



**WANG ON GROUP LIMITED**

**宏安集團有限公司**

*(Incorporated in Bermuda with limited liability)*

2001 Interim Report 2002

## INTERIM RESULTS

The board of directors of Wang On Group Limited (the “Company”) is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2001, together with the comparative figures for the corresponding period in 2000, are as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

		Six months ended 30 September	
	Notes	2001 HK\$'000	2000 HK\$'000
TURNOVER	3	145,882	87,626
Cost of sales		<u>(108,099)</u>	<u>(71,859)</u>
Gross profit		37,783	15,767
Other revenue		6,980	10,729
Selling and distribution costs		(6,593)	–
Administrative expenses		(24,072)	(16,000)
Other operating expenses		<u>(1,125)</u>	<u>(7,745)</u>
PROFIT FROM OPERATING ACTIVITIES	4	12,973	2,751
Finance costs		(2,042)	(823)
Share of profits less losses of associates		<u>129</u>	<u>172</u>
PROFIT BEFORE TAX		11,060	2,100
Tax	5	<u>(2,301)</u>	<u>(60)</u>
Profit before minority interests		8,759	2,040
Minority interests		<u>(1,197)</u>	<u>228</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u><u>7,562</u></u>	<u><u>2,268</u></u>
EARNINGS PER SHARE	6		
Basic		<u><u>0.88 cent</u></u>	<u><u>0.31 cent</u></u>
Diluted		<u><u>0.85 cent</u></u>	<u><u>N/A</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES – UNAUDITED

	Six months ended 30 September	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Net loss not recognised in the consolidated income statement – goodwill on acquisition of associates	–	(2,290)
Net profit for the period attributable to shareholders	<u>7,562</u>	<u>2,268</u>
	<u><u>7,562</u></u>	<u><u>(22)</u></u>

## CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 30 September 2001 HK\$'000	Audited 31 March 2001 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets		63,743	66,371
Goodwill	8	15,908	–
Interests in associates	9	26,885	729
Long term investments	10	32,633	7,437
Loans receivable		4,322	2,586
Rental deposits paid		22,803	21,650
		166,294	98,773
<b>CURRENT ASSETS</b>			
Properties held for re-sale		4,668	5,134
Short term investments	10	–	11,263
Inventories		6,002	4,359
Trade receivables	11	11,570	6,711
Prepayments, deposits and other debtors		19,855	19,237
Tax recoverable		182	182
Cash and cash equivalents		193,847	185,636
		236,124	232,522
<b>CURRENT LIABILITIES</b>			
Trade payables	12	5,552	5,440
Other payables and accruals		42,832	27,703
Deposits received and receipts in advance		54,851	49,881
Interest-bearing bank and other borrowings		20,765	14,676
Provision for onerous contracts		8,441	9,367
Tax payable		4,731	2,467
		137,172	109,534
<b>NET CURRENT ASSETS</b>			
		98,952	122,988

## CONDENSED CONSOLIDATED BALANCE SHEET (continued)

		Unaudited 30 September 2001 HK\$'000	Audited 31 March 2001 HK\$'000
	<i>Notes</i>		
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>265,246</b>	221,761
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank loans		35,688	29,526
Finance lease payables		139	168
Provision for onerous contracts		22,203	23,339
Deferred tax		983	983
		<u>59,013</u>	<u>54,016</u>
Minority Interests		9,177	7,829
		<u>197,056</u>	<u>159,916</u>
<b>CAPITAL AND RESERVES</b>			
Issued capital	13	9,821	8,221
Reserves	14	187,235	151,695
		<u>197,056</u>	<u>159,916</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

	Six months ended 30 September	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>26,605</b>	1,307
Net cash inflow from returns on investments and servicing of finance	1,503	4,263
Tax refunded	–	47
Net cash outflow from investing activities	<u>(61,848)</u>	<u>(100,480)</u>
Net cash outflow before financing activities	<b>(33,740)</b>	(94,863)
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>	<b>42,774</b>	37,089
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>9,034</b>	(57,774)
Cash and cash equivalents at beginning of period	<u>184,813</u>	<u>230,547</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>193,847</b>	172,773
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	16,332	9,321
Unpledged time deposits with original maturity of less than three months when acquired	<u>177,515</u>	<u>163,452</u>
	<u><b>193,847</b></u>	<u>172,773</u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of preparation

The unaudited condensed consolidated interim financial statements of the Group are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting”. Except as described in Note 2, the accounting policies adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 March 2001.

