

WANG ON GROUP LIMITED

(Incorporated in Bermuda with limited liability)

2004 Annual Report



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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

Ms. Li Yu Lian, Kelly

QUALIFIED ACCOUNTANT

Mr. Tang Kam Shing, Roland

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited

DBS Bank (Hong Kong) Limited

Bank of America (Asia) Ltd.

Dah Sing Bank, Limited

AUDITORS

Ernst & Young

LEGAL ADVISORS

Morrison & Foerster

REGISTERED OFFICE

Clarendon House

2 Church Street

41 Cedar Avenue

Hamilton HM 11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

5th Floor, Wai Yuen Tong Medicine Building

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

HOMEPAGE

<http://www.wangon.com>

STOCK CODE

1222

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Garden Room A & B, 2nd Floor, Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 13 August 2004 at 10:45 a.m. for the following purposes:

ORDINARY RESOLUTIONS

1. To receive and consider the Audited Consolidated Financial Statements and the Reports of the Directors and Auditors for the year ended 31 March 2004.
2. To consider, approve and declare a final dividend of 7.0 HK cents per share for the financial year ended 31 March 2004.
3. To re-elect Dr. Lee Peng Fei, Allen as an independent non-executive Director.
4. To re-appoint Ernst & Young as auditors of the Company and to authorise the Board of Directors to fix their remuneration.
5. As special business, to consider and, if thought fit, pass with or without amendments the following resolutions:

(A) **“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% 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
- (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.”

(B) **“THAT:**

- (a) subject to paragraph (c) below, the exercise by Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional 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
 - (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 byelaws of the Company in force from time to time,

shall not exceed 20% 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).”

- (C) **“THAT** conditional upon the resolutions set out in paragraphs (A) and (B) of item 5 above, the general mandate granted to the 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 (B) of item 5 above 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 (A) of item 5 above, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this Resolution.”

SPECIAL RESOLUTION

- I. **“THAT** the Bye-laws of the Company be amended as follows:
 - (a) by adding the following new definitions in bye-law 1:
 - (1) ““associate(s)” shall have the meaning attributed to it under the rules of the Designated Stock Exchange;
 - (2) “subsidiaries” shall have the meaning attributed to it under the rules of the Designated Stock Exchange;”;
 - (b) by deleting the existing definition of “Clearing House” in bye-law 1 and substituting therefor the following new definition:

““Clearing House” shall mean a recognised clearing house within the meaning of Schedule 1 to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or, if the shares of the Company for the time being listed or quoted on a stock exchange, a clearing house or authorised share depository recognised by the laws of the jurisdiction in which such stock exchange is located;”;

- (c) by deleting the existing bye-law 46 and substituting therefor the following new bye-law 46:

“46. Subject to these Bye-laws and the Companies Act, any Member may transfer all or any of his shares by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in any other form accepted by the Board and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.”;

- (d) by deleting the existing bye-law 66 and substituting therefor with the following new bye-law 66:

“66. (A) Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member who is present in person or by proxy (or being a corporation, is present by a representative duly authorised under Section 78 of the Act) shall have one vote, and on a poll every member present in person or by proxy (or being a corporation, is present by a representative duly authorised under Section 78 of the Act), shall have one vote for every share of which he is the holder which is fully paid up or credited as fully paid up (but so that no amount paid up or credited as paid up on a share in advance of calls or instalments shall be treated for the purposes of this Bye-Law as paid up on a share). Notwithstanding anything contained in these Bye-laws, where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll a member entitled to more than one vote need not use all his votes or cast his votes in the same way.

(B) Where any member is, under the the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(C) At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is required under the rules of the Designated Stock Exchange (before or after the declaration of the results of the show of hands or on the withdrawal of any other demand for a poll) demanded:

(i) by the Chairman of the meeting; or

(ii) by at least three members present in person or by proxy (or in the case of a member being a corporation, by its representative duly authorised under Section 78 of the Act) for the time being entitled to vote at the meeting; or

- (iii) by any member or members present in person or by proxy (or being a corporation, is present by a representative duly authorised under Section 78 of the Act) or and representing not less than one-tenth of the total voting rights of all the members having the right to attend and vote at the meeting; or
 - (iv) by any member or members present in person or by proxy (or being a corporation, is present by a representative duly authorised under Section 78 of the Act) having the right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all the shares having that right.
- (D) Unless a poll be so required or demanded and, in the later case, the demand is not withdrawn, a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.”;
- (e) by deleting the existing bye-law 78 and substituting therefor the following new bye-law 78:
- “78. Any Member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A Member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at any meeting of the Company or at any meeting of any class of Members of the Company. A proxy need not be a Member. In addition, a proxy or proxies representing either a Member who is an individual or a Member which is a corporation shall be entitled to exercise the same powers on behalf of the Member which he or they represent as such Member could exercise.”;
- (f) by deleting the existing bye-law 88 and substituting therefor with the following new bye-law 88:
- “88 No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director, signed by a shareholder (other than the person to be proposed for election as a Director) duly qualified to attend and vote at the meeting for which such notice is given, and a notice in writing signed by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office. The minimum length of the period during which such notices are given shall be at least seven days and the period for lodgment of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.”;

- (g) by deleting the existing bye-law 103(1) and substituting therefor with the following new bye-law 103(1):

“103(1) A Director shall not be entitled to vote (nor be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or any other proposal in which he or any of his associates has any material interest, and if he shall do so, his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters namely:

- (i) the giving of any security or indemnity either:
 - (a) to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or
 - (b) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (ii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iii) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company provided that the Director and any of his associates are not in aggregate beneficially interested in 5 per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associate(s) is derived) or of the voting rights;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:
 - (a) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his associate(s) may benefit; or

- (b) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, their associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
 - (v) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.”;
- (h) by deleting the existing bye-law 103(4) and substituting therefor with the following new bye-law 103(4):

“103(4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director or any of his associates (other than the chairman of the meeting) or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director or any of his associates has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman such question shall be decided by a resolution of the Board (for which purpose such chairman shall not be counted in the quorum and shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman or any of his associates as known to him has not been fairly disclosed to the Board.”;

- (i) by deleting the existing bye-law 154(2) and substituting therefor with the following new bye-law 154(2).

“154(2) subject to Section 89 of the Act, a person, other than a retiring Auditor, shall not be capable of being appointed Auditor at an annual general meeting unless notice in writing of an intention to nominate that person to the office of Auditor has been given not less than twenty-one (21) days before the annual general meeting and furthermore, the Company shall send a copy of any such notice to the retiring Auditor.””

By Order of the Board
Wang On Group Limited
Kelly Li
Company Secretary

Hong Kong, 21 July 2004

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.

I am pleased to inform the shareholders that our Group achieved a satisfactory performance for the last fiscal year despite the adverse effects of the war in Iraq, Severe Acute Respiratory Syndrome and avian flu.

We continue to be the leader in the Chinese wet markets sub-licensing business and maintain our market share and profit ability in the management and sub-licensing of shopping centres and car parks business. Taking advantage of the gradual recovery in the Hong Kong property market, the Group also increased our investment in retail properties with satisfactory returns. We also diversified into the property development business and an agreement to purchase a piece of leasehold land located in Shatin for development purpose was entered into in March 2004.

Our Group's business restructuring was also completed by the injection of our interest in Luxembourg Medicine Company Ltd. and Hunan Xiangya Pharmaceutical Co. Ltd. into Wai Yuen Tong Medicine Holdings Ltd. ("WYTH") during the year. After the restructuring, Wang On will focus on wet market, shopping centres and car parks management and sublicensing, property development and property investment while WYTH would focus on the pharmaceutical and health products related businesses.

Our cash liquidity remains strong with cash and short term investments of over HK\$340 million.

With the continued support of our shareholders, fellow directors, management team and staff, I am confident of Wang On's ability to bring shareholders solid long term returns.

Tang Ching Ho
Chairman

Hong Kong, 9 July 2004

RESULTS

The Group's turnover and net profit attributable to shareholders for the year amounted to HK\$296.6 million (2003: HK\$292.2 million) and HK\$29.3 million (2003 (restated): HK\$41.1 million) respectively.

DIVIDEND

The Board of Directors has recommended a final dividend of 7.0 HK cents per share (2003: Nil) to be paid on or before 19 August 2004, subject to shareholders' approval at the forthcoming annual general meeting should be held 13 August 2004. The register of members of the Company will be closed from 10 August 2004 to 13 August 2004, both days inclusive. To qualify for the proposed final dividend, all share transfers must be lodged with the Company's branch share registrars in Hong Kong, Tengis Limited of G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration by no later than 4:00 p.m. on 9 August 2004. Together with the interim dividend of 3.0 HK cents distributed in February 2004, this represents, a total dividend of 10.0 HK cents (2003: Nil) per share for the year.

BUSINESS REVIEW

With the rebound of the Hong Kong economy in the second half of the year under review, a net profit of HK\$29.3 million was recorded for the year under review.

Our shareholders' equity increased from HK\$623.5 million last year to HK\$680.6 million as at 31 March 2004. Our solid financial position was also represented by our cash and cash equivalents of over HK\$289 million as at 31 March 2004.

Management and Sub-licensing of Chinese Wet Markets

The Group continues to be the leader in the market. Profit contribution to the Group increased during the year as a result of more stringent cost control.

The Chinese wet market at Tseung Kwan O Plaza operated by the Group commenced business in June 2004.

The Directors are also pleased to announce that the Group's first Chinese wet market, namely Bao Hua new market, located at Li Wan Qi, Guangzhou, PRC, also commenced business in July 2004. This represented a milestone for the Group's expansion in this area of business into the PRC and the Directors will continue to explore future opportunities in the PRC.

Management and Sub-licensing of Shopping Centres and Car Parks

These areas of business continued to grow steadily with satisfactory profit contributions to the Group.

BUSINESS REVIEW *(Cont'd)*

Property Development

As disclosed in the Company's announcement dated 30 March, 2004 and a circular dated 20 April, 2004, the Group purchased a piece of leasehold land located in Shatin, with a site area of approximately 4,560 square metres. The Group currently plans to develop the property into a low density residential complex intended for sale and/or lease. This property development project represents a milestone of the Group in its diversification into the property development business. Preparatory work for the development has commenced and it is expected the project will be ready for pre-sale or pre-leasing in mid 2005.

