



WANG ON GROUP LIMITED

(Incorporated in Bermuda with limited liability)

2005

Annual Report



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Corporate Information

BOARD OF DIRECTORS

Mr. Tang Ching Ho

Chairman and Managing Director

Ms. Yau Yuk Yin

Deputy Chairman and Deputy Managing Director

Mr. Chan Chun Hong, Thomas

Dr. Lee Peng Fei, Allen, CBE, JP*

Mr. Wong Chun, Justein, MBE, JP*

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

Mr. Siu Kam Chau*

* *Independent Non-Executive Director*

COMPANY SECRETARY

Mr. Chan Chun Hong, Thomas

QUALIFIED ACCOUNTANT

Mr. Leong Weng Kin

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

HOME PAGE

<http://www.wangon.com>

STOCK CODE

1222

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Garden Room A & B, 2nd Floor, Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 12 August 2005 at 10:45 a.m. for the following purposes:

1. To receive and consider the Audited Consolidated Financial Statements and the Reports of the Directors and Auditors for the year ended 31 March 2005.
2. To consider, approve and declare a final dividend of HK12.0 cents per share for the financial year ended 31 March 2005.
3. To re-elect the following retiring directors of the Company and to authorise the Board of Directors of the Company to fix the remuneration of the Directors:
 - (a) Mr. Siu Kam Chau; and
 - (b) Mr. Wong Chun, Justein
4. To re-appoint Ernst & Young as auditors of the Company and to authorise the Board of Directors to fix their remuneration.

ORDINARY RESOLUTIONS

5. As special business, to consider and, if thought fit, pass with or without amendments the following resolution as an ordinary resolution of the Company:

“THAT, conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of and permission to deal in the shares (the **“Shares”**) of the Company to be allotted and issued by the Company pursuant to this resolution:

- (a) upon the recommendation of the Directors, it is desirable to capitalise the sum of HK\$3,466,407.30 out of reserves available for the purpose (or such larger sum as is required for such purpose as a result of the allotment and issue of new Shares upon the exercise of (i) any options granted under the share option scheme of the Company adopted by the Company on 3 May 2002; and (ii) the conversion rights attached to two series of convertible redeemable notes in an aggregate principal amount up to HK\$98,620,000 and accordingly, the Directors be and they are hereby authorised and instructed to appropriate the said sum in paying up in full at par 34,664,073 new Shares (the **“Bonus Shares”**) (or such larger number of new Shares as is required for the purpose mentioned above), such Bonus Shares to be allotted, issued and distributed, credited as fully paid, to and among holders of Shares whose name appear on the register of members of the Company at close of business on 12 August 2005 (the **“Record Date”**) in the proportion of one (1) Bonus Share for every five (5) existing issued Shares held on that date and that such Bonus Shares shall rank, for all purposes, *pari passu* with the Shares in issue on the date of the allotment of the Bonus Shares except to the extent that the holders of the Bonus Shares shall not be entitled to the final dividend recommended by the Directors on 6 July 2005 for the year ended 31 March 2005; and

Notice of Annual General Meeting (Cont'd)

- (b) the Directors be and they are authorised to do all acts and things as may be necessary, desirable and expedient in connection with the issue of Bonus Shares notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing shareholders of the Company provided that in the case of shareholders of the Company whose addresses as shown on the register of members of the Company at the close of business on the Record Date are in any jurisdiction outside Hong Kong (the “**Overseas Shareholders**”), the Bonus Shares may not be allotted and issued to them under certain circumstance as determined by the Directors as appropriate. The Bonus Shares otherwise falling to be allotted to them shall be sold in the market as soon as practicable after dealings in the Bonus Shares commence and the net proceeds of sale of such Bonus Shares, after deducting the related expenses therefrom, shall be distributed to such Overseas Shareholders pro rata to their respective shareholdings unless the amount falling to be distributed to any Overseas Shareholder shall be less than HK\$50 in which event such amount shall be retained for the benefit of the Company, and the Directors are further authorised to adjust the amount to be capitalised out of the share premium account and the number of unissued Shares to be allotted, issued and distributed in the manner referred to in paragraph (a) of this resolution as a result of the issue of any additional Shares after 6 July 2005 and up to 12 August 2005.”

6. As special business, to consider and, if thought fit, pass with or without amendments the following resolutions as ordinary resolutions of the Company:

(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 or agreed to 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 (as enlarged by the allotment and issue of the Bonus Shares (as defined in the resolution numbered 5 above set out in the notice convening this meeting of which this Resolution forms part)), 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;

Notice of Annual General Meeting *(Cont'd)*

- (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 the unissued 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, rules and regulations, 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 bye-laws of the Company in force from time to time,

Notice of Annual General Meeting (Cont'd)

shall not exceed the aggregate of (aa) 20% of the aggregate nominal amount of share capital of the Company in issue as at the date of the passing of this Resolution (as enlarged by the allotment and issue of the Bonus Shares (as defined in the resolution numbered 5 above set out in the notice convening this meeting of which this Resolution forms part)); and (bb) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the aggregate nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum amount equivalent to 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution (as enlarged by the allotment and issue of the Bonus Shares (as defined in the resolution numbered 5 above set out in the notice convening this meeting of which this Resolution forms part))), 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 the preceding paragraphs (A) and (B), 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 the preceding paragraph (B) 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 or agreed to be repurchased by the Company under the authority granted pursuant to the resolution set out in the preceding paragraph (A).”

Notice of Annual General Meeting (Cont'd)

7. As special business, to consider and, if thought fit, pass with or without amendments the following resolution as an ordinary resolution of the Company:

“**THAT**, conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of and permission to deal in the shares (the “**Shares**”) of the Company to be allotted and issued by the Company upon the exercise of the options which may be granted under the Refreshed Scheme Mandate (as defined below), the refreshment of the general scheme mandate of the share option scheme of the Company adopted on 3 May 2002, up to 10% of the number of Shares in issue as at the date of passing this resolution (the “**Refreshed Scheme Mandate**”) be and is hereby approved and any director of the Company be and is hereby authorised to do such act and execute such document to effect the Refreshed Scheme Mandate.”

SPECIAL RESOLUTION

8. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as a special resolution of the Company:

“**THAT** the bye-laws of the Company be and are hereby amended as follows:

- (a) by deleting the existing bye-law 87(1) in its entirety substituting therefor the following new bye-law 87(1):

“Subject to the manner of retirement by rotation of Directors as from time to time prescribed under the rules and regulations of the Designated Stock Exchange and notwithstanding any contractual or other terms on which any Director may be appointed or engaged, at each annual general meeting, one-third of the Directors for the time being (or if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The Company at the general meeting at which a Director retires may fill the vacated office.”; and

- (b) by inserting the words “and shall continue to act as a Director throughout the meeting at which he retires” immediately at the end of the first sentence “A retiring Director shall be eligible for re-election” in by-law 87(2).”

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

Hong Kong, 18 July 2005

Notice of Annual General Meeting *(Cont'd)*

Notes:

- (1) A member entitled to attend and vote at the meeting convened by the above notice 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, the 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 or any adjournment thereof.
- (3) Completion and return of the form of proxy will not preclude members from attending and voting at the meeting or any adjournment thereof if you so wish.

Chairman's Statement

I am pleased to inform the shareholders that our Group achieved a historical high net profit of approximately HK\$70.1 million and net assets of approximately HK\$736.4 million for the year ended 31 March 2005 since its listing in 1995.

Our Group believes that as a result of strengthened local economy and the improved employment situation, the property market will continue to improve overall at a healthy pace and market sentiment will remain cautiously optimistic, despite recent interest rate movements. With the rebound on the property market since 2003 and capitalising on our expertise and past experience in building construction in Hong Kong, we will focus our resources allocation to property development and property investment in Hong Kong. We are confident that the land and property acquisitions will help boost future growth potential and profitability of the Group, which will in turn provide higher returns to the shareholders.

Since March 2004, our Group has been actively expanding its property development business to broaden the Group's earning base. During the year, our Group has acquired several sites and properties in Shatin Heights Road, Fairview Park Boulevard, Kennedy Town and Ho Chung.

Capturing opportunities rising from the buoyant property market sentiment in Hong Kong, our Group has also expanded our investment property portfolio. The investment portfolio mainly comprises shops and residential apartments that provide steady recurrent rental income and provide depth to the income base of our Group. In view of the upturn of the property market, satisfactory capital appreciation of the properties is also expected in the longer term.

Our Group's Chinese wet markets sub-licensing business, which is the leader in the industry, together with shopping centre and car park management and retail business, continue to provide steady income. To make a breakthrough in the traditional wet market operation and to cater for rising consumers' preference for electronic payment in recent years, we have made our Tseung Kwan O (Allmart) Wet Market is the first wet market in Hong Kong to allow customers to use octopus card for payment in all stalls in the market.

The rebound of Hong Kong economy, coupled with the successful brand building and market campaigns of our 28.57% owned associate, Wai Yuen Tong Medicine Holdings Limited ("WYTH"), together with the extension of its distribution network and product lines, reinforce our Group's belief that our indirect investment in pharmaceutical and health products business via WYTH will bring satisfactory returns to the Group in the long term.

Our Group has attained a stable and healthy financial position with cash and short term investments of approximately HK\$372.0 million as at 31 March 2005. Taking the advantage of the economy upturn and our Group's strong financial resources, our Group will strengthen its existing business whilst continuing to seek for new business opportunities to enhance the shareholders' returns.

To reward our shareholders in view of our remarkable results recorded, the board of directors has proposed a final cash dividend and bonus issue of shares to the shareholders.

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

Tang Ching Ho
Chairman

Hong Kong, 6 July 2005

Management Discussion and Analysis

RESULTS

The Group's turnover and net profit attributable to shareholders for the year amounted to approximately HK\$364.1 million (2004: HK\$296.6 million) and HK\$70.1 million (2004: HK\$29.3 million), respectively.

DIVIDEND

The Board of Directors has recommended a final dividend of HK12.0 cents per share (2004: HK7.0 cents) for the year ended 31 March 2005 to shareholders on the register of members of the Company on 12 August 2005. The final dividend will be paid on or before 19 August 2005, subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on 12 August 2005. Together with the interim dividend of HK3.0 cents distributed in January 2005, the total dividend per share for the year will be HK15.0 cents (2004: HK10.0 cents).

PROPOSED BONUS ISSUE OF SHARES

The Board of Directors has also resolved to recommend a bonus issue of shares of HK\$0.10 each in the share capital of the Company on the basis of one bonus share (the "Bonus Share(s)") for every five existing shares held by shareholders of the Company whose names appear on the register of members of the Company at the close of business on 12 August 2005. The Bonus Shares will rank pari passu in all respects with the existing issued shares except that they will not carry any right to receive the final dividend for the year ended 31 March 2005.

The bonus issue is conditional upon (a) the approval of the shareholders of the Company; (b) the granting by the Bermuda Monetary Authority of the relevant permissions in respect of the bonus issue (if required); and (c) the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the Bonus Shares. A circular containing, among other matters, details of the bonus issue will be sent to shareholders of the Company in due course.

CLOSURE OF REGISTER

The register of members of the Company will be closed from 9 August 2005 to 12 August 2005, both days inclusive, during which period no transfer of shares will be registered. To qualify for the proposed final dividend and Bonus Shares, all shareholders are required to lodge their transfers 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 8 August 2005.