Figures for the year ended 31 March 2001 are extracted from the Group’s annual financial statements for that year.

### 2. Impact of new and revised Statements of Standard Accounting Practice (“SSAPs”)

The following is a summary of new and revised SSAPs which have been adopted in the preparation of the current period’s financial statements.

SSAP 9 (revised)	:	Events after the Balance Sheet Date
SSAP 14 (revised)	:	Leases
SSAP 28	:	Provisions, Contingent Liabilities and Contingent Assets
SSAP 29	:	Intangible Assets
SSAP 30	:	Business Combinations
SSAP 31	:	Impairment of Assets
SSAP 32	:	Consolidated Financial Statements and Accounting for Investments in Subsidiaries

The Group has complied with SSAP 14 (revised) “Leases” for the first time in this interim reporting period. As a result, total future minimum operating lease commitments are disclosed instead of annual operating lease commitments under non-cancellable operating leases. Figures for the year ended 31 March 2001 are extracted from the Group’s audited financial statements for that year.

## 2. Impact of new and revised Statements of Standard Accounting Practice (“SSAPs”) (continued)

Goodwill represents the excess of the cost of an acquisition over the fair values of the Group’s share of the underlying net assets of the acquired subsidiary, associate or jointly controlled entity at the date of acquisition. In the previous years, goodwill was eliminated against reserves in the year in which it arose. Following the introduction of SSAP 30, goodwill arising on acquisitions on or after 1 April 2001 is capitalised as an intangible asset in the balance sheet and is amortised to the profit and loss account using the straight-line method over its estimated useful economic life not exceeding ten years. In accordance with the transitional provisions of SSAP 30, goodwill arising from earlier acquisitions before 1 April 2001 will continue to be held in reserves and no reinstatement has been made.

Apart from SSAP 14 and SSAP 30 as explained above, the implementation of the above SSAPs did not have a material impact on the Group’s financial statements.

## 3. Analysis of turnover and contribution to profit

By principal activities:

	Unaudited			
	Six months ended 30 September		Contribution to profit from operating activities	
	Turnover			
	2001 HK\$’000	2000 HK\$’000	2001 HK\$’000	2000 HK\$’000
Management and sub-licensing of Chinese wet markets	75,169	39,431	9,256	9,063
Management and sub-licensing of shopping centres and car parks	43,154	44,253	262	886
Sale of Chinese medicine, herbs and other medicinal products	23,721	–	6,252	–
Building related contracting business	1,010	171	(1,784)	(2,665)
Technology related business	–	–	–	(8,199)
Others	2,828	3,771	(1,013)	3,666
	<u>145,882</u>	<u>87,626</u>	<u>12,973</u>	<u>2,751</u>



### 3. Analysis of turnover and contribution to profit (continued)

By geographical area of markets:

	Unaudited Six months ended 30 September		Contribution to profit from operating activities	
	Turnover			
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
The People's Republic of China (the "PRC")				
Hong Kong SAR	143,838	87,626	11,928	2,751
Elsewhere	389	–	147	–
North America	1,065	–	577	–
South East Asia	590	–	321	–
	<u>145,882</u>	<u>87,626</u>	<u>12,973</u>	<u>2,751</u>

### 4. Profit from operating activities

	Unaudited Six months ended 30 September	
	2001 HK\$'000	2000 HK\$'000
The Group's profit from operating activities is arrived at after charging/(crediting):		
Depreciation	7,479	4,524
Amortisation of goodwill	196	–
Amount released from onerous contracts	(2,062)	(2,485)
Gain on disposal of properties held for re-sale	(6)	(640)
Interest income	(3,179)	(5,075)
Investment income		
– Listed	(632)	(260)
– Unlisted	–	(702)
	<u>–</u>	<u>(702)</u>

## 5. Tax

	Unaudited Six months ended 30 September	
	2001 HK\$'000	2000 HK\$'000
Group:		
Hong Kong profits tax	2,074	–
Under provision in prior year	189	–
Share of tax attributable to:		
Associates	38	60
	<u>2,301</u>	<u>60</u>

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong for the period under review. The Group did not have any significant unprovided deferred tax in respect of the periods.