Property Investment

The Group holds a retail property portfolio for long term investment with a view to secure for the Group stable and recurring rental income and long term capital appreciation potential.

Investment in Pharmaceutical and Health Products related Business

During the year, the Group disposed of its entire effective interest of approximately 99.79% in Luxembourg Medicine Company Limited and 39.2% in Hunan Xiangya Pharmaceutical Company Limited to Wai Yuen Tong Medicine Holdings Limited ("WYTH") at consideration of HK\$129.7 million and HK\$20 million, respectively.

On 20 April 2004, it was announced that the Group entered into an agreement to dispose of the entire issued share capital of WOD Investments Limited ("WOD") (the principal asset of which is the Wai Yuen Tong Medicine Building in Kowloon Bay, Kowloon, Hong Kong) and a related shareholder's loan to WYTH at approximately HK\$64.5 million. It was also announced that the Group would undertake to take up all its entitlement of a rights issue announced by WYTH on the same date and to make an excess application for 210 million rights shares under the rights issue.

The rights issue of WYTH and the Group's disposal of WOD to WYTH were both completed in June 2004. As a result of the rights issue, the Group has taken up all its relevant rights shares and the excess application of 210 million shares was also allocated to the Group. After the completion of the rights issue, the Group holds approximately 29.8% of WYTH's enlarged issued share capital. Subsequent to the above restructuring, all the Group's investment in the pharmaceutical and health products related business will be operated by WYTH.

LIQUIDITY AND FINANCIAL RESOURCES

The Group currently has cash resources and short term investments of over HK\$340 million, of which approximately HK\$56 million is invested in certain certificates of deposits, bank commercial papers and listed securities. Also, HK\$20 million is invested in various long-term guaranteed return funds and bank notes.

As at 31 March 2004, the Group had a net cash position of HK\$184.8 million (calculated with reference to the Group's cash and cash equivalent and total borrowings of HK\$289.4 million and HK\$104.6 million, respectively, as at 31 March 2004).

LIQUIDITY AND FINANCIAL RESOURCES *(Cont'd)*

At 31 March 2004, the Group's investment properties with a book value of approximately HK\$260.4 million and certain rental income generated therefrom were pledged to secure the Group's banking facilities, approximately HK\$140.7 million of which was utilized at 31 March 2004.

The Group's contingent liabilities and capital commitment as at 31 March 2004 amounted to approximately HK\$149.6 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2004, the Group had over 500 full time employees, over 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 and structured training programmes, are also provided.

PROSPECTS

The Group will leverage on its strength in its existing business and strong financial resources and will also continue to explore new areas of business to enhance shareholders' returns.

EXECUTIVE DIRECTORS

Mr. Tang Ching Ho, aged 42, 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 (“WYTH”).

Ms. Yau Yuk Yin, aged 42, is a co-founder of the Group, and deputy chairman and deputy managing director of the Company. She is responsible for the overall human resources and administration of the Group. She has over 10 years’ experience in the decoration and building industry. She is the wife of Mr. Tang Ching Ho.

Mr. Chan Chun Hong, Thomas, aged 40, joined the Group in 1997 as a director. He is currently responsible for managing the overall operations 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 WYTH.

Independent non-executive directors

Dr. Lee Peng Fei, Allen, CBE, JP, aged 64, joined the Group in November 1993 as a non-executive director of the Company. 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 50, joined the Group in November 1993 as a non-executive director of the Company. He holds a bachelor’s degree in Commerce and Computing Science from Simon Fraser University, Canada. He was a member of the Fight Crime Committee, the Independent Police Complaints Council and is currently a member of the Quality Education Fund, the Legal Aid Services Council, Energy Advisory Committee and other government advisory bodies.

Dr. Siu Yim Kwan, Sidney, S.B.St.J., aged 57, 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.

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 over 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. Leong Weng Kin joined the Group as a financial controller. Prior to joining the Group this year, he had around 10 years' experience in key financial position in a Hong Kong listed Group and more than four years working experience in a large international firm of Certified Public Accountants.

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 21 years' experience in the building industry. He graduated from the Hong Kong Polytechnic University with a higher certificate in Building Studies.

Ms. Li Yu Lian, Kelly is the secretary of the Company. Prior to joining the Group in 2003, she had around 10 years working experience including company secretarial, corporate finance and general administration. She is an associate member of The Institute of Chartered Secretaries and Administrators. She is also the secretary of Wai Yuen Tong Medicine Holdings Limited.

Mr. Tang Kam Shing, Roland is the qualified accountant of the Company. He is an associate member of the Hong Kong Society of Accountants and an associate member of the Association of International Accountants. Prior to joining the Group in 2004, he had more than 10 years' experience in financial position in Hong Kong and mainland China.

Mr. Wong Yiu Hung, Gary is the head of the Group's property development department. He has over 25 years' experience in properties development. Prior to joining the Group early this year, he held various senior positions in several Hong Kong listed companies which principally engaged in property development.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries and associate are set out 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 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 25 to 90.

An interim dividend of HK3 cents per ordinary share, with a scrip alternative, was declared on 19 December 2003. On 3 February 2004, 1,576,711 ordinary shares of HK\$0.10 each were issued at an issue price of HK\$0.9558 each, representing an aggregate amount of approximately HK\$1,507,000, to the shareholders who elected to receive dividend, wholly or partly, by way of allotment of shares. Cash dividend with an aggregate amount of HK\$2,037,000 was paid on 3 February 2004.

The directors recommend the payment of a final dividend of HK7 cents per ordinary share in respect of the year, to shareholders on the register of members on 13 August 2004. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

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 93 to 94. 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 14 to the financial statements. Further details of the Group's investment properties are set out on pages 91 to 92.

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 30 and 31 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.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2004, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended) amounted to HK\$237,037,000 (2003: HK\$232,680,000). In addition, the Company's share premium account, in the amount of HK\$372,362,000 (2003: HK\$348,222,000), may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contribution totalling HK\$61,000 (2003: HK\$81,300).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% (2003: less than 30%) of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 67% (2003: 64%) of the total purchases for the year and purchases from the largest supplier included therein amounted to 54% (2003: 48%) 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, Dr. Lee Peng Fei, Allen will retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 15 to 16 of the annual report.

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

Save as disclosed in note 38 to the financial statements, no director had a material interest, either directly or indirectly, 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 AND SHORT POSITIONS IN SHARES

At 31 March 2004, the interests and short positions of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in ordinary shares of the Company:

Number of shares held, capacity and nature of interest							Percentage of
Name of director	<i>Note</i>	Directly	Through	Through	Other	Total	the Company's
		beneficially	spouse	controlled	(Note (b))		issued
		owned		corporation			share capital
Mr. Tang Ching Ho	(a)	1,268,355	1,268,354	2,247,227	25,563,463	30,347,399	20.79%
Ms. Yau Yuk Yin		1,268,354	29,079,045	–	–	30,347,399	20.79%
		2,536,709	30,347,399	2,247,227	25,563,463		

The interests of the directors in the share options of the Company are separately disclosed in note 31 to the financial statements.

Notes:

- (a) The 2,247,227 shares are held by Caister Limited, which is beneficially owned by Mr. Tang Ching Ho.
- (b) 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 the relatives of Mr. Tang Ching Ho, as a result of which, and for the purpose of Sections 317(1)(a) and 318 of the SFO, Mr. Tang Ching Ho was taken to be interested in the shares owned by them.

Save as disclosed above, none of the directors had registered an interest or short position in the shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the heading "Directors' interests and short positions in shares" above and in the share option scheme disclosures in note 31 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 minor children, 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

Concerning the share options granted during the year to the employees, as detailed in note 31, the directors do not consider it appropriate to disclose a theoretical value of the options granted, because, in the absence of a readily market value of the options on the ordinary shares of the Company, the directors were unable to arrive at an assessment of the value of these options.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES

At 31 March 2004, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Notes	Number of shares	Percentage of the Company's issued share capital	Number of share options held (Note (c))
Caister Limited	(a)	30,347,399	20.79%	2,628,000
Ms. Tang Mui Fong	(a)	30,347,399	20.79%	2,628,000
Mr. Yau Yuk Tong	(a)	30,347,399	20.79%	2,628,000
Ms. Tang Mui Fun, Karen	(a)	30,347,399	20.79%	2,628,000
Ms. Chan Yuk Kuen	(b)	30,347,399	20.79%	2,628,000

Notes:

- (a) The shareholding 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 and short positions in shares".

As disclosed in Note (b) under the heading "Directors' interests and short positions in shares", 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 30,347,399 shares in the capital of the Company.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES (Cont'd)

- (b) Ms. Chan Yuk Kuen was taken to be interested under the SFO in those shares in which her spouse, Mr. Yau Yuk Tong was interested.
- (c) The details of the share options outstanding during the year are separately disclosed in note 31 to the financial statements.

Save as disclosed above, as at 31 March 2004, no persons, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares" above, had registered an interest or short positions in the shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DISCLOSURE PURSUANT TO RULE 13.13 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE (THE "LISTING RULES")

As at 31 March 2004, the Group had provided the following financial assistance and guarantee to certain affiliated companies, which, in aggregate, exceeded 8% of the consolidated total assets of the Group as at 31 March 2004:

Name of affiliated company	% attributable interest held by the Company	Advances to affiliated company HK\$'000	Interest rate per annum %	Repayable on
Wai Yuen Tong Medicine Holdings Limited ("WYTH")	19.62	7,000	2%	30 March 2007
		36,500	3.8%	8 July 2005
		20,000	3%	30 March 2006
		315	Interest-free	8 July 2004
		3	Interest-free	30 September 2004
		1	Interest-free	31 March 2007
		63,819		

All of the advances are unsecured and were repaid on 29 June 2004.

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

In addition, during the year, a corporate guarantee in the amount of HK\$5,000,000 was given by the Company to a bank as a security of general banking facilities of HK\$5,000,000 granted to Luxembourg Medicine Company Limited, an indirect 99.79% owned subsidiary of WYTH. As at 31 March 2004, an aggregate amount of HK\$1,486,000 was utilised.