BUSINESS REVIEW

The Group achieved a historical high net profit of approximately HK\$70.1 million and net assets of approximately HK\$736.4 million for the year ended 31 March 2005 since its listing in 1995.

Turnover increased by approximately 23% to HK\$364.1 million (2004: HK\$296.6 million) in the year ended 31 March 2005 despite the disposal of the effective 99.79% interest in Luxemburg Medicine Company Limited to Wai Yuen Tong Medicine Holdings Limited ("WYTH") which had contributed a turnover of HK\$18.6 million for the year ended 31 March 2004. This was mainly attributable to the good performance of the Group's property investment division. The net profit attributable to shareholders for the year grew significantly to HK\$70.1 million from HK\$29.3 million in the year ended 31 March 2004, representing a significant increase of approximately 139% over the same period last year.

The Group's financial position remained strong, with cash in hand and short term investments of approximately HK\$372.0 million. This provides the Group with a strong cash backing to support expansion in the areas of property development and investment properties in the near future.

Management Discussion and Analysis (Cont'd)

Property Development

With the anticipated continuing buoyancy in the Hong Kong property market, the Group has allocated additional resources to expand this area of business. During the year ended 31 March 2005 and up to the date of this report, the Group made the following acquisitions:

Property Name	Location	Consideration (HK\$)	Approximate Site Area (sq ft)	Estimated Approximate		Anticipated Completion
				Gross Floor Area (sq ft)	Development Plan	
Shatin Heights Road	Lot No. 1476 in D.D. 189	103,800,000	49,100	27,900	Low density residential area with 11 luxury houses	End of 2006
Fairview Park Boulevard	Lot No. 4781 in D.D. 104, Lot No. 3254 RP in D.D. 104, Lot No. 3265 S.A RP in D.D. 104, Lot No. 3251 S.B RP, Lot No. 3257 RP, Lot No. 3258 S.B SS.I, Lot No. 3641 S.A, Lot No. 3258 S.B RP, Lot No. 3641 RP all in D.D. 104	82,600,000	154,800	39,000	Low density residential and commercial area with 16 luxury houses, 6 shops and club house	End of 2006
Cheung Sha Wan	270-274 Cheung Sha Wan Road Kowloon	75,000,000	4,200	36,800	24 storey residential and commercial building	Early 2008
Kennedy Town	29 residential and commercial units of Nos. 12, 14, 16, 18, 20 and 22, Davis Street, Kennedy Town, Hong Kong	77,600,000	5,000	37,000	26 storey residential and commercial building	Early 2008
Ho Chung	Various lots in D.D. 210 and D.D. 244 Sai Kung, New Territories	13,800,000	68,000	20,500	Low density residential development	Early 2009
		352,800,000	281,100	161,200		

The Directors expect that, with the Hong Kong property market expected to show continuing strength, these property development projects should bring handsome returns to the Group in the coming years.

Management Discussion and Analysis *(Cont'd)*

Property Investment

Gross rental income for the year under review increased by approximately 38% to HK\$11.3 million. Retail sales continued to improve as a result of broad recovery in the local economy. The Group has seen strong demand for retail space and will put more emphasis particularly on retail shops. During the year ended 31 March 2005 and up to the date of this report, the Group has made the following acquisitions/disposals:

Disposals

Location	Consideration (HK\$)	Anticipated/ Actual Completion
Shop 6 (including Cockloft) on the G/F., Cheuk Ming Street, Nos. 10-22 Tsuen Wan Market Street, Tsuen Wan, New Territories	33,800,000	June 2004
Whole block located at No. 32 Argyle Street, Kowloon	73,800,000	January 2005
Flat D on the Ground Floor and Flat D on Mezzanine Floor, Nam Yeung Mansion, Nos. 31-34 Mut Wah Street, Kwun Tong, Kowloon	29,100,000	March 2005
Ground Floor and Cockloft, Nos. 581 and 581A, Nathan Road, Kowloon	105,000,000	March 2005
1 residential unit at Parc Palais, 18 Wylie Road, King's Park, Kowloon	13,100,000	October 2005

Acquisitions

Location	Consideration (HK\$)	Anticipated/ Actual Completion
Ground Floor and Cockloft, No. 203 Tung Choi Street, Mongkok, Kowloon	19,800,000	July 2004
4 residential units at Parc Palais, 18 Wylie Road, King's Park, Kowloon	30,900,000	March 2005
Shop 6 on G/F., Grandeur Garden, Nos. 14-18 Chik Fai Street, Nos. 55-65 Tai Wai Road, Shatin, New Territories	16,300,000	March 2005

Management Discussion and Analysis *(Cont'd)*

Location	Consideration (HK\$)	Anticipated/ Actual Completion
G/F., 170 Castle Peak Road, Yuen Long, New Territories	35,000,000	May 2005
Shop B on G/F., 106-108, Shaukeiwan Road, Hong Kong	13,000,000	May 2005
G/F., 1/F., 2/F., and Rooftop, No. 68 San Hong Street, Sheung Shui, New Territories	15,750,000	June 2005
Shop B on G/F., Kwong Sen Mansion, Nos. 23-33 Shui Wo Street, Kowloon	17,200,000	June 2005
Whole block located at No. 58 Yen Chow Street, Sham Shui Po, Kowloon	110,000,000	July 2005
Shop 5 on G/F., Tak Lee Building, No. 993 King Road, Hong Kong	15,000,000	July 2005
Shop B on G/F., 336-338 Tung Chau Street, Kowloon	10,800,000	October 2005

As at 30 June 2005, the Group held a retail property portfolio with a net book value of approximately HK\$303.9 million, generating a projected annual rental income of approximately HK\$11.3 million. The Directors believe that this area of business will continue to provide a steady income stream for the Group in the years to come.

Management and Sub-licensing of Chinese Wet Markets

The Group continues to be the leader in this business section in Hong Kong. This division remained profitable during the year under review, recording a net profit of HK\$15.4 million and generated a fairly stable profit for the Group. The Group is looking to strengthen its market share.

Management and Sub-licensing of Shopping Centres and Car Parks

These two areas of business remained fairly stable compared with their performance and contribution achieved in the previous financial year.

Investment in Pharmaceutical and Health Products related Business

The booming economy, coupled with the Individual Visit Scheme which allows travelers from Mainland China to visit Hong Kong on an individual basis, contributed to the continual growth of WYTH. The Directors are confident that the Group's indirect investment in pharmaceutical and health products business via WYTH will bring satisfactory returns to the Group in the long term.

Management Discussion and Analysis *(Cont'd)*

LIQUIDITY AND FINANCIAL RESOURCES

With a view to enlarging the Company's shareholder base and strengthening the financial position of the Company, the following capital raising exercises were undertaken during the year:

- a. Issue of convertible notes in an aggregate principal amount of HK\$37,180,000 through a placing agent to several independent third parties in December 2004; and
- b. Issue of convertible notes in an aggregate principal amount of HK\$61,440,000 through a placing agent to several independent third parties in February 2005.

The Group currently has cash resources and short term investments of approximately HK\$372.0 million (2004: HK\$326.8 million), of which approximately HK\$59.3 million (2004: HK\$37.4 million) is invested in certificates of deposits, callable deposits, bank commercial papers and listed securities, and HK\$54.2 million (2004: HK\$34.8 million) is invested in long-term guaranteed return funds, callable deposits and bonds.

As at 31 March 2005, the Group's gearing ratio was approximately 3.9% (calculated with reference to the Group's total borrowings net of cash and cash equivalent and capital and reserves of approximately HK\$28.5 million and HK\$736.4 million, respectively, as at 31 March 2005). 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).

As at 31 March 2005, the Group's investment properties with a book value of approximately HK\$196.7 million (2004: HK\$260.4 million) and certain rental income generated therefrom were pledged to secure the Group's general banking facilities, approximately HK\$92.3 million (2004: HK\$140.7 million) of which was utilised as at 31 March 2005.

The Group's contingent liabilities and capital commitment as at 31 March 2005 amounted to approximately HK\$121.4 million (2004: HK\$149.6 million).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2005, the Group had over 500 full time employees, over 96% 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.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Tang Ching Ho, aged 43, 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 the Chairman of Wai Yuen Tong Medicine Holdings Limited (“WYTH”).

Ms. Yau Yuk Yin, aged 43, 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 human resources and administration management. She is the wife of Mr. Tang Ching Ho.

Mr. Chan Chun Hong, Thomas, aged 41, 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 Association of Chartered Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants. He is also the Managing Director of WYTH.

Independent non-executive directors

Dr. Lee Peng Fei, Allen, CBE, JP, aged 65, 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 51, 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 is a fellow of Institute of Canadian Bankers. He was a member of the Fight Crime Committee, the Independent Police Complaints Council and is currently a member of the Legal Aid Services Council, Energy Advisory Committee, Chairman of Quality Education Fund Assessment and Monitoring Committee and other government advisory bodies.

Dr. Siu Yim Kwan, Sidney, S.B.St.J., aged 58, 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.

Mr. Siu Kam Chau, aged 40, joined the Group in September 2004 as an independent non-executive director of the Company. He is a fellow of The Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants. He is also a Certified Public Accountant (Practising).

Biographical Details of Directors and Senior Management *(Cont'd)*

SENIOR MANAGEMENT

Mr. Cheung Wai Kai is the Assistant General Manager of the Group and the 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 the head of the Group's PRC Chinese wet markets management department. Prior to joining the Group in October 2001, he had over 15 years' experience in property sales and leasing management. He obtained an advance diploma in Business Administration in the Institute of Business Administration in the United Kingdom.

Mr. Kwok Tze Chiu, Samson is the Assistant General Manager of the Group and 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.

Mr. Lau King Lung joined the Group in September 2001 and is the Project Director of the Group's projects management department. He has over 30 years' experience in design and contracting of civil engineering and buildings works, properties development and other fields of business development. He is a Chartered Engineer with his professional registration both in the United Kingdom and Hong Kong.

Mr. Leong Weng Kin joined the Group as a financial controller. He is also the qualified accountant of the Company. Prior to joining the Group in July 2004, 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. Wong Yiu Hung, Gary is the head of the Group's property development department. He has over 25 years' experience in properties development, leasing, sales and marketing. Prior to joining the Group in February 2004, he held various senior positions in local and Hong Kong listed companies which principally engaged in property development.

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2005.

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 17 and 18 to the financial statements, respectively. During the year, the Group commenced its property development operation. There were no other changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS AND BONUS ISSUE OF SHARES

The Group's profit for the year ended 31 March 2005 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 89.

An interim dividend of HK3 cents per ordinary share was paid on 21 January 2005. The directors recommend the payment of a final dividend of HK12 cents per ordinary share in respect of the year and a bonus issue of shares in the proportion of one share for every five existing shares held, to shareholders on the register of members on 12 August 2005. 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 90 to 91.

PROPERTIES UNDER DEVELOPMENT

Details of movements in the properties under development of the Group during the year are set out in note 15 to the financial statements. Further details of the Group's properties under development are set out on page 92.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital during the year. Details of movements in the Company's share options during the year, together with the reasons therefor, are set out in note 32 to the financial statements.

