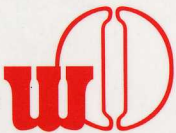




Interim Report

2002



WANG ON GROUP LIMITED

宏安集團有限公司

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

INTERIM RESULTS

The Board of Directors of Wang On Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2002, together with the comparative figures for the corresponding period in 2001. The condensed consolidated financial statements have not been audited, but have been reviewed by the Company’s Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2002

		For the six months ended 30 September	
		2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
	<i>Notes</i>		
TURNOVER	2	153,400	145,882
Cost of sales		(123,596)	(108,099)
Gross profit		29,804	37,783
Other revenue and gains		12,206	6,980
Selling and distribution costs		(14,819)	(6,593)
Administrative expenses		(27,563)	(24,072)
Other operating expenses		(3,413)	(1,125)
Provision for impairment of investments		(4,528)	-
Gain on disposal of interests in subsidiaries	3	27,580	-
PROFIT FROM OPERATING ACTIVITIES	4	19,267	12,973
Finance costs		(1,238)	(2,042)
Share of profits and losses of associates		(5,686)	129
Amortisation of goodwill		(4,995)	-
PROFIT BEFORE TAX		7,348	11,060
Tax	5	(1,292)	(2,301)
PROFIT BEFORE MINORITY INTERESTS		6,056	8,759
Minority interests		(566)	(1,197)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>5,490</u>	<u>7,562</u>
EARNINGS PER SHARE	6		
Basic		<u>0.05 cent</u>	<u>0.88 cent</u>
Diluted		<u>N/A</u>	<u>0.85 cent</u>

CONDENSED CONSOLIDATED BALANCE SHEET

30 September 2002

		30 September 2002 (Unaudited) HK\$'000	31 March 2002 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets		170,149	71,528
Intangible assets		–	233
Goodwill	8	4,800	75
Interests in associates	9	260,564	157,126
Long term investments	10	14,700	1,000
Loans receivable		5,151	3,399
Rental deposits paid		24,409	24,866
Deposit paid for purchase of fixed assets		–	4,000
		479,773	262,227
CURRENT ASSETS			
Properties held for re-sale		–	1,167
Short term investments	10	3,194	8,914
Inventories		75	11,652
Trade receivables	11	7,707	27,517
Prepayments, deposits and other debtors		14,938	21,202
Tax recoverable		322	496
Cash and cash equivalents		275,319	313,806
		301,555	384,754

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

		30 September 2002 (Unaudited) HK\$'000	31 March 2002 (Audited) HK\$'000
	<i>Notes</i>		
CURRENT LIABILITIES			
Deferred income		–	90
Trade payables	12	4,279	10,515
Other payables and accruals		23,851	26,644
Deposits received and receipts in advance		49,581	53,319
Interest-bearing bank and other borrowings		23,342	21,266
Provisions for onerous contracts		11,623	10,695
Tax payable		2,498	3,434
		<u>115,174</u>	<u>125,963</u>
NET CURRENT ASSETS		<u>186,381</u>	<u>258,791</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		666,154	521,018
NON-CURRENT LIABILITIES			
Deferred income		–	338
Interest-bearing bank loans		62,741	24,697
Finance lease payables		81	110
Provisions for onerous contracts		15,353	16,322
Deferred tax		765	983
		<u>78,940</u>	<u>42,450</u>
MINORITY INTERESTS		<u>250</u>	<u>10,569</u>
		<u>586,964</u>	<u>467,999</u>
CAPITAL AND RESERVES			
Issued capital	13	118,144	98,644
Reserves		468,820	369,355
		<u>586,964</u>	<u>467,999</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Investment property revaluation reserve (Unaudited) HK\$'000	Warrant reserve (Unaudited) HK\$'000	Retained profits/ losses (accumulated) (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the six months ended						
30 September 2001						
At 1 April 2001	8,221	257,272	254	-	(105,831)	159,916
Conversion of convertible bonds	1,600	28,480	-	-	-	30,080
Share issue expenses	-	(502)	-	-	-	(502)
Net profit for the period	-	-	-	-	7,562	7,562
At 30 September 2001	<u>9,821</u>	<u>285,250</u>	<u>254</u>	<u>-</u>	<u>(98,269)</u>	<u>197,056</u>

