



WANG ON GROUP LIMITED
(Incorporated in Bermuda with limited liability)

2003 Annual Report

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Corporate Information

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, Justein, MBE, JP*

Dr. Siu Yim Kwan, Sidney, S.B, St.J.*

* *Independent Non-Executive Director*

COMPANY SECRETARY

Mr. Chan Chun Hong, Thomas

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited

Dah Sing Bank, Limited

The Bank of East Asia, Limited

International Bank of Asia Limited

DBS Kwong On Bank Limited

AUDITORS

Ernst & Young

LEGAL ADVISORS

Morrison & Foerster

REGISTERED OFFICE

Clarendon House

Church Street

Hamilton HM 11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

5th Floor, No. 9 Wang Kwong Road

Kowloon Bay

Kowloon

Hong Kong

SHARE REGISTRARS

Tengis Limited

Ground Floor

Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

STOCK CODE

1222

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Garden Rooms C & D, 2nd Floor, Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui, Kowloon, Hong Kong on Thursday, 10 July 2003 at 10:45 a.m. for the following purposes:—

1. To receive and consider the Audited Consolidated Financial Statements and the Reports of the Directors and Auditors for the year ended 31 March 2003.
2. To re-elect Ms. Yau Yuk Yin as Director.
3. To re-appoint Auditors and to authorise the Board of Directors to fix their remuneration.
4. As special business, to 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 in the capital of the Company (“Shares”), and to make or grant offers, agreements and options which would or might require the exercise of such powers, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (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 powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) 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

Notice of Annual General Meeting

(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 the passing of this Resolution and the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution:—

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

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by Bermuda law or the Company's bye-laws to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

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

(B) **“THAT:**

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

Notice of Annual General Meeting

- (c) for the purpose of this Resolution:
- “Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by Bermuda law or the Company’s bye-laws to be held; or
 - (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”
- (C) “**THAT** conditional upon the resolutions set out in paragraphs (A) and (B) of item 4 in the notice convening this meeting (“Notice”), the general mandate granted to the directors of the Company (“Directors”) to exercise the powers of the Company to allot, issue and otherwise deal with additional shares of the Company pursuant to the resolution set out in paragraph (A) of item 4 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 the resolution set out in paragraph (B) of item 4 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 the passing of this Resolution.”

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

Hong Kong, 13 June 2003

Notes:

- (1) A member entitled to attend and vote at the above Meeting is entitled to appoint one or more than one proxy to attend and to vote in his stead. A proxy need not be a member of the Company.
- (2) To be valid, a form of proxy, together with any power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company’s Hong Kong branch share registrar, Tengis Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the Meeting.
- (3) Completion and delivery of the form of proxy will not preclude members from attending and voting at the above Meeting or any adjournment thereof, in which case the form of proxy shall be deemed to be revoked.

Chairman's Statement

On behalf of the Board of Directors (the "Board"), I am pleased to present to our shareholders our annual results for the year ended 31 March 2003.

RESULTS

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

DIVIDEND

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

REVIEW OF OPERATIONS

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

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

Management and Sub-licensing of Chinese Wet Markets

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

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

The directors will continue to look for opportunities to expand this area of business, including expansion to the People's Republic of China.

Management and Sub-licensing of Shopping Centres and Car Parks

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

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

Chairman's Statement

REVIEW OF OPERATIONS *(Continued)*

Management and Sub-licensing of Shopping Centres and Car Parks *(Continued)*

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

Wai Yuen Tong Medicine Holdings Limited ("WYT Holdings")

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

Luxembourg Medicine Company Limited ("Luxembourg")

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

Chairman's Statement

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

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

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2003, the Group had over 460 full time employees, around 90% of whom were located in Hong Kong.

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

PROSPECTS

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

APPRECIATION

I would like to take this opportunity to thank all my fellow directors and the staff of the Group for their relentless dedication and hard work during the year.

By Order of the Board

TANG CHING HO

Chairman and Managing Director

Hong Kong, 30 May 2003

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Tang Ching Ho, aged 41, 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 extensive experience in corporate management. He is also a director of Caister Limited, a substantial shareholder of the Company and the Chairman of Wai Yuen Tong Medicine Holdings Limited.

Ms. Yau Yuk Yin, aged 41, 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 administration and human resources management. She is the wife of Mr. Tang Ching Ho.

Mr. Chan Chun Hong, Thomas, aged 39, joined the Group in March 1997 as a finance director and the 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 member of The Chartered Association of Certified Accountants and an associate member of The Hong Kong Society of Accountants. He is also the Managing Director of Wai Yuen Tong Medicine Holdings Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lee Peng Fei, Allen, CBE, JP, aged 63, 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 of Strategic Development, HKSAR. He was a member of the Executive Council of Hong Kong from 1985 to 1992 and a member of the Legislative Council of Hong Kong from 1978 to 1997.

Mr. Wong Chun, Justein, MBE, JP, aged 49, joined the Group in November 1993 as a non-executive director of the Company. He holds a bachelor 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.

Dr. Siu Yim Kwan, Sidney, S.B.St.J., aged 56, 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 sports associations.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Ms. Chan Mei Kwan joined the Group in April 2003 and is the head of the Group's car parks management department. She had extensive experience in car parking management. She graduated from R.M.I.T. University in Australia with a master degree of Business Finance.

Mr. Cheung Wai Kai is a co-head of the Group's Chinese wet markets management department. He joined the Group in July 1998. He had more than 10 years' experience in general management and 8 years specializing in the market management.

Mr. Chu Kwan Yeung is a co-head of the Group's Chinese wet markets management department. Prior to joining the Group in October 2001, he had 15 years' experience in property leasing management. He obtained an advance diploma in Business Administration in the Institute of Business Administration in the United Kingdom.

Mr. Kwok Tze Chiu, Samson is the head of the Group's internal audit department. Prior to joining the Group in September 1997, he had over 20 years' experience in the building industry. He graduated from the Hong Kong Polytechnic University with a higher certificate in building studies.

Mr. Lee Chee Kay is the head of the Group's property management department. Prior to joining the Group in March 2003, he had 17 years' experience in property management including a sizeable listed property company in Hong Kong. He graduated from the University of Southern Queensland with a master degree in Business Administration.

Mr. Lui Sai Kit, Eddie 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 had 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 degree in Business Administration. He is a certified member of Certified Management Accountants of Canada.

Ms. Tang Mui Fun, Karen is the head of the Group's commercial management business. Prior to joining the Group in May 1997, she had 4 years' experience in the accounting and auditing fields and 5 years' experience in general management. She graduated from the University of Hull (England) with a bachelor degree in Accountancy. She is a sister of Mr. Tang Ching Ho.

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries and associates are detailed in notes 16 and 17 to the financial statements respectively. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 21 to 87.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on pages 89 to 90. This summary does not form part of the audited financial statements.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets of the Company and the Group and the investment properties of the Group during the year are set out in note 13 to the financial statements. Further details of the Group's investment properties are set out on page 88.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the Company's share capital, share options and warrants during the year, together with the reasons therefor, are set out in notes 31 and 32 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

Report of the Directors

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2003, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended) amounted to HK\$232,680,000 (2002: HK\$18,135,000). In addition, the Company's share premium account, in the amount of HK\$348,222,000 (2002: HK\$331,114,000), may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$81,300 (2002: HK\$258,000).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% (2002: less than 30%) of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 64% (2002: 69%) of the total purchases for the year and purchases from the largest supplier included therein amounted to 48% (2002: 52%) of the total purchases for the year.

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 suppliers.

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, S.B.St.J.

In accordance with clause 87 of the Company's bye-laws, Ms. Yau Yuk Yin will retire and, being eligible, offer herself for re-election at the forthcoming annual general meeting.

Report of the Directors

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 39 to the financial statements, no director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES

At 31 March 2003, the interests of the directors 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	Nature of interest	Number of ordinary shares of the Company held
Mr. Tang Ching Ho	Corporate (<i>Note 1</i>)	2,178,840
	Personal	595,658
	Family (<i>Note 2</i>)	595,658
	Other (<i>Note 3</i>)	20,170,372
Ms. Yau Yuk Yin	Personal	595,658
	Family (<i>Note 4</i>)	2,774,498
	Other (<i>Note 4</i>)	20,170,372

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

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

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

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

Report of the Directors

DIRECTORS' INTERESTS IN SHARES *(Continued)*

Apart from the 3,370,156 issued shares in the capital of the Company held by Mr. Tang Ching Ho and Ms. Yau Yuk Yin 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.

The interests of the directors in the share options of the Company are separately disclosed in note 32 to the financial statements.

Save as disclosed above, none of the directors or their 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed in the share option scheme disclosures in note 32 to the financial statements, at no time during the year 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 spouse 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

Due to the adoption of Statement of Standard Accounting Practice No. 34 "Employee benefits" during the year, most of the detailed disclosures relating to the Company's share option schemes have been moved to note 32 to the financial statements.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

At 31 March 2003, the following interests of 10% or more of 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 issued share capital
Caister Limited	2,178,840	1.84
Mr. Tang Ching Ho	595,658	0.50
Ms. Yau Yuk Yin	595,658	0.50
Ms. Tang Mui Fong	4,684,245	3.96
Mr. Yau Yuk Tong	2,980,409	2.52
Ms. Tang Mui Fun, Karen	12,505,718	10.59
	23,540,528	19.91

The shareholdings of Caister Limited, Ms. Tang Mui Fong, Mr. Yau Yuk Tong and Ms. Tang Mui Fun, Karen 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".

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, Karen were taken (for purposes of the duty of disclosure only) to be interested in a total of 23,540,528 shares in the capital of the Company.