Report of the Directors (Cont'd)

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 33 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2005, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK\$253,531,000 (2004: HK\$237,037,000). In addition, the Company's share premium account, in the amount of HK\$372,362,000 (2004: HK\$372,362,000), may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$11,000 (2004: HK\$61,000).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% (2004: less than 30%) of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 71% (2004: 67%) of the total purchases for the year and purchases from the largest supplier included therein amounted to 45% (2004: 54%) 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.

Mr. Siu Kam Chau (appointed on 24 September 2004)

In accordance with clause 87 of the Company's bye-laws, Mr. Wong Chun, Justein, will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

In accordance with clause 86(2) of the Company's bye-laws, Mr. Siu Kam Chau who was appointed after the last annual general meeting and before the date of this report, will retire and, being eligible, will 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' INTEREST IN CONTRACTS

Save as disclosed under the heading "Connected Transactions" below and notes 38 and 39 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.

Report of the Directors (Cont'd)

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

At 31 March 2005, the interests and short positions of the directors in the share capital and underlying shares and debentures 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 Issuers, were as follows:

Long positions in ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interest				Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse	Through controlled corporation	Others		
Mr. Tang Ching Ho	614,355	614,354 (Note (a))	2,247,227 (Note (b))	24,243,463 (Note (c))	27,719,399	19.34%
Ms. Yau Yuk Yin	614,354	2,861,582 (Note (d))	–	24,243,463 (Note (e))	27,719,399	19.34%

Notes:

- (a) Mr. Tang Ching Ho was taken to be interested in those shares in which his spouse, Ms. Yau Yuk Yin, was interested.
- (b) Mr. Tang Ching Ho was taken to be interested in those shares in which Caister Limited, a company which is wholly and beneficially owned by him, was interested.
- (c) Mr. Tang Ching Ho was taken to be interested in those shares by virtue of being the founder of a discretionary trust, namely, the Tang's Family Trust.
- (d) Ms. Yau Yuk Yin was taken to be interested in those shares in which her spouse, Mr. Tang Ching Ho, was interested.
- (e) Ms. Yau Yuk Yin was taken to be interested in those shares by virtue of being a beneficiary of the Tang's Family Trust.

Save as disclosed above, as at 31 March 2005, none of the directors had registered an interest or short position in the shares, underlying shares or debentures 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 Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares and debentures" above and in the share option scheme disclosures in note 32 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or 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 32, the directors do not consider it appropriate to disclose a theoretical value of the options granted, because, in the absence of a readily available 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 AND UNDERLYING SHARES

At 31 March 2005, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Note	Number of shares	Percentage of the Company's issued share capital
Accord Power Limited		24,243,463	16.91%
Trustcorp Limited	(a)	24,243,463	16.91%

Note:

- (a) Accord Power Limited is wholly owned by Trustcorp Limited in its capacity as the trustee of the Tang's Family Trust; accordingly, Trustcorp Limited was taken to be interested in those shares held by Accord Power Limited.

Save as disclosed above, as at 31 March 2005, no persons, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares and debentures" above, had registered an interest or short positions in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Report of the Directors (Cont'd)

CONNECTED TRANSACTIONS

On 27 September 2004, Suitbest Investments Limited (“Suitbest”), a subsidiary of the Company, entered into a sale and purchase agreement (“Dragon Richly Acquisition Agreement”) with Mr. Tang Ching Ho (“Mr. Tang”), Chairman and Managing Director of the Company, to acquire from Mr. Tang the entire issued share capital and shareholder’s loan of Dragon Richly Investment Limited (“Dragon Richly”). The consideration for the acquisition of Dragon Richly is equivalent to the face value of the entire issued share capital and shareholder’s loan of Dragon Richly. Prior to the entering into of the Dragon Richly Acquisition Agreement, Dragon Richly entered into the provisional agreements with independent third parties to acquire properties for redevelopment at an aggregate consideration of approximately HK\$77.6 million. The transaction with Mr. Tang constituted a connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

On 12 October 2004, Suitbest entered into a sale and purchase agreement (“Poly Talent and Profit Million Acquisition Agreement”) with Mr. Tang to acquire from Mr. Tang the entire issued share capital and shareholder’s loan of Poly Talent Investment Limited (“Poly Talent”) and Profit Million Investment Limited (“Profit Million”). The consideration for the acquisition of Poly Talent and Profit Million is equivalent to the face value of the entire issued share capital and shareholder’s loan of Poly Talent and Profit Million. Prior to the entering into of the Poly Talent and Profit Million Acquisition Agreement, Poly Talent and Profit Million separately entered into the provisional agreements with independent third parties to acquire properties for redevelopment at an aggregate consideration of approximately HK\$68.3 million. The transaction with Mr. Tang constituted a connected transaction under the Listing Rules.

On 18 March 2005, Suitbest entered into a sale and purchase agreement (“Hanwin Acquisition Agreement”) with Mr. Tang to acquire from Mr. Tang the entire issued share capital and shareholder’s loan of Hanwin Investment Limited (“Hanwin”). The consideration for the acquisition of Hanwin is equivalent to the face value of the entire issued share capital and shareholder’s loan of Hanwin. Prior to the entering into of the Hanwin Acquisition Agreement, Hanwin entered into a provisional sale and purchase agreement with an independent third party for the purchase of an investment property at a consideration of HK\$110.0 million. The transaction with Mr. Tang constituted a connected transaction under the Listing Rules.

Further details of the transactions are included in notes 38(b) and 39(d) to the financial statements.

Save as disclosed above, 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.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 38 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 certain 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.

The Code was replaced by the Code on Corporate Governance Practices (the "Code on CG Practices") which has become effective for accounting periods commencing on or after 1 January 2005. Appropriate actions are being taken by the Company for complying with the Code on CG Practices.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee also reviewed the audited consolidated financial statements for the year ended 31 March 2005 of the Group. The audit committee comprises three 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, 6 July 2005

Report of the Auditors



To the members

Wang On Group Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 25 to 89 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 Institute of Certified Public 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 2005 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

6 July 2005

Year ended 31 March 2005

Consolidated Profit and Loss Account

	Notes	2005 HK\$'000	2004 HK\$'000
TURNOVER	5	364,123	296,565
Cost of sales		(284,160)	(227,559)
Gross profit		79,963	69,006
Other revenue and gains	5	55,650	35,839
Selling and distribution costs		(7,857)	(10,439)
Administrative expenses		(43,867)	(44,841)
Other operating expenses		(17,596)	(14,947)
Gain/(loss) on disposal of subsidiaries	34(d)	26,975	(1,020)
Gain/(loss) on disposal of interests in associates		(20,874)	13,048
Surplus on revaluation of investment properties	6, 14	23,003	7,066
PROFIT FROM OPERATING ACTIVITIES	6	95,397	53,712
Finance costs	7	(4,326)	(2,041)
Share of profits and losses of associates		(15,000)	(10,307)
Amortisation of goodwill of associates		–	(7,656)
PROFIT BEFORE TAX		76,071	33,708
Tax	10	(5,910)	(4,334)
PROFIT BEFORE MINORITY INTERESTS		70,161	29,374
Minority interests		(34)	(89)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	11	70,127	29,285
DIVIDENDS	12		
Interim		4,300	3,544
Proposed final		17,846	10,032
		22,146	13,576
EARNINGS PER SHARE	13		
Basic		HK\$0.489	HK\$0.241
Diluted		HK\$0.470	HK\$0.228

Consolidated Balance Sheet

31 March 2005

	Notes	2005 HK\$'000	2004 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	14	245,191	292,779
Properties under development	15	208,412	–
Goodwill	16	4,987	5,459
Interests in associates	18	179,011	136,602
Long term investments	19(a)	54,234	34,843
Loans receivable		1,400	1,741
Rental deposits paid		5,465	7,556
Other deposits		30,603	30,630
Deferred tax assets	30	743	1,584
		730,046	511,194
CURRENT ASSETS			
Properties under development	15	13,044	–
Short term investments	19(b)	59,305	37,428
Inventories	20	70	73
Trade receivables	21	10,027	5,551
Prepayments, deposits and other receivables	22	22,401	13,972
Tax recoverable		740	–
Pledged deposits	23	7,723	–
Cash and cash equivalents	23	304,940	289,365
		418,250	346,389
CURRENT LIABILITIES			
Trade payables	24	157	188
Other payables and accruals	25	14,794	12,997
Deposits received and receipts in advance		42,470	40,299
Interest-bearing bank loans	26, 28	28,072	24,575
Provisions for onerous contracts	27	6,749	9,112
Tax payable		3,269	4,729
		95,511	91,900
NET CURRENT ASSETS		322,739	254,489
TOTAL ASSETS LESS CURRENT LIABILITIES		1,052,785	765,683

31 March 2005

Consolidated Balance Sheet (Cont'd)

	Notes	2005 HK\$'000	2004 HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	28	214,496	80,073
Provisions for onerous contracts	27	1,420	4,461
Convertible notes	29	98,620	–
Deferred tax liabilities	30	1,437	166
		315,973	84,700
MINORITY INTERESTS			
		435	401
		736,377	680,582
CAPITAL AND RESERVES			
Issued capital	31	14,332	14,332
Reserves	33(a)	722,045	666,250
		736,377	680,582

Tang Ching Ho
Director

Chan Chun Hong, Thomas
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2005

		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 2003		11,815	348,222	106,329	1,735	1,511	-	153,876	-	623,488
Placement of shares		2,360	23,600	-	-	-	-	-	-	25,960
Expiry of warrants		-	-	-	(1,735)	-	-	1,735	-	-
Share issue expenses		-	(810)	-	-	-	-	-	-	(810)
Surplus on revaluation of investment properties and net gain not recognised in the profit and loss account		-	-	-	-	-	4,696	-	-	4,696
Net profit for the year		-	-	-	-	-	-	29,285	-	29,285
Interim 2004 dividend	12, 33	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:										
As previously reported		14,332	372,362	106,329	-	-	4,696	172,831	10,032	680,582
Effect of adopting HKAS 40	2(b)	-	-	-	-	-	(4,696)	4,696	-	-
As restated		14,332	372,362*	106,329*	-*	-*	-*	177,527*	10,032*	680,582

Year ended 31 March 2005 **Consolidated Statement of Changes in Equity** (Cont'd)

		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 2004:										
As previously reported		14,332	372,362	106,329	-	-	4,696	172,831	10,032	680,582
Effect of adopting HKAS 40	2(b)	-	-	-	-	-	(4,696)	4,696	-	-
As restated		14,332	372,362	106,329	-	-	-	177,527	10,032	680,582
Final 2004 dividend declared		-	-	-	-	-	-	-	(10,032)	(10,032)
Net profit for the year		-	-	-	-	-	-	70,127	-	70,127
Interim 2005 dividend	12, 33	-	-	-	-	-	-	(4,300)	-	(4,300)
Proposed final 2005 dividend	12	-	-	-	-	-	-	(17,846)	17,846	-
At 31 March 2005		14,332	372,362*	106,329*	-*	-*	-*	225,508*	17,846*	736,377

* These reserve accounts comprise the consolidated reserves of HK\$722,045,000 (2004: HK\$666,250,000) in the consolidated balance sheet.

