
Provision for impairment of investments	20,715	—
Interest income	(12,172)	(6,240)
Loss/(gain) on disposal of interests in subsidiaries	(1,060)	1,885
Gain on disposal of investments, net	(2,281)	—
Provision for doubtful debts	5,182	3,480
Write back of provision for doubtful debts and bad debt expenses	(638)	(6,431)
Increase/(decrease) in provision for onerous contracts	22,126	(27,488)
Depreciation	10,904	9,040
Gain on early redemption of convertible notes	—	(1,250)
Loss on disposal of fixed assets	19	5,048
Decrease in trade receivables, prepayments, deposits and other debtors	16,043	25,364
Decrease in inventories	250	—
Decrease in amount due from a director	61	727
Decrease in amount due from customers for contract work	—	5,186
Decrease in properties held for re-sale	589	76,278
Decrease in trade payables, other payables and accruals	(11,546)	(30,517)
Increase in deposits received and receipts in advance	1,846	874
Decrease in amount due to customers for contract work	—	(501)
	<u>694</u>	<u>76,511</u>
Net cash inflow from operating activities	<u>694</u>	<u>76,511</u>

32. NOTES TO THE CASH FLOW STATEMENT (continued)
(b) Purchase of a subsidiary

	<u>2001</u> <i>HK\$'000</i>	<u>2000</u> <i>HK\$'000</i>
Net assets acquired:		
Fixed assets	7,231	—
Investment properties	1,550	—
Inventories	4,609	—
Trade receivables, prepayments, deposits and other debtors	4,408	—
Cash and cash equivalents	16,751	—
Trade payables, other payables and accruals	(2,883)	—
Tax payable	(905)	—
Deferred tax	(64)	—
Minority interests	(60)	—
	<u>30,637</u>	—
Goodwill on acquisition	<u>98,239</u>	—
	<u>128,876</u>	<u>—</u>
Satisfied by:		
Cash	<u>128,876</u>	<u>—</u>

Analysis of the net outflow of cash and cash equivalents in respect of the purchase of a subsidiary:

	<u>2001</u> <i>HK\$'000</i>	<u>2000</u> <i>HK\$'000</i>
Cash consideration	128,876	—
Cash and cash equivalents acquired	<u>(16,751)</u>	—
Net outflow of cash and cash equivalents in respect of purchase of a subsidiary	<u>112,125</u>	<u>—</u>

The subsidiary acquired during the year contributed approximately HK\$5,020,000 to the Group's net operating cash flows, received approximately HK\$198,000 in respect of the net returns on investments and servicing of finance, paid approximately HK\$2,454,000 in respect of investing activities, but had no significant impact in respect of tax and financing activities.

The subsidiary acquired during the year contributed turnover of approximately HK\$9,036,000 and profit after tax of approximately HK\$590,000 to the Group's turnover and loss after tax and before minority interests for the year ended 31 March 2001, respectively.

32. NOTES TO THE CASH FLOW STATEMENT (continued)

(c) Summary of the effects of additional purchase of shares in an associate which became a subsidiary as a result thereof

	2001	2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
Net assets acquired:		
Fixed assets	12,705	—
Trade receivables, prepayments, deposits and other debtors	9,977	—
Due from ultimate holding company	3,200	—
Due from fellow subsidiaries	548	—
Cash and cash equivalents	3,591	—
Trade payables, other payables and accruals	(3,001)	—
Deposits received and receipts in advance	(19,836)	—
Tax payable	(1,063)	—
Due to fellow subsidiaries	(3,611)	—
	<u>2,510</u>	—
Goodwill on acquisition	<u>18,439</u>	—
	<u>20,949</u>	<u>—</u>
Satisfied by:		
Decrease in deposit paid	19,507	—
Cash	159	—
Reclassification from interest in an associate	1,283	—
	<u>20,949</u>	<u>—</u>
Analysis of the net inflow of cash and cash equivalents in respect of the purchase of a subsidiary:		
	2001	2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
Cash consideration	159	—
Cash and cash equivalents acquired	(3,591)	—
Net inflow of cash and cash equivalents in respect of purchase of a subsidiary	<u>(3,432)</u>	<u>—</u>

The subsidiary acquired during the year contributed approximately HK\$4,712,000 to the Group's net operating cash flows, received approximately HK\$133,000 in respect of the net returns on investments and servicing of finance, paid approximately HK\$128,000 in respect of investing activities, but had no significant impact in respect of tax and financing activities.

The subsidiary acquired during the year contributed turnover of approximately HK\$24,798,000 and profit after tax of approximately HK\$4,451,000 to the Group's turnover and loss after tax and before minority interests for the year ended 31 March 2001, respectively.

