# WANG ON GROUP LIMITED
# 宏安集團有限公司

*(Incorporated in Bermuda with limited liability)*

Stock Code: 1222

The luxury strip


ANNUAL REPORT 2009

# Contents

# Corporate Information

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS

Mr. Tang Ching Ho, *Chairman*
Ms. Yau Yuk Yin, *Deputy Chairman*
Mr. Chan Chun Hong, Thomas, *Managing Director*

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lee Peng Fei, Allen, *CBE, BS, FHKIE, JP*
Mr. Wong Chun, Justein, *MBE, JP*
Mr. Siu Yim Kwan, Sidney, *S.B.St.J.*
Mr. Siu Kam Chau

## AUDIT COMMITTEE

Mr. Siu Yim Kwan, Sidney, *S.B.St.J., Chairman*
Mr. Wong Chun, Justein, *MBE, JP*
Mr. Siu Kam Chau

## REMUNERATION COMMITTEE

Mr. Wong Chun, Justein, *MBE, JP, Chairman*
Dr. Lee Peng Fei, Allen, *CBE, BS, FHKIE, JP*
Mr. Siu Yim Kwan, Sidney, *S.B.St.J.*
Mr. Siu Kam Chau
Mr. Tang Ching Ho
Ms. Yau Yuk Yin
Mr. Chan Chun Hong, Thomas

## NOMINATION COMMITTEE

Dr. Lee Peng Fei, Allen, *CBE, BS, FHKIE, JP, Chairman*
Mr. Wong Chun, Justein, *MBE, JP*
Mr. Siu Yim Kwan, Sidney, *S.B.St.J.*
Mr. Siu Kam Chau
Mr. Tang Ching Ho
Ms. Yau Yuk Yin
Mr. Chan Chun Hong, Thomas

## COMPANY SECRETARY

Ms. Mak Yuen Ming, Anita

## PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited
China Construction Bank Corporation Limited
DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

## AUDITORS

Ernst & Young

## LEGAL ADVISERS

DLA Piper Hong Kong
Gallant Y.T. Ho & Co.
K&L Gates
Morrison & Foerster

## REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F., Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

## HOMEPAGE

http://www.wangon.com

## STOCK CODE

1222

# Chairman's Statement

I am pleased to announce on behalf of the board of directors (the "Board") of Wang On Group Limited (the "Company") the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2009.

The financial market and general conditions of the economy in Hong Kong were severely affected by the financial crisis which swept through the world in second half of 2008, and the results of the Group for the year ended 31 March 2009 were not immune to the downturn. For the year under review, the Group reported revenue of approximately HK$459.5 million, a decrease of approximately 15.8% over the previous year. Profit attributable to equity holders amounted to approximately HK$55.4 million, an approximately 42.4% decrease as compared with last year.

The Board has recommended the payment of a final dividend of HK0.5 cent per share for the year ended 31 March 2009, payable on or around 4 September 2009 subject to the approval by the shareholders of the Company at the forthcoming annual general meeting.

At the end of 2008, the Group launched the trial marketing of "Godi", a luxury residence project at Shatin Heights, and six out of 11 houses were sold, completion of two of which took place before the financial year end. Given the amelioration of the Hong Kong property market conditions, the Group will re-launch the marketing of the remaining houses at Godi and this is expected to bring satisfactory returns to the Group. During the financial year, the decline in performance of both our property development and property investment divisions was mainly attributable to the slowdown in Hong Kong property market in early 2008, the launch of "Godi" near the end of 2008 and completion for certain houses will only take place after financial year ended 31 March 2009 and the change in fair value of the Group's property portfolio.

The Group was optimistic about the Hong Kong property market and continued to expand its investment property portfolio of retail shops and residential premises. In March 2009, the Group acquired 100% interest in Everlong Limited and its subsidiaries which held over 50 investment properties in Hong Kong which are currently leased and yielding a recurring annual rental income of approximately HK$9.8 million.

With a view to focusing its resources, the Group realised proceeds of approximately HK$197.8 million by divesting its 50% equity interest in a land site with an area of approximately 2.4 million square feet in Fuzhou, Jiangxi Province, the People's Republic of China (the "PRC"), through the disposal of a subsidiary in September 2008.

The Group has for many years been the single largest operator of Chinese wet markets in Hong Kong. Leveraging our expertise and experience in management and operations of Chinese wet market in Hong Kong, the Group has also successfully introduced our specific business model to the management of Chinese wet markets in the PRC. We continued to enjoy stable progress in the year under review, with an increase of approximately 13.6% in turnover of our Chinese wet market management and sub-licensing business. The Group aggressively expanded its management portfolio and secured two more Chinese wet market management contracts in Choi Ming and Tsui Lam, Tseung Kwan O, Hong Kong during the year under review. Another two more management contracts in King Lam and Po Lam, Tseung Kwan O, Hong Kong were awarded in May and July 2009. The Group currently manages 17 "Allmart" brand Chinese wet markets in Hong Kong and 16 "Huimin" brand Chinese wet markets in the PRC and it is expected that these will continue to bring a satisfactory performance for the Group in the coming years.

# Chairman's Statement *(Cont'd)*

The Group's agricultural produce wholesale market in Fanling, Hong Kong delivered satisfactory results for the year and provided stable revenue contribution. Measures are in the pipeline to improve its resource utilisation and operating efficiency, which are expected to further enhance its cash flow in the coming years. During the year under review, the Group disposed of its interest in Yulin and Xuzhou agricultural wholesale markets and realised a gain of approximately HK$155.2 million. We are retaining our 40% interest investment in Changzhou agricultural by-products wholesale market, the construction of which has commenced and the first stage of the project is expected to be completed by the first quarter of 2010.

The operational performance of the pharmaceutical and health products related businesses operated by Wai Yuen Tong Medicine Holdings Limited ("WYTH"), the Group's 21.85% currently owned associate, continued to improve during the year under review, reporting an increase of approximately 4.0% in turnover over the previous year. However, mainly attributable to the change in fair value of the embedded options of an unlisted convertible note held by WYTH and the share of loss in its associate, WYTH reported a significant loss and the Group has to report a share of loss of approximately HK$85.9 million from WYTH for the year.

During the year under review, the Group conducted certain fund raising activities, comprising the placing of new shares in November 2008 and an open offer in February 2009, raising aggregate net proceeds of approximately HK$141.4 million.

Looking ahead, although it is envisaged that the global economy recession will continue to cause market turbulence, I have confidence that we can rise to any challenge given the sound financial position of the Group and with the progressive measures which we have taken and will continue to take to improve our overall performance. The Group continues to develop its core businesses aggressively and optimises its business portfolio with a view to broadening its revenue streams and embracing every future challenge in a cautious and prudent manner.

Last but not least, on behalf of the Board, I would like to express appreciation for all our staff for their contribution to the Group during the past years. Sincere gratitude is also extended to institutional investors and other shareholders, customers and our partners for their unfailing support.

**Tang Ching Ho**
*Chairman*

Hong Kong, 22 July 2009

# Management Discussion and Analysis

## RESULTS

For the financial year ended 31 March 2009, the Group's turnover and profit attributable to equity holders amounted to approximately HK$459.5 million (2008: approximately HK$545.9 million) and approximately HK$55.4 million (2008: approximately HK$96.1 million), respectively.

## DIVIDENDS

The Board has recommended the payment of a final dividend of HK0.5 cent (2008: HK2.5 cents (adjusted)) per ordinary share for the year ended 31 March 2009 to shareholders on the register of members of the Company as of Wednesday, 26 August 2009. The final dividend will be paid on or around Friday, 4 September 2009, subject to the shareholders' approval at the forthcoming annual general meeting of the Company to be held on Wednesday, 26 August 2009. As no interim dividend was distributed for the six months ended 30 September 2008 (2008: HK4.0 cents (adjusted)), the total dividend for the year ended 31 March 2009 will be HK0.5 cent (2008: HK6.5 cents (adjusted)) per ordinary share.

## CLOSURE OF REGISTER

The register of members of the Company will be closed from Monday, 24 August 2009 to Wednesday, 26 August 2009, both days inclusive, during which no transfer of shares will be registered. To qualify for the proposed final dividend, all shareholders are required to lodge their transfers with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited of 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration by no later than 4:30 p.m. on Friday, 21 August 2009.

## BUSINESS REVIEW

For the year ended 31 March 2009, the Group posted a turnover of approximately HK$459.5 million (2008: approximately HK$545.9 million), representing a decline of approximately HK$86.4 million. Profit attributable to equity holders for the year amounted to approximately HK$55.4 million (2008: approximately HK$96.1 million). The decrease was chiefly caused by the loss on deemed disposal of the Group's equity interest in WYTH as a result of the top-up placing arranged by WYTH in May 2008, share of loss of WYTH and change in fair value of financial assets, partially offset by the gain on disposal of two agricultural by-products wholesale markets.

### PROPERTY DEVELOPMENT

For the major part of the financial year, the property market, particularly the residential market, remained stagnant. The turnover for this division amounted to approximately HK$129.6 million (2008: approximately HK$312.8 million).

During the year, units at our luxury "Godi" residential project at Shatin Heights were released for sale in stages. At the date of this annual report, six houses were sold, two of which were completed and delivered before 31 March 2009, three houses were completed and delivered after year end and one house will be completed and delivered by the end of 2009. Given the gradual recovery of the property market since the first quarter of 2009, the Group will consider the re-launch of the remaining "Godi" houses later this year.

The Group also aims to replenish its development land bank when suitable opportunities arise.