Save as disclosed above, as at 31 March 2003, 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 share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

Report of the Directors

DISCLOSURE PURSUANT TO PRACTICE NOTE 19 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES")

As at 31 March 2003, 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 2003:

Name of affiliated companies	% attributable interest held by the Company	Advances to affiliated company <i>HK\$'000</i>	Interest rate per annum %
Wai Yuen Tong Medicine Holdings Limited	30.87	78,750	Hong Kong dollar prime rate + 2%
		64,000	3.8%
		3,964	Interest-free
Hunan Xiangya Pharmaceutical Company Limited	39.2	1,701	4%
		148,415	

All of the advances are unsecured, of which HK\$6,941,000 has no fixed terms of repayment, HK\$7,588,000 is repayable by August 2003, HK\$1,701,000 is repayable in January 2005 and the remaining HK\$132,185,000 is repayable in July 2005.

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

Report of the Directors

DISCLOSURE PURSUANT TO PRACTICE NOTE 19 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES") (Continued)

The information extracted from the balance sheets as at 31 March 2003 of the abovenamed affiliated companies to which the Company has granted advances is as follows:

Name of affiliated companies	Total assets <i>HK\$'000</i>	Total liabilities <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Net Asset value <i>HK\$'000</i>
Wai Yuen Tong Medicine Holdings Limited	319,685	(233,557)	(94)	86,034
Hunan Xiangya Pharmaceutical Company Limited	28,116	(16,322)	—	11,794
	347,801	(249,879)	(94)	97,828

CONNECTED TRANSACTIONS

- (1) The following tenancy agreements were entered into between Wang On Majorluck Limited ("WJL"), a wholly-owned subsidiary of the Group, and China Ocean Investments Limited ("COI"), a non wholly-owned subsidiary of the Group:
- (a) four tenancy agreements dated 23 October 2001 whereby WJL leased four pork stalls to COI for two years commencing from 23 October 2001; and
 - (b) three tenancy agreements dated 5 July 2002 whereby WJL leased three pork stalls to COI for three years commencing from 9 July 2002.

All of the above tenancy agreements were terminated in November 2002. For the year ended 31 March 2003, WJL received aggregate rentals of approximately HK\$1,935,000 from COI.

Report of the Directors

CONNECTED TRANSACTIONS *(Continued)*

- (2) During the year, the following transactions were conducted by Wai Yuen Tong Medicine Company Limited (“WYT”), a non wholly-owned subsidiary of the Group which had been disposed of on 9 July 2002, with an associate of WYT’s substantial shareholder:

Name of company	Nature of transaction	Group	
		2003 HK\$’000	2002 HK\$’000
Received or receivable from:			
(i) Charter Most Limited	Non-refundable initial franchise fee	—	450
(ii) Charter Most Limited	Sales of products	247	4,694

A conditional waiver has been granted by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for strict compliance with the Listing Rules by the Company in respect of the above transactions. These connected transactions have been reviewed by the independent non-executive directors of the Company who have confirmed that these transactions were:

- (i) entered into by the Group in the ordinary course of business;
- (ii) conducted on normal commercial terms;
- (iii) entered into in accordance with the terms of the respective franchise agreements; and
- (iv) the aggregate value of the above transactions did not exceed HK\$10 million or 3% of the net tangible asset value of the Group, whichever is higher.

The Company’s auditors have reviewed the transactions as referred to in the above item (2) and confirmed that:

- (i) the transactions have received the approval of the Board of Directors;
- (ii) the transactions have been entered into in the ordinary and usual course of business of the Group and carried out in accordance with the terms of the relevant agreements; and
- (iii) the aggregate annual value of the transactions for the financial year has not exceeded HK\$10 million or 3% of the net tangible asset value of the Group, whichever is higher.

Report of the Directors

POST BALANCE SHEET EVENTS

Details of the Group's significant post balance sheet events are set out in note 38 to the financial statements.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year ended 31 March 2003, save that the independent non-executive directors of the Company are not appointed for specific terms, but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's bye-laws.

AUDIT COMMITTEE

Pursuant to the requirements of the Code of Best Practice as set out in Appendix 14 of the Listing Rules, the Company has set up an audit committee with written terms of reference, comprising two independent non-executive directors of the Company. A meeting of the audit committee was held to review the Group's annual results for the year ended 31 March 2003 before they were presented to the Board of Directors for approval.

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, 30 May 2003

Report of the Auditors



To the members

Wang On Group Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 21 to 87 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 2003 and of the profit 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, 30 May 2003

Consolidated Profit and Loss Account

Year ended 31 March 2003

	Notes	2003 HK\$'000	2002 HK\$'000
TURNOVER	5	292,156	320,047
Cost of sales		(230,432)	(223,891)
Gross profit		61,724	96,156
Other revenue and gains	5	24,415	22,889
Selling and distribution costs		(17,695)	(20,762)
Administrative expenses		(57,032)	(53,407)
Other operating expenses		(10,168)	(6,120)
Gain on disposal of subsidiaries		17,031	—
Gain on disposals of interests in an associate		73,891	—
Deficit on revaluation of investment properties		(6,210)	—
Provision for an amount due from an associate		(3,400)	—
PROFIT FROM OPERATING ACTIVITIES	6	82,556	38,756
Finance costs	7	(2,552)	(3,482)
Share of profits and losses of associates		(11,409)	3,331
Amortisation of goodwill of associates		(16,454)	(4,482)
Provision for impairment of goodwill of an associate		(7,000)	—
PROFIT BEFORE TAX		45,141	34,123
Tax	10	(3,207)	(3,634)
PROFIT BEFORE MINORITY INTERESTS		41,934	30,489
Minority interests		(641)	(2,789)
NET PROFIT FROM ORDINARY ACTIVITIES			
ATTRIBUTABLE TO SHAREHOLDERS	11	41,293	27,700
DIVIDEND			
Proposed final		—	—
EARNINGS PER SHARE	12		
Basic		HK\$0.357	HK\$1.809
Diluted		N/A	HK\$1.801

Consolidated Balance Sheet

31 March 2003

	Notes	2003 HK\$'000	2002 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	13	188,635	71,528
Intangible assets	14	—	233
Goodwill	15	135,608	75
Interests in associates	17	187,454	157,126
Long term investments	18	14,700	1,000
Loans receivable		4,625	3,399
Rental deposits paid		7,739	24,866
Deposit paid for purchase of fixed assets		—	4,000
		538,761	262,227
CURRENT ASSETS			
Properties held for re-sale	19	—	1,167
Short term investments	18	3,344	8,914
Inventories	20	2,563	11,652
Trade receivables	21	8,303	27,517
Prepayments, deposits and other debtors	22	12,134	21,202
Tax recoverable		55	496
Cash and cash equivalents	23	214,191	313,806
		240,590	384,754
CURRENT LIABILITIES			
Deferred income		—	90
Trade payables	24	1,600	10,515
Other payables and accruals	25	16,719	26,644
Deposits received and receipts in advance		39,914	53,319
Interest-bearing bank and other borrowings	26	25,182	21,266
Provisions for onerous contracts	27	7,709	10,695
Tax payable		3,324	3,434
		94,448	125,963
NET CURRENT ASSETS		146,142	258,791

Consolidated Balance Sheet *(Continued)*

31 March 2003

	<i>Notes</i>	2003 HK\$'000	2002 HK\$'000
<hr/>			
TOTAL ASSETS LESS CURRENT LIABILITIES		684,903	521,018
NON-CURRENT LIABILITIES			
Deferred income		—	338
Interest-bearing bank borrowings	28	50,836	24,697
Finance lease payables	29	52	110
Provisions for onerous contracts	27	12,430	16,322
Deferred tax	30	765	983
<hr/>			
		64,083	42,450
<hr/>			
MINORITY INTERESTS		324	10,569
<hr/>			
		620,496	467,999
<hr/>			
CAPITAL AND RESERVES			
Issued capital	31	11,815	98,644
Reserves	33(a)	608,681	369,355
<hr/>			
		620,496	467,999
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Tang Ching Ho

Director

Chan Chun Hong, Thomas

Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2003

	Notes	Issued share capital HK\$'000	Share premium account HK\$'000	Warrant reserve HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Investment property revaluation reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 April 2001		8,221	257,272	—	—	—	254	(105,831)	159,916
Transfer	33(b)(i)	—	(129,270)	—	—	—	—	129,270	—
Conversions of convertible bonds	31	1,600	28,480	—	—	—	—	—	30,080
Placement of shares	31	6,620	51,360	—	—	—	—	—	57,980
Rights issue	31	65,762	131,525	—	—	—	—	—	197,287
Bonus issue	31	16,441	—	—	—	—	—	(16,441)	—
Share issue expenses	31	—	(8,253)	—	—	—	—	—	(8,253)
Surplus on revaluation of investment properties and net gain not recognised in the profit and loss account		—	—	—	—	—	1,989	—	1,989
Release of goodwill on disposal of an associate		—	—	—	—	—	—	1,300	1,300
Profit for the year		—	—	—	—	—	—	27,700	27,700
At 31 March and 1 April 2002		98,644	331,114	—	—	—	2,243	35,998	467,999
Placement of shares	31	19,500	19,500	—	—	—	—	—	39,000
Capital reorganisation	31	(106,329)	—	—	106,329	—	—	—	—
Warrant issue	31	—	—	2,000	—	—	—	—	2,000
Warrant issue expenses		—	—	(265)	—	—	—	—	(265)
Share issue expenses	31	—	(2,392)	—	—	—	—	—	(2,392)
Deficit on revaluation of investment properties and net loss not recognised in the profit and loss account	13	—	—	—	—	—	(2,243)	—	(2,243)
Release of goodwill on disposal of subsidiaries	34(e)	—	—	—	—	—	—	75,104	75,104
Profit for the year		—	—	—	—	—	—	41,293	41,293
Transfer from retained profits		—	—	—	—	1,511	—	(1,511)	—
At 31 March 2003		11,815	348,222*	1,735*	106,329*	1,511*	—*	150,884*	620,496

* These reserve accounts comprise the consolidated reserves of HK\$608,681,000 (2002: HK\$369,355,000) in the consolidated balance sheet.