Consolidated Statement of Changes in Equity (Cont'd) Year ended 31 March 2005

	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	-	-	-	262,415	17,846	773,284
Associates	-	-	-	-	-	-	(36,907)	-	(36,907)
At 31 March 2005	14,332	372,362	106,329	-	-	-	225,508	17,846	736,377
Company and subsidiaries (as restated)	14,332	372,362	106,329	-	-	-	197,779	10,032	700,834
Associates	-	-	-	-	-	-	(20,252)	-	(20,252)
At 31 March 2004 (as restated)	14,332	372,362	106,329	-	-	-	177,527	10,032	680,582

Year ended 31 March 2005

Consolidated Cash Flow Statement

	Notes	2005 HK\$'000	2004 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		76,071	33,708
Adjustments for:			
Finance costs	7	4,326	2,041
Share of profits and losses of associates		15,000	10,307
Amortisation of goodwill of associates		–	7,656
Net holding gain on investments	6	(375)	(570)
Interest income from investments	5	(2,373)	(2,386)
Interest income	5	(2,916)	(8,428)
Dividend income from listed securities	5	(405)	(128)
Loss/(gain) on disposal of subsidiaries	34(d)	(26,975)	1,020
Loss/(gain) on disposal of interests in an associate		20,874	(13,048)
Gain on disposal of investments, net	5	(1,907)	(109)
Gain on disposal of investment properties	5	(7,335)	–
Gain on disposal of convertible notes due from an associate	5	–	(17,883)
Excess of the Group's interest in the net fair value of the investees' identifiable assets, liabilities and contingent liabilities over cost recognised as income	5	(35,024)	–
Provision for and write-off of bad and doubtful debts	6	656	6,821
Provision for impairment of long term investments	6	15,299	1,641
Depreciation	6, 14	12,109	12,595
Amortisation of goodwill of subsidiaries	6	–	6,246
Loss on disposal/write-off of fixed assets	6	29	200
Surplus on revaluation of investment properties	6, 14	(23,003)	(7,066)
Recognition of deferred gain on disposal of subsidiaries	5	–	(688)
Operating profit before working capital changes		44,051	31,929
Decrease/(increase) in trade receivables, prepayments, deposits and other receivables		682	(11,721)
Decrease/(increase) in inventories		3	(887)
Increase/(decrease) in trade payables, other payables and accruals		(5,557)	2,202
Increase/(decrease) in deposits received and receipts in advance		2,171	(1,420)
Decrease in provisions for onerous contracts	6, 27	(5,404)	(6,566)
Cash generated from operations		35,946	13,537
Hong Kong profits tax paid		(4,395)	(909)
Net cash inflow from operating activities		31,551	12,628

Consolidated Cash Flow Statement (Cont'd)

Year ended 31 March 2005

	Notes	2005 HK\$'000	2004 HK\$'000
Net cash inflow from operating activities		31,551	12,628
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		3,323	8,295
Dividend income from listed securities		405	128
Interest income from investments		2,373	2,386
Decrease in amounts due from associates		74	208
Increase in amounts due to associates		15	19
Acquisition of subsidiaries	34(b)	(943)	–
Acquisitions of additional shares in a subsidiary	34(c)	–	(1,929)
Acquisitions of additional shares in an associate		(85,872)	–
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	34(d)	96,133	(3,904)
Increase in other deposits		(30,603)	(30,630)
Purchases of investment properties		(197,802)	(95,807)
Purchases of other fixed assets		(5,565)	(11,678)
Purchases of properties under development		(190,000)	–
Proceeds from disposal of investment properties		115,135	1,925
Proceeds from disposal of fixed assets		62	217
Proceeds from disposal of short term investments		17,343	4,784
Proceeds from disposal of convertible notes		–	102,383
New loans to an associate		–	(9,000)
Settlement of loans to an associate		7,000	87,750
Settlement of convertible notes due from an associate		56,500	13,000
Purchases of long term investments		(35,690)	(21,784)
Purchases of short term investments		(35,938)	(38,189)
Increase in pledged deposits		(7,723)	–
Net cash inflow/(outflow) from investing activities		(291,773)	8,174
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(5,198)	(2,041)
Dividends paid		(14,332)	(2,037)
Proceeds from issue of shares		–	25,960
Share issue expenses		–	(810)
Proceeds from issue of convertible notes		98,620	–
Convertible note issue expenses		(3,143)	–
Repayment of bank loans		(75,322)	(27,065)
New bank loans		275,172	60,475
Capital element of finance lease rental payments		–	(110)
Net cash inflow from financing activities		275,797	54,372

Year ended 31 March 2005

Consolidated Cash Flow Statement (Cont'd)

	Note	2005 HK\$'000	2004 HK\$'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		15,575	75,174
Cash and cash equivalents at beginning of year		289,365	214,191
CASH AND CASH EQUIVALENTS AT END OF YEAR		304,940	289,365
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	43,300	25,931
Non-pledged time deposits with original maturity of less than three months when acquired	23	261,640	263,434
		304,940	289,365

Balance Sheet

31 March 2005

	Notes	2005 HK\$'000	2004 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	14	2	5
Interests in subsidiaries	17	450,569	356,632
Interests in associates	18	219	219
Long term investments	19(a)	42,234	15,534
		493,024	372,390
CURRENT ASSETS			
Short term investments	19(b)	43,947	12,105
Prepayments, deposits and other receivables	22	4,867	1,088
Pledged deposits	23	7,723	–
Cash and cash equivalents	23	256,883	238,389
		313,420	251,582
CURRENT LIABILITIES			
Other payables and accruals	25	2,599	241
Interest-bearing bank loans	26, 28	20,000	–
		22,599	241
NET CURRENT ASSETS			
		290,821	251,341
TOTAL ASSETS LESS CURRENT LIABILITIES			
		783,845	623,731
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	28	45,000	–
Convertible notes	29	98,620	–
		143,620	–
		640,225	623,731
CAPITAL AND RESERVES			
Issued capital	31	14,332	14,332
Reserves	33(b)	625,893	609,399
		640,225	623,731

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, Hong Kong.

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

- property development
- property investment
- management and sub-licensing of Chinese wet markets, shopping centres and car parks
- retailing of pork stalls

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND EARLY ADOPTION OF HKFRSs

The Hong Kong Institute of Certified Public Accountants has issued a number of new Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005.

The Group has early adopted the following new HKFRSs in the financial statements for the year ended 31 March 2005:

- | | | |
|---|-------------------|---|
| • | HKFRS 3 | “Business Combinations” |
| • | HKAS 36 | “Impairment of Assets” |
| • | HKAS 38 | “Intangible Assets” |
| • | HKAS 40 | “Investment Property” |
| • | Interpretation 24 | “Revenue – Pre-completion Contracts for the Sale of Development Properties” |

The major effect of the adoption of these HKFRSs are summarised as follows:

- (a) The adoption of HKFRS 3, HKAS 36 and HKAS 38 has resulted in a change in the accounting policy for goodwill and negative goodwill. Prior to this:
- goodwill arising from acquisitions after 1 April 2001 was amortised on the straight-line basis over a period of not exceeding 20 years;
 - goodwill was assessed for impairment at each balance sheet date;
 - to the extent that negative goodwill did not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill arising from acquisitions after 1 April 2001 was recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets; and

Notes to Financial Statements (Cont'd)

31 March 2005

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND EARLY ADOPTION OF HKFRSs (Cont'd)

(a) (Cont'd)

- on disposal of subsidiaries or associates, any attributable goodwill or negative goodwill previously eliminated against or credited to the consolidated reserves at the time of acquisition was written back and included in the calculation of the gain or loss on disposal.

In accordance with the provisions of HKFRS 3:

- the Group ceased amortisation of goodwill from 1 April 2004;
- accumulated amortisation of goodwill arising on the acquisition of subsidiaries and associates as at 1 April 2004 has been eliminated with a corresponding decrease in the respective cost of goodwill at that date;
- from the year ended 31 March 2005 onwards, goodwill is tested annually for impairment, as well as when there are indications of impairment;
- any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired as at the date of acquisition over the cost of the business combination is recognised immediately in the consolidated profit and loss account; and
- on disposal of subsidiaries or associates, any attributable goodwill previously eliminated against the consolidated reserves at the time of acquisition is transferred to consolidated retained profits as a movement in reserves and not included in the calculation of the gain or loss on disposal.

HKFRS 3 is early adopted and the effect of its adoption on these financial statements in respect of the year ended 31 March 2005 is summarised as follows:

- accumulated amortisation of goodwill arising on the acquisition of subsidiaries and associates as at 1 April 2004 of HK\$1,637,000 and HK\$23,999,000, respectively, have been eliminated with a corresponding decrease in the respective cost of goodwill at that date;
- the excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of those companies acquired by the Group during the year over cost of acquisitions in an aggregate amount of HK\$35,024,000 was fully recognised as income for the year ended 31 March 2005; and
- in respect of disposal of a subsidiary during the year, the attributable goodwill previously eliminated against the consolidated reserves at the respective time of its acquisition of HK\$926,000 is not included in the calculation of the gain or loss on disposal.

31 March 2005

Notes to Financial Statements (Cont'd)**2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND EARLY ADOPTION OF HKFRSs** (Cont'd)

- (b) The adoption of HKAS 40 has resulted in a change in accounting policy for the Group's investment properties.

Changes in valuation of the investment property were previously dealt with in the investment property revaluation reserve, on a portfolio basis. Following the adoption of HKAS 40, all changes in valuation of the investment property would be recognised in the profit and loss account.

As permitted by the transitional requirements in HKAS 40, the comparative statements for the year ended 31 March 2004 have not been restated to conform to the new policy. The effect of the change in this accounting policy on the consolidated financial statements in respect of the year ended 31 March 2005 is to adjust the opening retained profits as at 1 April 2004 by reclassifying HK\$4,696,000 held in the investment property revaluation reserve.

- (c) The adoption of Interpretation 24 has resulted in a change in accounting policy for the recognition of revenue arising from pre-completion contracts for the sale of development properties.

Prior to the adoption of Interpretation 24, the estimated profit on pre-sold properties under development was recognised over the course of development of the properties after execution of the formal sale and purchase agreement. The amount of estimated profit was calculated based on the proportion of construction costs incurred over the total estimated construction costs to completion, after making due allowances for contingencies, and limited to non-refundable cash deposits received. In addition, properties under development which have been pre-sold were stated at cost plus estimated attributable profits less foreseeable losses and sales deposits received.

In accordance with the provisions of Interpretation 24, revenue arising from pre-completion contracts for the sale of development properties that do not fall within the scope of HKAS 11 “Construction Contracts” is recognised 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 properties under development sold. Such properties are stated at cost.

There is no impact on these financial statements on the adoption of this interpretation as the Group did not have any pre-sold properties under development during the years ended 31 March 2005 and 2004.

The Group has not early adopted other new HKFRSs except for those mentioned above in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of other new HKFRSs but is not yet in a position to state whether other new HKFRSs would have a significant impact on its results of operations and financial position.

Notes to Financial Statements (Cont'd)

31 March 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also includes Statements of Standard Accounting Practice (“SSAPs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, 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 2005. 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.

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 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.

31 March 2005

Notes to Financial Statements (Cont'd)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)**Associates** (Cont'd)

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.