DISCLOSURE PURSUANT TO RULE 13.13 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE (THE "LISTING RULES") (Cont'd)

The information extracted from the consolidated balance sheets as at 31 March 2004 of WYTH and its subsidiaries ("WYT Group") to which the Group has granted advances and provided guarantee is as follows:

Name	Total assets HK\$'000	Total liabilities HK\$'000	Minority interests HK\$'000	Net asset value HK\$'000
WYT Group	469,356	(115,451)	(212)	353,693

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 37 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises two independent non-executive directors of the Company.

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, 9 July 2004



To the members

Wang On Group Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 25 to 90 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 financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 2004 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, 9 July 2004

Consolidated Profit and Loss Account

Year ended 31 March 2004

	Notes	2004 HK\$'000	2003 HK\$'000 (Restated)
TURNOVER	5	296,565	292,156
Cost of sales		(227,559)	(230,432)
Gross profit		69,006	61,724
Other revenue and gains	5	35,839	24,415
Selling and distribution costs		(10,439)	(17,695)
Administrative expenses		(44,841)	(57,032)
Other operating expenses		(14,947)	(10,168)
Gain/(loss) on disposal of subsidiaries		(1,020)	17,031
Gain on disposals of interests in associates		13,048	73,891
Surplus/(deficit) on revaluation of investment properties	6, 14	7,066	(6,210)
Provision for an amount due from an associate		–	(3,400)
PROFIT FROM OPERATING ACTIVITIES	6	53,712	82,556
Finance costs	7	(2,041)	(2,552)
Share of profits and losses of associates		(10,307)	(11,409)
Amortisation of goodwill of associates		(7,656)	(16,454)
Provision for impairment of goodwill of an associate		–	(7,000)
PROFIT BEFORE TAX		33,708	45,141
Tax	10	(4,334)	(3,361)
PROFIT BEFORE MINORITY INTERESTS		29,374	41,780
Minority interests		(89)	(641)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	11	29,285	41,139
DIVIDENDS	12		
Interim		3,544	–
Proposed final		10,032	–
		13,576	–
EARNINGS PER SHARE	13		
Basic		HK\$0.241	HK\$0.355
Diluted		HK\$0.228	N/A

Consolidated Balance Sheet

31 March 2004

	Notes	2004 HK\$'000	2003 HK\$'000 (Restated)
NON-CURRENT ASSETS			
Fixed assets	14	292,779	188,635
Goodwill	15	5,459	135,608
Interests in associates	17	136,602	187,454
Long term investments	18(a)	34,843	14,700
Loans receivable		1,741	4,625
Rental deposits paid		7,556	7,739
Other deposits		30,630	–
Deferred tax assets	29	1,418	2,227
		511,028	540,988
CURRENT ASSETS			
Short term investments	18(b)	37,428	3,344
Inventories	19	73	2,563
Trade receivables	20	5,551	8,303
Prepayments, deposits and other receivables	21	13,972	12,134
Tax recoverable		–	55
Cash and cash equivalents	22	289,365	214,191
		346,389	240,590
CURRENT LIABILITIES			
Trade payables	23	188	1,600
Other payables and accruals	24	12,997	16,719
Deposits received and receipts in advance		40,299	39,914
Interest-bearing bank and other borrowings	25	24,575	25,182
Provisions for onerous contracts	26	9,112	7,709
Tax payable		4,729	3,324
		91,900	94,448
NET CURRENT ASSETS		254,489	146,142

Consolidated Balance Sheet (Cont'd)

31 March 2004

	Notes	2004 HK\$'000	2003 HK\$'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		765,517	687,130
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	27	80,073	50,836
Finance lease payable	28	–	52
Provisions for onerous contracts	26	4,461	12,430
		84,534	63,318
MINORITY INTERESTS		401	324
		680,582	623,488
CAPITAL AND RESERVES			
Issued capital	30	14,332	11,815
Reserves	32(a)	666,250	611,673
		680,582	623,488

Tang Ching Ho
Director

Chan Chun Hong, Thomas
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2004

		Issued share capital	Share premium account	Contributed surplus	Warrant reserve	Capital reserve	Investment property revaluation reserve	Retained profits	Proposed final dividend	Total
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2002:										
As previously reported		98,644	331,114	-	-	-	2,243	35,998	-	467,999
Prior year adjustment:										
SSAP 12 – restatement of deferred tax	29	-	-	-	-	-	-	3,146	-	3,146
As restated		98,644	331,114	-	-	-	2,243	39,144	-	471,145
Placement of shares	30	19,500	19,500	-	-	-	-	-	-	39,000
Capital reorganisation	30	(106,329)	-	106,329	-	-	-	-	-	-
Warrant issue	30	-	-	-	2,000	-	-	-	-	2,000
Warrant issue expenses		-	-	-	(265)	-	-	-	-	(265)
Share issue expenses	30	-	(2,392)	-	-	-	-	-	-	(2,392)
Deficit on revaluation of investment properties and net loss not recognised in the profit and loss account										
		-	-	-	-	-	(2,243)	-	-	(2,243)
Release of goodwill on disposal of subsidiaries										
	33(d)	-	-	-	-	-	-	75,104	-	75,104
Net profit for the year (as restated)										
		-	-	-	-	-	-	41,139	-	41,139
Transfer from retained profits										
		-	-	-	-	1,511	-	(1,511)	-	-
At 31 March 2003		11,815	348,222	106,329	1,735	1,511	-	153,876	-	623,488

Consolidated Statement of Changes in Equity (Cont'd)

31 March 2004

		Issued share capital	Share premium account	Contributed surplus	Warrant reserve	Capital reserve	Investment property revaluation reserve	Retained profits	Proposed final dividend	Total
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2003:										
As previously reported		11,815	348,222	106,329	1,735	1,511	-	150,884	-	620,496
Prior year adjustment:										
SSAP 12 – restatement of deferred tax	29	-	-	-	-	-	-	2,992	-	2,992
As restated		11,815	348,222	106,329	1,735	1,511	-	153,876	-	623,488
Placement of shares	30	2,360	23,600	-	-	-	-	-	-	25,960
Expiry of warrants	30	-	-	-	(1,735)	-	-	1,735	-	-
Share issue expenses	30	-	(810)	-	-	-	-	-	-	(810)
Surplus on revaluation of investment properties and net gain not recognised in the profit and loss account										
	14	-	-	-	-	-	4,696	-	-	4,696
Net profit for the year		-	-	-	-	-	-	29,285	-	29,285
Interim 2004 dividend	12, 30	157	1,350	-	-	-	-	(3,544)	-	(2,037)
Proposed final 2004 dividend	12	-	-	-	-	-	-	(10,032)	10,032	-
Transfer to retained profits		-	-	-	-	(1,511)	-	1,511	-	-
At 31 March 2004		14,332	372,362*	106,329*	-*	-*	4,696*	172,831*	10,032*	680,582

* These reserve accounts comprise the consolidated reserves of HK\$666,250,000 (2003 (restated): HK\$611,673,000) in the consolidated balance sheet.

Consolidated Statement of Changes in Equity (Cont'd)

31 March 2004

	Issued share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Warrant reserve HK\$'000	Capital reserve HK\$'000	Investment property revaluation reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000
Reserves retained by:									
Company and subsidiaries	14,332	372,362	106,329	-	-	4,696	193,083	10,032	700,834
Associates	-	-	-	-	-	-	(20,252)	-	(20,252)
At 31 March 2004	14,332	372,362	106,329	-	-	4,696	172,831	10,032	680,582
Company and subsidiaries	11,815	348,222	106,329	1,735	1,511	-	163,305	-	632,917
Associates	-	-	-	-	-	-	(9,429)	-	(9,429)
At 31 March 2003	11,815	348,222	106,329	1,735	1,511	-	153,876	-	623,488

Consolidated Cash Flow Statement

Year ended 31 March 2004

Notes	2004 HK\$'000	2003 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	33,708	45,141
Adjustments for:		
Finance costs	7	2,552
Share of profits and losses of associates	10,307	11,409
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	15	7,656
Net holding loss/(gain) on investments	6	(570)
Interest income from investments	5	(2,386)
Interest income	5	(8,428)
Dividend income from listed securities	5	(128)
Loss/(gain) on disposal of subsidiaries	33(d)	1,020
Gain on disposal of interests in an associate	(13,048)	(73,891)
Gain on disposal of investments, net	5	(109)
Gain on disposal of convertible notes due from an associate	5	(17,883)
Provision for and write-off of bad and doubtful debts	6	6,821
Provision for impairment of long term investments	6	1,641
Depreciation	6, 14	12,595
Amortisation of trademarks and patents	6	–
Amortisation of goodwill of subsidiaries	6, 15	6,246
Loss on disposal/write-off of fixed assets	6	200
Deficit/(surplus) on revaluation of investment properties	6, 14	(7,066)
Recognition of deferred gain on disposal of subsidiaries	5	(688)
Operating profit before working capital changes	31,929	12,513
Decrease/(increase) in trade receivables, prepayments, deposits and other receivables	(11,721)	18,162
Increase in inventories	(887)	(171)
Decrease in properties held for re-sale	–	1,167
Increase/(decrease) in trade payables, other payables and accruals	2,202	(7,845)
Decrease in deposits received and receipts in advance	(1,420)	(13,405)
Decrease in provisions for onerous contracts	6, 26	(6,566)
Increase in deferred income	–	294
Cash generated from operations	13,537	3,837
Hong Kong profits tax refunded/(paid)	(909)	29
Net cash inflow from operating activities	12,628	3,866

Consolidated Cash Flow Statement (Cont'd)