For the six months ended						
30 September 2002						
At 1 April 2002	98,644	331,114	2,243	-	35,998	467,999
Placement of shares	19,500	19,500	-	-	-	39,000
Share issue expenses	-	(2,392)	-	-	-	(2,392)
Warrant issue	-	-	-	2,000	-	2,000
Warrant issue expenses	-	-	-	(237)	-	(237)
Release of goodwill on disposal of a subsidiary	-	-	-	-	75,104	75,104
Net profit for the period	-	-	-	-	5,490	5,490
At 30 September 2002	<u>118,144</u>	<u>348,222</u>	<u>2,243</u>	<u>1,763</u>	<u>116,592</u>	<u>586,964</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30 September	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	1,477	28,108
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(118,426)	(61,848)
NET CASH INFLOW FROM FINANCING ACTIVITIES	78,462	42,774
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(38,487)	9,034
Cash and cash equivalents at beginning of period	313,806	184,813
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>275,319</u>	<u>193,847</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	63,094	16,332
Time deposits	212,225	177,515
	<u>275,319</u>	<u>193,847</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and significant accounting policies

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants. The accounting policies and basis of preparation used in the interim financial statements are the same as those used in the preparation of the audited financial statements for the year ended 31 March 2002, except as disclosed below.

The following recently-issued and revised SSAPs are effective for the first time for the preparation of the current period’s condensed consolidated financial statements:

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

These SSAPs prescribe new accounting treatments and disclosure practices. The major effects of the Group’s accounting policies and on the amounts disclosed in these financial statements of those SSAPs which have had a significant effect on the financial statements, are summarised as follows:

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The main revision to this SSAP is to change the requirement from presenting a statement of recognised gains and losses to a statement of changes in equity. The condensed consolidated statement of changes in equity for the current interim period and the comparative figures have been presented in accordance with the revised SSAP.

SSAP 15 (Revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of a cash flow statement which classifies cash flows during the period into operating, investing and financing activities. The condensed consolidated cash flow statement for the current interim period and comparative figures have been presented in accordance with the revised SSAP.

2. Segment information

Business segments

The Company is an investment holding company and the Group principally operates in five business segments as described below.

The following tables present revenue and profit/(loss) information for the Group's business segments for the six months ended 30 September.

Group

	Chinese wet markets		Shopping centres and car parks				Pharmaceutical				Property Investment				Corporate and other		Eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001		
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
Segment revenue																				
Sales to external customers	71,644	75,169	39,853	43,154	25,972	23,721	2,680	1,348	13,251	2,490	-	-	-	-	153,400	145,882				
Intersegment sales	1,737	-	435	528	-	-	-	-	-	-	(2,172)	(528)	-	-	-	-				
Other revenue	421	523	2,043	1,382	333	341	8	36	31,729	1,519	-	-	-	34,534	3,801					
Total	73,802	75,692	42,331	45,064	26,305	24,062	2,688	1,384	44,980	4,009	(2,172)	(528)	-	187,934	149,683					
Segment results	4,342	8,839	392	660	6,150	5,900	765	44	5,356	(3,257)	846	-	-	17,851	12,186					
Unallocated expenses														(3,836)	(2,392)					
Interest income														5,252	3,179					
Profit from operating activities														19,267	12,973					
Finance costs														(1,238)	(2,042)					
Share of profits and losses of associates (including amortisation of goodwill)														(10,681)	129					
Profit before tax														7,348	11,060					
Tax														(1,292)	(2,301)					
Profit before minority interests														6,056	8,759					
Minority interests														(566)	(1,197)					
Net profit from ordinary activities attributable to shareholders														5,490	7,562					

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

3. Changes in composition of the Group

As disclosed in a circular of the Company dated 17 June 2002, on 22 May 2002, the Group entered into an agreement with Town Health International Holdings Company Limited and Wai Yuen Tong Medicine Holdings Limited (“WYT Holdings”) (formerly known as Dailywin Group Limited), an associate of the Company, to dispose of the Group’s interests in Wai Yuen Tong Medicine Company Limited, a 75.79% indirectly-owned subsidiary of the Company, to WYT Holdings for an aggregate consideration of approximately HK\$167 million. The consideration comprised approximately HK\$103 million in new ordinary shares of WYT Holdings, with the remainder comprising approximately HK\$64 million convertible notes convertible into ordinary shares of WYT Holdings on or before 8 July 2005.