## 6. Earnings per share

The calculation of the basic earnings per share is based on the following data:

	Unaudited Six months ended 30 September	
	2001 HK\$'000	2000 HK\$'000
Net profit from ordinary activities attributable to shareholders	<u>7,562</u>	<u>2,268</u>
	No. of shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	857,362	741,610
Effect of dilutive potential ordinary shares – share options & convertible bonds	<u>28,380</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>885,742</u>	<u>741,610</u>

## 7. Pledge of assets

As at 30 September 2001, certain of the Group's investment properties, all of its properties held for re-sale and rental income therefrom were pledged to secure certain banking facilities granted to the Group.

## 8. Goodwill

Details and movements of goodwill arising on the acquisitions of two associates are summarised below:

	<b>Unaudited</b> <i>HK\$'000</i>
Cost	
Additions and balance at 30 September 2001	16,104
Accumulated amortisation	
Provided during the period and balance at 30 September 2001	(196)
Net carrying amount	
At 30 September 2001	<u>15,908</u>

## 9. Interests in associates

	<b>Unaudited</b> <b>30 September</b> <b>2001</b> <i>HK\$'000</i>	Audited 31 March 2001 <i>HK\$'000</i>
Share of net assets	5,022	102
Due from associates	<u>24,863</u>	<u>1,227</u>
	<b>29,885</b>	1,329
Provisions for impairment in values	<u>(3,000)</u>	<u>(600)</u>
	<u><b>26,885</b></u>	<u><b>729</b></u>

Except for the balances of HK\$21,000,000 and HK\$3,000,000 due from an associate which are unsecured, bear interest at Hong Kong dollar prime rate plus 2% per annum and are repayable in February and March 2003, respectively, the remaining balances due from associates are interest-free and have no fixed terms of repayment.

## 9. Interests in associates (continued)

Particulars of the principal associates which were acquired by the Group during the period are as follows:

	Business structure	Place of incorporation and operations	Percentage of ownership interest attributable to the Group %	Principal activities
China Field Enterprises Limited	Corporate	Hong Kong	22	Investment holding
Dailywin Group Limited *	Corporate	Bermuda	29.19	Investment holding

\* Listed on The Stock Exchange of Hong Kong Limited

## 10. Investments

(a) Long term investments

	Unaudited 30 September 2001 HK\$'000	Audited 31 March 2001 HK\$'000
Held-to-maturity securities		
Hong Kong listed dated debt securities, at amortised cost	12,467	7,437
Investment securities		
Investment in unlisted shares, at cost	32,687	12,521
Less: Provisions for impairment in values	(12,521)	(12,521)
	<u>32,633</u>	<u>7,437</u>

The aggregate market value of the Hong Kong listed dated debt securities totalled approximately HK\$12,800,000 at 30 September 2001 (31 March 2001: HK\$8,132,000).

## 10. Investments (continued)

### (b) Short term investments

	<b>Unaudited 30 September 2001 HK\$'000</b>	Audited 31 March 2001 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
	<u>–</u>	<u>11,263</u>
	<u>–</u>	<u>11,263</u>

## 11. Trade receivables

The aging analysis of trade receivables is as follows:

	<b>Unaudited 30 September 2001</b>		Audited 31 March 2001	
	<b>HK\$'000</b>	<b>%</b>	HK\$'000	%
Current to 90 days	10,702	89	6,460	92
91 days to 180 days	687	6	62	1
Over 180 days	599	5	504	7
	<u>11,988</u>	<u>100</u>	<u>7,026</u>	<u>100</u>
Less: Provision for doubtful debts	<u>(418)</u>		<u>(315)</u>	
	<u>11,570</u>		<u>6,711</u>	

The Group generally does not grant any credit to customers, except for the Group's pharmaceutical business which offers credit terms of 30 to 60 days.