Business combinations*Goodwill*

Goodwill arising on the acquisition of subsidiaries and associates is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill arising on the acquisition of subsidiaries is recognised in the consolidated balance sheet as an asset and 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.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill arising on acquisitions on or after 1 April 2004 is not amortised and goodwill already carried in the consolidated balance sheet is not amortised after 1 April 2004. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergy. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit and part of the operation within that unit are disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in such circumstances is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Notes to Financial Statements (Cont'd)

31 March 2005

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

Business combinations (Cont'd)

Goodwill (Cont'd)

Goodwill arising on acquisitions on or before 31 March 2001 was eliminated against the consolidated capital reserve in the year of acquisition. The Group applied the transitional provisions of HKFRS 3 that required such goodwill to remain eliminated against the consolidated reserves and that required such goodwill not to be recognised in the consolidated profit and loss account when the Group disposes of all or part of the business to which that goodwill relates or when a cash-generating unit to which the goodwill relates become impaired.

Excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of an entity being acquired over cost

On acquisition of subsidiaries and associates, if the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of an entity being acquired recognised as at the date of acquisition exceeds the cost of the business combination, the Group shall reassess the identification and measurement of the identifiable assets, liabilities and contingent liabilities of that entity and the measurement of the cost of the business combination; and recognise immediately in consolidated profit and loss account any excess remaining after that reassessment.

Negative goodwill (applicable to the accounting year ended 31 March 2004)

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.

31 March 2005

Notes to Financial Statements (Cont'd)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)**Business combinations** (Cont'd)

Negative goodwill (applicable to the accounting year ended 31 March 2004) (Cont'd)

Prior to the adoption of SSAP 30 "Business Combinations" in 2002, negative goodwill arising on acquisitions was credited to the consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provisions of the SSAP that permitted such negative goodwill to remain credited to the consolidated reserves. 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 consolidated reserves 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 as the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

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.

Notes to Financial Statements (Cont'd)

31 March 2005

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

Impairment of assets (Cont'd)

A previously recognised impairment loss for an asset other than goodwill 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. Any impairment losses made against goodwill is not reversed.

Fixed assets and depreciation

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

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

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

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

31 March 2005

Notes to Financial Statements (Cont'd)**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 owned by the Group or held by the Group under finance leases to earn rentals or for capital appreciation or both. Such properties are not depreciated, and are measured initially at cost including all transaction costs and, after initial recognition, carried at fair values, being their open market values on the basis of annual professional valuations performed at the end of each financial year.

Changes in the fair values of investment properties are recognised in the profit and loss account in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss arising from the retirement or disposal of the investment property, calculated as the difference between the net disposal proceeds and the carrying amount of the investment property, is recognised in profit and loss account in the period of the retirement or disposal.

Properties under development

Properties under development represent properties developed for sale and are stated at cost less any accumulated impairment losses. Cost comprises the cost of land together with any other direct costs attributable to the development of the properties, borrowing costs and professional fees capitalised during the development period.

Properties under development which are expected to be completed within 12 months from the balance sheet date are classified as current assets.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Notes to Financial Statements (Cont'd)

31 March 2005

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 certificates 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.

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.

31 March 2005

Notes to Financial Statements (Cont'd)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)**Investments** (Cont'd)*Other investments* (Cont'd)

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.

Notes to Financial Statements *(Cont'd)*

31 March 2005

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.

31 March 2005

Notes to Financial Statements (Cont'd)**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 and pre-sale of properties under development, 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 or properties sold;
- (d) from the sale of properties, when the sale agreement becomes unconditional;
- (e) from the provision of project management and agency services, when the services are rendered;
- (f) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- (g) on the trading of securities, revenue is recognised on the date when the transaction takes place; and
- (h) dividend income, where the shareholders' right to receive payment has been established.

Notes to Financial Statements (Cont'd)

31 March 2005

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.

Notes to Financial Statements (Cont'd)

31 March 2005

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 property development segment engages in the development of properties;
- (b) the property investment segment invests in industrial and commercial premises and residential units for rental income;
- (c) the Chinese wet markets segment engages in the management and sub-licensing of Chinese wet markets;
- (d) the shopping centres and car parks segment engages in the management and sub-licensing of shopping centres and car parks;
- (e) the retail business segment engages in the retailing of pork;
- (f) the corporate and others segment comprises the Group's management service business. This segment also includes corporate income and expense items; and
- (g) the pharmaceutical segment engages in the production and sale of cough syrup and health care products.

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.

Notes to Financial Statements (Cont'd)

31 March 2005

4. SEGMENT INFORMATION (Cont'd)

Business segments (Cont'd)

Group	Property development		Property investment		Chinese wet markets		Shopping centres and car parks		Retail business		Corporate and others		Pharmaceutical*		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	238,215	-	271,203	264,457	68,658	62,601	40,822	40,460	3,739	3,484	822,558	647,885	-	-	-	(477,393)	967,802	719,397
Interests in associates	-	-	-	-	-	-	-	-	-	-	179,011	136,602	-	-	-	-	179,011	136,602
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,483	1,584
Total assets	238,215	-	271,203	264,457	68,658	62,601	40,822	40,460	3,739	3,484	1,001,569	784,487	-	-	-	(477,393)	1,148,296	857,583
Segment liabilities	(162,467)	-	(190,979)	(224,452)	(68,938)	(62,662)	(35,601)	(47,586)	(2,551)	(2,877)	(82,447)	(28,970)	-	-	-	477,393	(65,590)	(67,057)
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(345,894)	(109,543)
Total liabilities	(162,467)	-	(190,979)	(224,452)	(68,938)	(62,662)	(35,601)	(47,586)	(2,551)	(2,877)	(82,447)	(28,970)	-	-	-	477,393	(411,484)	(176,600)
Other segment information:																		
Depreciation	-	-	10	-	7,574	6,830	1,908	2,973	179	134	2,438	2,570	-	88	-	-	12,109	12,595
Amortisation of goodwill	-	-	-	-	-	-	-	-	-	-	-	6,246	-	-	-	-	-	6,246
Other non-cash expenses	-	-	-	-	656	-	-	21	-	-	15,299	8,462	-	-	-	-	15,955	8,483
Capital expenditure	252,059	-	197,802	102,266	3,706	748	626	3,545	118	163	1,115	706	-	57	-	-	455,426	107,485

* The Group's pharmaceutical operations were disposed of to an associate during the year ended 31 March 2004.

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 properties during the year.

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

	Group	
	2005 HK\$'000	2004 HK\$'000
Turnover		
Sub-licensing fee income	216,689	213,335
Management fee income	18,904	13,454
Sale of goods	38,213	55,679
Rendering of services	5,256	5,959
Gross rental income	11,261	8,138
Sale of investment properties	73,800	–
	364,123	296,565
Other revenue		
Interest income	2,916	8,428
Interest income from investments	2,373	2,386
Dividend income from listed securities	405	128
Others	5,401	4,653
	11,095	15,595
Gains		
Gain on disposal of convertible notes due from an associate	–	17,883
Gain on disposal of investments, net	1,907	109
Exchange gains, net	289	1,564
Recognition of deferred gain on disposal of subsidiaries	–	688
Gain on disposal of investment properties	7,335	–
Excess of the Group's interest in the net fair value of the investees' identifiable assets, liabilities and contingent liabilities over cost recognised as income	35,024	–
	44,555	20,244
Other revenue and gains	55,650	35,839

Notes to Financial Statements (Cont'd)

31 March 2005

6. PROFIT FROM OPERATING ACTIVITIES

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

	Notes	Group	
		2005 HK\$'000	2004 HK\$'000
Amortisation of goodwill of subsidiaries		–	6,246
Auditors' remuneration		995	785
Cost of inventories sold		24,310	30,235
Cost of services provided		205,218	208,935
Cost of properties sold		53,000	–
Depreciation	14	12,109	12,595
Surplus on revaluation of investment properties	14	(23,003)	(7,066)
Loss/(gain) on disposal of investment properties	5	(7,335)	15
Loss on disposal of other fixed assets		1	164
Fixed assets written off		28	21
Net holding gain on investments		(375)	(570)
Minimum lease payments under operating leases for land and buildings		140,193	121,176
Provision for impairment of long term investments*		15,299	1,641
Provision for and write-off of bad and doubtful debts		656	6,821
Staff costs (including directors' remuneration – Note 8):			
Wages and salaries		53,197	56,104
Pension scheme contributions		2,022	2,114
		55,219	58,218
Amount released for onerous contracts	27	(5,404)	(6,566)
Net rental income		(10,817)	(8,060)

* The provision for impairment of long term investments is included in "Other operating expenses" on the face of the consolidated profit and loss account.

31 March 2005

Notes to Financial Statements (Cont'd)

7. FINANCE COSTS

	Group	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interest on convertible notes	170	–
Interest on bank loans and overdrafts	4,982	2,041
Total interest	5,152	2,041
Less: Interest capitalised	(826)	–
	4,326	2,041

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	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Fees:		
Executive directors	–	–
Independent non-executive directors	693	631
Other emoluments for executive directors:		
Salaries and allowances	9,666	9,975
Pension scheme contributions	36	36
	10,395	10,642

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

	Number of directors	
	2005	2004
Nil to HK\$1,000,000	4	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	2	1
HK\$4,000,001 to HK\$4,500,000	–	1
	7	6

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

Notes to Financial Statements (Cont'd)

31 March 2005

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2004: three) directors, details of whose remuneration are disclosed in note 8 above. Details of the remuneration of the remaining two (2004: two) non-director, highest paid employees for the year are as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Salaries and allowances	1,460	1,567
Pension scheme contributions	18	37
	1,478	1,604

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

	Number of employees	
	2005	2004
HK\$500,001 to HK\$1,000,000	2	1
HK\$1,000,001 to HK\$1,500,000	-	1
	2	2

During the year, 2,860,000 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 32 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.

31 March 2005

Notes to Financial Statements (Cont'd)

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2005 HK\$'000	2004 HK\$'000
Group:		
Current – Hong Kong		
Charge for the year	2,284	2,796
Underprovision/(overprovision) in prior years	(141)	213
Deferred (Note 30)	2,112	809
	4,255	3,818
Share of tax attributable to associates	1,655	516
	5,910	4,334

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and the majority of 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			
	2005		2004	
	HK\$'000	%	HK\$'000	%
Profit before tax	76,071		33,708	
Tax at the statutory tax rate	13,312	17.5	5,899	17.5
Adjustments in respect of current tax of previous periods	(141)	(0.2)	213	0.6
Income not subject to tax	(20,002)	(26.3)	(20,968)	(62.2)
Expenses not deductible for tax	15,255	20.1	20,358	60.4
Tax losses utilised from previous periods	(4,757)	(6.3)	(4,967)	(14.7)
Tax losses not recognised	2,243	3.0	3,799	11.3
Tax charge at the Group's effective rate	5,910	7.8	4,334	12.9

Notes to Financial Statements (Cont'd)

31 March 2005

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 March 2005 dealt with in the financial statements of the Company was HK\$30,826,000 (2004: HK\$6,166,000 (Note 33(b))).