# Management Discussion and Analysis *(Cont'd)*

## PROPERTY INVESTMENT

As at 31 March 2009, the Group maintained an investment property portfolio in Hong Kong comprising retail shops and residential premises with a net book value of approximately HK$462.6 million (2008: approximately HK$379.9 million). During the year, the Group invested approximately HK$169.8 million in acquiring retail shops and residential premises in Hong Kong. The Group's property portfolio will generate an annual gross rental income of over HK$25 million. The Group expects that our continuing investment in retail shops and residential premises will not only provide steady rental income for the Group but also capital value appreciation in the long run.

## MANAGEMENT AND SUB-LICENSING OF CHINESE WET MARKETS

The turnover for this division for the year ended 31 March 2009 amounted to approximately HK$168.3 million (2008: approximately HK$148.1 million), representing an increase of approximately HK$20.2 million. This division, with steady income, continues to be one of the major business segments of the Group. During the year, the Group was awarded new contracts to manage Choi Ming and Tsui Lam Chinese wet markets at Tseung Kwan O, Hong Kong. In May and July 2009 after the year end, the Group was awarded further contracts to manage two more Chinese wet markets, namely King Lam and Po Lam, also located at Tseung Kwan O, Hong Kong. As of today, the Group is the single largest operator of Chinese wet markets in Hong Kong and manages a portfolio of approximately 1,200 stalls with a total gross floor area of over 400,000 square feet spread over 17 Chinese wet markets.

The Group also manages a total of more than 1,100 stalls occupying a total gross floor area of over 270,000 square feet in 16 "Huimin" brand Chinese wet markets in various districts in Shenzhen, the PRC.

With more than 15 years of market leading experience in the management and operation of Chinese wet markets, the Group will strive to pursue more business opportunities in Chinese wet market management in both Hong Kong and the PRC.

## TRADING OF AGRICULTURAL BY-PRODUCTS

Revenue from trading of agricultural by-products for the year was approximately HK$86.0 million (2008: approximately HK$22.6 million), representing an increase of HK$63.4 million. This substantial increase was mainly due to the full year contribution of this new business as only three-month results were reflected in the Group's results for the previous year. The operation of the wholesale and retail of agricultural by-products not only provides directly relevant information for our management of Chinese wet markets but also contributes a steady income stream to the Group.

# Management Discussion and Analysis *(Cont'd)*

**AGRICULTURAL BY-PRODUCTS WHOLESALE MARKETS**

For the year ended 31 March 2009, the turnover of this division increased to approximately HK$48.6 million (2008: approximately HK$34.4 million), representing an increase of HK$14.2 million compared to last year. The improvement in turnover was mainly attributable to the remarkable growth and full year contribution from the operation of the Xuzhou market.

In March 2009, the Group disposed of its entire interest in Yulin and Xuzhou agricultural by-products wholesale markets at a total consideration of HK$150 million.

As at 31 March 2009, the Group had 40% interest in the Changzhou agricultural by-products wholesale market. Construction work is currently in progress and the first stage of the project is expected to be completed by the first quarter of 2010.

The operation of the agricultural produce wholesale market in Fanling, Hong Kong during the year was satisfactory. As this market is one of the three major principal wholesale markets for the trading of agricultural produce in Hong Kong, this division will continue to provide steady income to the Group. In addition, the Group is also actively taking steps to improve the efficiency and utilisation of the Fanling market.

**INVESTMENT IN PHARMACEUTICAL AND HEALTH PRODUCTS RELATED BUSINESS**

The turnover of this division for the year ended 31 March 2009, which was operated by a 26.21% owned associate during the financial year, WYTH, increased to approximately HK$496.2 million (2008: approximately HK$477.0 million).

As a result of the revaluation of the embedded value of a convertible note held by WYTH and the share of loss from WYTH's associate, LeRoi Holdings Limited ("LeRoi"), WYTH incurred a loss of approximately HK$345.9 million (2008: profit of approximately HK$83.8 million) which resulted in the Group having to report a share of loss of WYTH of approximately HK$85.9 million.

In light of growing public awareness of health issues worldwide, the Group expects that the core businesses of WYTH should enjoy stable growth in the years to come.

## CAPITAL STRUCTURE

Effectively from 31 March 2009, the Company underwent a capital reorganisation (the "Capital Reorganisation") comprising, among others, (i) the consolidation of every 25 issued shares of HK$0.005 each into one issued consolidated share of HK$0.125 and the consolidation of every two authorised but unissued shares of HK$0.005 each into one authorised but unissued adjusted share of HK$0.01; and (ii) the capital reduction of the nominal value of each issued consolidated share from HK$0.125 to HK$0.01, details of which were disclosed in the Company's announcement dated 13 February 2009 and circular dated 3 March 2009.

# Management Discussion and Analysis *(Cont'd)*

## FUND RAISING ACTIVITIES, LIQUIDITY AND FINANCIAL RESOURCES

For the purpose of strengthening the capital base and raising funds for future development of the core businesses of the Group and for taking advantage any other potential investment opportunities, the Group completed the following fund raising activities during the year under review and after the balance sheet date:

(a) on 26 November 2008, the Company entered into (i) a top-up placing agreement with Accord Power Limited ("Accord Power") and Kingston Securities Limited ("Kingston Securities"); and (ii) a new placing agreement with Kingston Securities, to place an aggregate of 1,572,600,000 shares of HK$0.005 each to independent investors at a price of HK$0.022 per share under the general mandate granted to the directors by the shareholders at the last annual general meeting held on 27 August 2008. Net proceeds of approximately HK$33.2 million were raised for repayment of bank loans and general working capital purposes; and

(b) immediately following the Capital Reorganisation becoming effectively on 31 March 2009 and as announced by the Company on 13 February 2009, the Company issued and allotted 1,132,861,635 offer shares and 755,241,090 bonus shares of HK$0.01 each on 7 May 2009 pursuant to an open offer on the basis of three offer shares for every one share adjusted by Capital Reorganisation held by the shareholders, with a bonus issue on the basis of two bonus shares for every three offer shares taken up under the open offer, at the subscription price of HK$0.1 per offer share. Net proceeds of approximately HK$108.2 million were raised for potential investments as and when appropriate and for general working capital purposes.

As at 31 March 2009, the Group's total assets less current liabilities were approximately HK$1.7 billion (2008: approximately HK$1.4 billion) and the current ratio increased from 1.27 times as at 31 March 2008 to 3.38 times as at 31 March 2009.

As at 31 March 2009, the Group had cash resources and short-term investments of approximately HK$504.1 million (2008: approximately HK$376.1 million). The aggregate borrowings as at 31 March 2009 amounted to approximately HK$432.1 million (2008: approximately HK$546.2 million). The gearing ratio was nil (2008: approximately 18.2%), calculated with reference to the Group's total borrowings net of cash and cash equivalents and equity attributable to equity holders of the Company.

As at 31 March 2009, the Group's investment properties, with a total carrying value of HK$420.6 million (2008: HK$348.9 million), were pledged to secure the Group's general banking facilities totaling approximately HK$432.1 million (2008: approximately HK$201.5 million).

The Group's capital commitment as at 31 March 2009 amounted to approximately HK$27.8 million (2008: approximately HK$197.4 million). The Group had no significant contingent liabilities as at the balance sheet date.

Management is of the opinion that the Group's existing financial resources will be sufficient for the Group's needs in the foreseeable future.

# Management Discussion and Analysis *(Cont'd)*

**FOREIGN EXCHANGE**

The Board is of the opinion that the Group has no material foreign exchange exposure. All of the bank borrowings of the Group are denominated in Hong Kong dollars. The revenue of the Group, being mostly denominated in Hong Kong dollars, matched the currency requirements of the Group's operating expenses. The Group therefore does not engage in any hedging contracts.

## EMPLOYEES AND REMUNERATION POLICIES

At the balance sheet date, the Group had 250 employees, of whom approximately 81.6% were located in Hong Kong and the rest is located in the PRC. 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 programs are also provided.

## PROSPECTS

In 2009, the property market in Hong Kong is seen to be gradually picking up. It is expected that luxury and high-end homes prices will further go up in the short term. This situation will continue under relatively low mortgage interest environment, limited supply of high-end properties in Hong Kong and prevailing flooding of capital in the economy. The Group is actively locating potential property sites for development. Besides, the Group is also prepared to allocate more resources in the properties held for rental income with a view to enhancing its portfolio for regular and stable income.

The management of Chinese wet markets has been one of the core businesses of the Group. We foresee this business will continue to provide steady income in the future. Our solid management expertise and experience, forms a favourable platform for us to move forward and secure more management contracts both in Hong Kong and the PRC. The successful award of four new management contracts since November 2008 represents our strong capability and commitment to further enlarge our existing portfolio.

As a whole, we have confidence in the territory's ability to overcome the current financial crises and rebound in good shape to face the future. We will benefit from the recovery of the local economy.

# Board of Directors and Senior Management

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS

**Mr. Tang Ching Ho**, aged 47, is a co-founder of the Group (which was established in 1987), and the Chairman of the Company since November 1993. 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 WYTH, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is the husband of Ms. Yau Yuk Yin, the Deputy Chairman of the Company.

**Ms. Yau Yuk Yin**, aged 47, is a co-founder of the Group and the Deputy Chairman of the Company since November 1993. She is responsible for the overall human resources and administration of the Group. She has over 11 years of experience in human resources and administration management. She is the wife of Mr. Tang Ching Ho, the Chairman of the Company.