## 12. Trade payables

The aging analysis of trade payables is as follows:

	Unaudited 30 September 2001		Audited 31 March 2001	
	HK\$'000	%	HK\$'000	%
Current to 90 days	1,251	23	1,191	22
91 days to 180 days	–	–	–	–
Over 180 days	4,301	77	4,249	78
	<u>5,552</u>	<u>100</u>	<u>5,440</u>	<u>100</u>

## 13. Share capital

	Unaudited 30 September 2001 HK\$'000	Audited 31 March 2001 HK\$'000
<i>Authorised:</i> 10,000,000,000 ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i> 982,060,933 (31 March 2001: 822,060,933) ordinary shares of HK\$0.01 each	<u>9,821</u>	<u>8,221</u>

In August 2001, a total of 160,000,000 ordinary shares of HK\$0.01 each were issued at the subscription price of HK\$0.188 per share upon full exercise of the conversion rights of all convertible bonds in the principal amount of HK\$30,080,000 which had been issued by the Company on 3 August 2001. The net proceeds were mainly applied for acquisitions of associates and long term investments, and for the expansion of the Group's management and sub-licensing operations of Chinese wet markets, car parks and shopping centres.

### 13. Share capital (continued)

A summary of the movements in the Company's issued ordinary share capital during the period is as follows:

	Nominal value of shares issued <i>HK\$'000</i>	Number of shares issued
At 1 April 2001 (audited)	8,221	822,060,933
Conversion of convertible bonds into ordinary shares at a conversion price of HK\$0.188 per share	<u>1,600</u>	<u>160,000,000</u>
At 30 September 2001 (unaudited)	<u><u>9,821</u></u>	<u><u>982,060,933</u></u>

### 14. Reserves

	Share premium account <i>HK\$'000</i>	Investment properties revaluation reserve <i>HK\$'000</i>	Accumu- lated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2001 (audited)	257,272	254	(105,831)	151,695
Issue of shares	28,480	–	–	28,480
Share issue expenses	(502)	–	–	(502)
Net profit for the period	<u>–</u>	<u>–</u>	<u>7,562</u>	<u>7,562</u>
At 30 September 2001 (unaudited)	<u><u>285,250</u></u>	<u><u>254</u></u>	<u><u>(98,269)</u></u>	<u><u>187,235</u></u>



**15. Commitments***(a) Capital commitments*

	<b>Unaudited 30 September 2001 HK\$'000</b>	Audited 31 March 2001 HK\$'000
Capital commitments:		
Contracted, but not provided for	<b>10,022</b>	3,616

*(b) Commitments under operating leases*

As at 30 September 2001, the Group had commitments under non-cancellable operating leases as follows:

	<b>Unaudited 30 September 2001 Total commitments HK\$'000</b>	Audited 31 March 2001 Annual commitments HK\$'000
Land and buildings expiring:		
Within one year	<b>128,383</b>	13,395
In the second to fifth years, inclusive	<b>236,915</b>	101,465
After five years	<b>15,158</b>	8,640
	<b>380,456</b>	123,500

Included in the total balance as at 30 September 2001 are approximately HK\$376,384,000 of total future minimum lease payments relating to the Group's management and sub-licensing operations of Chinese wet markets, shopping centres and car parks.

## 16. Contingent liabilities

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

### (a) Guarantees

	<b>Unaudited 30 September 2001 HK\$'000</b>	Audited 31 March 2001 HK\$'000
Guarantees in respect of performance bonds given to third parties	24,581	24,458
Guarantees given in lieu of utility and property rental deposits	<u>18,175</u>	<u>18,300</u>
	<u><b>42,756</b></u>	<u><b>42,758</b></u>

- (b) As reported in the Group's 2001 annual report, 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.