12. DIVIDENDS

	2005 HK\$'000	2004 HK\$'000
Interim – HK3.0 cents (2004: HK3.0 cents) per ordinary share	4,300	3,544
Proposed final – HK12.0 cents (2004: HK7.0 cents) per ordinary share	17,846	10,032
	22,146	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\$70,127,000 (2004: HK\$29,285,000), and the weighted average of 143,320,366 (2004: 121,746,522) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the year of HK\$70,234,000 (2004: HK\$29,285,000) after adjustment for interest saved upon deemed exercise of all convertible notes during the year. The weighted average number of ordinary shares used in the calculation is the 143,320,366 (2004: 121,746,522) ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average of 6,260,100 (2004: 6,807,774) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all the share options and convertible notes during the year.

31 March 2005

Notes to Financial Statements (Cont'd)

14. FIXED ASSETS

Group

	Investment properties HK\$'000	Leasehold improve- ments HK\$'000	Machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Computer equipment HK\$'000	Total HK\$'000
Cost or valuation:							
At beginning of year	260,400	53,284	5,516	49,259	758	1,767	370,984
Additions	197,802	3,403	104	852	346	860	203,367
Disposals and write-off	(107,800)	(1,460)	(30)	(309)	(176)	(245)	(110,020)
Disposal of subsidiaries (Note 34(d))	(153,855)	–	(66)	(5)	(76)	(18)	(154,020)
Surplus on revaluation	23,003	–	–	–	–	–	23,003
At 31 March 2005	219,550	55,227	5,524	49,797	852	2,364	333,314
Accumulated depreciation:							
At beginning of year	–	29,815	2,072	44,634	574	1,110	78,205
Provided during the year	–	7,040	1,177	3,298	177	417	12,109
Disposals and write-off	–	(1,402)	(10)	(294)	(176)	(247)	(2,129)
Disposal of subsidiaries (Note 34(d))	–	–	(26)	(2)	(33)	(1)	(62)
At 31 March 2005	–	35,453	3,213	47,636	542	1,279	88,123
Net book value:							
At 31 March 2005	219,550	19,774	2,311	2,161	310	1,085	245,191
At 31 March 2004	260,400	23,469	3,444	4,625	184	657	292,779
Analysis of cost or valuation:							
At cost	–	55,227	5,524	49,797	852	2,364	113,764
At 31 March 2005 valuation	219,550	–	–	–	–	–	219,550
	219,550	55,227	5,524	49,797	852	2,364	333,314

Notes to Financial Statements (Cont'd)

31 March 2005

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 2004 and 31 March 2005	15	66	81
Accumulated depreciation:			
At beginning of year	10	66	76
Provided during the year	3	–	3
At 31 March 2005	13	66	79
Net book value:			
At 31 March 2005	2	–	2
At 31 March 2004	5	–	5

The Group's investment properties are all situated in Hong Kong and are held under the following term leases:

	<i>HK\$'000</i>
Long term leases	20,500
Medium term leases	199,050
	219,550

The Group's investment properties were revalued on 31 March 2005 by Vigers Appraisal & Consulting Limited, independent professionally qualified valuers, on an open market, existing use basis. An aggregate amount of revaluation surplus of HK\$23,003,000 resulting from the revaluation has been credited to the profit and loss account. The investment properties are leased to a director of the Company, third parties and associates under operating leases, further details of which are included in notes 36 and 39 to the financial statements.

31 March 2005

Notes to Financial Statements (Cont'd)**14. FIXED ASSETS** (Cont'd)

Save as disclosed in note 39(a) to the financial statements, the investment properties are leased to third parties under operating leases, further summary details of which are included in note 36 to the financial statements. The gross rental income received and receivable by the Group and the related expenses in respect of these investment properties are summarised as follows:

	Group	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Gross rental income	11,261	8,138
Direct expenses	(444)	(78)
Net rental income	10,817	8,060

At 31 March 2005, the Group's investment properties with an aggregate value of HK\$196,650,000 (2004: HK\$260,400,000) and certain rental income generated therefrom were pledged to secure the Group's general banking facilities, of which approximately HK\$92,328,000 (2004: HK\$140,735,000) had been utilised as at 31 March 2005 (Note 28).

Further particulars of the Group's investment properties are included on pages 90 and 91.

15. PROPERTIES UNDER DEVELOPMENT

	Group	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
At beginning of year	–	–
Additions	221,456	–
At the end of year	221,456	–
Less: Portion classified as current assets	(13,044)	–
Long term portion	208,412	–

At 31 March 2005, the Group's properties under development with an aggregate value of HK\$180,254,000 (2004: Nil) were pledged to secure the Group's general banking facilities, of which approximately HK\$148,000,000 (2004: Nil) had been utilised as at 31 March 2005 (Note 28).

Further particulars of the Group's properties under development are included on page 92.

Notes to Financial Statements (Cont'd)

31 March 2005

16. 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

	Notes	Goodwill arising on acquisition of subsidiaries HK\$'000	Goodwill arising on acquisition of associates (Note 18) HK\$'000
Cost:			
At 1 April 2004			
As previously reported		7,096	35,656
Effect of adopting HKFRS 3		(1,637)	(23,999)
As restated		5,459	11,657
Acquisitions during the year	34(b)	943	–
Disposal of subsidiaries	34(d)	(1,415)	–
Disposal of interests in an associate		–	(1,939)
At 31 March 2005		4,987	9,718
Accumulated amortisation and impairment:			
At 1 April 2004			
As previously reported		1,637	23,999
Effect of adopting HKFRS 3		(1,637)	(23,999)
At restated		–	–
Net book value:			
At 31 March 2005		4,987	9,718
At 31 March 2004		5,459	11,657

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.

31 March 2005

Notes to Financial Statements (Cont'd)

16. GOODWILL (Cont'd)

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 ended 31 March 2004, upon the acquisition of additional interest in an associate, which became a subsidiary thereafter, the entire amount of goodwill of HK\$926,000 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, was reclassified as goodwill arising on acquisition of subsidiaries. Accordingly, the goodwill remaining in consolidated reserves as at 31 March 2005 was HK\$21,755,000.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	71,000	71,000
Due from subsidiaries – Note (i)	783,825	655,101
Loans to subsidiaries – Note (ii)	91,385	83,461
Due to subsidiaries – Note (i)	(76,192)	(33,481)
	870,018	776,081
Less: Provisions for impairment	(419,449)	(419,449)
	450,569	356,632

Notes:

- (i) The amounts are unsecured, interest-free and have no fixed terms of repayment.
- (ii) The amounts are unsecured and have no fixed terms of repayment. Except for a loan to a subsidiary of HK\$15,878,000 which bears interest at 3% per annum, the remaining balances are interest-free.

Notes to Financial Statements (Cont'd)

31 March 2005

17. 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
Dragon Richly Investment Limited	Hong Kong	Ordinary HK\$1	–	100	Property development
Easy Kindom Limited	Hong Kong	Ordinary HK\$2	–	100	Property investment
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

31 March 2005

Notes to Financial Statements (Cont'd)

17. INTERESTS IN SUBSIDIARIES (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	
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
Kartix Investment Limited	Hong Kong	Ordinary HK\$1	–	100	Property development
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
Poly Talent Investment Limited	Hong Kong	Ordinary HK\$1	–	100	Property development
Profit Million Investment Limited	Hong Kong	Ordinary HK\$1	–	100	Property development
Parking Lot Management Limited	Hong Kong	Ordinary HK\$700,002	–	100	Property investment
Rich Time Strategy Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	–	100	Investment holding

Notes to Financial Statements (Cont'd)

31 March 2005

17. INTERESTS IN SUBSIDIARIES (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	
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
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
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

31 March 2005

Notes to Financial Statements (Cont'd)

17. INTERESTS IN SUBSIDIARIES (Cont'd)

Notes:

- (1) The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.
- (2) The non-voting preference shares carry no voting rights but the holders have the right to receive an annual cash dividend equivalent to 30% of the audited net profit after tax. On the winding-up of the company, the holders rank in priority to the ordinary shareholders provided that the assets of the company available for distribution to its members shall be applied first towards arrears or accruals of the dividend.
- (3) The non-voting deferred shares carry no voting rights or rights to dividends. On the winding-up of the companies, the holders of non-voting deferred shares have a right to repayment in proportion to the amounts of all paid-up ordinary and deferred shares after the first HK\$1,000,000,000 thereof has been distributed among the holders of the ordinary shares.

18. INTERESTS IN ASSOCIATES

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Share of net assets	167,557	69,713	-	-
Deferred gain	(14,692)	(8,785)	-	-
Goodwill on acquisition – Note 16	9,718	11,657	-	-
	162,583	72,585	-	-
Due from associates – Note (i)	465	539	219	219
Due to associates – Note (i)	(34)	(19)	-	-
Loans to associates	-	7,000	-	-
Convertible notes due from an associate – Note (ii)	16,000	56,500	-	-
	179,014	136,605	219	219
Less: Provisions for impairment	(3)	(3)	-	-
	179,011	136,602	219	219

Notes to Financial Statements (Cont'd)

31 March 2005

18. INTERESTS IN ASSOCIATES (Cont'd)

Notes:

- (i) The amounts with associates are unsecured, interest-free and have no fixed terms of repayment.
- (ii) The convertible notes of HK\$16,000,000 carry interest at 3% 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\$0.08 per share during the period from 15 March 2005 to 14 March 2008. The initial conversion price of HK\$0.08 per share was increased to HK\$0.80 per share as a result of the capital reorganisation of WYTH effective on 9 June 2005.

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
			2005 (Note 2)	2004	
WYTH* (Note 3)	Corporate	Hong Kong	28.57	19.62	Production and sale of traditional Chinese and Western pharmaceutical, health food products and property holding

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 increased as a result of subscription of rights shares, placements of shares and the exercise of convertible notes 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.

31 March 2005

Notes to Financial Statements (Cont'd)**18. INTERESTS IN ASSOCIATES** (Cont'd)

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

	WYTH	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Profit and loss account		
Turnover	326,909	349,225
Net loss for the year	(66,975)	(30,006)
Balance sheet		
Non-current assets	604,570	343,339
Current assets	223,244	126,017
Current liabilities	(96,232)	(44,784)
Non-current liabilities	(132,494)	(70,667)
Minority interests	(7,877)	(212)
Net assets	591,211	353,693

Notes to Financial Statements (Cont'd)

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19. INVESTMENTS

(a) Long term investments

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Held-to-maturity securities: Hong Kong unlisted dated debt securities, at amortised cost	31,454	15,534	31,454	15,534
Investment securities:				
Hong Kong unlisted callable deposit, at cost	7,770	–	7,770	–
Hong Kong unlisted unit trusts, at cost	3,010	4,010	3,010	–
Hong Kong unlisted equity shares, at cost	30,098	30,098	–	–
Unlisted equity investment in Mainland China, at cost	12,000	–	–	–
	52,878	34,108	10,780	–
Less: Provisions for impairment	(30,098)	(14,799)	–	–
	22,780	19,309	10,780	–
	54,234	34,843	42,234	15,534

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Notes to Financial Statements (Cont'd)

19. INVESTMENTS (Cont'd)

(b) Short term investments

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Held-to-maturity securities:				
Hong Kong unlisted unit trusts, at cost	-	19,403	-	-
Investment securities:				
Hong Kong unlisted certificate of deposit, at cost	-	11,650	-	11,650
Hong Kong unlisted callable deposit, at cost	19,424	-	19,424	-
Hong Kong unlisted unit trusts, at cost	1,000	-	1,000	-
Hong Kong unlisted commercial paper, at cost	7,751	-	7,751	-
Hong Kong unlisted currency link deposit, at cost	7,769	-	7,769	-
	35,944	31,053	35,944	11,650
Other investments:				
Listed equity securities, at fair value				
Hong Kong	23,361	5,920	8,003	-
Elsewhere	-	455	-	455
	59,305	37,428	43,947	12,105

20. INVENTORIES

	Group	
	2005 HK\$'000	2004 HK\$'000
Finished goods	70	73

None of the inventories included in the above was carried at net realisable value as at the balance sheet date (2004: Nil).