Year ended 31 March 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Net cash inflow from operating activities		12,628	3,866
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		8,295	9,007
Dividend income from listed securities		128	93
Dividend income from an associate		–	3,409
Interest income from investments		2,386	1,865
Decrease/(increase) in amounts due from associates		208	(18,498)
Increase in amounts due to associates		19	–
Acquisition of a subsidiary	33(b)	–	(5,073)
Acquisitions of additional shares in a subsidiary	33(c)	(1,929)	300
Acquisition of an associate		–	(2,500)
Acquisitions of additional shares in associates		–	(28,935)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	33(d)	(3,904)	(8,227)
Proceeds from disposal of interests in an associate		–	41,521
Increase in other deposits		(30,630)	–
Purchases of fixed assets		(11,678)	(60,622)
Purchases of investment properties		(95,807)	(88,646)
Proceeds from disposal of an investment property		1,925	–
Proceeds from disposal of fixed assets		217	–
Proceeds from disposal of a short term investment		4,784	5,200
Proceeds from disposal of convertible notes		102,383	–
New loans to an associate		(9,000)	–
Settlement of loans to an associate		87,750	–
Settlement of convertible notes due from an associate		13,000	–
Purchases of long term investments		(21,784)	(14,337)
Purchases of short term investments		(38,189)	–
Net cash inflow/(outflow) from investing activities		8,174	(165,443)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(2,041)	(2,552)
Dividend paid		(2,037)	–
Dividend paid to minority shareholders		–	(2,226)
Proceeds from issue of shares	30	25,960	39,000
Share issue expenses	30	(810)	(2,392)
Proceeds from issue of warrants	30	–	2,000
Warrant issue expenses		–	(265)
Repayment of bank loans		(27,065)	(24,145)
New bank loans		60,475	52,600
Capital element of finance lease rental payments		(110)	(58)
Net cash inflow from financing activities		54,372	61,962

Consolidated Cash Flow Statement *(Cont'd)*

Year ended 31 March 2004

Notes	2004 HK\$'000	2003 HK\$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	75,174	(99,615)
Cash and cash equivalents at beginning of year	214,191	313,806
CASH AND CASH EQUIVALENTS AT END OF YEAR	289,365	214,191
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	22 25,931	40,947
Non-pledged time deposits with original maturity of less than three months when acquired	22 263,434	173,244
	289,365	214,191

Balance Sheet

31 March 2004

	Notes	2004 HK\$'000	2003 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	14	5	8
Interests in subsidiaries	16	356,632	406,830
Interests in associates	17	219	219
Long term investments	18(a)	15,534	11,700
		372,390	418,757
CURRENT ASSETS			
Short term investments	18(b)	12,105	–
Prepayments, deposits and other receivables	21	1,088	587
Cash and cash equivalents	22	238,389	175,484
		251,582	176,071
CURRENT LIABILITIES			
Other payables and accruals	24	241	376
		241	376
NET CURRENT ASSETS			
		251,341	175,695
		623,731	594,452
CAPITAL AND RESERVES			
Issued capital	30	14,332	11,815
Reserves	32(b)	609,399	582,637
		623,731	594,452

Tang Ching Ho
Director

Chan Chun Hong, Thomas
Director

I. CORPORATE INFORMATION

The head office and principal place of business of Wang On Group Limited is located at 5th Floor, 9 Wang Kwong Road, Kowloon Bay, Kowloon.

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

- management and sub-licensing of Chinese wet markets, shopping centres and car parks
- production and sale of cough syrup and health care products
- property investment
- retailing of pork stalls

2. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE (“SSAP”)

The following new and revised SSAP and Interpretation are effective for the first time for the current year’s financial statements and have had a significant impact thereon:

- SSAP 12 (Revised): “Income taxes”
- Interpretation 20: “Income taxes – Recovery of revalued non-depreciable assets”

These SSAP and Interpretation 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 SSAP and Interpretation are summarised as follows:

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The principal impact of the revision of this SSAP on these financial statements is described below:

Measurement and recognition:

- deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future;
- a deferred tax asset has been recognised for provisions for onerous contracts made in the current/prior periods; and
- a deferred tax asset has been recognised for tax losses arising in the current/prior periods to the extent that it is probable that there will be sufficient future taxable profits against which such losses can be utilised.

2. **IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE (“SSAP”)** *(Cont'd)*

Disclosures:

- deferred tax assets and liabilities are presented separately on the balance sheet, whereas previously they were presented on a net basis; and
- the related note disclosures are now more extensive than previously required. These disclosures are presented in notes 10 and 29 to the financial statements and include a reconciliation between the accounting profit and the tax expense for the year.

Further details of these changes and the prior year adjustments arising from them are included in the accounting policy for deferred tax in note 3 and in note 29 to the financial statements.

Interpretation 20 requires that a deferred tax asset or liability that arises from the revaluation of certain non-depreciable assets and investment properties is measured based on the tax consequences that would follow from the recovery of the carrying amount of that asset through sale. This policy has been applied by the Group in respect of the revaluation of its investment properties in the deferred tax calculated under SSAP 12.

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 2004. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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. Deferred gain is recognised in the consolidated balance sheet as part of the Group's interests in associates and is amortised on the straight-line basis of not more than 20 years, being the estimated useful life of the goodwill recorded by the associate arising from the transactions.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Goodwill *(Cont'd)*

Prior to the adoption of SSAP 30 "Business combinations" in 2002, 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 the SSAP that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to the adoption of the SSAP 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Negative goodwill (Cont'd)

Prior to the adoption of SSAP 30 "Business combinations" in 2002, 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 the SSAP that permitted such negative goodwill to remain credited to the capital reserve. Negative goodwill on acquisitions subsequent to the adoption of the SSAP 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.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Fixed assets and depreciation

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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.

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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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 impairment losses, on an individual investment basis.

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, unit trusts and certificate of deposit, intended to be held for a continuing strategic or identified long term purpose, are stated at cost less any impairment losses, on an individual investment basis.

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 amount 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 included in short term investments and 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments (Cont'd)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

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.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income tax (Cont'd)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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) rental and sub-licensing fee income, on an accrual basis;
- (b) from the provision of management services, when the services are rendered;
- (c) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (d) from the sale of properties, at the time when the sale agreement becomes unconditional;
- (e) from the provision of project management and agency services, when the services are rendered;
- (f) franchise fee income, on a time proportion basis over the franchise period;
- (g) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (h) dividend income, where the shareholders' right to receive payment has been established.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Employee benefits

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**Dividends**

Final dividends proposed by the directors are classified as a separate allocation of retained profits 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.

Interim dividends are simultaneously proposed and declared, because bye-law 140 of the Company's bye-laws grants the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

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.

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.

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.

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Hong Kong, and over 90% of the Group's assets are located in Hong Kong.

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;
- (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 engages in the production and sale of cough syrup and health care products;
- (d) the property investment segment invests in industrial and commercial premises and residential units for rental income;
- (e) the retail business segment engages in the retailing of pork; and
- (f) the corporate and others segment comprises the Group's management service business. This segment also includes corporate income and expense items.

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.

4. SEGMENT INFORMATION (Cont'd)

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		Retail business		Corporate and others		Eliminations		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:																
Sales to external customers	137,858	145,981	89,334	77,349	18,555	27,167	8,138	4,515	36,950	31,885	5,730	5,259	-	-	296,565	292,156
Intersegment sales	3,189	3,921	967	873	-	-	346	-	-	-	9,029	-	(13,531)	(4,794)	-	-
Other revenue	641	919	2,361	3,248	45	333	7,308	123	81	155	34,703	99,687	-	-	45,139	104,465
Total	141,688	150,821	92,662	81,470	18,600	27,500	15,792	4,638	37,031	32,040	49,462	104,946	(13,531)	(4,794)	341,704	396,621
Segment results	15,840	7,323	5,411	3,814	6,023	6,475	11,923	(4,265)	761	(2,363)	10,336	70,290	-	892	50,294	82,166
Unallocated expenses																
Interest income															(7,396)	(10,482)
Profit from operating activities															10,814	10,872
Finance costs															53,712	82,556
Share of profits and losses of associates (including amortisation of goodwill)															(2,041)	(2,552)
Provision for impairment of goodwill of an associate															(17,963)	(27,863)
Profit before tax															-	(7,000)
Tax															33,708	45,141
Profit before minority interests															(4,334)	(3,361)
Minority interests															29,374	41,780
Net profit from ordinary activities attributable to shareholders															(89)	(641)
															29,285	41,139

* The Group's pharmaceutical operations were transferred to an associate during the year.

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4. SEGMENT INFORMATION (Cont'd)

Business segments (Cont'd)

Group	Chinese wet markets		Shopping centres and car parks		Pharmaceutical		Property investment		Retail business		Corporate and others		Eliminations		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	62,601	59,323	40,460	34,113	-	7,918	264,457	166,870	3,484	3,218	647,885	547,615	(299,490)	(227,215)	719,397	591,842
Interests in associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	136,602	187,454
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,418	2,282
Total assets	62,601	59,323	40,460	34,113	-	7,918	264,457	166,870	3,484	3,218	647,885	547,615	(299,490)	(227,215)	857,417	781,578
Segment liabilities	(62,662)	(57,747)	(47,586)	(52,924)	-	(5,994)	(224,452)	(160,778)	(2,877)	(3,678)	(28,970)	(24,466)	299,490	227,215	(67,057)	(78,372)
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(109,377)	(79,394)
Total liabilities	(62,662)	(57,747)	(47,586)	(52,924)	-	(5,994)	(224,452)	(160,778)	(2,877)	(3,678)	(28,970)	(24,466)	299,490	227,215	(176,434)	(157,766)
Other segment information:																
Depreciation	6,830	9,466	2,973	3,956	88	572	-	-	134	116	2,570	890	-	-	12,595	15,000
Amortisation:																
Goodwill	-	-	-	-	-	592	-	-	-	-	6,246	355	-	-	6,246	947
Intangible assets	-	-	-	-	-	5	-	-	-	-	-	-	-	-	-	5
Other non-cash expenses	-	50	21	5	-	-	-	6,198	-	-	8,462	17,783	-	-	8,483	24,036
Capital expenditure	748	4,082	3,545	64	57	-	102,266	148,165	163	825	706	132	-	-	107,485	153,268

(Restated)

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 invoiced value of services rendered; the gross rental income received and receivable from investment properties and proceeds from the disposal of property held for re-sale during the year.