As a result of the WYT Holdings’ ordinary shares issued to the Group as part of the consideration for the transaction, the Group’s interests in WYT Holdings increased from 29.19% at 31 March 2002 to 75.04%. Completion of the above transaction took place on 9 July 2002. On the same day, the Group placed down its equity interests in WYT Holdings from 75.04% to 42.4% for a consideration of HK\$45 million.

4. Profit from operating activities

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

	For the six months ended 30 September	
	2002 (Unaudited) HK\$’000	2001 (Unaudited) HK\$’000
Depreciation	7,873	7,479
Amortisation of goodwill	65	196
Amount released from onerous contracts, net	(41)	(2,062)
Gain on disposal of properties held for re-sale	(493)	(6)
Gain on disposal of interests in subsidiaries	(27,580)	–
Interest income	(5,252)	(3,179)
Investment income		
– Listed	–	(632)
– Unlisted	(200)	–
	<u> </u>	<u> </u>

5. Tax

	For the six months ended 30 September	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Group:		
Hong Kong profits tax	1,050	2,074
Underprovision in prior year	—	189
	<u>1,050</u>	<u>2,263</u>
Share of tax attributable to:		
Associates	242	38
Tax charge for the period	<u>1,292</u>	<u>2,301</u>

Hong Kong profits tax has been provided at the rate of 16% (2001: 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 basic earnings per share for the six months ended 30 September 2002 is based on the net profit attributable to shareholders for the period of HK\$5,490,000 (2001: HK\$7,562,000) and on the weighted average number of 11,484,037,727 (2001: 857,361,477) ordinary shares in issue during the period.

The diluted earnings per share for the period ended 30 September 2002 has not been shown as the share options and warrants outstanding did not have a dilutive effect.

The calculation of diluted earnings per share for the period ended 30 September 2001 was based on the net profit attributable to shareholders for the period of HK\$7,562,000. The weighted average number of ordinary shares used in the calculation was 857,361,477 ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of 28,380,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

7. Pledge of assets

As at 30 September 2002, the Group's investment properties and certain rental income generated therefrom were pledged to secure certain of the Group's general banking facilities.

8. Goodwill

Details and movements of goodwill capitalised as an asset in the condensed consolidated balance sheet, arising from the acquisition of subsidiaries and associates, are as follows:

	Goodwill arising on acquisition of subsidiaries (Unaudited) HK\$'000	Goodwill arising on acquisition of associates (Note 9) (Unaudited) HK\$'000
Cost:		
At 1 April 2002	100	85,003
Additions	4,790	27,223
At 30 September 2002	4,890	112,226
Accumulated amortisation and impairment:		
At 1 April 2002	(25)	(4,482)
Provided during the period	(65)	(4,995)
At 30 September 2002	(90)	(9,477)
Net amount:		
At 30 September 2002	4,800	102,749
At 31 March 2002	75	80,521

9. Interests in associates

	30 September 2002 (Unaudited) HK\$'000	31 March 2002 (Audited) HK\$'000
Share of net assets	19,033	9,237
Goodwill on acquisition – Note 8	102,749	80,521
	121,782	89,758
Due from associates	5,435	1,221
Loans to associates	72,750	66,150
Convertible notes due from an associate	64,000	–
	263,967	157,129
Provisions for impairment	(3,403)	(3)
	260,564	157,126

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

Except for the amount of HK\$1,000,000 which bears interest at Hong Kong dollar prime rate per annum and has no fixed terms of repayment, the remaining loans to associates are unsecured and bear interest at Hong Kong dollar prime rate plus 2% per annum. HK\$6,900,000 of which are repayable within one year and the remaining balance of HK\$64,850,000 are repayable on 8 July 2005.

The convertible notes carry interest at 3.8% per annum with a right to convert into ordinary shares of Wai Yuen Tong Medicine Holdings Limited (formerly Dailywin Group Limited) at an initial conversion price of HK\$0.01 per share during the period from 9 July 2002 to 8 July 2005.

9. Interests in associates (continued)

During the period, the Group had granted 64 options to sell the convertible notes due from Wai Yuen Tong Medicine Holdings Limited, at an aggregate consideration of HK\$64 million. The options may be exercisable by the option holders at any time during the period from 10 January to 9 July 2003.