Notes to Financial Statements (Cont'd)

31 March 2005

21. TRADE RECEIVABLES

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

	Group			
	2005		2004	
	<i>HK\$'000</i>	<i>Percentage</i>	<i>HK\$'000</i>	<i>Percentage</i>
Within 90 days	9,073	84	5,297	94
91 days to 180 days	1,154	11	253	4
Over 180 days	636	5	86	2
	10,863	100	5,636	100
Less: Provision for doubtful debts	(836)		(85)	
	10,027		5,551	

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

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments	5,397	2,978	3,667	814
Deposits	8,655	6,269	–	47
Other receivables	8,349	4,725	1,200	227
	22,401	13,972	4,867	1,088

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Notes to Financial Statements (Cont'd)

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Cash and bank balances	43,300	25,931	19,235	2,189
Time deposits	269,363	263,434	245,371	236,200
	312,663	289,365	264,606	238,389
Less: Pledged deposits	(7,723)	–	(7,723)	–
Cash and cash equivalents	304,940	289,365	256,883	238,389

24. TRADE PAYABLES

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

	Group	
	2005 HK\$'000	2004 HK\$'000
Within 90 days	157	188

25. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Other payables	4,291	4,010	2,023	110
Accruals	10,503	8,987	576	131
	14,794	12,997	2,599	241

26. INTEREST-BEARING BANK LOANS

	Note	Group		Company	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Current portion of bank loans and overdrafts	28	28,072	24,575	20,000	–

Notes to Financial Statements (Cont'd)

31 March 2005

27. PROVISIONS FOR ONEROUS CONTRACTS

	Group	
	2005 HK\$'000	2004 HK\$'000
At beginning of year	13,573	20,139
Additional provision/(write back of provision)	1,777	(420)
Amount utilised during the year	(7,181)	(6,146)
At 31 March	8,169	13,573
Portion classified as current liabilities	(6,749)	(9,112)
Long term portion	1,420	4,461

28. INTEREST-BEARING BANK LOANS

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Bank loans:				
Secured – Note	240,328	104,648	65,000	–
Unsecured	2,240	–	–	–
	242,568	104,648	65,000	–
Bank loans repayable:				
Within one year	28,072	24,575	20,000	–
In the second year	79,907	9,734	20,000	–
In the third to fifth years, inclusive	75,687	24,890	25,000	–
Beyond five years	58,902	45,449	–	–
	242,568	104,648	65,000	–
Portion classified as current liabilities (Note 26)	(28,072)	(24,575)	(20,000)	–
Long term portion	214,496	80,073	45,000	–

Note: Certain of the Group's bank loans are secured by the Group's investment properties (Note 14) and properties under development (Note 15).

In addition, the Company has guaranteed certain of the Group's bank loans up to HK\$358,993,000 (2004: HK\$243,650,000) as at the balance sheet date.

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Notes to Financial Statements (Cont'd)

29. CONVERTIBLE NOTES

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
2007 convertible notes – Note (i)	37,180	–	37,180	–
2008 convertible notes – Note (ii)	61,440	–	61,440	–
	98,620	–	98,620	–

Notes:

- (i) On 16 December 2004, the Company issued convertible notes with aggregate principal amounts of HK\$37,180,000 through a placing agent to several independent third parties. The convertible notes provide the holders option rights to convert the principal amount into ordinary shares of HK\$0.10 each of the Company on any business day prior to the maturity of the convertible notes at a conversion price of HK\$1.30 per share.

The principal amounts of the convertible notes bear interest at 1% per annum and the convertible notes will mature on the first day of a period of two years and six months from the date of their issue.

- (ii) On 23 February 2005, the Company issued convertible notes with aggregate principal amounts of HK\$61,440,000 through a placing agent to several independent third parties. The convertible notes provide the holders option rights to convert the principal amount into ordinary shares of HK\$0.10 each of the Company on any business day prior to the maturity of the convertible notes at a conversion price of HK\$2.40 per share.

The principal amounts of the convertible notes bear interest at 1% per annum and the convertible notes will mature on the first day of a period of three years from the date of their issue.

Subsequent to the balance sheet date, on 20 June 2005, 4,100,000 ordinary shares of the Company were issued upon conversion of the 2008 convertible notes with an aggregate principal amount of HK\$9,840,000, at a conversion price of HK\$2.40 per share.

Notes to Financial Statements (Cont'd)

31 March 2005

30. DEFERRED TAX

The net deferred tax assets/(liabilities) in the consolidated balance sheet are as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Deferred tax assets	743	1,584
Deferred tax liabilities	(1,437)	(166)
	(694)	1,418

The components of deferred tax assets and liabilities and the movements during the year are as follows:

Group	2004					
	Accelerated tax depreciation HK\$'000	Provisions for onerous contract 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	(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

Group	2005					
	Accelerated tax depreciation HK\$'000	Provisions for onerous contract 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 2004	(2,726)	1,246	19	2,869	10	1,418
Disposal of subsidiaries	2,194	-	-	(2,194)	-	-
Deferred tax credited/(charged) to the profit and loss account during the year (Note 10)	788	(1,011)	(2,164)	275	-	(2,112)
Deferred tax assets/(liabilities) at 31 March 2005	256	235	(2,145)	950	10	(694)

31 March 2005

Notes to Financial Statements (Cont'd)**30. DEFERRED TAX** (Cont'd)

The Group has tax losses arising in Hong Kong of approximately HK\$77,601,000 (2004: HK\$121,230,000) 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 2005, there is no significant unrecognised deferred tax liability (2004: 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.

31. SHARE CAPITAL**Shares**

	2005 HK\$'000	2004 HK\$'000
Authorised: 2,000,000,000 ordinary shares of HK\$0.10 each	200,000	200,000
Issued and fully paid: 143,320,366 (2004: 143,320,366) ordinary shares of HK\$0.10 each	14,332	14,332

Share options

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

32. 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 2005, all share options granted under the Old Scheme were lapsed.

Notes to Financial Statements (Cont'd)

31 March 2005

32. SHARE OPTION SCHEMES (Cont'd)

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), seconded, 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 2005, the number of shares issuable under the share options granted under the New Scheme was 22,790,000 which in aggregate represented approximately 15.9% 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.

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.

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Notes to Financial Statements (Cont'd)

32. SHARE OPTION SCHEMES (Cont'd)

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	At 1 April 2004	Granted during the year	Lapsed during the year	At 31 March 2005	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$
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	12,990,000	–	22,790,000	*	*	*
	12,428,000	12,990,000	(2,628,000)	22,790,000			

* These represented options granted to employees with exercise prices ranging from HK\$0.968 to HK\$1.28 per share and an exercise period starting on the earliest on 7 October 2003 and ending on the latest on 11 November 2014. The weighted average exercise price of the Company's share options at grant date of options was HK\$1.16.

At the balance sheet date, the Company had 22,790,000 (2004: 9,800,000) share options outstanding under the New Scheme. The exercise in full of the share options would, under the present capital structure of the Company, result in the issue of 22,790,000 (2004: 12,428,000) additional ordinary shares of the Company and additional share capital of HK\$2,790,000 (2004: HK\$1,242,800) and share premium of HK\$24,212,000 (2004: HK\$14,323,760) (before issue expenses).

Subsequent to the balance sheet date, on 24 May 2005, a total of 1,300,000 share options under the New Scheme were exercised, resulting in the issue of 1,300,000 additional ordinary shares of the Company and additional share capital of HK\$130,000 and share premium of HK\$1,534,000 (before issue expenses).

Notes to Financial Statements (Cont'd)

31 March 2005

33. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 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 16 to the financial statements.

(b) Company

		Share premium account	Contributed surplus (Note)	Warrant reserve	Retained profits	Proposed final dividend	Total
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2003		348,222	121,364	1,735	111,316	–	582,637
Placement of shares		23,600	–	–	–	–	23,600
Expiry of warrant		–	–	(1,735)	1,735	–	–
Share issue expenses		(810)	–	–	–	–	(810)
Net profit for the year		–	–	–	6,166	–	6,166
Interim 2004 dividend	12	1,350	–	–	(3,544)	–	(2,194)
Proposed final 2004 dividend	12	–	–	–	(10,032)	10,032	–
At 31 March 2004 and 1 April 2004		372,362	121,364	–	105,641	10,032	609,399
Final 2004 dividend declared		–	–	–	–	(10,032)	(10,032)
Net profit for the year		–	–	–	30,826	–	30,826
Interim 2005 dividend	12	–	–	–	(4,300)	–	(4,300)
Proposed final 2005 dividend	12	–	–	–	(17,846)	17,846	–
At 31 March 2005		372,362	121,364	–	114,321	17,846	625,893

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. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

31 March 2005

Notes to Financial Statements (Cont'd)

34. 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 a subsidiary of the Group to WYTH at a consideration of approximately HK\$63.6 million. The consideration was satisfied by cash of approximately HK\$33.6 million and convertible notes issued by WYTH of HK\$30 million. Further details are set out in note (d) below.

(b) Acquisition of subsidiaries

	2005 HK\$'000	2004 HK\$'000
Net assets acquired:		
Deposits and other receivables	9,915	—
Other payables and accruals	(9,915)	—
	—	—
Goodwill on acquisition	943	—
	943	—
Satisfied by:		
Cash	—	—

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

	2005 HK\$'000	2004 HK\$'000
Cash consideration	—	—
Expenses incurred	(943)	—
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(943)	—

Notes to Financial Statements (Cont'd)

31 March 2005

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

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

	2005 HK\$'000	2004 HK\$'000
Net assets acquired:		
Fixed assets	-	158
Trade receivables, prepayments, deposits and other receivables	-	827
Tax recoverable	-	12
Cash and cash equivalents	-	844
Trade payables, other payables and accruals	-	(677)
	-	1,164
Goodwill on acquisition	-	2,191
	-	3,355
Satisfied by:		
Cash	-	2,773
Disposal of interests in an associate	-	582
	-	3,355

An analysis of the net 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:

	2005 HK\$'000	2004 HK\$'000
Cash consideration	-	(2,750)
Expenses incurred	-	(23)
Cash and cash equivalents acquired	-	844
Net outflow of cash and cash equivalents in respect of the acquisition of additional shares in associates	-	(1,929)

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Notes to Financial Statements (Cont'd)

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

(d) Disposal of subsidiaries

	Notes	2005 HK\$'000	2004 HK\$'000
Net assets disposed of:			
Fixed assets	14	153,958	324
Inventories		–	3,377
Trade receivables		94	9,194
Deposits and other receivables		746	647
Tax recoverable		52	–
Cash and cash equivalents		2,465	3,691
Trade and other payables		(2,546)	(6,208)
Interest-bearing bank loans		(61,930)	(4,722)
Tax payable		–	(628)
Minority interests		–	(12)
		92,839	5,663
Goodwill released on disposal	16	1,415	126,094
Gain/(loss) on disposal of subsidiaries		26,975	(1,020)
Deferred gain/(loss) on disposal of subsidiaries		7,369	(1,012)
		128,598	129,725
Satisfied by:			
Cash		98,980	–
Interests in an associate		–	59,938
Convertible notes of an associate		30,000	70,000
Expenses incurred		(382)	(213)
		128,598	129,725

Notes to Financial Statements (Cont'd)

31 March 2005

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

(d) Disposal of subsidiaries (Cont'd)

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

	2005 HK\$'000	2004 HK\$'000
Cash consideration	98,980	–
Expenses incurred	(382)	(213)
Cash and cash equivalents disposed of	(2,465)	(3,691)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	96,133	(3,904)

During the year, the Group disposed of its entire interests in WOD Investments Limited (“WOD”), which was a wholly-owned subsidiary of the Group and held the Wai Yuen Tong Medicine Building, to WYTH for a consideration of approximately HK\$65.3 million. The consideration was satisfied by cash.