**Mr. Chan Chun Hong, Thomas**, aged 45, joined the Group in March 1997 as an executive Director and was re-designated as the Managing Director of the Company in September 2005. He is currently responsible for managing the overall operations of the Group. He graduated from the Hong Kong Polytechnic University (then known as the Hong Kong Polytechnic) with a bachelor's 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, the chairman and managing director of LeRoi and an independent non-executive director of Shanghai Prime Machinery Company Limited, all of which are companies listed on the main board of the Stock Exchange. In February 2009, Mr. Chan was also appointed as the chairman of China Agri-Products Exchange Limited, a company listed on the main board of the Stock Exchange.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Dr. Lee Peng Fei, Allen**, *CBE, BS, FHKIE, JP*, aged 69, joined the Group in November 1993 as an independent non-executive Director. He is a member of remuneration committee and the chairman of nomination committee of the Company. Dr. Lee holds an honorary doctoral degree in engineering from The Hong Kong Polytechnic University and an honorary doctoral degree in laws from The Chinese University of Hong Kong. He is currently an independent non-executive director of AMS Public Transport Holdings Limited, Giordano International Limited, ITE (Holdings) Limited, Playmates Holdings Limited, Sam Woo Holdings Limited and VXL Capital Limited, all of which are companies listed on the Stock Exchange.

**Mr. Wong Chun, Justein**, *MBE, JP*, aged 55, joined the Group in November 1993 as an independent non-executive Director. He is a member of audit committee and nomination committee of the Company and the chairman of the remuneration committee of the Company. Mr. Wong 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, the Legal Aid Services Council, chairman of Quality Education Fund Assessment and Monitoring Committee and is currently a member of Joint Committee of Student Finance and other government advisory bodies.

# Board of Directors and Senior Management *(Cont'd)*

**Mr. Siu Yim Kwan, Sidney**, *S.B.St.J.*, aged 62, joined the Group in November 1993 as an independent non-executive Director. He is the chairman of audit committee of the Company and a member of nomination committee and remuneration committee of the Company. Mr. Siu is also an executive member of a number of charitable organisations and sports associations and an independent non-executive director of B.A.L. Holdings Limited, a listed company in Hong Kong.

**Mr. Siu Kam Chau**, aged 44, joined the Group in September 2004 as an independent non-executive Director. Mr. Siu holds a bachelor's degree in accountancy from The City University of Hong Kong. He is a member of audit committee, nomination committee and remuneration committee of the Company. Mr. Siu is a Certified Public Accountant (Practising) and a fellow of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is also an executive director of Hong Kong Health Check and Laboratory Holdings Company Limited, a listed company in Hong Kong.

## SENIOR MANAGEMENT

**Mr. Cheung Wai Kai** joined the Group in July 1998 and is the general manager of the Group's commercial management division. He had more than 13 years of experience in general management and 12 years of experience specialising in the market management. He is also an executive director of LeRoi, a listed company in Hong Kong.

**Mr. Kwok Tze Chiu, Samson** joined the Group in September 1997 and is the general manager of the Group's contracts/cost control division and responsible for quantity surveying and cost control of the Group's project management. Prior to joining the Group, he had over 21 years of experience in the building industry. He graduated from the Hong Kong Polytechnic University with a higher certificate in Building Studies.

**Mr. Leong Weng Kin** joined the Group in July 2004 and is the group financial controller of the Group. He holds a Master degree in Business Administration from the Chinese University of Hong Kong. Prior to joining the Group, he had over 10 years of experience in key financial position in a Hong Kong listed Group and more than four years working experience in an international firm of Certified Public Accountants. He is also a director of China Agri-Products Exchange Limited, a listed company in Hong Kong.

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining a high standard of corporate governance practices within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The Board believes that good corporate governance is essential to the success of the Company and the enhancement of shareholders' value.

The Company adopted a code on corporate governance practices set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). In the opinion of the Board, the Company had complied with the code provisions of the CG Code throughout the financial year ended 31 March 2009, except for the following deviations:

### CODE PROVISION E.1.2

Under code provision E.1.2, the chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transactions that is subject to independent shareholders' approval.

At the general meeting held on 30 March 2009 to approve, inter alia, the open offer and bonus issue, as detailed in the Company's announcement dated 13 February 2009, circular dated 3 March 2009 and prospectus dated 9 April 2009, the chairman of the independent board committee did not attend because he was engaged in another urgent appointment. The directors will endeavour to re-arrange their appointment and will attend all necessary general meetings in the future.

### CODE PROVISION E.1.3

Under code provision E.1.3, the Company should arrange for the notice of other general meetings to be sent to shareholders of the Company at least 10 clear business days before the meetings.

In order to match with the directors' schedule, the notice convening the special general meeting held on 5 January 2009 was sent to shareholders of the Company with 14 clear days' notice but less than 10 clear business days, because there were several public holidays in end December 2008 and early January 2009. Save as disclosed herein, sufficient notices convening all subsequent general meetings were given to all shareholders of the Company.

# Corporate Governance Report *(Cont'd)*

## CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the directors (the "Directors"). Having made specific enquiries of all Directors, the Company confirmed that all Directors had complied with the required standard set out in the Model Code throughout the financial year under review.

To comply with code provision A.5.4 of the CG Code, the Company also adopted a code of conduct regarding securities transactions on no less exacting terms than the Model Code by the relevant employees of the Company or any of its subsidiaries who are considered likely to be in possession of unpublished price sensitive information in relation to the Company or its securities.

## THE BOARD

The Board currently has seven Directors comprising three executive Directors and four independent non-executive Directors ("INEDs"). The Directors during the year and up to the date of this annual report were:

**Executive Directors**
Mr. Tang Ching Ho *(Chairman)*
Ms. Yau Yuk Yin *(Deputy Chairman)*
Mr. Chan Chun Hong, Thomas *(Managing Director)*

**Independent non-executive Directors**
Dr. Lee Peng Fei, Allen, *CBE, BS, FHKIE, JP*
Mr. Wong Chun, Justein, *MBE, JP*
Mr. Siu Yim Kwan, Sidney, *S.B.St.J.*
Mr. Siu Kam Chau

The brief biographical details of the Directors are set out on pages 10 to 11 of this annual report.

The Company has four INEDs representing more than one-third of the Board. The Board possesses a balance of skill and experience which are appropriate for the requirements of the business of the Company. The opinions raised by the INEDs at the Board meetings facilitate the maintenance of good corporate governance practices. At least one INED has the appropriate professional qualification and/or accounting and audit experience expertise as required by Rules 3.10(1) and (2) of the Listing Rules. A balanced composition of executive and non-executive Directors also generates a strong independent element on the Board, which allows independent and objective decision making process for the best interests of the Company and its shareholders as a whole. The Company will review the composition of the Board regularly to ensure the Board possesses the appropriate and necessary expertise, skills and experience to meet the needs and enhance the businesses of the Group.

All INEDs are appointed with specific term and subject to retirement by rotation and, being eligible, offer themselves for re-election at the annual general meetings.

# Corporate Governance Report *(Cont'd)*

All INEDs are free from any business or other relationship with the Company. The Company has received from each INED an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company continues to consider the four INEDs to be independent.

The Board's primary functions are to set corporate policy and overall strategy for the Group and to provide effective oversight of the management of the Group's businesses and affairs. Apart from its statutory responsibilities, the Board also approves the strategic plans, key operational issues, investments and loans, reviews the financial performance of the Group and evaluates the performance and compensation of senior management. These functions are either carried out directly by the Board or indirectly through committees established by the Board.

Regular Board meetings are held at least four times a year to approve annual and interim results, and to review the business operation and the internal control systems of the Group. Apart from these regular meetings, Board meetings are also held, as and when necessary, to approve major issues. At least 14 clear days' notice of each regular meeting is given to all Directors. Agendas and accompanying Board papers are sent not less than three days before the date of Board meetings to ensure that the Directors are given sufficient time to review the same. All said minutes are kept by the company secretary of the Company and are open for inspection at any reasonable time on reasonable notice by any Director.

During the year, four Board meetings were held and attendance of each Director at the Board meetings is set out as follows:

| **Board members** | **Attendance** |
|---|---|
| **Executive Directors:** | |
| Mr. Tang Ching Ho *(Chairman)* | 4/4 |
| Ms. Yau Yuk Yin *(Deputy Chairman)* | 4/4 |
| Mr. Chan Chun Hong, Thomas *(Managing Director)* | 4/4 |
| **Independent non-executive Directors:** | |
| Dr. Lee Peng Fei, Allen, *CBE, BS, FHKIE, JP* | 4/4 |
| Mr. Wong Chun, Justein, *MBE, JP* | 4/4 |
| Mr. Siu Yim Kwan, Sidney, *S.B.St.J.* | 4/4 |
| Mr. Siu Kam Chau | 4/4 |

## ROLES OF CHAIRMAN AND MANAGING DIRECTOR

The roles of the Chairman and the managing director are separate to reinforce their respective independence and accountability. The Chairman of the Company is Mr. Tang Ching Ho, who is primarily responsible for the leadership of the Board and ensuring all Directors receive accurate and timely information, while the functions of the managing director are performed by Mr. Chan Chun Hong, Thomas, who is the managing Director and is responsible for the day-to-day management of the businesses of the Group. Their responsibilities are clearly segregated and have been set out in writing and approved by the Board in September 2005.

# Corporate Governance Report *(Cont'd)*

## BOARD COMMITTEE

The Board has established various committees, including the audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee"), nomination committee (the "Nomination Committee") and executive committee, each of which has the specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees are kept by the company secretary of the Company and open for inspection at any reasonable time on reasonable notice by any Director. Each committee is required to report to the Board on its decisions and recommendations, where appropriate.