## 16. Contingent liabilities (continued)

In the prior year, the Subsidiary also instigated litigation against another sub-contractor for an amount of approximately HK\$120,000 for delay in the 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.

## 17. Post balance sheet events

Subsequent to the balance sheet date, the following material transactions have occurred:

- (i) In October and November 2001, two top-up placements were made whereby an aggregate of 160,000,000 ordinary shares and 228,000,000 ordinary shares of HK\$0.01 each were issued at an issue price of HK\$0.08 and HK\$0.09 each, respectively. After completion of these two placements, the Company's issued share capital was increased to 1,370,060,933 ordinary shares.
- (ii) Pursuant to a special resolution passed on 9 November 2001, the Company's share premium account was reduced by an amount of HK\$129,269,955.53 which was applied to set off against the audited accumulated lossess of the Company as at 31 March 2001.
- (iii) On 16 November 2001, Macro Pacific Investment Limited ("Macro Pacific"), a wholly owned subsidiary of the Group, entered into an agreement with an independent third party to further acquire approximately 3.6% equity interest in Luxembourg Medicine Company Limited ("Luxembourg") at a consideration of approximately HK\$3.6 million which brought the Group's interest in Luxembourg to 22.6%. Luxembourg is principally engaged in the manufacturing and sale of medicinal products under the brand name of "Madam Pearl".

## 18. Related party transactions

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

		Unaudited Six months ended 30 September	
	Notes	2001 HK\$'000	2000 HK\$'000
Rental income received from			
Mr. Tang Ching Ho	(a)	540	540
Income from associates:	(b)		
Consultancy fee		–	300
Promotion fee		–	3,500
Repairs and maintenance		–	25
Management fee		128	624
Interest income		149	–
Rental		–	360
Cleaning expenses paid to an associate	(b)	2,703	673

(a) A property was leased to Mr. Tang Ching Ho for a period of two years from 20 December 1999 at a monthly rental of HK\$90,000, which was approved at the Company's special general meeting held on 17 December 1999. Details of the transaction were set out in the Company's announcement dated 6 November 1999.

(b) The transactions were based on terms as agreed between the Group and the associates.

## 19. Approval of the unaudited condensed consolidated financial statements

The unaudited condensed consolidated financial statements were approved by the board of directors on 14 December 2001.

## INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2001 (2000: Nil).

## BUSINESS REVIEW

The Group's unaudited consolidated turnover and net profit attributable to shareholders for the six months ended 30 September 2001 are approximately HK\$145.9 million (2000: HK\$87.6 million) and approximately HK\$7.6 million (2000: HK\$2.3 million), respectively.

The increase in turnover as compared with the last corresponding period was mainly attributable to the increase in the Group's management and sub-licensing of Chinese wet markets business and the turnover generated by Wai Yuen Tong Medicine Company Limited ("Wai Yuen Tong"), a subsidiary of the Group acquired in February 2001.

The increase in net profit attributable to shareholders was mainly due to the profit generated from Wai Yuen Tong and the reduction in the amount of provision which had to be made for technology related and building related contracting businesses in this current period.

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

After the recent successful grand opening of the Tin Chak (Allmart) Chinese Market at Tin Chak Shopping Centre, Tin Shui Wai, the Group currently operates 12 Chinese wet markets in Hong Kong with a total area of over 254,000 sq.ft. Being the largest private operator of Chinese wet markets in Hong Kong, this area of the Group's business continues to generate over 50% of the Group's turnover and revenue.

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

The Group currently manages and operates 10 shopping centres with a floor area of over 1.7 million sq.ft. and over 3,900 car parking bays which generate steady contribution to the Group.

## BUSINESS REVIEW (continued)

### **Wai Yuen Tong**

Since its acquisition in February 2001, substantial efforts were contributed by the Group to improve and modernise Wai Yuen Tong's business and these efforts have proved to be fruitful and rewarding. Whilst preserving its over 100 years' reputable brandname, new elements were injected into the business and brandname to further enhance its image and in making it more appealing to the younger generation. Product range and retail distribution were also expanded.