Consolidated Statement of Changes in Equity *(Continued)*

Year ended 31 March 2003

	Issued share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Warrant reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reserves retained by:								
Company and subsidiaries	11,815	348,222	1,735	106,329	1,511	—	160,313	629,925
Associates	—	—	—	—	—	—	(9,429)	(9,429)
At 31 March 2003	11,815	348,222	1,735	106,329	1,511	—	150,884	620,496
Company and subsidiaries	98,644	331,114	—	—	—	2,243	33,094	465,095
Associates	—	—	—	—	—	—	2,904	2,904
At 31 March 2002	98,644	331,114	—	—	—	2,243	35,998	467,999

Consolidated Cash Flow Statement

Year ended 31 March 2003

	Notes	2003 HK\$'000	2002 HK\$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		45,141	34,123
Adjustments for:			
Finance costs		2,552	3,482
Share of profits and losses of associates		11,409	(3,331)
Provision for impairment of goodwill of an associate		7,000	—
Provision for an amount due from an associate		3,400	—
Amortisation of goodwill of associates		16,454	4,482
Net holding loss/(gain) on investments	5, 6	570	(84)
Interest income from investments	5	(1,865)	(1,381)
Interest income	5	(9,007)	(6,340)
Dividend income from investments		(93)	(10)
Gain on disposal of subsidiaries		(17,031)	—
Gain on disposal of interests in an associate		(73,891)	—
Gain on disposal of investments, net	5	(200)	(8,546)
Provision/(write-back of provision) for and write-off of bad and doubtful debts	6	5,158	(903)
Provision for impairment of long term investments	6	637	—
Depreciation	6	15,000	15,813
Amortisation of trademarks and patents	6	5	2
Amortisation of goodwill of subsidiaries	6	947	25
Loss on disposal/write-off of fixed assets	6	1,061	614
Deficit on revaluation of investment properties	6	6,210	—
Recognition of deferred gain on disposal of subsidiaries	5	(944)	—
Operating profit before working capital changes		12,513	37,946
Decrease/(increase) in trade receivables, prepayments, deposits and other debtors		18,162	(26,494)
Increase in inventories		(171)	(7,293)
Decrease in properties held for re-sale		1,167	466
Increase/(decrease) in trade payables, other payables and accruals		(7,845)	4,016
Increase/(decrease) in deposits received and receipts in advance		(13,405)	3,438
Decrease in provisions for onerous contracts	6	(6,878)	(5,689)
Increase in deferred income		294	428

Consolidated Cash Flow Statement *(Continued)*

Year ended 31 March 2003

Notes	2003 HK\$'000	2002 <i>HK\$'000</i> (Restated)
Cash generated from operations	3,837	6,818
Hong Kong profits tax refunded/(paid)	29	(2,301)
Net cash inflow from operating activities	3,866	4,517
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	9,007	6,340
Dividend income from investments	93	10
Dividend income from an associate	3,409	—
Interest income from investments	1,865	1,381
Increase in amounts due from associates	(18,498)	(66,147)
Purchase of a subsidiary	(5,073)	(100)
Purchases of additional shares in a subsidiary	300	—
Purchases of associates	(2,500)	(91,483)
Purchases of additional shares in associates	(28,935)	—
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(8,227)	—
Proceeds from disposal of interests in an associate	41,521	1,300
Increase in deposit paid for purchase of fixed assets	—	(4,000)
Purchases of fixed assets	(60,622)	(16,152)
Purchases of investment properties	(88,646)	—
Proceeds from disposal of fixed assets	—	58
Proceeds from disposal of investments	5,200	54,991
Purchases of long term investments	(14,337)	(1,000)
Purchases of short term investments	—	(36,575)
Purchases of intangible assets	—	(235)
Net cash outflow from investing activities	(165,443)	(151,612)

Consolidated Cash Flow Statement *(Continued)*

Year ended 31 March 2003

	Notes	2003 HK\$'000	2002 HK\$'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(2,552)	(3,482)
Dividend paid to minority shareholders		(2,226)	(1,600)
Proceeds from issue of shares	31	39,000	285,347
Share issue expenses	31	(2,392)	(8,253)
Proceeds from issue of warrants	31	2,000	—
Warrant issue expenses		(265)	—
Repayment of bank loans		(24,145)	(19,416)
New bank loans		52,600	22,000
Capital element of finance lease rental payments		(58)	(58)
Contributions from minority shareholders		—	1,550
Net cash inflow from financing activities		61,962	276,088
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		(99,615)	128,993
Cash and cash equivalents at beginning of year		313,806	184,813
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		214,191	313,806
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	40,947	27,625
Non-pledged time deposits with original maturity of less than three months when acquired	23	173,244	286,181
		214,191	313,806

Balance Sheet

31 March 2003

	Notes	2003 HK\$'000	2002 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	13	8	30
Interests in subsidiaries	16	406,830	166,828
Interests in associates	17	219	522
Long term investments	18	11,700	—
		418,757	167,380
CURRENT ASSETS			
Prepayments, deposits and other debtors	22	587	470
Cash and cash equivalents	23	175,484	281,778
		176,071	282,248
CURRENT LIABILITIES			
Other payables and accruals	25	376	1,735
		376	1,735
NET CURRENT ASSETS			
		175,695	280,513
		594,452	447,893
CAPITAL AND RESERVES			
Issued capital	31	11,815	98,644
Reserves	33(b)	582,637	349,249
		594,452	447,893

Tang Ching Ho
Director

Chan Chun Hong, Thomas
Director

Notes to Financial Statements

31 March 2003

1. CORPORATE INFORMATION

The head office and principal place of business of Wang On Group Limited is located at 5th Floor., No. 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.

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
- manufacture and sale of Chinese medicine, herbs, cough syrup and other medicinal products
- provision of project management and agency services
- property investment

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

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

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

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs are summarised as follows:

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated statement of changes in equity is now presented on pages 24 and 25 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group's reserves note.

SSAP 11 prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries and associates are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements. Further details of this change are included in the accounting policy for "Foreign currencies" in note 3 to the financial statements.

Notes to Financial Statements

31 March 2003

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”) *(Continued)*

SSAP 15 prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date, and the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised. Further details of these changes are included in the accounting policies for “Cash and cash equivalents” and “Foreign currencies” in note 3 and in note 34(a) to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatments for employee benefits. In addition, disclosures are now required in respect of the Company’s share option schemes, as detailed in note 32 to the financial statements. These share option scheme disclosures are similar to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) disclosures previously included in the Report of the Directors, which are now required to be included in the notes to the financial statements as a consequence of the SSAP.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, 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 periodic remeasurement of investment properties and certain investments, 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 2003. The results of the subsidiaries 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.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company’s subsidiaries.

Notes to Financial Statements

31 March 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights 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 impairment losses. Goodwill or negative goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in the consolidated reserves, is included as part of the Group's interests in associates.

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 treated as long term assets and are stated at cost less any impairment losses.

Deferred gain represents the unrealised profit resulting from downstream transactions with an associate eliminated to the extent of the Group's interest in that associate.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of not more than 20 years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

Notes to Financial Statements

31 March 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

SSAP 30 "Business combinations" was adopted by the Group as at 1 April 2001. Prior to that date, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to 1 April 2001 is treated according to the SSAP 30 goodwill accounting policy above.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries and associates represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of associates, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

Notes to Financial Statements

31 March 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Negative goodwill *(Continued)*

SSAP 30 "Business combinations" was adopted by the Group as at 1 April 2001. Prior to that date, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such negative goodwill to remain credited to the capital reserve. Negative goodwill on acquisitions subsequent to 1 April 2001 is treated according to the SSAP 30 negative goodwill accounting policy above.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated at the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Notes to Financial Statements

31 March 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation and any impairment losses. 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.

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%
Machineries	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.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

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 is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

Notes to Financial Statements

31 March 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

On 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.

Intangible assets

Intangible assets represent expenses incurred for the application and registration of trademarks and patents. Trademarks and patents are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

Provisions for onerous contracts

Onerous contracts represent lease contracts for certain Hong Kong properties and projects where the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received under them. Provisions for onerous contracts are recognised based on the difference between the rental payments receivable by the Group and those unavoidable rental payments payable by the Group under the contracts, together with any compensation or penalties arising from the failure to fulfil the contracts, discounted to their present value as appropriate.

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 capitalised 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 provide a constant periodic rate of charge over the lease terms.

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. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Notes to Financial Statements

31 March 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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, and is calculated as the difference between the net sales proceeds and the carrying amount of the investment.

Provisions against the carrying amounts 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, equity securities and unit trusts, intended to be held for a continuing strategic or identified long term purpose, are stated at cost less any provisions for impairment in values.

When a decline in the fair value of an investment security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amounts of the security is reduced to its fair value, as estimated by the directors. The amount of the impairment is charged to the profit and loss account for the period in which it arises.

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 the fair values of such investments are credited or charged to the profit and loss account in the period in which they arise.

Notes to Financial Statements

31 March 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

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.

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 the provision of project management and agency services, when the services are rendered;

Notes to Financial Statements

31 March 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

- (b) 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;
- (c) from the sale of properties, at the time when the sale agreement becomes unconditional;
- (d) franchise fee income, on a time proportion basis over the franchise period;
- (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.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, to the balance sheet date, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Notes to Financial Statements

31 March 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. 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.

Share option schemes

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option schemes is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are 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 is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

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

On consolidation, the financial statements of overseas subsidiaries and associates are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and associates are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Notes to Financial Statements

31 March 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the profit and loss accounts of overseas subsidiaries and associates and the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The adoptions of the revised SSAPs 11 and 15 have had no material effect on the financial statements.

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.

Deferred income

Deferred income represents the initial franchise fee received, which is recognised as income on a time proportion basis over the franchise period.

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.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the Chinese wet markets segment engages in the management and sub-licensing of Chinese wet markets;

Notes to Financial Statements

31 March 2003

4. SEGMENT INFORMATION (Continued)

- (b) the shopping centres and car parks segment engages in the management and sub-licensing of shopping centres and car parks;
- (c) the pharmaceutical segment manufactures and sells Chinese medicine, herbs, cough syrup and other medicinal products;
- (d) the property investment segment invests in industrial and commercial premises and residential units for rental income; and
- (e) the corporate and others segment comprises the Group's management service business and sales of porks. This segment also includes corporate income and expense items.