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

	Group	
	2004 HK\$'000	2003 HK\$'000
Turnover		
Sub-licensing fee income	213,335	216,965
Management income	13,454	4,160
Sale of goods	55,679	59,053
Rendering of services	5,959	7,463
Gross rental income	8,138	2,835
Sale of property held for re-sale	–	1,680
	296,565	292,156
Other revenue		
Interest income	8,428	9,007
Interest income from investments	2,386	1,865
Dividend income from listed securities	128	93
Franchise income	–	35
Others	4,653	8,201
	15,595	19,201
Gains		
Gain on disposal of convertible notes due from an associate	17,883	–
Gain on disposal of investments, net	109	200
Exchange gains, net	1,564	4,070
Recognition of deferred gain on disposal of subsidiaries	688	944
	20,244	5,214
Other revenue and gains	35,839	24,415

6. PROFIT FROM OPERATING ACTIVITIES

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

	Notes	Group	
		2004 HK\$'000	2003 HK\$'000
Amortisation of trademarks and patents*		–	5
Amortisation of goodwill of subsidiaries**	15	6,246	947
Auditors' remuneration		785	768
Cost of inventories sold		30,235	21,924
Cost of services provided		208,935	200,093
Depreciation	14	12,595	15,000
Deficit/(surplus) on revaluation of investment properties	14	(7,066)	6,210
Loss on disposal of an investment property		15	–
Loss on disposal of other fixed assets		164	–
Fixed assets written off		21	1,061
Net holding loss/(gain) on investments		(570)	570
Minimum lease payments under operating leases for land and buildings		121,176	141,953
Provision for impairment of long term investments		1,641	637
Provision for and write-off of bad and doubtful debts		6,821	5,158
Staff costs (including directors' remuneration – Note 8):			
Wages and salaries		56,104	58,030
Pension scheme contributions		2,114	2,030
Total staff costs		58,218	60,060
Amount released for onerous contracts	26	(6,566)	(6,878)
Gain on disposal of properties held for re-sale		–	(493)
Net rental income		(8,060)	(2,794)

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

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

7. FINANCE COSTS

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest on bank loans and overdrafts	2,041	2,552

8. DIRECTORS' REMUNERATION

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

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Fees:		
Executive directors	–	–
Independent non-executive directors	631	631
Other emoluments for executive directors:		
Salaries and allowances	9,975	10,115
Pension scheme contributions	36	36
	10,642	10,782

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

	Number of directors	
	2004	2003
Nil to HK\$1,000,000	3	3
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,000,001 to HK\$2,500,000	1	–
HK\$3,500,001 to HK\$4,000,000	1	–
HK\$4,000,001 to HK\$4,500,000	1	2
	6	6

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2003: three) directors, details of whose remuneration are disclosed in note 8 above. Details of the remuneration of the remaining two (2003: two) non-director, highest paid employees for the year are as follows:

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Salaries and allowances	1,567	2,889
Pension scheme contributions	37	209
	1,604	3,098

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

	Number of employees	
	2004	2003
HK\$500,001 to HK\$1,000,000	1	–
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	–	2
	2	2

During the year, 1,100,000 share options of the Company were granted to the two non-director, highest paid employees in respect of their services to the Group, further details of which are set out in note 31 to the financial statements. No value in respect of the share options granted during the year has been charged to the profit and loss account, or is otherwise included in the above non-director, highest paid employees' remuneration disclosures.

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profits arising in Hong Kong during the year. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 March 2004.

	2004 HK\$'000	2003 HK\$'000 (Restated)
Group:		
Current – Hong Kong		
Charge for the year	2,796	2,246
Underprovision in the prior years	213	37
Deferred (Note 29)	809	154
	3,818	2,437
Share of tax attributable to associates	516	924
Total tax charge for the year	4,334	3,361

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and its subsidiaries and associates are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e. the statutory tax rates) to the effective tax rates, are as follows:

Group

	2004		2003	
	HK\$'000	%	HK\$'000	%
Profit before tax	33,708		45,141	
Tax at the statutory tax rate	5,899	17.5	7,223	16.0
Effect on opening deferred tax of increase in rate	-	-	(203)	(0.5)
Adjustments in respect of current tax of previous periods	213	0.6	37	0.1
Income not subject to tax	(20,968)	(62.2)	(17,572)	(38.9)
Expenses not deductible for tax	20,358	60.4	12,456	27.6
Tax losses utilised from previous periods	(4,967)	(14.7)	(1,056)	(2.4)
Tax losses not recognised	3,799	11.3	2,476	5.5
Tax charge at the Group's effective rate	4,334	12.9	3,361	7.4

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 March 2004 dealt with in the financial statements of the Company was HK\$6,166,000 (2003: HK\$108,216,000).

12. DIVIDENDS

	2004 HK\$'000	2003 HK\$'000
Interim – HK3 cents (2003: Nil) per ordinary share	3,544	–
Proposed final – HK7 cents (2003: Nil) per ordinary share	10,032	–
	13,576	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$29,285,000 (2003 (restated): HK\$41,139,000), and the weighted average of 121,746,522 (2003: 115,739,546) ordinary shares in issue during the year, as adjusted to reflect the capital reorganisation during the year.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the year of HK\$29,285,000. The weighted average number of ordinary shares used in the calculation is the 121,746,522 ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average of 6,807,774 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all the share options during the year.

The diluted earnings per share 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.

14. FIXED ASSETS

Group

	Investment properties HK\$'000	Leasehold improvements HK\$'000	Machineries HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Computer equipment HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost or valuation:								
At beginning of year	128,790	40,905	4,522	55,512	699	1,167	32,559	264,154
Additions	95,807	801	3,370	629	22	599	6,257	107,485
Acquisition of subsidiaries (Note 33(c))	-	-	96	2	59	1	-	158
Disposals and write-off	(1,940)	(762)	(2,361)	(6,740)	(22)	(16)	-	(11,841)
Disposal of subsidiaries (Note 33(d))	-	-	(111)	(623)	-	-	-	(734)
Transfer	25,981	12,340	-	479	-	16	(38,816)	-
Surplus on revaluation	11,762	-	-	-	-	-	-	11,762
At 31 March 2004	260,400	53,284	5,516	49,259	758	1,767	-	370,984
Accumulated depreciation:								
At beginning of year	-	24,148	3,209	46,830	463	869	-	75,519
Provided during the year	-	6,393	1,029	4,814	113	246	-	12,595
Disposals and write-off	-	(726)	(2,145)	(6,621)	(2)	(5)	-	(9,499)
Disposal of subsidiaries (Note 33(d))	-	-	(21)	(389)	-	-	-	(410)
At 31 March 2004	-	29,815	2,072	44,634	574	1,110	-	78,205
Net book value:								
At 31 March 2004	260,400	23,469	3,444	4,625	184	657	-	292,779
At 31 March 2003	128,790	16,757	1,313	8,682	236	298	32,559	188,635
Analysis of cost or valuation:								
At cost	-	53,284	5,516	49,259	758	1,767	-	110,584
At 31 March 2004 valuation	260,400	-	-	-	-	-	-	260,400
	260,400	53,284	5,516	49,259	758	1,767	-	370,984

31 March 2004

14. FIXED ASSETS (Cont'd)

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 2003 and 31 March 2004	15	66	81
Accumulated depreciation:			
At beginning of year	7	66	73
Provided during the year	3	–	3
At 31 March 2004	10	66	76
Net book value:			
At 31 March 2004	5	–	5
At 31 March 2003	8	–	8

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 2004 amounted to HK\$Nil (2003: HK\$112,800).

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 2004 by Vigers Appraisal & Consulting Limited, independent professionally qualified valuers, on an open market, existing use basis. An aggregate amount of revaluation surplus of HK\$11,762,000 resulting from the revaluation has been credited to the investment property revaluation reserve for HK\$4,696,000 and the profit and loss account for HK\$7,066,000. 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 35 and 38 to the financial statements.

At 31 March 2004, the Group's investment properties with an aggregate value of HK\$260,400,000 and certain rental income generated therefrom were pledged to secure the Group's general banking facilities, of which approximately HK\$140,735,000 had been utilised as at 31 March 2004.

Further particulars of the Group's investment properties are included on page 91 to 92.

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 HK\$'000	Goodwill arising on acquisition of associates (Note 17) HK\$'000
Cost:		
At beginning of year	144,839	41,785
Acquisitions during the year (Note 33(c))	2,191	17,204
Disposal of subsidiaries (Note 33(d))	(139,934)	–
Disposal of interests in an associate	–	(23,333)
At 31 March 2004	7,096	35,656
Accumulated amortisation and impairment:		
At beginning of year	(9,231)	(19,498)
Amortisation provided during the year	(6,246)	(7,656)
Disposal of subsidiaries (Note 33(d))	13,840	–
Disposal of interests in an associate	–	3,155
At 31 March 2004	(1,637)	23,999
Net book value:		
At 31 March 2004	5,459	11,657
At 31 March 2003	135,608	22,287

As detailed in note 3 to the financial statements, on the adoption of SSAP 30 in 2002, the Group applied the transitional provision of SSAP 30 that permitted goodwill and negative goodwill in respect of acquisitions which occurred prior to the adoption of the SSAP, to remain eliminated against consolidated reserves or credited to the capital reserve, respectively.

The amounts of goodwill recorded at cost in consolidated reserves, arising from the acquisition of subsidiaries prior to the adoption of SSAP 30 in 2002 were HK\$20,829,000, as at 1 April 2003. During the year, upon the acquisition of additional interest in an associate, which became a subsidiary thereafter, the entire goodwill recorded at cost in consolidated reserves as at 1 April 2003, arising from the acquisition of an associate prior to the adoption of SSAP 30 in 2002 of HK\$926,000 was reclassified as goodwill arising on acquisition of subsidiaries. Accordingly, the goodwill remaining in consolidated reserve as at 31 March 2004 were HK\$21,755,000.

The amount of negative goodwill recorded at cost in consolidated reserves as at 31 March 2003 and 2004, arising from the acquisition of a subsidiary prior to the adoption of SSAP 30 in 2002, was HK\$8,112,000.

16. INTERESTS IN SUBSIDIARIES

	Company	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	71,000	71,000
Due from subsidiaries – Note (i)	655,101	712,203
Loans to subsidiaries – Note (ii)	83,461	81,133
Due to subsidiaries – Note (i)	(33,481)	(38,057)
	776,081	826,279
Less: Provisions for impairment	(419,449)	(419,449)
	356,632	406,830

Notes:

- (i) The amounts are unsecured and have no fixed terms of repayment. Except for a balance of HK\$7,000,000 advanced to a subsidiary which bears interest at 2% per annum, 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 3% per annum, the remaining balances are interest-free.