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

Name	Business structure	Place of incorporation/ operations	Percentage of ownership interest attributable to the Group		Principal activities
			30 September 2002	31 March 2002	
			%	%	
Wai Yuen Tong Medicine Holdings Limited (formerly known as Dailywin Group Limited) *	Corporate	Bermuda/ Hong Kong	42.40	29.19	Manufacture and sale of watches and components, and Chinese medicine, herbs and other medicinal products
Luxembourg Medicine Company Limited	Corporate	Hong Kong	47.53	47.53	Manufacture and sale of cough syrup
China Field Enterprises Limited	Corporate	Hong Kong	49.00	22.00	Investment holding
Tse's Waxing & Cleaning Company Limited	Corporate	Hong Kong	50.00	50.00	Provision of cleaning services

* Listed on The Stock Exchange of Hong Kong Limited

10. Investments

(a) Long term investments

	30 September 2002 (Unaudited) HK\$'000	31 March 2002 (Audited) HK\$'000
Investment securities:		
Hong Kong unlisted unit trusts, at cost	3,000	1,000
Hong Kong unlisted certificates of deposit, at cost	11,700	–
Hong Kong unlisted equity shares, at cost	13,158	12,521
Less: Provisions for impairment	<u>(13,158)</u>	<u>(12,521)</u>
	<u>14,700</u>	<u>1,000</u>

(b) Short term investments

	30 September 2002 (Unaudited) HK\$'000	31 March 2002 (Audited) HK\$'000
Investment securities:		
Hong Kong unlisted unit trusts, at cost	–	5,000
Other investments:		
Hong Kong listed equity securities, at fair value	<u>3,194</u>	<u>3,914</u>
	<u>3,194</u>	<u>8,914</u>

11. Trade receivables

The aging analysis of trade receivables is as follows:

	30 September 2002 (Unaudited)		31 March 2002 (Audited)	
	HK\$'000	%	HK\$'000	%
Within 90 days	7,122	89	26,792	96
91 days to 180 days	439	6	440	2
Over 180 days	399	5	552	2
	<u>7,960</u>	<u>100</u>	<u>27,784</u>	<u>100</u>
Less: Provision for doubtful debts	<u>(253)</u>		<u>(267)</u>	
	<u><u>7,707</u></u>		<u><u>27,517</u></u>	

The Group's businesses generally do not grant any credit to customers.

12. Trade payables

The aging analysis of trade payables is as follows:

	30 September 2002 (Unaudited)		31 March 2002 (Audited)	
	HK\$'000	%	HK\$'000	%
Within 90 days	471	11	6,669	64
91 days to 180 days	–	–	15	–
Over 180 days	3,808	89	3,831	36
	<u>4,279</u>	<u>100</u>	<u>10,515</u>	<u>100</u>

13. Share capital

Shares

	30 September 2002 (Unaudited) HK\$'000	31 March 2002 (Audited) HK\$'000
<i>Authorised:</i>		
20,000,000,000 ordinary shares of HK\$0.01 each	<u>200,000</u>	<u>200,000</u>
<i>Issued and fully paid:</i>		
11,814,365,596 (31 March 2002: 9,864,365,596) ordinary shares of HK\$0.01 each	<u>118,144</u>	<u>98,644</u>

On 15 May 2002, a top-up placement of 1,950,000,000 ordinary shares of HK\$0.01 each was issued at an issue price of HK\$0.02 each. The net proceeds were used for the purchase of investment properties and general working capital.

Warrants

On 3 July 2002, 2,000,000,000 warrants were issued at HK\$0.001 each for a total proceed, before expenses, of HK\$2,000,000. The warrant holders are entitled to subscribe for new shares of the Company at an initial subscription price of HK\$0.017 per new share at any time during the period from the date of issue to 31 July 2003. The exercise in full of such warrants would, under the present capital structure of the Company (taking into account the capital reorganisation as disclosed in note 17 to the financial statements), result in the issue of 20,000,000 additional shares of HK\$0.10 each in the Company, for gross proceeds of approximately HK\$34,000,000.