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

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

Group	Chinese wet markets		Shopping centres and car parks		Pharmaceutical		Property investment		Corporate and others		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
							(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)		
Segment revenue:														
Sales to external customers	145,981	152,770	77,349	85,939	27,167	70,727	4,515	2,071	37,144	8,540	—	—	292,156	320,047
Intersegment sales	3,921	767	873	994	—	1,609	—	—	—	—	(4,794)	(3,370)	—	—
Other revenue	919	995	3,248	2,713	333	1,052	123	40	99,841	10,368	—	—	104,464	15,168
Total	150,821	154,532	81,470	89,646	27,500	73,388	4,638	2,111	136,985	18,908	(4,794)	(3,370)	396,620	335,215
Segment results	7,323	13,676	3,814	2,194	6,475	17,044	(4,265)	1,318	67,927	3,154	892	(846)	82,166	36,540
Unallocated expenses													(10,482)	(5,505)
Interest income													10,872	7,721

Notes to Financial Statements

31 March 2003

4. SEGMENT INFORMATION (Continued)

Business segments (Continued)

Group	Chinese		Shopping centres		Pharmaceutical		Property investment		Corporate and others		Eliminations		Consolidated	
	wet markets		and car parks											
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
							(Restated)		(Restated)		(Restated)			
Profit from operating activities													82,556	38,756
Finance costs													(2,552)	(3,482)
Share of profits and losses of associates (including amortisation of goodwill)													(27,863)	(1,151)
Provision for impairment of goodwill of an associate													(7,000)	—
Profit before tax													45,141	34,123
Tax													(3,207)	(3,634)
Profit before minority interests													41,934	30,489
Minority interests													(641)	(2,789)
Net profit from ordinary activities attributable to shareholders													41,293	27,700

Notes to Financial Statements

31 March 2003

4. SEGMENT INFORMATION (Continued)

Business segments (Continued)

Group	Chinese		Shopping centres		Pharmaceutical		Property investment		Corporate and others		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
							(Restated)	(Restated)		(Restated)	(Restated)			
Segment assets	59,323	85,602	34,113	37,551	7,918	52,628	166,870	23,898	550,833	371,481	(227,215)	(81,801)	591,842	489,359
Interests in associates	—	—	—	3	—	72,416	—	—	187,454	84,707	—	—	187,454	157,126
Total assets	59,323	85,602	34,113	37,554	7,918	125,044	166,870	23,898	738,287	456,188	(227,215)	(81,801)	779,296	646,485
Segment liabilities	(57,747)	(78,072)	(52,924)	(58,611)	(5,994)	(11,302)	(160,778)	(31,993)	(28,144)	(18,900)	227,215	80,956	(78,372)	(117,922)
Unallocated liabilities	—	—	—	—	—	—	—	—	—	—	—	—	(80,104)	(49,995)
Total liabilities	(57,747)	(78,072)	(52,924)	(58,611)	(5,994)	(11,302)	(160,778)	(31,993)	(28,144)	(18,900)	227,215	80,956	(158,476)	(167,917)
Other segment information:														
Depreciation	9,466	8,412	3,956	4,461	572	1,865	—	—	1,006	1,075	—	—	15,000	15,813
Amortisation:														
Goodwill	—	—	—	—	592	1,517	—	—	16,809	2,990	—	—	17,401	4,507
Intangible assets	—	—	—	—	5	2	—	—	—	—	—	—	5	2
Other non-cash expenses	50	—	5	—	—	—	6,198	—	17,783	2,201	—	—	24,036	2,201
Capital expenditures	4,082	10,596	64	330	—	3,547	148,165	—	957	1,679	—	—	153,268	16,152

Notes to Financial Statements

31 March 2003

5. TURNOVER, REVENUE AND GAINS

Turnover represents management and sub-licensing fee income received and receivable; the invoiced value of goods sold, after allowances for returns and trade discounts; the value of services rendered; the gross rental income received and receivable from investment properties and proceeds from the disposal of properties during the year.

An analysis of turnover, other revenue and gains is as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
TURNOVER		
Sub-licensing fee income	216,965	232,859
Management income	4,160	5,946
Sale of goods	59,053	75,620
Rendering of services	7,463	4,030
Gross rental income	2,835	1,592
Sale of property held for re-sale	1,680	—
	292,156	320,047
OTHER REVENUE		
Interest income	9,007	6,340
Interest income from investments	1,865	1,381
Franchise income	35	323
Others	8,294	6,215
	19,201	14,259
GAINS		
Gain on disposal of investments, net	200	8,546
Exchange gains, net	4,070	—
Recognition of deferred gain on disposal of subsidiaries	944	—
Net holding gain on investments	—	84
	5,214	8,630
	24,415	22,889

Notes to Financial Statements

31 March 2003

6. PROFIT FROM OPERATING ACTIVITIES

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

	Notes	Group	
		2003 HK\$'000	2002 HK\$'000
Amortisation of trademarks and patents*	14	5	2
Amortisation of goodwill**	15	947	25
Auditors' remuneration		768	900
Cost of inventories sold		21,924	24,741
Cost of services provided		200,093	195,094
Depreciation	13	15,000	15,813
Exchange losses, net		—	955
Deficit on revaluation of investment properties	13	6,210	—
Loss on disposal of fixed assets		—	614
Loss on fixed assets written off		1,061	—
Net holding loss on investments		570	—
Minimum lease payments under operating leases for land and buildings		141,953	138,325
Provision for impairment of investments		637	—
Provision/(write-back of provision) for and write-off of bad and doubtful debts		5,158	(903)
Staff costs (including directors' remuneration — note 8):			
Wages and salaries		58,030	56,581
Pension scheme contributions		2,030	1,873
		60,060	58,454
Amount released for onerous contracts	27	(6,878)	(5,689)
Gain on disposal of properties held for re-sale		(493)	(6)
Net rental income		(2,794)	(1,592)

* The amortisation of trademarks and patents for the year is included in "Selling and distribution costs" on the face of the consolidated profit and loss account.

** The amortisation of goodwill is included in "Other operating expenses" on the face of the consolidated profit and loss account.

Notes to Financial Statements

31 March 2003

7. FINANCE COSTS

	Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and overdrafts	2,552	3,482

8. DIRECTORS' REMUNERATION

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

	Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees:		
Executive directors	—	—
Independent non-executive directors	631	631
Other emoluments for executive directors:		
Salaries and allowances	10,115	10,319
Pension scheme contributions	36	36
	10,782	10,986

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2003	2002
Nil to HK\$1,000,000	3	3
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$4,000,001 to HK\$4,500,000	2	2
	6	6

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

Notes to Financial Statements

31 March 2003

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2002: three) directors, details of whose remuneration are disclosed in note 8 above. Details of the remuneration of the remaining two (2002: two) non-director, highest paid employees are as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Salaries and allowances	2,889	3,021
Pension scheme contributions	209	175
	3,098	3,196

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2003	2002
HK\$1,000,001 to HK\$1,500,000	—	1
HK\$1,500,001 to HK\$2,000,000	2	1
	2	2

10. TAX

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

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

Notes to Financial Statements

31 March 2003

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 March 2003 dealt with in the financial statements of the Company was HK\$108,216,000 (2002: HK\$3,100,000).

12. EARNINGS PER SHARE

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

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

The calculation of diluted earnings per share for the year ended 31 March 2002 is based on the net profit attributable to shareholders for the year of HK\$27,700,000. The weighted average number of ordinary shares used in the calculation is the 15,315,520 ordinary shares in issue during the year as used in the basic earnings per share calculation, and the weighted average of 64,250 ordinary shares (as adjusted to reflect the capital reorganisation during the year ended 31 March 2003) assumed to have been issued at no consideration on the deemed exercise of all share options during the year ended 31 March 2002.

Notes to Financial Statements

31 March 2003

13. FIXED ASSETS

Group

	Investment properties	Leasehold land and buildings	Leasehold improve- ments	Machineries	Furniture, fixtures and office equipment	Motor vehicles	Computer equipment	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation:									
At beginning of year	21,690	7,706	42,632	11,159	70,665	3,058	3,675	—	160,585
Additions	92,646	—	4,271	276	279	—	330	55,466	153,268
Acquisition of subsidiaries									
(note 34(c)(d))	—	—	10	294	988	—	1	—	1,293
Disposals and write-off	—	—	(3,350)	(2,074)	(4,629)	(2,359)	(1,015)	—	(13,427)
Disposal of subsidiaries									
(note 34(e))	—	(7,706)	(2,658)	(5,133)	(11,791)	—	(1,824)	—	(29,112)
Transfer	22,907	—	—	—	—	—	—	(22,907)	—
Deficit on revaluation	(8,453)	—	—	—	—	—	—	—	(8,453)
At 31 March 2003	128,790	—	40,905	4,522	55,512	699	1,167	32,559	264,154
Accumulated depreciation:									
At beginning of year	—	954	20,833	7,158	54,778	2,722	2,612	—	89,057
Provided during the year	—	40	6,435	749	7,354	100	322	—	15,000
Acquisition of subsidiaries									
(note 34(c)(d))	—	—	1	32	391	—	—	—	424
Disposals and write-off	—	—	(2,498)	(1,991)	(4,505)	(2,359)	(1,013)	—	(12,366)
Disposal of subsidiaries									
(note 34(e))	—	(994)	(623)	(2,739)	(11,188)	—	(1,052)	—	(16,596)
At 31 March 2003	—	—	24,148	3,209	46,830	463	869	—	75,519
Net book value:									
At 31 March 2003	128,790	—	16,757	1,313	8,682	236	298	32,559	188,635
At 31 March 2002	21,690	6,752	21,799	4,001	15,887	336	1,063	—	71,528
Analysis of cost or valuation:									
At cost	—	—	40,905	4,522	55,512	699	1,167	32,559	135,364
At 31 March 2003 valuation	128,790	—	—	—	—	—	—	—	128,790
	128,790	—	40,905	4,522	55,512	699	1,167	32,559	264,154

Notes to Financial Statements

31 March 2003

13. FIXED ASSETS (Continued)

Company	Furniture, fixtures and office equipment <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:			
At 1 April 2002 and 31 March 2003	15	66	81
Accumulated depreciation:			
At beginning of year	5	46	51
Provided during the year	2	20	22
At 31 March 2003	7	66	73
Net book value:			
At 31 March 2003	8	—	8
At 31 March 2002	10	20	30

The net book value of the fixed assets of the Group held under finance leases included in the total amount of furniture, fixtures and office equipment at 31 March 2003 amounted to HK\$112,800 (2002: HK\$170,400).