### AUDIT COMMITTEE

The Audit Committee was established in December 1999 in compliance with Rule 3.21 of the Listing Rules and currently comprises three INEDs, namely, Mr. Siu Yim Kwan, Sidney, Mr. Wong Chun, Justein and Mr. Siu Kam Chau. The Audit Committee is chaired by Mr. Siu Yim Kwan, Sidney.

The functions of the Audit Committee is to assist the Board to review the financial reporting, to supervise over the Group's internal controls, risk management and to monitor the internal and external audit functions and to make relevant recommendations to the Board to ensure effective and efficient operation and reliable reporting. The functions of the Audit Committee will be reviewed regularly by the Board and amended from time to time, as and when appropriate, in order to be in compliance with the CG Code. Its terms of reference were updated in March 2009 to ensure, among other things, that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff to implement the Group's accounting and financial reporting function.

The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice according to the Company's policy if considered necessary.

The Audit Committee meets at least twice a year. Two Audit Committee meetings were held during the year and the attendance of each member is set out as follows:

| **Audit Committee members** | **Attendance** |
|---|---|
| Mr. Siu Yim Kwan, Sidney, *S.B.St.J. (Chairman)* | 2/2 |
| Mr. Wong Chun, Justein, *MBE, JP* | 2/2 |
| Mr. Siu Kam Chau | 2/2 |

During the year under review, the Audit Committee's review covered the financial highlights and audit issue raised by external auditors, accounting principles and practices, amendments to the Listing Rules and accounting standards, internal controls, adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting matters, including the consolidated financial statements for the six months period ended 30 September 2008 and for the year ended 31 March 2009.

# Corporate Governance Report *(Cont'd)*

## REMUNERATION COMMITTEE

The Remuneration Committee was established in September 2005 with specific terms of reference in order to comply with code provision B.1.1 of the CG Code. The Remuneration Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice in accordance with the Company's policy, if considered necessary.

It currently consists of seven members, including Mr. Wong Chun, Justein, the chairman of the Remuneration Committee, Dr. Lee Peng Fei, Allen, Mr. Siu Yim Kwan, Sidney, Mr. Siu Kam Chau, Mr. Tang Ching Ho, Ms. Yau Yuk Yin and Mr. Chan Chun Hong, Thomas, a majority of whom are INEDs.

The role of the Remuneration Committee is to make recommendations to the Board on the remuneration policy and structure for Directors and senior management and to ensure that they are fairly rewarded for their individual contribution to the Group's overall performance while due having regarded to the interests of shareholders. The principal duties of the Remuneration Committee include determining the specific remuneration packages of all executive Directors and senior management as well as reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time. No Director or any of his associates may be involved in making any decisions as to his own remuneration.

The Remuneration Committee meets at least once a year. One Remuneration Committee meeting was held during the financial year to review the remuneration packages of all Directors and senior management and the attendance of each member is set out as follows:

| **Remuneration Committee members** | **Attendance** |
|---|---|
| Mr. Wong Chun, Justein, *MBE, JP (Chairman)* | 1/1 |
| Dr. Lee Peng Fei, Allen, *CBE, BS, FHKIE, JP* | 1/1 |
| Mr. Siu Yim Kwan, Sidney, *S.B.St.J.* | 1/1 |
| Mr. Siu Kam Chau | 1/1 |
| Mr. Tang Ching Ho | 1/1 |
| Ms. Yau Yuk Yin | 1/1 |
| Mr. Chan Chun Hong, Thomas | 1/1 |

The remuneration payable to Directors will depend on their respective contractual terms under their employment contracts or service contracts and the same was reviewed by the Remuneration Committee. Details of the Directors' remuneration are set out in note 8 to the consolidated financial statements.

# Corporate Governance Report *(Cont'd)*

**NOMINATION COMMITTEE**

The Nomination Committee was established in September 2005 in compliance with A.4.4 of the CG Code. It currently consists of seven members, including Dr. Lee Peng Fei, Allen, the chairman of the Nomination Committee, Mr. Wong Chun, Justein, Mr. Siu Yim Kwan, Sidney, Mr. Siu Kam Chau, Mr. Tang Ching Ho, Ms. Yau Yuk Yin and Mr. Chan Chun Hong, Thomas, a majority of whom are INEDs.

The Nomination Committee has adopted a written nomination procedure specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company. The Nomination Committee will base on the criteria in the procedure (such as appropriate experience, personal skills and time commitment, etc) to identify and recommend proposed candidates to the Board.

During the year, the Nomination Committee did not hold any meeting for the nomination of Directors.

## EXTERNAL AUDITORS' REMUNERATION

The remuneration paid/payable to the Company's external auditors, Ernst & Young, for the year ended 31 March 2009, are set out as follows:

| Services rendered for the Group | Fees paid/payable to Ernst & Young<br>HK$'000 |
|---|---|
| Audit services: | |
| – annual financial statements | 2,000 |
| Non-audit services: | |
| – high-level review of interim financial statements | 125 |
| – taxation and professional services | 223 |
| – other professional services | 1,130 |
| Total: | 3,478 |

## INTERNAL CONTROLS

The Board has overall responsibility for maintaining sound and effective internal control systems to safeguard the Company's assets and shareholders' interests, as well as for reviewing the effectiveness and efficiency of these systems. The Board is responsible for approving and reviewing internal control policy while the responsibility of day-to-day management of operational risk lies with the management.

The internal control system is designed to provide reasonable, but not absolute, assurance against material loss; and to manage rather than completely eliminate the risk of system failure. In addition, it should provide a basis for the maintenance of proper accounting records and assist in the compliance with relevant rules and regulations. For the year ended 31 March 2009, the Board reviewed with Audit Committee and auditors the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function and found that they are in line with our policy.

# Corporate Governance Report *(Cont'd)*

## COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communication with shareholders of the Company. Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim reports, annual reports, announcements and circulars.

The Company endeavours to maintain on-going communication with shareholders and also acknowledges that general meeting are valuable forums for the Board to communicate directly with the shareholders and members of the Board and committees are encouraged to attend and answer questions at the general meetings.

However, at the general meeting held on 30 March 2009 to approve, inter alia, the open offer and bonus issue, as detailed in the Company's announcement dated 13 February 2009, circular dated 3 March 2009 and prospectus dated 9 April 2009, the chairman of the independent board committee did not attend because he was suddenly engaged in another urgent appointment. The Directors will endeavour to re-arrange their appointment and will attend all necessary general meetings in the future.

In order to meet the schedule of the Directors, the notice convening the special general meeting held on 5 January 2009 was sent to shareholders of the Company with 14 clear days' notice but less than 10 clear business days because there were several public holidays in end December 2008 and early January 2009. Save as disclosed herein, sufficient notices with 14 clear days' notice and 10 clear business days were given to all shareholders for convening all subsequent general meetings and the Directors will ensure that sufficient notice will be provided to all shareholders for all future general meetings as stipulated in the CG Code, bye-laws and any other applicable laws.

At the commencement of every general meeting, the chairman has explained the detailed procedures for conducting a poll vote during the proceedings of meetings and answered all questions raised by shareholders. All votes at the general meetings held in this year were taken by way of a poll and poll results were published on the websites of the Stock Exchange and the Company on the date immediately following the holding of the general meetings.

To promote effective communication, the Company maintains websites at (http://www.wangon.com), where extensive information and updates on the Company's business development and operations, financial information and other information are posted as soon as practicable.

## RESPONSIBILITY FOR PREPARATION AND REPORTING OF ACCOUNTS

The Directors acknowledge their responsibility for preparing the accounts which were prepared in accordance with statutory requirements and applicable accounting standards. A statement by the auditors about their reporting responsibilities is set out on pages 29 to 30 of this annual report.

There are no uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

# Report of the Directors

The Directors present their report and the audited consolidated financial statements of the Company and of the Group for the year ended 31 March 2009.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Principal activities of the principal subsidiaries, associates and jointly-controlled entity comprised property development, property investment, management and sub-licensing of Chinese wet markets and shopping centres, operations and management of agricultural by-products wholesale markets and trading of agricultural by-products, details of which are set out in notes 19, 20 and 21 to the financial statements, respectively. There were no significant changes in the nature of the Group's principal activities during the year.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2009 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 31 to 128.

For the financial year ended 31 March 2009, the Group's turnover and profit attributable to equity holders amounted to approximately HK$459.5 million (2008: approximately HK$545.9 million) and approximately HK$55.4 million (2008: approximately HK$96.1 million), respectively.

The Board has recommended the payment of a final dividend of HK0.5 cent (2008: HK2.5 cents (adjusted)) per ordinary share for the year ended 31 March 2009 to shareholders on the register of members of the Company as of Wednesday, 26 August 2009. The final dividend will be paid on or around Friday, 4 September 2009, subject to the shareholders' approval at the forthcoming annual general meeting of the Company to be held on Wednesday, 26 August 2009. As no interim dividend was distributed for the six months ended 30 September 2008 (2008: HK4.0 cents (adjusted)), the total dividend for the year ended 31 March 2009 will be HK0.5 cent (2008: HK6.5 cents (adjusted)) per ordinary share.

## FIVE YEAR FINANCIAL SUMMARY

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 Company's audited financial statements, is set out on page 136 of this annual report. This summary does not form part of the audited financial statements.

## PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT

Details of movements in the property, plant and equipment of the Group, the investment properties and properties under development of the Group during the financial year are set out in notes 14, 16 and 17 to the financial statements, respectively.

# Report of the Directors *(Cont'd)*

## SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 35 and 36 to the financial statements, respectively.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 37 to the financial statements and in the consolidated statement of changes in equity, respectively.