14. Contingent liabilities

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

(a)	30 September 2002 (Unaudited) HK\$'000	31 March 2002 (Audited) HK\$'000
Guarantees in respect of performance bonds given to third parties	15,942	20,230
Guarantees given in lieu of utility and property rental deposits	8,607	7,621
	24,549	27,851

(b) A corporate guarantee in the amount of approximately HK\$464,000 (31 March 2002: HK\$464,000) was given by the Company to a landlord in respect of the full rental payments of the office premises during the tenancy period.

(c) As reported in the Group's 2002 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.

In the prior year, the Subsidiary also instigated litigation against another sub-contractor in the 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 advises, 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 as at 30 September and 31 March 2002.

15. Operating lease arrangements

(a) *As lessor*

The Group sub-leases Chinese wet markets, shopping centres and car parks under operating lease arrangements, with leases negotiated for terms ranging from 3 months to 6 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 September 2002, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 September 2002 (Unaudited) HK\$'000	31 March 2002 (Audited) HK\$'000
Within one year	119,432	86,018
In the second to fifth years, inclusive	81,418	67,407
	<u>200,850</u>	<u>153,425</u>

(b) *As lessee*

The Group leases Chinese wet markets, shopping centres, car parks and certain of its office properties under operating lease arrangements. Leases are negotiated for terms ranging from 1 to 9 years.

15. Operating lease arrangements (continued)

(b) *As lessee (continued)*

At 30 September 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2002 (Unaudited) HK\$'000	31 March 2002 (Audited) HK\$'000
Within one year	109,219	113,603
In the second to fifth years, inclusive	159,566	194,425
After five years	—	7,579
	<u>268,785</u>	<u>315,607</u>

16. Commitments

In addition to the operating lease commitments detailed in note 15(b) above, the Group had the following commitments at the balance sheet date:

	30 September 2002 (Unaudited) HK\$'000	31 March 2002 (Audited) HK\$'000
Capital commitments contracted, but not provided for	<u>31,221</u>	<u>39,891</u>

17. Post balance sheet event

Subsequent to the balance sheet date, pursuant to a special resolution passed on 4 October 2002, the Company had a capital reorganisation involving:

- (i) a share consolidation on the basis that every 100 issued and unissued existing shares of HK\$0.01 each had been consolidated into one consolidated share of HK\$1.00 each (“Consolidated Share”);

17. Post balance sheet event (continued)

- (ii) the issued share capital of the Company was reduced from HK\$1.00 to HK\$0.10 per issued share by cancelling paid-up capital to the extent of HK\$0.90 on each such Consolidated Share;
- (iii) each of the unissued Consolidated Share of HK\$1.00 each was sub-divided into 10 new unissued shares of HK\$0.10 each; and
- (iv) an amount of approximately HK\$106,329,290 arised from the capital reduction and credited to the contributed surplus account of the Company.

18. Related party transactions

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

		For the six months ended 30 September	
	Notes	2002 (Unaudited) HK\$'000	2001 (Audited) HK\$'000
Rental income received from Mr. Tang Ching Ho	(a)	360	540
Income from associates:	(b)		
– Management fee		528	128
– Interest income		2,978	149
– Rental		103	–
Cleaning expenses paid to an associate	(b)	<u>3,195</u>	<u>2,703</u>

- (a) An investment property of the Group was 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. The lease was renewed and extended for further 2 years at an agreed monthly rental of HK\$60,000. The rentals were determined with reference to prevailing market rates.
- (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 and authorised for issue by the Board of Directors on 13 December 2002.

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2002 (2001: Nil).

BUSINESS REVIEW

The Group's unaudited consolidated turnover and net profit attributable to shareholders for the six months ended 30 September 2002 were approximately HK\$153.4 million (2001: HK\$145.9 million) and approximately HK\$5.5 million (2001: HK\$7.6 million) respectively.

Management and Sub-licensing of Chinese Wet Markets

Yu Chui (Allmart) Chinese Market at Yu Chui Shopping Centre, Shatin will commence business in mid December 2002.

Though due to the continuing difficult economic environment in Hong Kong, profit has been squeezed, this area of business continues to generate steady revenue and profit for the Group.

Management and Sub-licensing of Shopping Centres and Car Parks

This area of business remains steady. The Group continues to manage 7 shopping centres and approximately 3,800 car parking bays.