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

The Group's investment properties were revalued on 31 March 2003 by Vigers Hong Kong Limited, independent professionally qualified valuers, on an open market, existing use basis. An aggregate amount of revaluation deficit of HK\$8,453,000 resulting from the revaluation has been charged to the investment property revaluation reserve for HK\$2,243,000 and the profit and loss account for HK\$6,210,000, respectively. The investment properties are leased to a director of the Company, third parties and associates under operating leases, further details of which are included in notes 36 and 39 to the financial statements.

At 31 March 2003, the Group's investment properties with an aggregate value of HK\$128,790,000 and certain rental income generated therefrom were pledged to secure the Group's general banking facilities, approximately HK\$113,034,000 of which had been utilised as at 31 March 2003.

Further particulars of the Group's investment properties are included on page 88.

Notes to Financial Statements

31 March 2003

14. INTANGIBLE ASSETS

	Trademarks and patents
	<i>HK\$'000</i>
Group	
Cost:	
At beginning of year	235
Disposal of subsidiaries (<i>note 34(e)</i>)	(235)
At 31 March 2003	—
Accumulated amortisation:	
At beginning of year	2
Provided during the year	5
Disposal of subsidiaries (<i>note 34(e)</i>)	(7)
At 31 March 2003	—
Net book value:	
At 31 March 2003	—
At 31 March 2002	233

Notes to Financial Statements

31 March 2003

15. GOODWILL

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

Group

	Goodwill arising on acquisition of subsidiaries	Goodwill arising on acquisition of associates
	<i>HK\$'000</i>	<i>(Note 17) HK\$'000</i>
Cost:		
At beginning of year	100	85,003
Acquisitions during the year <i>(note 34(c)(d))</i>	75,806	34,198
Transfer	68,933	(68,933)
Disposal of interests in an associate	—	(8,483)
At 31 March 2003	144,839	41,785
Accumulated amortisation and impairment:		
At beginning of year	(25)	(4,482)
Amortisation provided during the year	(947)	(16,454)
Impairment provided during the year	—	(7,000)
Transfer	(8,259)	8,259
Disposal of interests in an associate	—	179
At 31 March 2003	(9,231)	(19,498)
Net book value:		
At 31 March 2003	135,608	22,287
At 31 March 2002	75	80,521

As detailed in note 3 to the financial statements, on the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted goodwill and negative goodwill in respect of acquisitions which occurred prior to 1 April 2001, to remain eliminated against consolidated reserves or credited to the capital reserve, respectively.

Notes to Financial Statements

31 March 2003

15. GOODWILL (Continued)

The amounts of goodwill and negative goodwill remaining in consolidated reserves as at 1 April 2002, arising from the acquisition of subsidiaries prior to 1 April 2001, were HK\$95,933,000 and HK\$8,112,000, respectively. Upon disposal of subsidiaries during the year, goodwill of HK\$75,104,000 was released from consolidated reserves. The goodwill and negative goodwill remaining in consolidated reserve as at 31 March 2003 were HK\$20,829,000 and HK\$8,112,000, respectively. The amounts of goodwill and negative goodwill are stated at cost.

The amount of goodwill recorded at cost in consolidated reserves as at 31 March 2002 and 2003, arising from the acquisition of associates prior to 1 April 2001, was HK\$926,000.

An impairment loss of approximately HK\$7,000,000 was charged to the consolidated profit and loss account for the current year. The impairment loss was provided by the directors based on the estimated recoverable amount of the associate acquired, which was determined based on its value in use. The discount rate used in determining the value in use is 0% per annum.

16. INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	71,000	71,000
Due from subsidiaries — <i>note (i)</i>	712,203	487,093
Loans to subsidiaries — <i>note (ii)</i>	81,133	77,321
Due to subsidiaries — <i>note (i)</i>	(38,057)	(49,137)
	826,279	586,277
Provisions for impairment	(419,449)	(419,449)
	406,830	166,828

Notes:

- (i) The amounts are unsecured and have no fixed terms of repayment. Except for a balance of HK\$78,750,000 advanced to a subsidiary which bears interest at Hong Kong dollar prime rate plus 2% p.a., the remaining balances are interest-free.
- (ii) The amounts are unsecured and have no fixed terms of repayment. Except for a loan to a subsidiary of HK\$17,217,000 which bears interest at 6% per annum, the remaining balances are interest-free.

Notes to Financial Statements

31 March 2003

16. INTERESTS IN SUBSIDIARIES (Continued)

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

Name	Place of incorporation/ operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Advance Century Limited	Hong Kong	Ordinary HK\$2	—	100	Investment holding
Biomore Investments Limited	British Virgin Islands/ Hong Kong	Ordinary US\$27,800	—	100	Investment holding
Bio Chapter Limited	British Virgin Islands/ Hong Kong	Ordinary US\$27,799	—	100	Investment holding
Charter Golden Design & Contracting Limited	Hong Kong	Ordinary HK\$2	—	100	Dormant
Century Fortune Hong Kong Limited	Hong Kong	Ordinary HK\$2	—	100	Property investment
China Coin Management Limited	Hong Kong	Ordinary HK\$1,000	—	100	Property investment
China Ocean Investments Limited (Note 5)	Hong Kong	Ordinary HK\$501 "A" shares and HK\$499 "B" shares (Note 4)	—	50.1	Management of pork stalls and butcher shops

Notes to Financial Statements

31 March 2003

16. INTERESTS IN SUBSIDIARIES (Continued)

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

Name	Place of incorporation/ operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Conway Consultants Limited	Hong Kong	Ordinary HK\$1,400,000 Non-voting preference (Note 2) HK\$600,000	—	70	Provision of medical consultation services
Denox Management Limited	Hong Kong	Ordinary HK\$2	—	100	Management and sub-letting of properties
Diamond Throne Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	—	100	Investment holding
Fenny Planning & Project Management Limited	Hong Kong	Ordinary HK\$100	—	100	Promotion of Chinese wet markets
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

Notes to Financial Statements

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16. INTERESTS IN SUBSIDIARIES (Continued)

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

Name	Place of incorporation/ operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Grand Quality Development Limited	Hong Kong	Ordinary HK\$2	—	100	Property investment
Greatest Wealth Limited	Hong Kong	Ordinary HK\$100	—	100	Management of pork stalls and butcher shops
Join China Investment Limited	Hong Kong	Ordinary HK\$2	—	100	Investment holding
Lead Fortune Limited	Hong Kong	Ordinary HK\$1,000	—	100	Property investment
Lica Parking Company Limited	Hong Kong	Ordinary HK\$25,500,000	—	99.02	Management and sub-licensing of car parks
Luxembourg Medicine Company Limited (Notes 5 and 6)	Hong Kong	Ordinary HK\$434,747	—	99.79	Manufacture and sale of cough syrup
Macro Pacific Investment Limited	Hong Kong	Ordinary HK\$2	—	100	Investment holding

Notes to Financial Statements

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16. INTERESTS IN SUBSIDIARIES (Continued)

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

Name	Place of incorporation/ operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
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\$700,002	—	100	Management and sub-licensing of car parks
Rich Time Strategy Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	—	100	Investment holding
Royal Focus Limited	Hong Kong	Ordinary HK\$2	—	100	Investment holding
WOB Investments Limited (previously Wang On Builders Limited)	Hong Kong	Ordinary HK\$2	—	100	Dormant
Wang On Commercial Management Limited	British Virgin Islands/ Hong Kong	Ordinary US\$2	—	100	Investment holding

Notes to Financial Statements

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16. INTERESTS IN SUBSIDIARIES (Continued)

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

Name	Place of incorporation/ operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
WOD Investments Limited (previously Wang On Design & Contracting Limited)	Hong Kong	Ordinary HK\$1,000,000	—	100	Property investment
WEH Investments Limited (previously Wang On Engineering Holdings Limited)	Hong Kong	Ordinary HK\$477 Non-voting deferred (Note 3) HK\$1,262,523	—	100	Provision of decoration and project management services
Wang On Enterprises (BVI) Limited	British Virgin Islands/ Hong Kong	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

Notes to Financial Statements

31 March 2003

16. INTERESTS IN SUBSIDIARIES (Continued)

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

Name	Place of incorporation/ operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Willing Dental Consultants Limited	Hong Kong	Ordinary HK\$100	—	100	Provision of dental consultation services

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 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 the holders have the right to receive an annual cash dividend equivalent to 30% of the audited net profit after tax. On the winding-up of the company, the holders rank in priority to the ordinary shareholders provided that the assets of the company available for distribution to its members shall be applied first towards arrears or accruals of the dividend.
- (3) The non-voting deferred shares carry no voting rights or rights to dividends. On the winding-up of the companies, the holders of non-voting deferred shares have a right to repayment in proportion to the amounts of all paid-up ordinary and deferred shares after the first HK\$1,000,000,000 thereof has been distributed among the holders of the ordinary shares.
- (4) Each "A" share and "B" share rank pari passu as regards to voting rights and all other aspects except that the holders of "A" shares shall be entitled to receive one-third of the profits distributed by ways of dividend and one-third of the capital and surplus assets upon winding-up of the company while the holders of "B" shares shall be entitled to receive two-third of the profits distributed by ways of dividend and two-third of the capital and surplus assets upon winding-up of the company.
- (5) The financial statements of the company are not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.
- (6) Luxembourg Medicine Company Limited was a 47.53%-owned associate of the Group as at 31 March 2002. On 25 March 2003, the Group acquired a further 52.26% equity interest as set out in note 34(d) to the financial statements.