## DISTRIBUTABLE RESERVES

At 31 March 2009, the Company's reserves available for distribution to equity holders, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to approximately HK$711,234,000 (2008: approximately HK$483,750,000), of which approximately HK$11,329,000 has been proposed as a final dividend for the year ended 31 March 2009. In addition, the Company's share premium account, in the amount of approximately HK$707,959,000 (2008: approximately HK$586,359,000), may be distributed in the form of fully paid bonus shares.

# Report of the Directors *(Cont'd)*

## MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for less than 40% (2008: 30%) of the total sales for the current year. In the year under review, purchases from the Group's five largest suppliers accounted for 38% (2008: 41%) of the total purchases for the year and purchases from the largest supplier included therein amounted to 38% (2008: 20%) of the total purchases for the year.

None of the Directors 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 customers or five largest suppliers.

## DIRECTORS

The Directors of the Company during the year and up to the date of this annual report 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, BS, FHKIE, JP*
Mr. Wong Chun, Justein, *MBE, JP*
Mr. Siu Yim Kwan, Sidney, *S.B.St.J.*
Mr. Siu Kam Chau

In accordance with bye-law 87 of the Company's bye-laws, Mr. Tang Ching Ho, Dr. Lee Peng Fei, Allen and Mr. Siu Kam Chau will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from all INEDs, namely Dr. Lee Peng Fei, Allen, Mr. Wong Chun, Justein, Mr. Siu Yim Kwan, Sidney and Mr. Siu Kam Chau, and as at the date of this annual report still considers them to be independent.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 10 to 11 of this annual report.

## DIRECTORS' SERVICE CONTRACTS

No Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

# Report of the Directors *(Cont'd)*

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in notes 8 and 42 to the financial statements, no Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2009, the interests and short positions of the Directors and chief executive of the Company and/or any of their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("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 pursuant to Part XV of the SFO or the Model Code under the Listing Rules, were as follows:

Long positions in the shares or underlying shares of the Company:

| | Number of shares or underlying shares held, capacity and nature of interest *(Note (a))* | | | | | Approximate percentage of the Company's total issued share capital *(Note (a))* |
|---|---|---|---|---|---|---|
| **Name of Director** | **Personal interest** | **Family interest** | **Corporate interest** | **Other interest** | **Total** | |
| Mr. Tang Ching Ho | 3,892,550 | 3,892,540 *(Note (b))* | 14,238,426 *(Note (c))* | 552,667,749 *(Note (d))* | 574,691,265 | 24.34% |
| Ms. Yau Yuk Yin | 3,892,540 | 18,130,976 *(Note (e))* | – | 552,667,749 *(Note (f))* | 574,691,265 | 24.34% |
| Mr. Chan Chun Hong, Thomas | 156,000 *(Note (g))* | – | – | – | 156,000 | 0.007% |

# Report of the Directors *(Cont'd)*

*Notes:*

(a) The interests are based on (i) the open offer on the basis of three shares for every one share of HK$0.01 each held on 7 April 2009 (the "Open Offer") with bonus issue on the basis of two bonus shares for every three offer shares taken up under the Open Offer (the "Bonus Issue"), as detailed in the Company's circular and prospectus dated 3 March 2009 and 9 April 2009, completed on the basis that the outstanding share options have been exercised in full on 7 April 2009; and (ii) 2,361,279,270 shares of HK$0.01 each will be in issue upon completion of the Open Offer and the Bonus Issue.

(b) Mr. Tang Ching Ho was taken to be interested in those shares in which his spouse, Ms. Yau Yuk Yin, was interested.

(c) 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.

(d) Mr. Tang Ching Ho was taken to be interested in those shares by virtue of being the founder of a discretionary trust, namely Tang's Family Trust.

(e) Ms. Yau Yuk Yin was taken to be interested in those shares in which her spouse, Mr. Tang Ching Ho, was interested.

(f) Ms. Yau Yuk Yin was taken to be interested in those shares by virtue of being a beneficiary of Tang's Family Trust.

(g) These shares represented such shares of the Company which may fall to be issued upon the exercise of the share options granted to Mr. Chan Chun Hong, Thomas exercisable during the period ranging from 2 January 2009 to 7 January 2019.

Save as disclosed above, as at 31 March 2009, none of the Directors and chief executive of the Company and/or any of their respective associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of 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 pursuant to Part XV of the SFO or the Model Code.

# Report of the Directors *(Cont'd)*

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the headings "Directors' interests and short positions in shares, underlying shares or debentures of the Company and its associated corporations" above and "Share Option Scheme" below and in the share option scheme disclosures in note 36 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 SCHEME

On 3 May 2002, the Company adopted a share option scheme (the "Scheme") for the primary purpose of providing incentives to eligible participants who contribute to the success of the Group. During the year under review, the Company granted 17,000,000 share options under the Scheme, no share options were cancelled or lapsed during the year. Details of the movements of the share options under the Scheme during the year were as follows:

| Name or Category | Date of grant | Outstanding as at 1 April 2008 | Granted during the year | Adjustment due to Capital Reorganisation completed during the year# | Exercised during the year | Lapsed or cancelled during the year | Outstanding as at 31 March 2009# | Exercise period of share options | Exercise price per share HK$ | Closing price per share immediately before the grant date HK$ | Price of the Company's shares at exercise date of share options** HK$ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Executive Director** | | | | | | | | | | | |
| Chan Chun Hong, Thomas | 2/1/2008 | 1,300,000 | – | (1,248,000) | – | – | 52,000 | 2/1/2009 - 1/1/2013* | 4.1750# | – | |
| | 8/1/2009 | – | 2,600,000 | (2,496,000) | – | – | 104,000 | 8/1/2010 - 7/1/2019* | 0.6750# | 0.6500# | |
| | | 1,300,000 | 2,600,000 | (3,744,000) | – | – | 156,000 | | | | |
| **Other employees** | 12/11/2004 | 97,680,000 | – | – | (97,680,000) | – | – | 12/11/2004 - 11/1/2014 | 0.0485 | – | 0.0485 |
| | 1/3/2007 | 374,000,000 | – | (359,040,000) | – | – | 14,960,000 | 1/3/2007 - 28/2/2017 | 3.5625# | – | |
| | 2/1/2008 | 5,850,000 | – | (5,616,000) | – | – | 234,000 | 2/1/2009 - 1/1/2013* | 4.1750# | – | |
| | 8/1/2009 | – | 14,400,000 | (13,824,000) | – | – | 576,000 | 8/1/2010 - 7/1/2019* | 0.6750# | 0.6500# | |
| **TOTAL** | | 478,830,000 | 17,000,000 | (382,224,000) | (97,680,000) | – | 15,926,000 | | | | |

# Report of the Directors *(Cont'd)*

*Notes:*

* The options granted under the Scheme vest as follows:

| | |
|---|---|
| On 1st Anniversary: | 30% vest |
| On 2nd Anniversary: | further 30% vest |
| On 3rd Anniversary: | further 40% vest |

# Effectively from 31 March 2009, the Capital Reorganisation comprising, among others, (i) the consolidation of every 25 issued shares of HK$0.005 each into one issued consolidated share of HK$0.125 each and the consolidation of every two authorised but unissued shares of HK$0.005 each into one authorised but unissued adjusted share; and (ii) the capital reduction of the nominal value of all issued consolidated share capital from HK$0.125 to HK$0.01, details of which were disclosed in the Company's announcement dated 13 February 2009 and circular dated 3 March 2009. The exercise prices and number of share options which remained outstanding during the year have been adjusted immediately upon completion of the Capital Reorganisation.

** The price of the Company's shares as at the date of exercise of the share options is the weighted average of the closing prices of the shares of the Company as listed on the Stock Exchange on the trading day immediately before the date on which the share options were exercised.

As at the date of this annual report, the total number of shares available for issue under the Company's share option scheme is 20,391,188, representing 0.9% of the share capital of the Company in issue at the date of this annual report.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Other details of the Scheme are set out in note 36 to the financial statements.

# Report of the Directors *(Cont'd)*

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

As at 31 March 2009, to the best knowledge of the Directors, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders, other than Directors and chief executive, had notified the Company of relevant interests and short positions in the shares and underlying shares of the Company:

Long positions in the shares of the Company:

| **Name of shareholder** | *Notes* | **Capacity** | **Number of shares** *(Note (a))* | **Approximate percentage of the Company's total issued share capital** *(Note (a))* |
|---|---|---|---|---|
| Accord Power | *(b)* | Beneficial owner | 552,667,749 | 23.41% |
| Trustcorp Limited | *(b)* | Interest of controlled corporation | 552,667,749 | 23.41% |
| Newcorp Ltd. | *(c)* | Interest of controlled corporation | 552,667,749 | 23.41% |
| Kingston Securities | *(d)* | Beneficial owner | 20 | |
| | | Other | 1,433,267,781 | |
| | | | 1,433,267,801 | 60.69% |
| Ms. Chu Yuet Wah | *(d)* | Interest of controlled corporation | 1,433,267,801 | 60.69% |
| Ms. Ma Siu Fong | *(d)* | Interest of controlled corporation | 1,433,267,801 | 60.69% |

*Notes:*

(a) The interests are based on (i) the Open Offer and the Bonus Issue completed on the basis that the outstanding share options have been exercised in full as at 7 April 2009; and (ii) 2,361,279,270 shares will be in issue upon completion of the Open Offer and the Bonus Issue.

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

(c) Trustcorp Limited is a wholly-owned subsidiary of Newcorp Ltd. and accordingly, Newcorp Ltd. was taken to be interested in those shares in which Trustcorp Limited was interested.