32. NOTES TO THE CASH FLOW STATEMENT (continued)
(d) Disposal of subsidiaries

	<u>2001</u> <i>HK\$'000</i>	<u>2000</u> <i>HK\$'000</i>
Net assets disposed of:		
Long term investments	3,000	—
Fixed assets	—	69
Deposits and other debtors	38	7,311
Cash and cash equivalents	—	670
Trade payables, other payables and accruals	—	(1,865)
Release of capital reserve	166	—
	<u>3,204</u>	<u>6,185</u>
Profit/(loss) on disposal of subsidiaries	<u>1,768</u>	<u>(1,885)</u>
	<u>4,972</u>	<u>4,300</u>
Satisfied by:		
Cash	<u>4,972</u>	<u>4,300</u>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	<u>2001</u> <i>HK\$'000</i>	<u>2000</u> <i>HK\$'000</i>
Cash consideration	4,972	4,300
Cash and bank balances disposed of	—	(670)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u>4,972</u>	<u>3,630</u>

The subsidiaries disposed of during the year made no significant contribution to the Group in respect of the cash flows, turnover and contribution to the Group's loss after tax and before minority interests for the year ended 31 March 2001.

The subsidiaries disposed of in the prior year contributed approximately HK\$14,042,000 to turnover and profits of approximately HK\$7,500 to the consolidated profit after tax for the year ended 31 March 2000.

The subsidiaries disposed of in the prior year did not have any significant impact on the Group's net operating or other cash flows.

32. NOTES TO THE CASH FLOW STATEMENT (continued)

(e) Disposal of interests in a subsidiary

	2001 <u>HK\$'000</u>	2000 <u>HK\$'000</u>
Net assets disposed of:		
Minority interests	7,602	—
Release of goodwill	<u>23,135</u>	<u>—</u>
	30,737	—
Loss on disposal of interests in a subsidiary	<u>(708)</u>	<u>—</u>
	<u><u>30,029</u></u>	<u><u>—</u></u>
Satisfied by:		
Cash	<u><u>30,029</u></u>	<u><u>—</u></u>

(f) Analysis of changes in financing activities during the year

	Share capital (including share premium account) <u>HK\$'000</u>	Bank loans <u>HK\$'000</u>	Convertible loans <u>HK\$'000</u>	Finance lease obligations <u>HK\$'000</u>	Minority interests <u>HK\$'000</u>
At 1 April 1999	199,736	63,877	25,000	257	—
Net cash inflow/(outflow) from financing activities	199,158	(46,890)	(23,750)	(94)	—
Transfer to retained earnings	(131,466)	—	—	—	—
Reduction of share capital	(41,615)	—	—	—	—
Gain on early redemption of convertible notes	—	—	(1,250)	—	—
At 31 March and 1 April 2000	225,813	16,987	—	163	—
Issue by way of scrip dividend	45	—	—	—	—
Premium on shares issued by way of scrip dividend	1,264	—	—	—	—
Net cash inflow/(outflow) from financing activities	38,371	26,334	—	(81)	287
Inception of finance lease contracts	—	—	—	144	—
At 31 March 2001	<u><u>265,493</u></u>	<u><u>43,321</u></u>	<u><u>—</u></u>	<u><u>226</u></u>	<u><u>287</u></u>

(g) Major non-cash transactions

During the year, the Group paid dividends by way of scrip dividend of HK\$1,309,000 (2000: Nil).

33. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

(a)	Group		Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Guarantees in respect of performance bonds given to third parties	24,458	12,487	24,458	12,487
Guarantees given in lieu of utility and property rental deposits	18,300	14,785	18,300	5,550
Guarantees given to financial institutions in connection with facilities granted to subsidiaries and associates	—	23,286	144,363	67,035
	<u>42,758</u>	<u>50,558</u>	<u>187,121</u>	<u>85,072</u>

- (b) A corporate guarantee in the amount of approximately HK\$464,000 (2000: HK\$2,318,000) was given to the landlord in respect of the full rental payments of the office premises during the tenancy period.
- (c) In the prior year, a sub-contractor claimed against a wholly-owned subsidiary of the Group (the "Subsidiary") for recovery of approximately HK\$900,000 for works performed. In turn, the Subsidiary instigated litigation against the main contractor for recovery of approximately HK\$6,000,000 on works performed. The main contractor then made a counter claim against the Subsidiary for overpayment of approximately HK\$4,900,000.

In the prior year, the Subsidiary also instigated litigation against another sub-contractor an amount of approximately HK\$120,000 for delay in completion of works performed. The sub-contractor made a counter claim against the Subsidiary of approximately HK\$1,000,000 on works performed.

The directors, having reviewed the claims and obtained legal advices, consider that the alleged claims from the main and sub-contractors referred to above are without grounds, therefore, no provision had been made for the alleged claims in the financial statements at 31 March 2000 and 31 March 2001.

34. COMMITMENTS

(a) Capital commitments

	Group	
	2001	2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
Capital commitments:		
Contracted, but not provided for	<u>3,616</u>	<u>379</u>

(b) Commitments under operating leases

At 31 March 2001, the Group had commitments under non-cancellable operating leases to make payments in the following year as follows:

	Group	
	2001	2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
Land and buildings expiring:		
Within one year	13,395	—
In the second to fifth years, inclusive	101,465	58,161
After five years	<u>8,640</u>	<u>13,108</u>
	<u>123,500</u>	<u>71,269</u>

The Company did not have any commitments at the balance sheet date (2000: Nil).

35. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the Group had the following material events:

- (i) On 12 April 2001, Macro Pacific Investment Limited (“Macro Pacific”), a wholly-owned subsidiary of the Group, entered into an agreement to acquire 19.01% equity interest in Luxembourg Medicine Company Limited (“Luxembourg”) from an independent third party for a consideration of HK\$20 million. Luxembourg is principally engaged in the manufacture and sale of medical products under the brand name of “Madam Pearl”.
- (ii) On 15 June 2001, Advance Century Limited (“Advance Century”), a wholly-owned subsidiary of the Group, entered into a conditional agreement with certain independent third parties to invest in 22% of the issued share capital (as enlarged by the issue of such new shares to Advance Century) of China Field Enterprises Limited at a consideration of HK\$15 million. Advance Century will hold an 80% equity interest in a joint venture pharmaceutical enterprise in Changsha, Hunan Province in the People’s Republic of China. Details of the transactions have been disclosed in the Company’s announcement dated 18 June 2001.



36. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the year:

	Notes	2001 <u>HK\$'000</u>	2000 <u>HK\$'000</u>
Rental paid to Wisex Limited	(a)	—	791
Shortfall in rental income received from Mr. Tang Ching Ho	(b)	—	136
Acquisition of investment property from Ying Jun Limited	(c)	—	15,000
Rental income received from Mr. Tang Ching Ho	(c)	1,080	305
Income from associates:	(d)		
— Consultancy fee		372	600
— Repairs and maintenance		64	309
— Renovation fee		—	135
— Management fee		743	1,200
— Rental		1,187	540
Cleaning expenses paid to an associate	(d)	<u>2,902</u>	<u>—</u>

- (a) In accordance with the rental agreement dated 1 October 1996, the Group paid a monthly rental of HK\$280,000 to Wisex Limited in the prior year. Wisex Limited is a company in which Mr. Tang Ching Ho and Ms. Yau Yuk Yin (directors of the Company), have beneficial interests. The rental agreement was terminated on 30 June 1999.
- (b) In accordance with the sale and purchase agreement approved by independent shareholders on 4 March 1998, Mr. Tang Ching Ho paid approximately HK\$136,000 to the Group in respect of the shortfall in rental income from certain properties which the Group had acquired from Mr. Tang in the prior year.
- (c) The Group acquired a Hong Kong property (the "Property") from Ying Jun Limited, a company wholly-owned by Ms. Yau Yuk Yin, for a consideration of HK\$15 million in the prior year. The Property was then leased to Mr. Tang Ching Ho for a period of two years from 20 December 1999 at an agreed monthly rental of HK\$90,000.
- (d) The transactions were based on terms as agreed between the Group and the associates.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 6 July 2001.

INVESTMENT PROPERTIES

Locations

House No. 15
Greenery Villas Phase II
No. 3 Ma Lok Path, Kau To
Shatin
New Territories

Factory on 11th Floor, Portion of Roof and
Car Parking Space No. 7 on Ground Floor
Well Town Industrial Building
(formerly “Yau Tong Industrial Building”)
No. 13 Ko Fai Road
Yau Tong
Kowloon

Uses

Residential premises for rental

Industrial premises for rental

PROPERTIES HELD FOR RE-SALE

Location	Existing use	Gross floor area (square feet)	Interest in property attributable to the Group
Shops Nos. 40, 44 and 46 on Ground Floor and Shops Nos. 101, 148 and 172 on First Floor of Commercial Centre Fullview Garden No. 18 Siu Sai Wan Road Siu Sai Wan Chai Wan Hong Kong	Rental purposes	1,707	100%

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below.

	Year ended 31 March				
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>	1997 <i>HK\$'000</i>
RESULTS					
TURNOVER	211,998	342,646	882,882	929,175	283,482
PROFIT/(LOSS) FROM OPERATING ACTIVITIES AFTER FINANCE COSTS	(48,837)	15,067	(120,813)	(54,538)	(20,550)
Share of profits less losses of associates	899	5,595	4,002	3,794	3,875
PROFIT/(LOSS) BEFORE TAX	(47,938)	20,662	(116,811)	(50,744)	(16,675)
Tax	138	389	1,568	(16,942)	(2,108)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	(47,800)	21,051	(115,243)	(67,686)	(18,783)
Minority interests	287	—	(870)	—	1,044
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	(47,513)	21,051	(116,113)	(67,686)	(17,739)
ASSETS AND LIABILITIES					
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	31 March 1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>	1997 <i>HK\$'000</i>
TOTAL ASSETS	331,295	368,598	291,233	929,836	581,809
TOTAL LIABILITIES	(163,550)	(103,239)	(240,002)	(722,536)	(397,752)
MINORITY INTERESTS	(7,829)	—	—	(10,595)	(14,010)
NET ASSETS	159,916	265,359	51,231	196,705	170,047