16. INTERESTS IN SUBSIDIARIES (Cont'd)

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
Charter Golden Design & Contracting Limited	Hong Kong	Ordinary HK\$2	–	100	Property Development
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
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
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

16. INTERESTS IN SUBSIDIARIES *(Cont'd)*

Particulars of the principal subsidiaries at the balance sheet date are as follows: *(Cont'd)*

Name	Place of incorporation/ operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Goodtech Management Limited	Hong Kong	Ordinary HK\$2,800,100	–	100	Management of shopping centres
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	Management and sub-licensing of car parks
Majorluck Limited	Hong Kong	Ordinary HK\$10,000	–	100	Management and sub-licensing of Chinese wet markets
Parking Lot Management Limited	Hong Kong	Ordinary HK\$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

16. INTERESTS IN SUBSIDIARIES (Cont'd)

Particulars of the principal subsidiaries at the balance sheet date are as follows: (Cont'd)

Name	Place of incorporation/ operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Richly Gold Ltd.	Hong Kong	Ordinary HK\$2	–	100	Investment holding
Tse's Waxing & Cleaning Company Limited ("Tse's")	Hong Kong	Ordinary HK\$2	–	100	Provision of cleaning services
WOB Investments Limited	Hong Kong	Ordinary HK\$2	–	100	Property investment
Wang On Commercial Management Limited	British Virgin Islands/ Hong Kong	Ordinary US\$2	–	100	Investment holding
WOD Investments Limited ("WOD")	Hong Kong	Ordinary HK\$1,000,000	–	100	Property investment
WEH Investments Limited	Hong Kong	Ordinary HK\$477 Non-voting deferred (Note 3) HK\$1,262,523	–	100	Property investment
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

16. INTERESTS IN SUBSIDIARIES *(Cont'd)*

Particulars of the principal subsidiaries at the balance sheet date are as follows: *(Cont'd)*

Name	Place of incorporation/ operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Wang On Shopping Centre Management Limited	Hong Kong	Ordinary HK\$2	–	100	Management and sub-licensing of shopping centres
Willing Dental Consultants Limited	Hong Kong	Ordinary HK\$100	–	100	Provision of dental consultation services

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\$1,000,000,000,000 thereof has been distributed among the holders of the ordinary shares.

17. INTERESTS IN ASSOCIATES

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Share of net assets	69,713	32,259	-	-
Deferred gain	(8,785)	(16,058)	-	-
Goodwill on acquisition – Note 15	11,657	22,287	-	-
	72,585	38,488	-	-
Due from associates – Note (i)	539	7,874	219	219
Due to associates – Note (i)	(19)	-	-	-
Loans to associates – Note (ii)	7,000	80,495	-	-
Convertible notes due from an associate – Note (iii)	56,500	64,000	-	-
	136,605	190,857	219	219
Less: Provisions for impairment	(3)	(3,403)	-	-
	136,602	187,454	219	219

Notes:

- (i) The amounts with associates are unsecured and interest-free. Except for an amount due from an associate of HK\$319,000 which was repaid on 29 June 2004, the remaining balance has no fixed terms of repayment.
- (ii) A loan to an associate of HK\$7,000,000 as at 31 March 2004 is unsecured, bears interest at 2% per annum and was repaid on 29 June 2004.
- (iii) The convertible notes of HK\$36,500,000 carry interest at 3.8% per annum with a right to convert into ordinary shares of Wai Yuen Tong Medicine Holdings Limited (“WYTH”) at an initial conversion price of HK\$0.01 per share during the period from 9 July 2002 to 8 July 2005. The initial conversion price of HK\$0.01 per share was increased to HK\$1 per share as a result of the capital reorganisation of WYTH effective on 20 October 2003.

The convertible notes of HK\$20,000,000 carry interest at 3% per annum with a right to convert into ordinary shares of WYTH at an initial conversion price of HK\$0.7 per share during the period from 31 March 2004 to 30 March 2006.

All the convertible notes were repaid on 29 June 2004.

17. INTERESTS IN ASSOCIATES *(Cont'd)*

Particulars of the principal associate 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
			2004 <i>(Note 2)</i>	2003	
WYTH* <i>(Note 3)</i>	Corporate	Hong Kong	19.62	30.87	Production and sale of Chinese and western medicine, and health care products

Notes:

- (1) The above table lists the associate 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) During the year, the interest in WYTH was diluted as a result of placements of shares and the exercise of convertible notes and share options in the investee company.
- (3) 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.

17. INTERESTS IN ASSOCIATES (Cont'd)

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

	WYTH	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit and loss account		
Turnover	349,225	259,824
Loss for the year	(30,006)	(28,946)
Balance sheet		
Non-current assets	343,339	216,510
Current assets	126,017	103,175
Current liabilities	(44,784)	(99,736)
Non-current liabilities	(70,667)	(133,821)
Minority interests	(212)	(94)
Net assets	353,693	86,034

18. INVESTMENTS
(a) Long term investments

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Held-to-maturity securities:				
Hong Kong unlisted dated debt securities, at amortised cost	15,534	–	15,534	–
Investment securities:				
Hong Kong unlisted certificate of deposit, at cost	–	11,700	–	11,700
Hong Kong unlisted unit trusts, at cost	4,010	3,000	–	–
Hong Kong unlisted equity shares, at cost	30,098	13,158	–	–
	34,108	27,858	–	11,700
Less: Provisions for impairment	(14,799)	(13,158)	–	–
	19,309	14,700	–	11,700
	34,843	14,700	15,534	11,700

(b) Short term investments

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Held-to-maturity securities:				
Hong Kong unlisted unit trusts, at cost	19,403	–	–	–
Investment security:				
Hong Kong unlisted certificate of deposit, at cost	11,650	–	11,650	–
Other investments:				
Listed equity securities, at fair value				
Hong Kong	5,920	3,344	–	–
Elsewhere	455	–	455	–
	37,428	3,344	12,105	–

19. INVENTORIES

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Raw materials	–	944
Packing materials	–	987
Finished goods	73	632
	73	2,563

None of the inventories included in the above was carried at net realisable value as at the balance sheet date (2003: Nil).

20. TRADE RECEIVABLES

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

	Group			
	2004		2003	
	<i>HK\$'000</i>	<i>Percentage</i>	<i>HK\$'000</i>	<i>Percentage</i>
Within 90 days	5,297	94	7,546	89
91 days to 180 days	253	4	720	8
Over 180 days	86	2	251	3
	5,636	100	8,517	100
Less: Provision for doubtful debts	(85)		(214)	
	5,551		8,303	

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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21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Prepayments	2,978	2,939	814	509
Deposits	6,269	6,176	47	–
Other receivables	4,725	3,019	227	78
	13,972	12,134	1,088	587

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	25,931	40,947	2,189	22,261
Time deposits	263,434	173,244	236,200	153,223
	289,365	214,191	238,389	175,484

23. TRADE PAYABLES

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

	Group	
	2004	2003
	HK\$'000	HK\$'000
Within 90 days	188	1,140
Over 180 days	–	460
	188	1,600

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Other payables	4,010	7,508	110	110
Accruals	8,987	9,211	131	266
	12,997	16,719	241	376

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	Group	
		2004 HK\$'000	2003 HK\$'000
Current portion of bank loans and overdrafts	27	24,575	25,124
Current portion of finance lease payable	28	–	58
		24,575	25,182

26. PROVISIONS FOR ONEROUS CONTRACTS

	Group	
	2004 HK\$'000	2003 HK\$'000
At beginning of year	20,139	27,017
Write back of provision	(420)	(313)
Amount utilised during the year	(6,146)	(6,565)
At 31 March	13,573	20,139
Portion classified as current liabilities	(9,112)	(7,709)
Long term portion	4,461	12,430

27. INTEREST-BEARING BANK LOANS

	Group	
	2004 HK\$'000	2003 HK\$'000
Bank loans:		
Secured – Note	104,648	60,193
Unsecured	–	15,767
	104,648	75,960
Bank loans repayable:		
Within one year	24,575	25,124
In the second year	9,734	11,355
In the third to fifth years, inclusive	24,890	29,061
Beyond five years	45,449	10,420
	104,648	75,960
Portion classified as current liabilities (Note 25)	(24,575)	(25,124)
Long term portion	80,073	50,836

Note: Certain of the Group's bank loans are secured by the Group's investment properties (note 14).

28. FINANCE LEASE PAYABLE

The Group leased certain of its office equipment. These leases were classified as finance leases and have been terminated during the year.

At the balance sheet date, 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	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts repayable:				
Within one year	-	58	-	58
In the second year	-	52	-	52
Total minimum finance lease payments	-	110	-	110
Future finance charges	-	-		
Total net finance lease payables	-	110		
Portion classified as current liabilities (Note 25)	-	(58)		
Long term portion	-	52		

29. DEFERRED TAX

The movement in deferred tax liabilities and assets during the year is as follows:

Deferred tax assets

Group	2003					
	Accelerated tax depreciation HK\$'000	Provisions for onerous contracts HK\$'000	Revaluation of properties HK\$'000	Losses available for offset against future taxable profit HK\$'000	Others HK\$'000	Total HK\$'000
At 1 April 2002						
As previously reported	(983)	–	–	–	–	(983)
Prior year adjustment:						
SSAP 12 – restatement of deferred tax	725	1,500	–	921	–	3,146
As restated	(258)	1,500	–	921	–	2,163
Disposal of subsidiaries (note 33(d))	218	–	–	–	–	218
Deferred tax credited/(charged) to the profit and loss account during the year, including a credit of HK\$203,000 due to the effect of a change in tax rate (note 10)	(1,724)	–	78	1,472	20	(154)
Deferred tax assets/(liabilities) at 31 March 2003	(1,764)	1,500	78	2,393	20	2,227
Group	2004					
	Accelerated tax depreciation HK\$'000	Provisions for onerous contracts HK\$'000	Revaluation of properties HK\$'000	Losses available for offset against future taxable profit HK\$'000	Others HK\$'000	Total HK\$'000
At 1 April 2003						
As previously reported	(765)	–	–	–	–	(765)
Prior year adjustment:						
SSAP 12 – restatement of deferred tax	(999)	1,500	78	2,393	20	2,992
As restated	(1,764)	1,500	78	2,393	20	2,227
Deferred tax credited/(charged) to the profit and loss account during the year (note 10)	(962)	(254)	(59)	476	(10)	(809)
Deferred tax assets/(liabilities) at 31 March 2004	(2,726)	1,246	19	2,869	10	1,418

29. DEFERRED TAX (Cont'd)

The Group has tax losses arising in Hong Kong of HK\$121,230,000 (2003: HK\$127,361,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31 March 2004, there is no significant unrecognised deferred tax liability (2003: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or associates as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

SSAP 12 (revised) was adopted during the year, as further explained in note 2 to the financial statements. This change in accounting policy has resulted in an increase in the Group's deferred tax assets as at 31 March 2004 and 2003 by HK\$2,183,000 and HK\$2,992,000, respectively. As a consequence, the consolidated net profits attributable to shareholders for the years ended 31 March 2004 and 2003 have been decreased by HK\$809,000 and HK\$154,000, respectively, and the consolidated retained profits at 1 April 2003 and 2002 have been increased by HK\$2,992,000 and HK\$3,146,000, respectively, as detailed in the consolidated statement of changes in equity.