(d) These shares were held by Kingston Securities as an underwriter of the Open Offer with the Bonus Issue. Mr. Chu Yuet Wah and Ms. Ma Siu Fong owned 51% and 49% interest in Kingston Securities, respectively.

# Report of the Directors *(Cont'd)*

Save as disclosed above, as at 31 March 2009, no persons, other than Directors, 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.

## DONATIONS

During the year, the Group made charitable and other donations totaling approximately HK$0.8 million (2008: approximately HK$1.7 million)

## EMOLUMENT POLICY

The Group's emolument policy for its employees is set up and approved by the Remuneration Committee and the Board on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee and the Board, as authorised by the shareholders at the annual general meeting, having regarded to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the share option scheme are set out in note 36 to the financial statements.

## CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 12 to 18 of this annual report.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient prescribed amount of public float as required under the Listing Rules throughout the financial year under review and up to the date of this annual report.

## AUDIT COMMITTEE

The Company has established the Audit Committee in accordance with the requirements of the Listing Rules for the purposes of reviewing and supervising over the Group's financial reporting processes and internal controls. The Audit Committee, comprising three INEDs, namely Mr. Siu Yim Kwan, Sidney, Mr. Wong Chun, Justein and Mr. Siu Kam Chau, has reviewed with the management and the external auditors the consolidated financial statements for the year ended 31 March 2009. Mr. Siu Yim Kwan, Sidney was elected as the chairman of the Audit Committee.

# Report of the Directors *(Cont'd)*

## POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 44 to the financial statements.

## AUDITORS

The consolidated financial statements for the year ended 31 March 2009 have been audited by Messrs. Ernst & Young, who retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

**Tang Ching Ho**
*Chairman*

Hong Kong, 22 July 2009

Ernst & Young
安 永

**WANG ON GROUP LIMITED**

**INDEPENDENT AUDITORS' REPORT**
**To the shareholders of Wang On Group Limited**
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Wang On Group Limited set out on pages 31 to 128, which comprise the consolidated and company balance sheets as at 31 March 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Directors' responsibility for the financial statements**

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

ERNST & YOUNG
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**WANG ON GROUP LIMITED**

**INDEPENDENT AUDITORS' REPORT *(Cont'd)***
**To the shareholders of Wang On Group Limited**
(Incorporated in Bermuda with limited liability)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Ernst & Young**
Certified Public Accountants
18/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong
22 July 2009

# Consolidated Income Statement

*Year ended 31 March 2009*

| | Notes | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| **REVENUE** | 5 | **459,459** | 545,882 |
| Cost of sales | | **(326,391)** | (384,557) |
| Gross profit | | **133,068** | 161,325 |
| Other income and gains | 5 | **23,045** | 97,329 |
| Selling and distribution costs | | **(4,713)** | (10,548) |
| Administrative expenses | | **(98,752)** | (104,427) |
| Other expenses | | **(72,561)** | (45,222) |
| Finance costs | 7 | **(8,692)** | (14,906) |
| Gain on disposal of subsidiaries | 38(c) | **170,881** | – |
| Fair value gains on revaluation of investment properties, net | 16 | **4,581** | 11,383 |
| Share of profits and losses of associates | | **(55,227)** | 27,643 |
| **PROFIT BEFORE TAX** | 6 | **91,630** | 122,577 |
| Tax | 10 | **(11,480)** | (25,963) |
| **PROFIT FOR THE YEAR** | | **80,150** | 96,614 |
| Attributable to: | | | |
| Equity holders of the parent | 11 | **55,409** | 96,089 |
| Minority interests | | **24,741** | 525 |
| | | **80,150** | 96,614 |
| **DIVIDENDS** | 12 | | |
| Interim | | **–** | 10,319 |
| Proposed final | | **11,329** | 7,868 |
| | | **11,329** | 18,187 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | 13 | | (Restated) |
| Basic | | **HK16.70 cents** | HK38.71 cents |
| Diluted | | **HK16.70 cents** | HK35.63 cents |

# Consolidated Balance Sheet

*31 March 2009*

| | Notes | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 14 | **16,849** | 160,884 |
| Prepaid land lease payments | 15 | **3,171** | 177,902 |
| Investment properties | 16 | **536,136** | 555,199 |
| Goodwill | 18 | **1,376** | 7,820 |
| Interests in associates | 20 | **216,625** | 305,825 |
| Held-to-maturity financial assets | 22 | **4,114** | 1,943 |
| Other intangible asset | 23 | **18,180** | 24,240 |
| Loans receivable | 26 | **281,241** | 12,989 |
| Rental deposits paid | 26 | **11,737** | 4,595 |
| Deposits for the acquisition of investment properties and associates | | **–** | 35,674 |
| Deferred tax assets | 34 | **555** | 4,342 |
| Total non-current assets | | **1,089,984** | 1,291,413 |
| **CURRENT ASSETS** | | | |
| Properties held for sale | 24 | **262,272** | 27,885 |
| Properties under development | 17 | **–** | 288,405 |
| Trade receivables | 25 | **4,498** | 4,101 |
| Prepayments, deposits and other receivables | 26 | **46,720** | 43,190 |
| Financial assets at fair value through profit or loss | 27 | **20,424** | 45,278 |
| Tax recoverable | | **107** | 883 |
| Cash and cash equivalents | 28 | **483,707** | 330,819 |
| Total current assets | | **817,728** | 740,561 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | 29 | **18,076** | 24,624 |
| Other payables and accruals | 30 | **20,542** | 128,423 |
| Deposits received and receipts in advance | | **73,359** | 50,038 |
| Derivative financial instruments | 31 | **–** | 2,338 |
| Interest-bearing bank loans | 32 | **121,948** | 347,115 |
| Provisions for onerous contracts | 33 | **1,960** | 1,690 |
| Tax payable | | **6,064** | 27,827 |
| Total current liabilities | | **241,949** | 582,055 |
| **NET CURRENT ASSETS** | | **575,779** | 158,506 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **1,665,763** | 1,449,919 |

# Consolidated Balance Sheet *(Cont'd)*

*31 March 2009*

| | Notes | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank loans | *32* | **310,137** | 199,118 |
| Provisions for onerous contracts | *33* | **250** | 1,960 |
| Deferred tax liabilities | *34* | **3,196** | 8,626 |
| Total non-current liabilities | | **313,583** | 209,704 |
| Net assets | | **1,352,180** | 1,240,215 |
| **EQUITY** | | | |
| **Equity attributable to equity holders of the parent** | | | |
| Issued capital | *35* | **3,776** | 32,051 |
| Reserves | *37(a)* | **1,336,678** | 1,142,650 |
| Proposed final dividend | *12* | **11,329** | 7,868 |
| | | **1,351,783** | 1,182,569 |
| **Minority interests** | | **397** | 57,646 |
| Total equity | | **1,352,180** | 1,240,215 |