Notes to Financial Statements

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17. INTERESTS IN ASSOCIATES

	Group		Company	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Share of net assets	32,259	9,237	—	—
Deferred gain	(16,058)	—	—	—
Goodwill on acquisition				
— note 15	22,287	80,521	—	—
	38,488	89,758	—	—
Due from associates — note (i)	7,874	1,221	219	522
Loans to associates — note (ii)	80,495	66,150	—	—
Convertible notes due from an associate — note (iii)	64,000	—	—	—
	190,857	157,129	219	522
Provisions for impairment	(3,403)	(3)	—	—
	187,454	157,126	219	522

Notes:

- (i) The amounts due from associates are unsecured and interest-free. Except for the amounts of HK\$588,000 and HK\$3,335,000 which are repayable by August 2003 and July 2005, respectively, the remaining balance has no fixed terms of repayment.
- (ii) An amount of HK\$44,000 loan to an associate is unsecured, interest-free and has no fixed terms of repayment. An amount of HK\$1,701,000 loan to an associate is unsecured, bears interest at 4% per annum and is repayable in January 2005. The remaining loans of HK\$78,750,000 to associates are unsecured and bear interest at the Hong Kong dollar prime rate plus 2% per annum, HK\$7,000,000 of which is repayable before August 2003, an aggregate amount of HK\$64,850,000 is repayable in July 2005 and the remaining balance of HK\$6,900,000 has no fixed terms of repayment.
- (iii) 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 known as 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.

Notes to Financial Statements

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17. INTERESTS IN ASSOCIATES (Continued)

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
			2003	2002	
			%	%	
Wai Yuen Tong Medicine Holdings Limited* (Note 2)	Corporate	Bermuda/ Hong Kong	30.87	29.19	Manufacture and trading of Chinese pharmaceutical products, watches and components
China Field Enterprises Limited	Corporate	Hong Kong	49	22	Investment holding
Tse's Waxing & Cleaning Company Limited	Corporate	Hong Kong	50	50	Provision of cleaning services

Notes:

- (1) The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets 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 are not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

* Listed on The Stock Exchange of Hong Kong Limited.

Notes to Financial Statements

31 March 2003

17. INTERESTS IN ASSOCIATES *(Continued)*

Extracts of the financial information of the Group's material associate are as follows:

	Wai Yuen Tong Medicine Holdings Limited Year ended 31 March 2003 <i>HK\$'000</i>
Profit and loss account	
Turnover	259,824
Loss for the year	(28,946)
Balance sheet	
Non-current assets	216,510
Current assets	103,175
Current liabilities	(99,736)
Non-current liabilities	(133,821)
Minority interests	(94)
Net assets	86,034

Notes to Financial Statements

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18. INVESTMENTS

(a) Long term investments

	Group		Company	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Held-to-maturity securities:				
Hong Kong listed dated debt securities, at amortised cost	11,700	—	11,700	—
Investment securities:				
Hong Kong unlisted unit trusts, at cost	3,000	1,000	—	—
Hong Kong unlisted equity shares, at cost	13,158	12,521	—	—
Less: Provisions for impairment	(13,158)	(12,521)	—	—
	14,700	1,000	11,700	—

(b) Short term investments

	Group	
	2003	2002
	HK\$'000	HK\$'000
Investment securities:		
Hong Kong unlisted unit trusts, at cost	—	5,000
Other investments:		
Hong Kong listed equity securities, at fair value	3,344	3,914
	3,344	8,914

19. PROPERTIES HELD FOR RE-SALE

The properties held for re-sale were disposed of during the year.

Notes to Financial Statements

31 March 2003

20. INVENTORIES

	Group	
	2003	2002
	HK\$'000	HK\$'000
Raw materials	944	4,524
Packing materials	987	3,280
Finished goods	632	3,848
	2,563	11,652

None of the inventories included in the above was carried at net realisable value as at the balance sheet date (2002: Nil).

21. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the balance sheet date, based on invoice date, is as follows:

	Group			
	2003		2002	
	HK\$'000	Percentage	HK\$'000	Percentage
Within 90 days	7,546	89	26,792	96
91 days to 180 days	720	8	440	2
Over 180 days	251	3	552	2
	8,517	100	27,784	100
Less: Provision for doubtful debts	(214)		(267)	
	8,303		27,517	

The Group's businesses generally do not grant any credit to customers, except for the Group's pharmaceutical business which provides credit terms of 30 to 180 days.

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22. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	Group		Company	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Prepayments	2,939	8,889	509	459
Deposits	6,176	5,814	—	11
Other receivables	3,019	6,499	78	—
	12,134	21,202	587	470

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	40,947	27,625	22,261	9,267
Time deposits	173,244	286,181	153,223	272,511
	214,191	313,806	175,484	281,778

24. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Within 90 days	1,140	6,669
91 days to 180 days	—	15
Over 180 days	460	3,831
	1,600	10,515

Notes to Financial Statements

31 March 2003

25. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2003	2002	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other payables	7,508	11,584	110	168
Accruals	9,211	15,060	266	1,567
	16,719	26,644	376	1,735

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	Group	
		2003	2002
		<i>HK\$'000</i>	<i>HK\$'000</i>
Current portion of bank loans and overdrafts	28	25,124	21,208
Current portion of finance lease payables	29	58	58
		25,182	21,266

27. PROVISIONS FOR ONEROUS CONTRACTS

	Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of year	27,017	32,706
Additional provision/(write back of provision)	(313)	2,884
Amount utilised during the year	(6,565)	(8,573)
At 31 March	20,139	27,017
Portion classified as current liabilities	(7,709)	(10,695)
Long term portion	12,430	16,322

Notes to Financial Statements

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28. INTEREST-BEARING BANK LOANS

	Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans:		
Secured — <i>Note</i>	60,193	15,160
Unsecured	15,767	30,745
	75,960	45,905
Bank loans repayable:		
Within one year	25,124	21,208
In the second year	11,355	18,835
In the third to fifth years, inclusive	29,061	4,927
Beyond five years	10,420	935
	75,960	45,905
Portion classified as current liabilities (<i>Note 26</i>)	(25,124)	(21,208)
Long term portion	50,836	24,697

Note: Certain of the Group's bank loans are secured by the Group's investment properties (note 13).

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29. FINANCE LEASE PAYABLES

The Group leases certain of its office equipment. These leases are classified as finance leases and have remaining lease terms of two years.

At 31 March 2003, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments		Present value of minimum lease payments	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable:				
Within one year	58	58	58	58
In the second year	52	58	52	58
In the third to fifth years, inclusive	—	52	—	52
Total minimum finance lease payments	110	168	110	168
Future finance charges	—	—		
Total net finance lease payables	110	168		
Portion classified as current liabilities (<i>Note 26</i>)	(58)	(58)		
Long term portion	52	110		

Notes to Financial Statements

31 March 2003

30. DEFERRED TAX

	Group	
	2003 HK\$'000	2002 HK\$'000
Balance at beginning of year	983	983
Disposal of subsidiaries (<i>note 34(e)</i>)	(218)	—
At 31 March	765	983

The Group and the Company have 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.

31. SHARE CAPITAL

Shares

	2003 HK\$'000	2002 HK\$'000
<i>Authorised:</i>		
2,000,000,000 (2002: 20,000,000,000) ordinary shares of HK\$0.10 (2002: HK\$0.01) each	200,000	200,000
<i>Issued and fully paid:</i>		
118,143,655 (2002: 9,864,365,596) ordinary shares of HK\$0.10 (2002: HK\$0.01) each	11,815	98,644

Notes to Financial Statements

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31. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

During the year, the movements in the share capital were as follows:

- (a) On 15 May 2002, a top-up placement of 1,950,000,000 ordinary shares of HK\$0.01 each was made at an issue price of HK\$0.02 each. The net proceeds were used for the purchases of investment properties and general working capital.
- (b) Pursuant to a capital reorganisation (the "Capital Reorganisation") effective on 4 October 2002, the Company:
 - (i) consolidated every 100 issued and unissued ordinary shares of HK\$0.01 each into 1 ordinary share of HK\$1.00 each;
 - (ii) reduced the par value of the issued ordinary shares from HK\$1.00 each to HK\$0.10 each;
 - (iii) split the unissued ordinary shares of HK\$1.00 each into 10 ordinary shares of HK\$0.10 each; and
 - (iv) transferred a credit of HK\$106,329,000 arisen from the reduction of the par value of the issued ordinary shares as stated in (ii) above to the contributed surplus account of the Company.

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31 March 2003

31. SHARE CAPITAL (Continued)

Shares (Continued)

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

	Number of shares in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 April 2001	822,060,933	8,221	257,272	265,493
Transfer from accumulated losses	—	—	(129,270)	(129,270)
Conversion of convertible bonds	160,000,000	1,600	28,480	30,080
Placement	662,000,000	6,620	51,360	57,980
Rights issue	6,576,243,732	65,762	131,525	197,287
Bonus issue	1,644,060,931	16,441	—	16,441
Share issue expenses	—	—	(8,253)	(8,253)
At 31 March and 1 April 2002	9,864,365,596	98,644	331,114	429,758
Placement (a)	1,950,000,000	19,500	19,500	39,000
Capital Reorganisation (b)	(11,696,221,941)	(106,329)	—	(106,329)
Share issue expenses	—	—	(2,392)	(2,392)
At 31 March 2003	118,143,655	11,815	348,222	360,037

Share options

Details of the Company's share option schemes are set out in note 32 to the financial statements.