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

After the completion of the disposal of Wai Yuen Tong Medicine Company Limited to Dailywin Group Limited (which has since changed its name to Wai Yuen Tong Medicine Holdings) in July 2002, the Group currently holds approximately 42% of the issued share capital of WYT Holdings and is its single largest shareholder.

Although this associated company recorded an operating loss for the six months under review. The directors are optimistic that its results will gradually improve in the longer term with the growth of Wai Yuen Tong's business.

BUSINESS REVIEW (continued)

Other Investments in Pharmaceutical Business

With a view to strengthening its control in Hunan Xiangya Pharmaceutical Company Limited (“Xiangya”), the Group acquired a further 27% equity interests in China Field Enterprises Limited, an investment company which holds an 80% equity interest in Xiangya, at a consideration of approximately HK\$17 million.

Due to the restructuring of the marketing, costs and production policies, Luxembourg Medicine Company Limited (“Luxembourg”) incurred a loss during the period under review. However, with the renowned brand name of “Madame Pearl’s” and cost saving achieved by the restructuring, the directors are confident that its results will turnaround in the coming financial year in which the benefits of the restructuring are expected to be reflected.

New Business Investment

With a view to further diversifying the Group’s business and strengthening the Group’s revenue base, the Group acquired a butcher shop business with a historical annual turnover of over HK\$35 million and a historical annual net profit after taxation of approximately HK\$2 million at a consideration of HK\$6 million.

During the period, two retail shops were purchased at a total consideration of approximately HK\$48 million. The two retail shops generated a rental return of approximately 5.5% per annum. They provide a relatively high investment return in the currently low interest environment and offer the potential for capital gains should the property market rebound when our economy recovers.

Capital Reorganisation

As stated in an announcement dated 4 September 2002 with further details being provided in a circular of the Company dated 11 September 2002, every 100 shares of the Company’s ordinary shares of HK\$0.01 each were proposed to be consolidated into one new ordinary share (the “Consolidation”). The par value of the new ordinary share was then reduced from HK\$1.00 each to HK\$0.10 each (the “Reduction”). The Consolidation and Reduction were approved in the Company’s special general meeting held on 4 October 2002 and have become effective thereafter.

LIQUIDITY AND FINANCIAL RESOURCES

In May 2002, net proceeds of approximately HK\$36 million was raised through a top-up placing of 1,950 million new shares at HK\$0.02 per share.

In June 2002, 2,000 million unlisted warrants with an initial exercise price of 1.7 HK cent per share were issued at a subscription price of 0.1 HK cent per warrant.

The Group currently has cash resources of over HK\$250 million. In order to enhance the return on the Group's cash resources, approximately HK\$14.7 million were invested in certain guaranteed-return funds and long-term certificates of deposit with a major bank.

The Group's gearing ratio as at 30 September 2002 was approximately 0.15 (calculated with reference to the Group's total borrowings and capital and reserves of approximately HK\$86 million and HK\$587 million, respectively, as at 30 September 2002).

At 30 September 2002, the Group's investment properties and fixed assets with an aggregate carrying value of approximately HK\$170 million and certain rental income generated therefrom were pledged to secure certain of the Group's general banking facilities, approximately HK\$60 million of which was utilized at 30 September 2002.

The Group's contingent liabilities as at 30 September 2002 amounted to approximately HK\$24.5 million (31 March 2002: HK\$27.9 million).

PROSPECTS

With its strong financial resources and the currently low interest environment, the Group will continue to actively look for good investment opportunities to enhance shareholders' long term returns.

DIRECTORS' INTEREST IN SHARES

At 30 September 2002, the interests of the directors and their associates in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Name of director	Number of shares beneficially held and their nature of interest				Total
	Personal	Corporate	Family	Other	
Tang Ching Ho ("Mr. Tang")	59,565,870	217,884,000 (Note 1)	59,565,870 (Note 2)	2,017,037,379 (Note 3)	2,354,053,119 (Note 5)
Yau Yuk Yin ("Ms. Yau")	59,565,870	–	277,449,870 (Note 4)	2,017,037,379 (Note 4)	2,354,053,119 (Note 5)

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 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.

Note 5: Apart from the 337,015,740 issued shares in the capital of the Company in which Mr. Tang and Ms. Yau were taken to have an interest pursuant to Sections 4 and 8 of the SDI Ordinance, they were also taken (for the purposes 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.