**Tang Ching Ho**
Director

**Chan Chun Hong, Thomas**
Director

# Consolidated Statement of Changes in Equity

*Year ended 31 March 2009*

| | | Attributable to equity holders of the parent | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Notes* | Issued capital HK$'000 | Share premium account HK$'000 | Contributed surplus HK$'000 | Equity component of convertible notes HK$'000 | Share option reserve HK$'000 | Exchange fluctuation reserve HK$'000 | Warrant reserve HK$'000 | Other reserve HK$'000 | Retained profits HK$'000 | Proposed final dividend HK$'000 | Total HK$'000 | Minority interests HK$'000 | Total equity HK$'000 |
| At 1 April 2007 | | 29,418 | 549,612 | 106,329 | 5,653 | 7,633 | 378 | – | – | 323,271 | 19,540 | 1,041,834 | 472 | 1,042,306 |
| Final 2007 dividend declared | | – | – | – | – | – | – | – | – | – | (19,540) | (19,540) | – | (19,540) |
| | | 29,418 | 549,612 | 106,329 | 5,653 | 7,633 | 378 | – | – | 323,271 | – | 1,022,294 | 472 | 1,022,766 |
| Exchange realignment | | – | – | – | – | – | 22,789 | – | – | – | – | 22,789 | 4,056 | 26,845 |
| Profit for the year | | – | – | – | – | – | – | – | – | 96,089 | – | 96,089 | 525 | 96,614 |
| Total income and expense for the year | | – | – | – | – | – | 22,789 | – | – | 96,089 | – | 118,878 | 4,581 | 123,459 |
| Conversion of convertible notes | 35 | 2,640 | 49,712 | – | (5,653) | – | – | – | – | – | – | 46,699 | – | 46,699 |
| Exercise of share options | 35 | 896 | 7,798 | – | – | – | – | – | – | – | – | 8,694 | – | 8,694 |
| Repurchases of shares | 35 | (903) | (20,603) | – | – | – | – | – | – | – | – | (21,506) | – | (21,506) |
| Share of changes in reserves of associates | | – | – | – | – | – | – | – | 13,425 | – | – | 13,425 | – | 13,425 |
| Acquisition of a subsidiary | 38(b) | – | – | – | – | – | – | – | – | – | – | – | 24,402 | 24,402 |
| Capital contribution from a minority shareholder of a subsidiary | | – | – | – | – | – | – | – | – | – | – | – | 28,191 | 28,191 |
| Issuance of warrants | 35 | – | – | – | – | – | – | 4,500 | – | – | – | 4,500 | – | 4,500 |
| Share issue expenses | 35 | – | (160) | – | – | – | – | – | – | – | – | (160) | – | (160) |
| Equity-settled share option arrangements | 36 | – | – | – | – | 64 | – | – | – | – | – | 64 | – | 64 |
| Interim 2008 dividend | 12 | – | – | – | – | – | – | – | – | (10,319) | – | (10,319) | – | (10,319) |
| Proposed final 2008 dividend | 12 | – | – | – | – | – | – | – | – | (7,868) | 7,868 | – | – | – |
| At 31 March 2008 | | 32,051 | 586,359* | 106,329* | – | 7,697* | 23,167* | 4,500* | 13,425* | 401,173* | 7,868 | 1,182,569 | 57,646 | 1,240,215 |
| At 1 April 2008 | | 32,051 | 586,359* | 106,329* | – | 7,697* | 23,167* | 4,500* | 13,425* | 401,173* | 7,868 | 1,182,569 | 57,646 | 1,240,215 |
| Final 2008 dividend declared | | – | – | – | – | – | – | – | – | – | (7,868) | (7,868) | – | (7,868) |
| | | 32,051 | 586,359 | 106,329 | – | 7,697 | 23,167 | 4,500 | 13,425 | 401,173 | – | 1,174,701 | 57,646 | 1,232,347 |
| Exchange realignment | | – | – | – | – | – | 8,678 | – | – | – | – | 8,678 | 2,301 | 10,979 |
| Profit for the year | | – | – | – | – | – | – | – | – | 55,409 | – | 55,409 | 24,741 | 80,150 |
| Total income and expense for the year | | – | – | – | – | – | 8,678 | – | – | 55,409 | – | 64,087 | 27,042 | 91,129 |
| Exercise of share options | 35 | 488 | 4,250 | – | – | – | – | – | – | – | – | 4,738 | – | 4,738 |
| Share of changes in reserves of associates | | – | – | – | – | – | – | – | (3,500) | – | – | (3,500) | – | (3,500) |
| Disposal of subsidiaries | 38(c) | – | – | – | – | – | (20,481) | – | – | – | – | (20,481) | (84,291) | (104,772) |
| Placement of new shares | 35 | 14,663 | 121,934 | – | – | – | – | – | – | – | – | 136,597 | – | 136,597 |
| Capital reduction | 35 | (43,426) | – | 43,426 | – | – | – | – | – | – | – | – | – | – |
| Share issue expenses | 35 | – | (4,584) | – | – | – | – | – | – | – | – | (4,584) | – | (4,584) |
| Expiry of warrants | 35 | – | – | – | – | – | – | (4,500) | – | 4,500 | – | – | – | – |
| Equity-settled share option arrangements | 36 | – | – | – | – | 225 | – | – | – | – | – | 225 | – | 225 |
| Proposed final 2009 dividend | 12 | – | – | – | – | – | – | – | – | (11,329) | 11,329 | – | – | – |
| At 31 March 2009 | | 3,776 | 707,959* | 149,755* | – | 7,922* | 11,364* | – | 9,925* | 449,753* | 11,329 | 1,351,783 | 397 | 1,352,180 |

* These reserve accounts comprise the consolidated reserves of HK$1,336,678,000 (2008: HK$1,142,650,000) in the consolidated balance sheet.

# Consolidated Cash Flow Statement

*Year ended 31 March 2009*

| | Notes | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before tax | | **91,630** | 122,577 |
| Adjustments for: | | | |
| Finance costs | 7 | **8,692** | 14,906 |
| Share of profits and losses of associates | | **55,227** | (27,643) |
| Fair value losses/(gains), net: | | | |
| Financial assets at fair value through profit or loss | 6 | **39,208** | 6,663 |
| Derivative financial instruments | 6 | **(2,338)** | 2,338 |
| Bank interest income and interest income from unlisted investment and loans receivable | | **(5,195)** | (10,430) |
| Dividend income from listed securities | 5 | **(1,568)** | (404) |
| Gain on disposal of a land use right | 5 | **–** | (62,969) |
| Gain on disposal of subsidiaries | 38(c) | **(170,881)** | – |
| Excess over the cost of a business combination | 5 | **(2,064)** | – |
| Recognition of a deferred gain | 5 | **(902)** | (799) |
| Loss/(gain) on disposal of financial assets at fair value through profit or loss, net | 5,6 | **3,956** | (11,522) |
| Loss on disposal of investment properties | | **20** | – |
| Loss on partial/deemed disposal of an associate | 6 | **31,764** | 4,855 |
| Depreciation | 6 | **7,495** | 7,850 |
| Amortisation of other intangible asset | 6 | **6,060** | 6,060 |
| Amortisation of prepaid land lease payments | 6 | **1,159** | 712 |
| Amount provided/(released) for onerous contracts, net | 6 | **(1,440)** | 3,281 |
| Loss on disposal and write-off of items of property plant and equipment | 5,6 | **–** | 51 |
| Loss on liquidation of a subsidiary | | **442** | – |
| Impairment of a land use right | 6 | **–** | 9,700 |
| Impairment of goodwill | 6 | **–** | 11,558 |
| Reversal of impairment of trade and other receivables, net | | **(491)** | (174) |
| Accrued rent-free rental income | 16 | **512** | 82 |
| Fair value gains on revaluation of investment properties, net | 16 | **(4,581)** | (11,383) |
| Equity-settled share option expense | 6 | **225** | 64 |
| | | **56,930** | 65,373 |
| Decrease in properties held for sale | | **86,319** | 211,504 |
| Increase in properties under development | | **(27,861)** | (48,354) |
| Decrease in trade receivables, prepayments, deposits and other receivables | | **24,376** | 9,507 |
| Increase/(decrease) in trade payables | | **(4,148)** | 1,378 |
| Increase/(decrease) in other payables and accruals | | **(1,463)** | 75,032 |
| Increase/(decrease) in deposits received and receipts in advance | | **21,966** | (31,876) |
| Cash generated from operations | | **156,119** | 282,564 |
| Profits tax paid | | **(15,670)** | (13,332) |
| Net cash inflow from operating activities | | **140,449** | 269,232 |

# Consolidated Cash Flow Statement *(Cont'd)*

*Year ended 31 March 2009*

| | Notes | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Interest received | | **4,710** | 10,490 |
| Dividend income from listed securities | | **1,568** | 404 |
| Decrease/(increase) in amounts due from/loans to associates | | **928** | (2,180) |
| Loan to LeRoi | | **(40,000)** | – |
| Acquisition of subsidiaries | *38(b)* | **(61,832)** | 3,044 |
| Acquisition of a jointly-controlled entity | | **–** | (12,285) |
| Additional investment in associates | | **(26,318)** | (43,756) |
| Proceeds from disposal of a land use right | | **–** | 240,000 |
| Proceeds from disposal of subsidiaries | *38(c)* | **309,263** | – |
| Purchases of investment properties | | **(52,858)** | (201,113) |
| Purchases of property, plant and equipment | | **(79,536)** | (147,034) |
| Purchases of held-to-maturity financial assets | | **(4,156)** | (1,943) |
| Purchases of financial assets at fair value through profit or loss | | **(44,360)** | (83,942) |
| Proceeds from disposal of investment properties | | **27,980** | – |
| Proceeds from disposal of items of property, plant and equipment | | **246** | 1,939 |
| Receipt of government grants | | **82** | 2,217 |
| Prepayment of land lease payments | | **(405)** | (345,929) |
| Proceeds from disposal of held-to-maturity financial assets | | **1,986** | – |
| Proceeds from disposal of financial assets at fair value through profit or loss | | **26,050** | 90,290 |
| Proceeds from partial disposal of an associate | | **–** | 96,050 |
| Deposits paid for the acquisition of investment properties and associates | | **–** | (35,674) |
| Decrease in pledged deposits | | **–** | 78,000 |
| Net cash inflow/(outflow) from investing activities | | **63,348** | (351,422) |

# Consolidated Cash Flow Statement *(Cont'd)*

*Year ended 31 March 2009*

| | Notes | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Interest paid | | (11,776) | (22,339) |
| Dividends paid | | (7,868) | (29,859) |
| Proceeds from issue of shares upon exercise of share options | 35 | 4,738 | 8,694 |
| Proceeds from placement of shares | | 71,127 | – |
| Proceeds from issue of warrants | 35 | – | 4,500 |
| Capital contribution from a minority shareholder of a subsidiary | | – | 28,191 |
| Share issue expenses | 35 | (4,584) | (160) |
| Repurchases of shares | 35 | – | (21,506) |
| Repayment of bank loans | | (439,054) | (380,760) |
| New bank loans | | 335,276 | 428,769 |
| Net cash inflow/(outflow) from financing activities | | (52,141) | 15,530 |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | 151,656 | (66,660) |
| Cash and cash equivalents at beginning of year | | 330,819 | 388,584 |
| Effect of foreign exchange rate changes, net | | 1,232 | 8,895 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | 483,707 | 330,819 |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | | |
| Cash and bank balances | 28 | 191,735 | 81,307 |
| Non-pledged time deposits with original maturity of less than three months when acquired | 28 | 291,972 | 249,512 |
| | | 483,707 | 330,819 |

# Balance Sheet

*31 March 2009*

| | Notes | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Interests in subsidiaries | 19 | **1,313,955** | 1,191,421 |
| Interests in associates | 20 | **252** | 2,089 |
| Held-to-maturity financial assets | 22 | **4,114** | 1,943 |
| Total non-current assets | | **1,318,321** | 1,195,453 |
| **CURRENT ASSETS** | | | |
| Prepayments, deposits and other receivables | 26 | **1,973** | 980 |
| Financial assets at fair value through profit or loss | 27 | **3,569** | 14,471 |
| Cash and cash equivalents | 28 | **376,201** | 224,347 |
| Total current assets | | **381,743** | 239,798 |
| **CURRENT LIABILITIES** | | | |
| Other payables and accruals | 30 | **3,698** | 69,644 |
| Interest-bearing bank loans | 32 | **105,300** | 133,275 |
| Total current liabilities | | **108,998** | 202,919 |
| **NET CURRENT ASSETS** | | **272,745** | 36,879 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **1,591,066** | 1,232,332 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank loans | 32 | **160,175** | 117,975 |
| Net assets | | **1,430,891** | 1,114,357 |
| **EQUITY** | | | |
| Issued capital | 35 | **3,776** | 32,051 |
| Reserves | 37(b) | **1,427,115** | 1,082,306 |
| Total equity | | **1,430,891** | 1,114,357 |

**Tang Ching Ho**
Director

**Chan Chun Hong, Thomas**
Director

# Notes to Financial Statements

*31 March 2009*

## 1. CORPORATE INFORMATION

Wang On Group Limited (the "Company") is a limited liability company incorporated in Bermuda, and both its head office and principal place of business are located at 5th Floor, Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.