With the global increase in health awareness and the increasing popularity of the Chinese medicinal therapies, the directors are confident that Wai Yuen Tong will develop into one of the Group's core businesses which will provide a steady and stable income stream.

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

As disclosed in the Group's 2001 annual report, the Group acquired an approximately 19% equity interest in Luxembourg Medicine Company Limited ("Luxembourg Medicine") in April 2001, which is principally engaged in the manufacturing and sale of medicinal products under the brand name "Madam Pearl". With a view to strengthen its investment in Luxembourg Medicine, the Group recently acquired a further approximately 3.6% shareholding in Luxembourg Medicine in November 2001 which resulted in Luxembourg Medicine becoming an associate of the Group.

The business of Hunan Xiangya Pharmaceutical Company Limited, the Group's first investment in the PRC pharmaceutical market, remains stable. The directors believe that this investment will assist the Group to further expand into Mainland China's pharmaceutical business.

## BUSINESS REVIEW (continued)

### Investment in Dailywin Group Limited

As detailed in the announcements made by the Company on 16 and 29 August 2001, the Group has acquired an approximately 29% equity interest in Dailywin Group Limited ("Dailywin"), the holding company of a listed group which is principally engaged in the manufacturing and sale of watches and bags, at a consideration of HK\$7.7 million, and a loan of HK\$21 million was also made to Dailywin. Subsequent to the acquisition, further loans amounted to HK\$3.9 million was made to Dailywin. New directors had been appointed to Dailywin's board of directors to assist in its restructuring and re-engineering.

Dailywin has recently been involved in certain legal disputes with its convertible bondholders in United Kingdom. The Group will attempt to assist Dailywin to resolve such disputes and the directors will closely monitor the situation to protect the Group's investment in Dailywin.

## LIQUIDITY AND FINANCIAL RESOURCES

With a view to enlarge the shareholder base and strengthen the financial position of the Company, the following fund raising capital exercises were made:

- a. In July 2001, convertible bonds amounting to HK\$30,080,000, with a conversion price of HK\$0.188 per share, were issued. The bonds were subsequently fully converted into 160,000,000 ordinary shares in August 2001;
- b. In October 2001, approximately HK\$12 million was raised through a top-up placing 160 million new ordinary shares at HK\$0.08 per share;
- c. In November 2001, approximately HK\$20 million was raised through a top-up placing of 228 million new ordinary shares at HK\$0.09 per share.

The Group currently maintains bank deposits of around HK\$200 million and long-term financial investments of approximately HK\$12.8 million. The Group's gearing ratio as at 30 September 2001 was approximately 0.29 (based on the Group's total borrowings and total capital and reserves of approximately HK\$56.6 million and HK\$197.1 million, respectively, as at 30 September 2001).

## PROSPECTS

With the bright prospect in the Groups' investments in the pharmaceutical business, the steady income generated by the Group's commercial properties management business and the Group's strong liquidity and financial strength, the Board is optimistic about the Group's future and that shareholders will eventually benefit from the Group's growth.

## DIRECTORS' INTERESTS IN SHARES

At 30 September 2001, the interests of the directors and their 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	Number of shares beneficially held and their nature of interest				
	Personal	Corporate	Family	Other	Total
Tang Ching Ho ("Mr. Tang")	9,927,645	36,314,000 (Note 1)	9,927,645 (Note 2)	117,847,827 (Note 3 and 5)	174,017,117
Yau Yuk Yin ("Ms. Yau")	9,927,645	–	46,241,645 (Note 4)	117,847,827 (Note 4)	174,017,117
Siu Yim Kwan, Sidney	100,000	–	–	–	100,000

*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 purpose of the duty of disclosure only) to be interested in those 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.



## PROSPECTS

With the bright prospect in the Groups' investments in the pharmaceutical business, the steady income generated by the Group's commercial properties management business and the Group's strong liquidity and financial strength, the Board is optimistic about the Group's future and that shareholders will eventually benefit from the Group's growth.