30. SHARE CAPITAL**Shares**

	2004 HK\$'000	2003 HK\$'000
<i>Authorised:</i>		
2,000,000,000 ordinary shares of HK\$0.10 each	200,000	200,000
<i>Issued and fully paid:</i>		
143,320,366 (2003: 118,143,655) ordinary shares of HK\$0.10 each	14,332	11,815

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

- (a) On 19 December 2003, the Group declared an interim dividend of HK\$0.03 per share, with a scrip alternative, to its shareholders whose names appear on the register of members on 9 January 2004. Accordingly, 1,576,711 ordinary shares of HK\$0.10 each were issued at an issue price of HK\$0.9558 each to the shareholders who elected to receive dividend, wholly or partly, by way of allotment of shares on 3 February 2004, resulting in the transfer of HK\$157,000 and HK\$1,350,000 from retained profits to issued capital and share premium account, respectively.

30. SHARE CAPITAL (Cont'd)

Shares (Cont'd)

- (b) On 9 February 2004, a top-up placement of 23,600,000 ordinary shares of HK\$0.10 each was made at an issue price of HK\$1.10 each. The net proceeds were used for the purchase of investment properties.

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

	Number of shares in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 April 2002	9,864,365,596	98,644	331,114	429,758
Placement of shares	1,950,000,000	19,500	19,500	39,000
Capital reorganisation	(11,696,221,941)	(106,329)	–	(106,329)
Share issue expenses	–	–	(2,392)	(2,392)
At 31 March and 1 April 2003	118,143,655	11,815	348,222	360,037
Interim 2004 dividend (a)	1,576,711	157	1,350	1,507
Placement of shares (b)	23,600,000	2,360	23,600	25,960
Share issue expenses	–	–	(810)	(810)
At 31 March 2004	143,320,366	14,332	372,362	386,694

Share options

Details of the Company's share option schemes are set out in note 31 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 were 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 (the "Expiry Date"). As a result of a capital reorganisation effective on 4 October 2002 (the "Capital Reorganisation"), 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 up to the Expiry Date. Accordingly, the warrant reserve as at 31 March 2003 of approximately HK\$1,735,000 was transferred to retained profits on the Expiry Date.

31. 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. 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 of the Old Scheme. 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 2004, 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.

Pursuant to the New Scheme, the maximum number of share options that 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 2004, the number of shares issuable under the share options granted under the Old Scheme and the New Scheme were 2,628,000 and 9,800,000, respectively, which in aggregate represented approximately 8.7% 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 substantial 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.

31. SHARE OPTION SCHEMES (Cont'd)

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.

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 two share option schemes 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 2003	Granted during the year	At 31 March 2004			
Directors						
Tang Ching Ho	654,000	–	654,000	6-3-2001	6-3-2001 to 5-2-2005	2.17
Yau Yuk Yin	654,000	–	654,000	6-3-2001	6-3-2001 to 5-2-2005	2.17
Other employees						
In aggregate (under the old scheme)	1,320,000	–	1,320,000	6-3-2001	6-3-2001 to 5-2-2005	2.17
In aggregate (under the new scheme)	–	9,800,000	9,800,000	*	*	*
	2,628,000	9,800,000	12,428,000			

31. SHARE OPTION SCHEMES (Cont'd)

- * These represented options granted to employees with exercise prices ranging from HK\$0.968 to HK\$1.070 per share and an exercise period starting on the earliest on 7 October 2003 and ending on the latest on 8 January 2014. The weighted average price of the Company's share at exercise date of options is HK\$1.01.

At the balance sheet date, the Company had 2,628,000 (2003: 2,628,000) and 9,800,000 (2003: Nil) share options outstanding under the Old Scheme and the New Scheme, respectively. The exercise in full of the share options would, under the present capital structure of the Company, result in the issue of 12,428,000 (2003: 2,628,000) additional ordinary shares of the Company and additional share capital of HK\$1,242,800 (2003: HK\$262,800) and share premium of HK\$14,323,760 (2003: HK\$5,440,000) (before issue expenses).

32. 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 28 to 30 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.

31 March 2004

32. RESERVES (Cont'd)

(b) Company

		Share premium account	Contributed surplus (Note)	Warrant reserve	Retained profits	Proposed final dividend	Total
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2002		331,114	15,035	–	3,100	–	349,249
Placement of shares	30	19,500	–	–	–	–	19,500
Capital Reorganisation	30	–	106,329	–	–	–	106,329
Warrant issue	30	–	–	2,000	–	–	2,000
Warrant issue expenses		–	–	(265)	–	–	(265)
Share issue expenses	30	(2,392)	–	–	–	–	(2,392)
Net profit for the year		–	–	–	108,216	–	108,216
At 31 March and 1 April 2003		348,222	121,364	1,735	111,316	–	582,637
Placement of shares	30	23,600	–	–	–	–	23,600
Expiry of warrant	30	–	–	(1,735)	1,735	–	–
Share issue expenses	30	(810)	–	–	–	–	(810)
Net profit for the year		–	–	–	6,166	–	6,166
Interim 2004 dividend	12, 30	1,350	–	–	(3,544)	–	(2,194)
Proposed final 2004 dividend	12	–	–	–	(10,032)	10,032	–
At 31 March 2004		372,362	121,364	–	105,641	10,032	609,399

Note:

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.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**(a) 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 WYTH at a consideration of HK\$130 million. The consideration was satisfied by the issuance of approximately 5,972 million ordinary shares in WYTH at HK\$0.01 per share and convertible notes issued by WYTH of approximately HK\$70 million. Further details are set out in note (d) below.

During the year, the Group entered into a sale and purchase agreement to dispose of its entire interests in an associate to WYTH at a consideration of HK\$20 million. The consideration was satisfied by the issuance of convertible notes by WYTH of approximately HK\$20 million. A gain on disposal of approximately HK\$13 million was resulted upon the completion of this disposal.

(b) Acquisition of a subsidiary

	2004 HK\$'000	2003 HK\$'000
Net assets acquired:		
Fixed assets	-	495
Inventories	-	23
Trade receivables, prepayments, deposits and other receivables	-	2,075
Cash and cash equivalents	-	997
Trade payables, other payables and accruals	-	(2,201)
Tax payable	-	(124)
	-	1,265
Goodwill on acquisition	-	4,805
	-	6,070
Satisfied by:		
Cash	-	6,070

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(b) Acquisition of a subsidiary (Cont'd)

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

	2004 HK\$'000	2003 HK\$'000
Cash consideration	-	(6,070)
Cash and cash equivalents acquired	-	997
Net outflow of cash and cash equivalents in respect of acquisition of a subsidiary	-	(5,073)

(c) Acquisition of additional shares in associates which became subsidiaries as a result thereof

	Notes	2004 HK\$'000	2003 HK\$'000
Net assets acquired:			
Fixed assets	14	158	374
Inventories		-	2,496
Trade receivables, prepayments, deposits and other receivables		827	2,865
Tax recoverable		12	-
Cash and cash equivalents		844	2,185
Trade payables, other payables and accruals		(677)	(3,660)
Interest-bearing bank borrowings		-	(1,600)
Tax payable		-	(54)
Goodwill on acquisition	15	1,164 2,191	2,606 71,001
		3,355	73,607
Satisfied by:			
Cash		2,773	1,885
Disposal of interests in an associate		582	71,722
		3,355	73,607

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)**(c) Acquisition of additional shares in associates which became subsidiaries as a result thereof (Cont'd)**

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of additional shares in associates which became subsidiaries as a result thereof is as follows:

	2004 HK\$'000	2003 HK\$'000
Cash consideration	(2,750)	(1,480)
Expenses incurred	(23)	(405)
Cash and cash equivalents acquired	844	2,185
Net inflow/(outflow) of cash and cash equivalents in respect of acquisition of additional shares in subsidiaries	(1,929)	300

On 15 July 2003, the Group acquired a further 50% interest in Tse's, a then 50%-owned associate of the Group at a cash consideration of HK\$2,750,000.