During the year, the Group disposed of its entire interests in Geswin Limited, which was a wholly-owned subsidiary of the Group and held an investment property at Nathan Road, Hong Kong, to WYTH at a consideration of approximately HK\$63.6 million. The consideration was satisfied by cash of approximately HK\$33.6 million and convertible notes issued by WYTH of HK\$30 million. The convertible notes are interest-bearing at 3% per annum with a right to convert into ordinary shares of WYTH at an initial conversion price of HK\$0.80 per share during the period from 15 March 2005 to 14 March 2008.

The subsidiaries disposed of during the year contributed HK\$5,220,000 (2004: HK\$8,960,000) to the Group's consolidated turnover and HK\$2,884,000 (2004: loss after tax of HK\$1,916,000) to the consolidated profit after tax for the year ended 31 March 2005.

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Notes to Financial Statements (Cont'd)

35. CONTINGENT LIABILITIES

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

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Guarantees given to financial institutions in connection with facilities granted to subsidiaries	-	-	358,993	243,650

- (b) 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\$1,366,000 as at 31 March 2005, 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.

Notes to Financial Statements (Cont'd)

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36. 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 five 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	
	2005 HK\$'000	2004 HK\$'000
Within one year	140,509	70,810
In the second to fifth years, inclusive	137,077	30,319
	277,586	101,129

(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 seven years.

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

	Group	
	2005 HK\$'000	2004 HK\$'000
Within one year	124,371	109,754
In the second to fifth years, inclusive	188,373	114,171
After five years	2,495	378
	315,239	224,303

31 March 2005

Notes to Financial Statements (Cont'd)**37. COMMITMENTS**

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

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital commitments contracted, but not provided for	121,350	146,561

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

38. POST BALANCE SHEET EVENTS

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

- (a) On 16 March 2005, the Group entered into a provisional sale and purchase agreement with an independent third party to acquire an investment property for a consideration of HK\$35.0 million, of which, HK\$3.5 million had been paid as a deposit by the Group prior to the balance sheet date. The outstanding balance of HK\$31.5 million was included in the amount of capital commitments contracted, but not provided for, in note 37 to the financial statements. The acquisition was completed on 31 May 2005.
- (b) On 18 March 2005, the Group entered into a sale and purchase agreement (the "Hanwin Agreement") with Mr. Tang Ching Ho ("Mr. Tang") to acquire from Mr. Tang the entire issued share capital and the shareholder's loan of Hanwin Investment Limited ("Hanwin"). The consideration for the acquisition of Hanwin should represent the face value of the entire issued share capital and the shareholder's loan of Hanwin. Prior to the entering into the Hanwin Agreement, Hanwin entered into a provisional sale and purchase agreement with an independent third party for the purchase of an investment property for a consideration of HK\$110.0 million. The acquisition of Hanwin was completed on 9 May 2005.
- (c) On 13 April 2005, the Group entered into a provisional sale and purchase agreement with an independent third party to acquire an investment property, together with an existing tenancy at a monthly rental of approximately HK\$58,000 expiring on 8 June 2006, at a consideration of approximately HK\$17.2 million.
- (d) On 15 April 2005, the Group entered into a provisional sale and purchase agreement with an independent third party to acquire investment properties, together with two existing tenancies, one with a monthly rental of HK\$34,000 expiring on 15 January 2006 and the other with a monthly rental of approximately HK\$6,000 expiring on 7 April 2007, for a total consideration of approximately HK\$15.8 million.
- (e) On 5 July 2005, the Group entered into a provisional sale and purchase agreement with an independent third party to acquire a property for redevelopment for a consideration of HK\$75.0 million. The directors anticipate the acquisition will be completed on 20 December 2005.
- (f) The directors proposed a conditional bonus issue of shares of HK\$0.10 each in the share capital of the Company on the basis of one bonus share (the "Bonus Share(s)") for every five existing shares held by shareholders of the Company on the register of members on 12 August 2005. The Bonus Shares will rank pari passu in all respects with the existing issued shares except that they will not carry any right to receive the final dividend for the year ended 31 March 2005.

Notes to Financial Statements (Cont'd)

31 March 2005

39. RELATED PARTY TRANSACTIONS

In addition to the transaction and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2005 HK\$'000	2004 HK\$'000
Rental income received from Mr. Tang	(a)	557	583
Proceeds from disposal of subsidiaries to an associate	(b)	128,980	149,725
Income from associates:	(c)		
Management fee		918	960
Rental		5,065	5,116
Interest income		557	6,957
Cleaning expenses paid to an associate	(c)	–	1,716
Rental expenses paid to an associate	(c)	1,764	–

Notes:

- (a) An investment property of the Group was leased to Mr. Tang for a period of one year from 20 December 2003 at an agreed monthly rental of HK\$45,000. The lease was renewed and extended for a further one year at an agreed monthly rental of HK\$50,000. The rental was determined with reference to the prevailing market rates.
- (b) The entire interests of WOD and Geswin (the “Disposed Subsidiaries”), wholly-owned subsidiaries of the Group, were disposed of to WYTH at considerations of approximately HK\$65.3 million and HK\$63.6 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 34(d) to the financial statements.
- (c) The transactions were based on terms mutually agreed between the Group and the related parties.
- (d) During the year, the Group acquired from Mr. Tang the entire interests in Dragon Richly Investment Limited, Poly Talent Investment Limited and Profit Million Investment Limited (the “Acquired Companies”), companies wholly and beneficially owned by Mr. Tang, at an aggregate consideration equivalent to the face value of the entire issued share capital and shareholder’s loans of the Acquired Companies. Prior to the completion of the agreements in respect of the acquisition of the Acquired Companies from Mr. Tang, the Acquired Companies had entered into agreements with independent third parties to acquire properties for redevelopment at an aggregate consideration of approximately HK\$145.9 million.

Details of the Group’s balances with associates as at the balance sheet date are disclosed in note 18 to the financial statements.

The related party transactions disclosed in notes 38(b) and 39(d) above also constitute connected transactions as defined in Chapter 14A of the Listing Rules.

31 March 2005

Notes to Financial Statements (Cont'd)**40. COMPARATIVE AMOUNTS**

As further explained in note 2 to the financial statements, due to the adoption of certain new HKFRSs 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.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 6 July 2005.

Particulars of Properties

INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
Ground Floor No. 30 Haiphong Road Tsimshatsui Kowloon	Commercial premises for rental	Medium term lease	100%
Shop No. 101 and 172 on First Floor Commercial Centre Fullview Garden No. 18 Siu Sai Wan Road Chai Wan Hong Kong	Commercial premises for rental	Medium term lease	100%
Ground Floor and the Cockloft No. 203 Tung Choi Street Mongkok Kowloon	Commercial premises for rental	Long 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%
House 2 and Car Paking Spaces 3 & 4 Winners Lodge Nos. 9-15 Ma Yeung Path Shatin New Territories	Vacant	Medium term lease	100%
Shop C on Ground Floor Tsuen Fung Building Nos. 39-43A Tsuen Wan Market Street Tsuen Wan New Territories	Commercial premises for rental	Medium term lease	100%

Particulars of Properties *(Cont'd)*

INVESTMENT PROPERTIES *(Cont'd)*

Location	Use	Tenure	Attributable interest of the Group
Shop 6 on Ground Floor Grandeur Garden Nos. 14-18 Chik Fai Street Nos. 55-65 Tai Wai Road New Territories	Commercial premises for rental	Medium term lease	100%
Flat B on 21st Floor of Block 7 Parc Palais No. 18 Wylie Road King's Park Kowloon	Residential premises for rental	Medium term lease	100%
Flat A on 27th Floor of Block 9 Parc Palais No. 18 Wylie Road King's Park Kowloon	Residential premises for rental	Medium term lease	100%
Flat A on 28th Floor of Block 6 Parc Palais No. 18 Wylie Road King's Park Kowloon	Residential premises for rental	Medium term lease	100%
Flat A on 29th Floor of Block 6 Parc Palais No. 18 Wylie Road King's Park Kowloon	Residential premises for rental	Medium term lease	100%

Particulars of Properties *(Cont'd)*

PROPERTIES UNDER DEVELOPMENT

Property name	Location	Approximate site area (sq.ft.)	Estimated approximate gross floor area (sq.ft.)	Use	Anticipated completion	Attributable interest of the Group
Shatin Heights	Lot No. 1476 in DD 189	49,100	27,900	Residential	End of 2006	100%
Fairview Park Boulevard	Lot No. 4781 in DD 104 and Lot No 3254 RP in DD 104	154,800	39,000	Residential	End of 2006	100%
Kennedy Town	29 residential and commercial units Nos 12, 14, 16, 18, 20 and 22, Davis Street Kennedy Town Hong Kong	5,000	37,000	Residential	Early 2008	100%
Ho Chung	Various lots in DD210 and DD244 Sai Kung New Territories	68,000	20,500	Residential	Early 2009	100%

Five Year Financial Summary

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

RESULTS

	Year ended 31 March				
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
TURNOVER	364,123	296,565	292,156	320,047	211,998
PROFIT/(LOSS) FROM OPERATING ACTIVITIES AFTER FINANCE COSTS	91,071	51,671	80,004	35,274	(48,837)
Share of profits and losses of associates	(15,000)	(10,307)	(11,409)	3,331	899
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	76,071	33,708	45,141	34,123	(47,938)
Tax	(5,910)	(4,334)	(3,361)	(3,531)	1,520
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	70,161	29,374	41,780	30,592	(46,418)
Minority interests	(34)	(89)	(641)	(2,789)	287
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	70,127	29,285	41,139	27,803	(46,131)

Five Year Financial Summary (Cont'd)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	31 March				
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
TOTAL ASSETS	1,148,296	857,583	781,578	649,144	333,355
TOTAL LIABILITIES	(411,484)	(176,600)	(157,766)	(167,430)	(162,567)
MINORITY INTERESTS	(435)	(401)	(324)	(10,569)	(7,829)
	736,377	680,582	623,488	471,145	162,959