## DIRECTORS' INTERESTS IN SHARES

At 30 September 2001, the interests of the directors and their 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	Number of shares beneficially held and their nature of interest				
	Personal	Corporate	Family	Other	Total
Tang Ching Ho ("Mr. Tang")	9,927,645	36,314,000 (Note 1)	9,927,645 (Note 2)	117,847,827 (Note 3 and 5)	174,017,117
Yau Yuk Yin ("Ms. Yau")	9,927,645	–	46,241,645 (Note 4)	117,847,827 (Note 4)	174,017,117
Siu Yim Kwan, Sidney	100,000	–	–	–	100,000

*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 purpose of the duty of disclosure only) to be interested in those 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.

## DIRECTORS' INTERESTS IN SHARES (continued)

Note 5: Pursuant to (i) a placing agreement dated 25 September 2001 made between Kingsway SW Securities Limited, the Company, Tang Mui Fong, Yau Yuk Tong, Tang Mui Fun; and (ii) a subscription agreement dated 25 September 2001 made between the Company and Tang Mui Fong, Yau Yuk Tong and Tang Mui Fun, Kingsway has agreed to place 43,500,000 shares of the Company to independent investors and Tang Mui Fong, Yau Yuk Tong and Tang Mui Fun have agreed to subscribe for, in aggregate, 116,500,000 shares of the Company as announced by the Company on 25 September 2001. Each of Tang Mui Fong, Yau Yuk Tong and Tang Mui Fun is a party to the agreements referred to in note 3 above.

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 purposes of disclosure) to be interested in all the issued shares in the capital of the Company referred to in Notes 3 and 5 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 30 September 2001.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

As at 30 September 2001, certain directors had the following personal interests in share options to subscribe for shares in the Company granted under the share option scheme of the Company:

Name of director	Number of share options outstanding
Tang Ching Ho	10,900,000
Yau Yuk Yin	10,900,000

All the share options were granted on 6 March 2001 and are exercisable in the period from 6 March 2001 to 5 February 2005 at an exercise price of HK\$0.13 per share. No share options were exercised by the directors of the Company during the period under review.

Save as disclosed herein, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouses, 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.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 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	3.18
Mr. Tang Ching Ho	9,927,645	0.87
Ms. Yau Yuk Yin	9,927,645	0.87
Tang Mui Fong	53,704,095	4.70
Yau Yuk Tong	33,806,825	2.96
Tang Mui Fun	30,336,907	2.66
	<u>174,017,117</u>	<u>15.24</u>

*Note:* Pursuant to a (i) a placing agreement dated 25 September 2001 made between Kingsway SW Securities Limited, the Company, Tang Mui Fong, Yau Yuk Tong, Tang Mui Fun; and (ii) a subscription agreement dated 25 September 2001 made between the Company and Tang Mui Fong, Yau Yuk Tong and Tang Mui Fun, Kingsway has agreed to place 43,500,000 shares of the Company to independent investors and Tang Mui Fong, Yau Yuk Tong and Tang Mui Fun have agreed to subscribe for 53,300,000 shares, 33,300,000 shares and 29,900,000 shares of the Company, respectively, as announced by the Company on 25 September 2001. Completion of the subscription and the placing for shares took place on 6 and 8 October 2001 respectively.

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 and other interests of Mr. Tang under the heading "Directors' interests in shares."

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 are taken (for purposes of the duty of disclosure) to be interested in a total of 174,017,117 shares.

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 30 September 2001.

## AUDIT COMMITTEE

The Company has set up an audit committee with written terms of reference since December 1999 which comprises two independent non-executive directors of the Company. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the unaudited condensed interim financial statements.

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2001, there was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries.

## CODE OF BEST PRACTICE

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, none of the directors is aware of any information that would reasonably indicate that the Company is not, or was not, for any part of the six months ended 30 September 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. In addition, the Company has established an audit committee for reviewing and supervising of the Group's financial reporting process and internal controls.

By Order of the Board

**Tang Ching Ho**

*Chairman and Managing Director*

Hong Kong, 14 December 2001