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

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(d) Disposal of subsidiaries

	Notes	2004 HK\$'000	2003 HK\$'000
Net assets disposed of:			
Fixed assets	14	324	12,516
Intangible assets		–	228
Interests in associates		–	5,593
Inventories		3,377	11,779
Trade receivable		9,194	14,619
Deposits and other receivables		647	5,424
Cash and cash equivalents		3,691	3,553
Trade and other payables		(6,208)	(16,856)
Interest-bearing bank and other borrowings		(4,722)	–
Tax payable		(628)	(2,159)
Deferred income		–	(722)
Deferred tax liabilities	29	–	(218)
Minority interests		(12)	(8,660)
		5,663	25,097
Goodwill released on disposal	15	126,094	75,104
Gain/(loss) on disposal of subsidiaries		(1,020)	17,031
Deferred gain/(loss) on disposal of subsidiaries		(1,012)	45,183
		129,725	162,415
Satisfied by:			
Interests in an associate		59,938	103,089
Convertible notes of an associate		70,000	64,000
Expenses incurred		(213)	(4,674)
		129,725	162,415

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)**(d) Disposal of subsidiaries** (Cont'd)

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

	2004 HK\$'000	2003 HK\$'000
Expenses incurred	(213)	(4,674)
Cash and cash equivalents disposed of	(3,691)	(3,553)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(3,904)	(8,227)

On 20 August 2003, the Group disposed of its entire interests in Biomore Investments Limited and Bio Chapter Limited (collectively referred to as the "Disposed Subsidiaries"), two then wholly-owned subsidiaries of the Company, to WYTH for an aggregate consideration of HK\$129,725,000. The consideration was satisfied by the issuance of approximately 5,972 million ordinary shares in WYTH at HK\$0.01 per share and convertible notes issued by WYTH of HK\$70 million. The convertible notes are interest-bearing at 2% 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 Disposed Subsidiaries and their subsidiaries contributed HK\$18,556,000 to the Group's turnover and HK\$5,404,000 to the consolidated profit after tax and before minority interests for the year ended 31 March 2004.

34. CONTINGENT LIABILITIES

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

(a)	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Guarantees in respect of performance bonds given to third parties	-	15,222	-	-
Guarantees given in lieu of utility and property rental deposits	-	17,567	-	-
Bills discounted with recourse	-	1,628	-	-
Guarantees given to financial institutions in connection with facilities granted to subsidiaries	-	-	243,650	194,555
	-	34,417	243,650	194,555

- (b) A corporate guarantee in the amount of approximately HK\$Nil (2003: 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.

A corporate guarantee in the amount of HK\$5,000,000 (2003: Nil) was given by the Company to a bank as a security of general banking facilities of HK\$5,000,000 granted to a subsidiary of an associate of the Group. As at 31 March 2004, an aggregate amount of HK\$1,486,000 was utilised.

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\$1,558,000 as at 31 March 2004, 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 had 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.

35. OPERATING LEASE ARRANGEMENTS**(a) As lessor**

The Group leases its investment properties (note 14 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 rental adjustments according to the then prevailing market conditions.

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

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Within one year	70,810	108,730
In the second to fifth years, inclusive	30,319	57,853
	101,129	166,583

(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 six years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Within one year	109,754	130,353
In the second to fifth years, inclusive	114,171	288,040
After five years	378	7,321
	224,303	425,714

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35(b) above, the Group had the following commitments at the balance sheet date:

	Group	
	2004 HK\$'000	2003 HK\$'000
Capital commitments contracted, but not provided for	146,561	7,460

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

37. POST BALANCE SHEET EVENTS

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

- (a) On 19 March 2004, the Group entered into a provisional sale and purchase agreement with an independent third party to acquire an investment property at a consideration of HK\$56 million, of which, HK\$10 million had been paid as a deposit by the Group prior to the balance sheet date. The outstanding balance of HK\$46 million was included in the amount of capital commitments contracted, but not provided for, in note 36 to the financial statements. The acquisition was completed on 18 May 2004.
- (b) On 24 March 2004, the Group entered into a conditional sale and purchase agreement with independent third parties to acquire Swing International Limited ("Swing") at a cash consideration of HK\$10 million. The major asset of Swing was a deposit paid for the acquisition of an investment property of approximately HK\$5.63 million, representing 10% of the total consideration of approximately HK\$56.3 million. The remaining consideration was fully paid on the completion date of the acquisition on 30 April 2004.
- (c) On 7 April 2004, the Group entered into a sale and purchase agreement with an independent third party to dispose of an investment property situated in Hong Kong for a cash consideration of HK\$33.8 million. The transaction was completed on 1 June 2004 and resulted in a gain of approximately HK\$4.4 million.
- (d) On 26 March 2004, the Group entered into a provisional sale and purchase agreement with an independent third party to acquire a residential leasehold land situated in Shatin for residential development purpose at a consideration of HK\$103.8 million, of which, HK\$5 million had been paid as a deposit by the Group prior to the balance sheet date. The outstanding balance of HK\$98.8 million was included in the amount of capital commitments contracted, but not provided for, in note 36 to the financial statements. The directors expect the acquisition will be completed on 20 July 2004.

37. POST BALANCE SHEET EVENTS (Cont'd)

- (e) On 8 April 2004, the Group entered into a conditional sale and purchase agreement with a subsidiary of WYTH (the "Purchaser") to dispose of its entire interest in a wholly-owned subsidiary of the Group, WOD, which owns the Wai Yuen Tong Medicine Building, to the Purchaser at an initial consideration of approximately HK\$64.5 million. The transaction was completed on 30 June 2004.
- (f) On 20 April 2004, WYTH announced that it proposed to issue approximately 1,658 million rights shares at a price of HK\$0.16 per rights share on the basis of three rights shares for every WYTH share held on 2 June 2004 ("Rights Issue"). In addition, WYTH also proposed to issue approximately 553 million bonus shares on the basis of one bonus share for every three fully paid rights shares ("Bonus Issue"). The Group had given a conditional irrevocable undertaking to WYTH to subscribe or procure the subscribing of all its entitlement pursuant to the Rights Issue (i.e. a total of 433.8 million of shares, including both rights shares and bonus shares, to be issued to the Group) and to make or procure an excess application for 210 million rights shares under the Rights Issues. Accordingly, upon the completion of Rights Issue and Bonus Issue on 28 June 2004, 535.3 million rights shares and 178.5 million bonus shares in the capital of WYTH were allotted to the Group, which increased the Group's interest in WYTH's enlarged share capital to 29.75%.
- (g) On 5 July 2004, the Group entered into a sale and purchase agreement with an independent third party to acquire investment properties, together with two existing tenancies with an aggregated monthly rental charge of HK\$77,000, both expiring on 31 May 2006, at a consideration of HK\$19.8 million.

38. RELATED PARTY TRANSACTIONS

In addition to the transaction as detailed in note 34(b) to the financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2004 HK\$'000	2003 HK\$'000
Rental income received from Mr. Tang Ching Ho	(a)	583	686
Proceeds from disposal of companies to an associate	(b)	149,725	167,089
Income from associates:	(c)		
– Management fee		960	960
– Rental		5,116	679
– Interest income		6,957	6,900
Cleaning expenses paid to an associate	(c)	1,716	6,084
Sales to a related party	(c)	–	247

31 March 2004

38. RELATED PARTY TRANSACTIONS (Cont'd)

Notes:

- (a) An investment property of the Group was leased to Mr. Tang Ching Ho for a period of one year from 20 December 2002 at an agreed monthly rental of HK\$50,000. The lease was renewed and extended for a further one year at an agreed monthly rental of HK\$45,000. The rentals were determined with reference to the prevailing market rates.
- (b) The entire interests of the Disposed Subsidiaries and China Field Enterprises Limited, a then 49%-owned associate of the Group, were disposed of to WYTH at considerations of HK\$129.7 million and HK\$20 million, respectively. The considerations were based on terms mutually agreed between the Group and WYTH. Further details of the disposal of the Disposed Subsidiaries are disclosed in note 33(d) to the financial statements.

The Company agreed to severally warrant, guarantee and undertake to WYTH that the audited consolidated net profit after tax of Luxembourg Medicine Company Limited ("LMC"), a company 99.79%-owned by the Disposed Subsidiaries, for the year ended 31 March 2004 shall not be less than HK\$11.5 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 LMC for the year ended 31 March 2004 was HK\$12 million.

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

Details of the Group's balances with associates as at the balance sheet date are disclosed in note 17 to the financial statements.

39. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of a revised SSAP 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.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 9 July 2004.

INVESTMENT PROPERTIES

Locations	Uses	Tenure	Attributable interest of the Group
Shops Numbers 101 and 172 on 1st Floor of Commercial Centre Fullview Garden No. 18 Siu Sai Wan Road Siu Sai Wan 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%
No. 32 Argyle Street (Whole block) Mongkok Kowloon	Commercial premises for rental	Medium term lease	100%

INVESTMENT PROPERTIES *(Cont'd)*

Locations	Uses	Tenure	Attributable interest of the Group
Shop C on the Ground Floor (together with all those external walls of the shop C on the Ground Floor) Tsuen Fung Building Nos. 39-43A Tsuen Wan Market Street Tsuen Wan New Territories	Commercial premises for rental	Medium term lease	100%
House 2 and car parking spaces 3 and 4 Winners Lodge Nos. 9, 11, 13 and 15 Ma Yeung Path Shatin New Territories	Residential premises for rental	Medium term lease	100%

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. The amounts in 2000, 2001, 2002 and 2003 have been adjusted for the effects of the retrospective change in accounting policy affecting income tax, as detailed in note 2 to the financial statements.

RESULTS

	Year ended 31 March				
	2004 HK\$'000	2003 HK\$'000 (Restated)	2002 HK\$'000 (Restated)	2001 HK\$'000 (Restated)	2000 HK\$'000 (Restated)
TURNOVER	296,565	292,156	320,047	211,998	342,646
PROFIT/(LOSS) FROM OPERATING ACTIVITIES AFTER FINANCE COSTS	51,671	80,004	35,274	(48,837)	15,067
Share of profits and losses of associates	(10,307)	(11,409)	3,331	899	5,595
Amortisation of goodwill of associates	(7,656)	(16,454)	(4,482)	–	–
Provision for impairment of goodwill of an associate	–	(7,000)	–	–	–
PROFIT/(LOSS) BEFORE TAX	33,708	45,141	34,123	(47,938)	20,662
Tax	(4,334)	(3,361)	(3,531)	1,520	(462)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	29,374	41,780	30,592	(46,418)	20,200
Minority interests	(89)	(641)	(2,789)	287	–
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	29,285	41,139	27,803	(46,131)	20,200

ASSETS, LIABILITIES AND MINORITY INTERESTS

	31 March				
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
		(Restated)	(Restated)	(Restated)	(Restated)
TOTAL ASSETS	857,417	781,578	649,144	333,355	370,259
TOTAL LIABILITIES	(176,434)	(157,766)	(167,430)	(162,567)	(95,063)
MINORITY INTERESTS	(401)	(324)	(10,569)	(7,829)	–
	680,582	623,488	471,145	162,959	275,196