DIRECTORS' INTEREST IN SHARES (continued)

Save as disclosed above and as disclosed below under the headings “Directors’ rights to acquire shares” and “Share option schemes”, none of the directors or their respective associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance as at 30 September 2002.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the heading “Share option schemes” below, at no time during the six months ended 30 September 2002 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

In compliance with the amended Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”), on 3 May 2002, the previous share option scheme of the Company (the “Old Scheme”) was terminated and a new share option scheme (the “New Scheme”) was adopted pursuant to an ordinary resolution passed at a special general meeting. As a result, the Company will no longer grant any further share options under the Old Scheme. However, all share options granted under the Old Scheme prior to its termination will remain in full force and effect. As at 30 September 2002, there were 262,800,000 shares subject to share options granted under the Old Scheme remaining outstanding and no share options had been granted under the New Scheme.

SHARE OPTION SCHEMES (continued)

The following share options were outstanding under the Old Scheme during the period:

Name or category of participant:	Number of shares subject to options at 1 April 2002 and 30 September 2002	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$
Directors:				
Tang Ching Ho	65,400,000	6-3-2001	6-3-2001 to 5-2-2005	0.0217
Yau Yuk Yin	65,400,000	6-3-2001	6-3-2001 to 5-2-2005	0.0217
Other employees				
In aggregate	<u>132,000,000</u>	6-3-2001	6-3-2001 to 5-2-2005	0.0217
	<u><u>262,800,000</u></u>			

Upon exercise of the share options, the shares to be issued will be recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares will be recorded by the Company in the share premium account. Share options which are cancelled prior to their exercise date are deleted from the register of outstanding share options.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2002, 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 of the Company's share capital (%)
Caister Limited	217,884,000	1.84
Tang Ching Ho	59,565,870	0.50
Yau Yuk Yin	59,565,870	0.50
Tang Mui Fong	468,424,570	3.97
Yau Yuk Tong	298,040,950	2.52
Tang Mui Fun	1,250,571,859	10.59
	<u>2,354,053,119</u>	<u>19.92</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 and other interests of Mr. Tang Ching Ho and Ms. Yau Yuk Ying 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 were taken (for purposes of the duty of disclosure) to be interested in a total of 2,354,053,119 shares.

Save as disclosed above, as at 30 September 2002, no persons, other than the directors of the Company, whose interests are set out in the section “Directors’ interests in shares” above, 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.

DISCLOSURE PURSUANT TO PRACTICE NOTE 19 OF THE LISTING RULES

As at 30 September 2002, the Group had provided the following financial assistance to affiliated companies, which, in aggregate, exceeded 25% of the consolidated net assets of the Group as at 31 March 2002:

Name of affiliated companies	% attributable interest held by the Company	Advance to affiliated company (HK\$'000)	Interest rate per annum (%)
Wai Yuen Tong Medicine Holdings Limited	42.4	71,750	Hong Kong dollar prime rate + 2%
		64,000	3.8%
Hunan Xiangya Pharmaceutical Company Limited	39.2	1,000	Hong Kong dollar prime rate
		<u>136,750</u>	

All of the advances were unsecured, of which HK\$1,000,000 has no fixed terms of repayment, HK\$6,900,000 are repayable within one year and the remaining balance are repayable on 8 July 2005.

The source of funding for such advances was by way of the Group's internal funding.

Information extracted from the balance sheets as at 30 September 2002 of the abovenamed affiliated companies to which the Company has granted advances are as follows:

Name of affiliated companies	Total assets (HK\$'000)	Total liabilities (HK\$'000)	Net asset value (HK\$'000)
Wai Yuen Tong Medicine Holdings Limited	324,676	245,694	78,982
Hunan Xiangya Pharmaceutical Company Limited	26,293	14,359	11,934
	<u>350,969</u>	<u>260,053</u>	<u>90,916</u>

AUDIT COMMITTEE

The Company has an audit committee, which was established in accordance with the requirements of the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Listing Rules, comprising of 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 financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2002, there was no purchase, sale or redemption of the Company’s listed shares by the Company or any of its subsidiaries.

COMPLIANCE WITH 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 2002, in compliance with the Code.

By Order of the Board

Tang Ching Ho

Chairman and Managing Director

Hong Kong, 13 December 2002