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 one ordinary share of the Company of HK\$0.01 each at a subscription price of HK\$0.017 per share (subject to adjustment) at any time during the period from the date of issue to 31 July 2003. As a result of the Capital Reorganisation disclosed in note 31(b) above, the number of warrants was reduced from 2,000,000,000 to 20,000,000. The subscription price was increased from HK\$0.017 each to HK\$1.7 each. No warrant was exercised during the year. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 20,000,000 additional shares of HK\$0.10 each of the Company and share premium of HK\$32,000,000 (before issue expenses).

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32. SHARE OPTION SCHEMES

SSAP 34 was adopted during the year, as explained in note 2 and under the heading "Employee benefits" in note 3 to the financial statements. As a result, the following detailed disclosures relating to the Company's share option schemes are now included in notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. On 6 February 1995, the Company approved a share option scheme (the "Old Scheme") under which the directors of the Company may, at their discretion, invite any executive directors or full-time employees of the Group to take up share options to subscribe for shares of the Company at any time during the 10 years from the date of approval. The Old Scheme became effective upon the listing of the Company's shares on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") on 28 February 1995.

In compliance with the amended Chapter 17 of the Listing Rules, the Old Scheme was terminated on 3 May 2002 and a new share option scheme (the "New Scheme") was adopted pursuant to an ordinary resolution passed at a special general meeting of the Company on 3 May 2002. As a result, the Company will no longer grant any further share options under the Old Scheme. However, all share options granted prior to the termination of the Old Scheme will remain in full force and effect. As at 31 March 2003, there were 2,628,000 (adjusted for the Capital Reorganisation) share options granted under the Old Scheme which remained outstanding as at the same date.

Under the New Scheme, eligible participants include any director or proposed director (whether executive or non-executive, including independent non-executive director), employee or proposed employee (whether full-time or part-time), secondee, any holder of securities issued by any member of the Group, any business or joint venture partner, contractor, agent or representative, any person or entity that provides research, development or other technology support or advisory, consultancy, professional or other services to the Group, any supplier, producer or licensor of goods or services to the Group, any customer, licensee (including any sub-licensee) or distributor of goods or services of the Group, or any landlord or tenant (including any sub-tenant) of the Group or any substantial shareholder or company controlled by a substantial shareholder, or any company controlled by one or more persons belonging to any of the above classes of participants. The New Scheme became effective on 3 May 2002 and, unless otherwise terminated earlier by shareholders in a general meeting, will remain in force for a period of 10 years from that date. No share options have been granted under the New Scheme since the date of its adoption.

Notes to Financial Statements

31 March 2003

32. SHARE OPTION SCHEMES (Continued)

Pursuant to the New Scheme, the maximum number of share options may be granted under the New Scheme and any other share option schemes of the Company is an amount equivalent, upon their exercise, not in aggregate exceed 10% of the issued share capital of the Company from time to time, excluding any shares issued on the exercise of share options. As at 31 March 2003, the number of shares issuable under the share options granted under the Old Scheme was 2,628,000, which represented approximately 2.2% of the Company's shares in issue as at that date.

The maximum number of shares issuable under share options to each eligible participant (except for a substantive shareholder or an independent non-executive director or any of their respective associates) under the New Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of such limit must be separately approved by shareholders with such eligible participant and his associates abstaining from voting.

Share options granted to a director, chief executive or substantial shareholder of the Company (or any of their respective associates) must be approved by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the option). Where any grant of share options to a substantial shareholder or an independent non-executive director (or any of their respective associates) will result in the total number of shares issued and to be issued upon exercise of share options already granted and to be granted to such person under the New Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant representing in aggregate over 0.1% of the shares in issue, and having an aggregate value, based on the closing price of the Company's shares at each date of grant, in excess of HK\$5 million, such further grant of share options is required to be approved by shareholders in a general meeting in accordance with the Listing Rules. Any change in the terms of a share option granted to a substantial shareholder or an independent non-executive director (or any of their respective associates) is also required to be approved by shareholders.

An offer for the grant of share options must be accepted within 30 days from the date on which such offer was made. The amount payable by the grantee of a share option to the Company on acceptance of the offer of the grant is HK\$1.00.

Notes to Financial Statements

31 March 2003

32. SHARE OPTION SCHEMES (Continued)

The option price per share payable on the exercise of an option is determined by the directors provided that it shall be at least the higher of (i) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange at the date of offer of grant (which is deemed to be the date of grant if the offer for the grant of a share option is accepted by the eligible person), which must be a business day; and (ii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of grant, provided that the option price per share shall in no event be less than the nominal amount of one share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

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

Name or category of participant	Number of share options			Date of grant of share options	Exercise period of share options	Exercise price of share options* HK\$
	At 1 April 2002	Adjustment during the year*	At 31 March 2003			
Directors						
Tang Ching Ho	65,400,000	(64,746,000)	654,000	6-3-2001	6-3-2001 to 5-2-2005	2.17
Yau Yuk Yin	65,400,000	(64,746,000)	654,000	6-3-2001	6-3-2001 to 5-2-2005	2.17
Other employees						
In aggregate	132,000,000	(130,680,000)	1,320,000	6-3-2001	6-3-2001 to 5-2-2005	2.17
	262,800,000	(260,172,000)	2,628,000			

* The number and exercise price of share options granted had been adjusted for the effect of the Capital Reorganisation.

At the balance sheet date, the Company had 2,628,000 share options outstanding under the Old Scheme. The exercise in full of the share options would, under the present capital structure of the Company, result in the issue of 2,628,000 additional ordinary shares of the Company and additional share capital of HK\$262,800 and share premium of HK\$5,440,000 (before issue expenses).

Notes to Financial Statements

31 March 2003

33. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 24 and 25 of the financial statements.

Certain amounts of goodwill and negative goodwill arising on the acquisition of subsidiaries and associates in prior years remain eliminated against consolidated retained profits and credited to the capital reserve, respectively, as explained in note 15 to the financial statements.

(b) Company

	Share premium account HK\$'000	Contributed surplus (Note ii) HK\$'000	Warrant reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 April 2001	257,272	31,476	—	(129,270)	159,478
Transfer (Note (i))	(129,270)	—	—	129,270	—
Conversion of convertible					
bonds	28,480	—	—	—	28,480
Placement of shares	51,360	—	—	—	51,360
Rights issue	131,525	—	—	—	131,525
Bonus issue	—	(16,441)	—	—	(16,441)
Share issue expenses	(8,253)	—	—	—	(8,253)
Profit for the year	—	—	—	3,100	3,100
At 31 March and					
1 April 2002	331,114	15,035	—	3,100	349,249
Capital Reorganisation	—	106,329	—	—	106,329
Placement of shares	19,500	—	—	—	19,500
Warrant issue	—	—	2,000	—	2,000
Warrant issue expenses	—	—	(265)	—	(265)
Share issue expenses	(2,392)	—	—	—	(2,392)
Profit for the year	—	—	—	108,216	108,216
At 31 March 2003	348,222	121,364	1,735	111,316	582,637

Notes to Financial Statements

31 March 2003

33. RESERVES (Continued)

(b) Company (Continued)

Notes:

- (i) Pursuant to a special resolution passed on 9 November 2001, the Company's share premium account was reduced by an amount of HK\$129,270,000, which was applied to offset the accumulated losses of the Company.
- (ii) 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. The movements during the year ended 31 March 2003 represent the difference between the nominal value of the share capital before and after the Group's Capital Reorganisation. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Changes to the layout of the consolidated cash flow statement

SSAP 15 (Revised) was adopted during the current year, as detailed in note 2 to the financial statements, which has resulted in a change to the layout of the consolidated cash flow statement. The consolidated cash flow statement is now presented under three headings: cash flows from operating activities, investing activities and financing activities. Previously five headings were used, comprising the three headings listed above, together with cash flows from returns on investments and servicing of finance and from taxes paid. The significant reclassifications resulting from the change in presentation are that taxes paid are now included in cash flows from operating activities, interest and dividends received are now included in cash flows from investing activities and interest and dividends paid are now included in cash flows from financing activities. The presentation of the comparative consolidated cash flow statement for the year ended 31 March 2002 has been changed to accord with the new layout.

The method of calculation of certain items in the consolidated cash flow statement has changed under the revised SSAP 15, as explained under the heading "Foreign currencies" in note 3 to the financial statements. Cash flows of overseas subsidiaries are now translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year. Previously the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. This change has had no material effect on the consolidated cash flow statement for the year ended 31 March 2002.

Notes to Financial Statements

31 March 2003

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Major non-cash transactions

During the year, the Group entered into a sale and purchase agreement to dispose of its entire interests in certain subsidiaries of the Group to an associate at a consideration of HK\$167 million. The consideration was satisfied by issuing 10,309 million ordinary shares of the associate at HK\$0.01 per share and convertible notes due from the associate of approximately HK\$64 million. Further details are set out in note (e) below.

During the year, the Group entered into sale and purchase agreements to acquire a further 52.26% equity interest of an associate from third parties at an aggregate consideration of HK\$73 million. The associate became a 99.79% subsidiary of the Group at the balance sheet date. The consideration was partly satisfied by transferring 2,173,387,061 shares of another associate of the Group at HK\$0.033 per share. Further details are set out in note (d) below.

(c) Acquisition of a subsidiary

	Notes	2003 HK\$'000	2002 HK\$'000
Net assets acquired:			
Fixed assets	13	495	—
Inventories		23	—
Trade receivables, prepayments, deposits and other debtors		2,075	—
Cash and cash equivalents		997	700
Trade payables, other payables and accruals		(2,201)	—
Tax payable		(124)	—
		1,265	700
Goodwill on acquisition	15	4,805	100
		6,070	800
Satisfied by:			
Cash		6,070	800

Notes to Financial Statements

31 March 2003

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(c) Acquisition of a subsidiary *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follow:

	2003	2002
	HK\$'000	HK\$'000
Cash consideration	6,070	800
Cash and cash equivalents acquired	(997)	(700)
Net outflow of cash and cash equivalents in respect of acquisition of a subsidiary	5,073	100

The subsidiaries acquired during the years ended 31 March 2002 and 2003 had no significant impact on the Group's consolidated turnover and profit after tax for those years.

Notes to Financial Statements

31 March 2003

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(d) Acquisition of additional shares in an associate which became a subsidiary as a result thereof

	<i>Notes</i>	2003 HK\$'000	2002 <i>HK\$'000</i>
Net assets acquired:			
Fixed assets	<i>13</i>	374	—
Inventories		2,496	—
Trade receivables, prepayments, deposits and other debtors		2,865	—
Cash and cash equivalents		2,185	—
Trade payables, other payables and accruals		(3,660)	—
Interest-bearing bank borrowings		(1,600)	—
Tax payable		(54)	—
		2,606	—
Goodwill on acquisition	<i>15</i>	71,001	—
		73,607	—
Satisfied by:			
Cash		1,885	—
Disposal of interests in an associate		71,722	—
		73,607	—

Notes to Financial Statements

31 March 2003

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(d) Acquisition of additional shares in an associate which became a subsidiary as a result thereof (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of additional shares in an associate which became a subsidiary as a result thereof is as follow:

	2003 HK\$'000	2002 HK\$'000
Cash consideration	(1,480)	—
Expenses incurred	(405)	—
Cash and cash equivalents acquired	2,185	—
Net inflow of cash and cash equivalents in respect of acquisition of additional shares in a subsidiary	300	—

On 25 March 2003, the Group acquired a further 52.26% interest in Luxembourg Medicine Company Limited ("Luxembourg"), a 47.53%-owned associate of the Group as at 31 March 2002.

The purchase consideration for the acquisition was partly satisfied by cash of HK\$1,480,000 cash and the remaining balance of HK\$71,722,000 by the transfer of 2,173,387,061 shares of Wai Yuen Tong Medicine Holdings Limited, an associate of the Group.

Luxembourg had no significant impact on the Group's consolidated turnover and profit after tax for the year after it was reclassified as a subsidiary of the Group.

Notes to Financial Statements

31 March 2003

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(e) Disposal of subsidiaries

	Notes	2003 HK\$'000	2002 HK\$'000
Net assets disposed of:			
Fixed assets	13	12,516	—
Intangible assets	14	228	—
Interests in associates		5,593	—
Inventories		11,779	—
Trade receivables		14,619	—
Deposits and other debtors		5,424	—
Cash and cash equivalents		3,553	—
Trade and other payables		(16,856)	—
Tax payable		(2,159)	—
Deferred income		(722)	—
Deferred tax	30	(218)	—
Minority interests		(8,660)	—
		25,097	—
Goodwill released on disposal		75,104	—
Gain on disposal of subsidiaries		17,031	—
Deferred gain on disposal of subsidiaries		45,183	—
		162,415	—
Satisfied by:			
Interests in an associate		103,089	—
Convertible notes of an associate	17	64,000	—
Expenses incurred		(4,674)	—
		162,415	—

Notes to Financial Statements

31 March 2003

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(e) Disposal of subsidiaries (Continued)

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries as a result thereof is as follow:

	2003	2002
	HK\$'000	HK\$'000
Expenses incurred	(4,674)	—
Cash and cash equivalents disposed of	(3,553)	—
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(8,227)	—

On 22 May 2002, the Group disposed of its entire interests in Wai Yuen Tong Medicine Company Limited, a 75.79% indirectly-owned subsidiary of the Company and its subsidiaries (collectively referred to as the "WYTM"), to Wai Yuen Tong Medicine Holdings Limited ("WYTH") for an aggregate consideration of HK\$167,089,000. The consideration was satisfied by issuing 10,309 million ordinary shares of WYTH at HK\$0.01 per share and convertible notes due from WYTH of HK\$64 million. The convertible notes are interest-bearing at 3.8% per annum, payable semi-annually in arrears, with the maturity date falling on the last day of a period of three years from the issue date.

The subsidiaries disposed of during the year ended 31 March 2003 contributed HK\$25,972,000 to the Group's turnover and HK\$4,977,000 to the consolidated profit after tax and before minority interests for the year ended 31 March 2003.

Notes to Financial Statements

31 March 2003

35. CONTINGENT LIABILITIES

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

(a)	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Guarantees in respect of performance bonds given to third parties	15,222	20,230	—	—
Guarantees given in lieu of utility and property rental deposits	17,567	7,621	—	—
Bills discounted with recourse	1,628	—	—	—
Guarantees given to financial institutions in connection with facilities granted to subsidiaries	—	—	194,555	144,343
	34,417	27,851	194,555	144,343

(b) A corporate guarantee in the amount of approximately HK\$464,000 (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) The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK\$1,534,000 as at 31 March 2003, as further explained under the heading "Employee benefits" in note 3 to the financial statements. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Notes to Financial Statements

31 March 2003

36. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 13 to the financial statements) and sub-leases Chinese wet markets, shopping centres and car parks under operating lease arrangements, with leases negotiated for terms ranging from three months to six 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 31 March 2003, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	108,730	86,018
In the second to fifth years, inclusive	57,853	67,407
	166,583	153,425

(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 three months to nine years.

At 31 March 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	130,353	113,603
In the second to fifth years, inclusive	288,040	194,425
After five years	7,321	7,579
	425,714	315,607

Notes to Financial Statements

31 March 2003

37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36(b) above, the Group had the following commitments at the balance sheet date:

	Group	
	2003	2002
	HK\$'000	<i>HK\$'000</i>
Capital commitments contracted, but not provided for	7,460	39,891

At the balance sheet date, the Company had no significant commitments.

38. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the Group entered into sale and purchase agreements with independent third parties to dispose of certain of its investment properties situated in Hong Kong for an aggregate cash consideration of HK\$1,940,000. The transactions were completed on 17 April and 7 May 2003 and did not result in any gain or loss on disposals.

39. RELATED PARTY TRANSACTIONS

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

	Notes	2003	2002
		HK\$'000	<i>HK\$'000</i>
Rental income received from Mr. Tang Ching Ho	(a)	686	978
Proceeds from disposal of subsidiaries to an associate	(b)	167,089	—
Income from associates:	(c)		
— Management fee		960	560
— Rental		679	96
— Interest income		6,900	1,955
Cleaning expenses paid to an associate	(c)	6,084	5,896
Non-refundable initial franchise fee received from a related party	(c)	—	450
Sales to a related party	(c)	247	4,694

Notes to Financial Statements

31 March 2003

39. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

- (a) An investment property of the Group was leased to Mr. Tang Ching Ho for a period of one year from 20 December 2001 at an agreed monthly rental of HK\$60,000. The lease was renewed and extended for a further one year at an agreed monthly rental of HK\$50,000. The rentals were determined with reference to the prevailing market rates.
- (b) The entire interests of WYTM were disposed of to WYTH at a consideration of HK\$167 million. The consideration was based on terms mutually agreed between the Group and the associate.

The Company agreed to severally warrant, guarantee and undertake to WYTH that the audited consolidated net profit after tax of WYTM for the year ended 31 March 2003 shall not be less than HK\$18 million. In the event that the profit is less than the guaranteed profit, the Company will pay to WYTH a prescribed cash sum. The audited consolidated net profit after tax of WYTM for the year ended 31 March 2003 was HK\$18,101,000.

- (c) The transactions were based on terms mutually agreed between the Group and the related parties.

40. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

Due to the changes of a reportable segment identified during the year, the presentation of certain comparative amounts in the segment information note have been revised to comply with the SSAP requirement.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 May 2003.

Particulars of Properties

INVESTMENT PROPERTIES

Locations	Uses	Tenure	Attributable interest of the Group
Shop Nos. 40 and 44 on Ground Floor and Shop Nos. 101 and 172 on 1st Floor of Commercial Centre Fullview Garden No. 18 Siu Sai Wan Road Chai Wan Hong Kong	Commercial premises for rental	Medium term lease	100%
House 15 Greenery Villas Phase II No. 3 Ma Lok Path Kau To Shatin New Territories	Residential premises for rental	Medium term lease	100%
Shop 6 on Ground Floor including Cockloft Cheuk Ming Building Nos. 22-26 Chuen Lung Street Nos. 10-22 Tsuen Wan Market Street Tsuen Wan New Territories	Commercial premises for rental	Medium term lease	100%
Flat D on Ground Floor and Flat D on Mezzanine Floor of Nam Yeung Mansion Nos. 31-41 Mut Wah Street Kwun Tong Kowloon	Residential premises for rental	Medium term lease	100%
Ground Floor, Upper Ground Floor 1st-5th Floors and Roof of No. 9 Wang Kwong Road Kowloon Bay Kowloon	Industrial and commercial premises for own use and rental	Medium term lease	100%

Five Year Financial Summary

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

RESULTS

	Year ended 31 March				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
TURNOVER	292,156	320,047	211,998	342,646	882,882
PROFIT/(LOSS) FROM OPERATING ACTIVITIES AFTER FINANCE COSTS	80,004	35,274	(48,837)	15,067	(120,813)
Share of profits and losses of associates	(11,409)	3,331	899	5,595	4,002
Amortisation of goodwill of associates	(16,454)	(4,482)	—	—	—
Provision for impairment of goodwill of an associate	(7,000)	—	—	—	—
PROFIT/(LOSS) BEFORE TAX	45,141	34,123	(47,938)	20,662	(116,811)
Tax	(3,207)	(3,634)	138	389	1,568
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	41,934	30,489	(47,800)	21,051	(115,243)
Minority interests	(641)	(2,789)	287	—	(870)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	41,293	27,700	(47,513)	21,051	(116,113)

Five Year Financial Summary

ASSETS, LIABILITIES AND MINORITY INTERESTS

	31 March				
	2003	2002	2001	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TOTAL ASSETS	779,351	646,981	331,295	368,598	291,233
TOTAL LIABILITIES	(158,531)	(168,413)	(163,550)	(95,063)	(236,128)
MINORITY INTERESTS	(324)	(10,569)	(7,829)	—	—
	620,496	467,999	159,916	273,535	55,105