During the year, the Company, its subsidiaries and jointly-controlled entities (collectively referred to as the "Group") were involved in the following principal activities:

- property development
- property investment
- management and sub-licensing of Chinese wet markets, shopping centres and car parks
- operations and management of agricultural by-products wholesale markets
- trading of agricultural by-products

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), 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 investment properties, derivative financial instruments and certain equity investments, which have been measured at fair value.

These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

**BASIS OF CONSOLIDATION**

The consolidated financial statements include the financial statements of the Company, its subsidiaries and jointly-controlled entity for the year ended 31 March 2009. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The assets, liabilities, income and expenses of jointly-controlled entity are proportionally consolidated from the date on which joint control is established and obtained by the Group, and continue to be proportionally consolidated until the date that such joint control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 2.1 BASIS OF PREPARATION *(Cont'd)*

**BASIS OF CONSOLIDATION *(Cont'd)***

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

## 2.2 IMPACT OF NEW AND REVISED HKFRSs

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements. The adoption of these new interpretations and amendments has had no significant effect on these financial statements.

| | |
|---|---|
| HKAS 39 and HKFRS 7 Amendments | Amendments to HKAS 39 *Financial Instrument: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets* |
| HK(IFRIC)-Int 12 | *Service Concession Arrangements* |
| HK(IFRIC)-Int 14 | HKAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* |

The principal effects of adopting these new and revised HKFRSs are as follows:

**(a) Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets***

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing it in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 2.2 IMPACT OF NEW AND REVISED HKFRSs *(Cont'd)*

**(a) Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets (Cont'd)***

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held-to-maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

**(b) HK(IFRIC)-Int 12 *Service Concession Arrangements***

HK(IFRIC)-Int 12 applies to service concession operators and explains how to account for the obligations undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

**(c) HK(IFRIC)-Int 14 HKAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction***

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| HKFRS 1 and HKAS 27 Amendments | Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*[1] |
| HKFRS 1 (Revised) | First-time adoption of HKFRSs[2] |
| HKFRS 2 Amendments | Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*[1] |
| HKFRS 3 (Revised) | *Business Combinations*[2] |
| HKFRS 7 Amendments | Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*[1] |
| HKFRS 8 | *Operating Segments*[1] |
| HKAS 1 (Revised) | *Presentation of Financial Statements*[1] |
| HKAS 23 (Revised) | *Borrowing Costs*[1] |
| HKAS 27 (Revised) | *Consolidated and Separate Financial Statements*[2] |
| HKAS 32 and HKAS 1 Amendments | Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*[1] |
| HKAS 39 Amendment | Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[2] |
| HK(IFRIC)-Int 9 and HKAS 39 Amendments | Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*[3] |
| HK(IFRIC)-Int 13 | *Customer Loyalty Programmes*[4] |
| HK(IFRIC)-Int 15 | *Agreements for the Construction of Real Estate*[1] |
| HK(IFRIC)-Int 16 | *Hedges of a Net Investment in a Foreign Operation*[5] |
| HK(IFRIC)-Int 17 | *Distribution of Non-cash Assets to Owners*[2] |
| HK(IFRIC)-Int 18 | *Transfer of Assets from Customers*[6] |

Apart from the above, the HKICPA has issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs *(Cont'd)*

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods ending on or after 30 June 2009
[4] Effective for annual periods beginning on or after 1 July 2008
[5] Effective for annual periods beginning on or after 1 October 2008
[6] Effective for transfers of assets received on or after 1 July 2009

* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**SUBSIDIARIES**

A subsidiary is an entity 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 income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

**JOINT VENTURES**

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

**JOINT VENTURES *(Cont'd)***

A joint venture is treated as:

(a) a subsidiary, if the Group/Company has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group/Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and neither has joint control of, nor is in a position to exercise significant influence over, the joint venture.

**JOINTLY-CONTROLLED ENTITIES**

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in its jointly-controlled entities are accounted for by proportionate consolidation, which involves recognising its share of the jointly-controlled entities' assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

Gain or loss arising from assets contributed or sold by the Group to its jointly-controlled entities recognised in the consolidated income statement to the extent that such gain or loss is attributable to the interests of other venturers when significant risks and rewards of ownership of the assets have been passed to the jointly-controlled entities and the assets are retained by the jointly-controlled entities.

**ASSOCIATES**

An associate is an entity, 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.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

**ASSOCIATES *(Cont'd)***

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement 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. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in the consolidated reserves, is included as part of the Group's interests in associates.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current 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.

**GOODWILL**

Goodwill arising on the acquisition of subsidiaries and a jointly-controlled entity represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

**GOODWILL *(Cont'd)***

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is 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 this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

***GOODWILL PREVIOUSLY ELIMINATED AGAINST CONSOLIDATED RESERVES***

Prior to the adoption the HKICPA's Statement of Standard Accounting Practice 30 "Business Combinations" ("SSAP 30") in 2001, goodwill arising on acquisition was eliminated against consolidated reserves in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against the consolidated reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

**EXCESS OVER THE COST OF BUSINESS COMBINATIONS**

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries and associates (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

The excess for associates is included in the Group's share of the associates' profits or losses in the period in which the investments are acquired.

**IMPAIRMENT OF NON-FINANCIAL ASSETS OTHER THAN GOODWILL**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, 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, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case 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 2009*

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

**IMPAIRMENT OF NON-FINANCIAL ASSETS OTHER THAN GOODWILL *(Cont'd)***

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but 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 such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

**INTANGIBLE ASSETS (OTHER THAN GOODWILL)**

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

***MARKETPLACE OPERATING RIGHT***

Purchased marketplace operating right is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of five years.

**RELATED PARTIES**

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

**PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION**

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment 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 items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement 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 an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

| | |
|---|---|
| Building | 5% |
| Leasehold improvements | 15% to 33% or over the lease term |
| Plant and machinery | 15% to 50% |
| Furniture, fixtures and office equipment | 15% to 50% |
| Motor vehicles | 20% |
| Computer equipment | 15% to 33% |

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents an agricultural by-products wholesale market under construction, includes land costs, construction expenditure and other direct costs, including borrowing costs, attributable to the market. They are stated at cost less any impairment losses, and are not depreciated. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

### INVESTMENT PROPERTIES

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

### OPERATING LEASES

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

### PROPERTIES UNDER DEVELOPMENT

Properties under development are stated at the lower of cost and net realisable value and comprises of construction costs, borrowing costs, professional fees, payments for land use rights and other costs directly attributable to such properties incurred during the development period.

Properties under development which have been intended for sale and which are not expected to be completed within 12 months from the balance sheet date are classified as non-current assets, whereas properties under development which have been intended for sale and which are expected to be completed within 12 months from the balance sheet date are classified as current assets. On completion, the properties are transferred to properties held for sale.

### PROPERTIES HELD FOR SALE

Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and building costs attributable to unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices, on an individual property basis.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

**INVESTMENTS AND OTHER FINANCIAL ASSETS**

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and held-to-maturity investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative is not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

***FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS***

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on these financial assets are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that the separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

**INVESTMENTS AND OTHER FINANCIAL ASSETS *(Cont'd)***

***LOANS AND RECEIVABLES***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

***HELD-TO-MATURITY INVESTMENTS***

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

***FAIR VALUE***

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

**IMPAIRMENT OF FINANCIAL ASSETS**

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

***ASSETS CARRIED AT AMORTISED COST***

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

**IMPAIRMENT OF FINANCIAL ASSETS *(Cont'd)***

***ASSETS CARRIED AT AMORTISED COST (Cont'd)***

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

***ASSETS CARRIED AT COST***

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

**DERECOGNITION OF FINANCIAL ASSETS**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

**DERECOGNITION OF FINANCIAL ASSETS *(Cont'd)***

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

**FINANCIAL LIABILITIES AT AMORTISED COST (INCLUDING INTEREST-BEARING LOANS AND BORROWINGS)**

Financial liabilities including trade and other payables and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "Finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

**FINANCIAL GUARANTEE CONTRACTS**

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the balance sheet date; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

**DERECOGNITION OF FINANCIAL LIABILITIES**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

**DERIVATIVE FINANCIAL INSTRUMENTS**

The Group uses derivative financial instruments such as equity accumulator contracts. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives are taken directly to the income statement.

The fair value of equity accumulator contracts is calculated by reference to equity prices of the underlying instruments.

**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 that are readily convertible into known amounts of cash, 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 sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, 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 income statement.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

**PROVISIONS *(Cont'd)***

Provision for onerous contracts represents provision for 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 fulfill the contracts, discounted to their present value as appropriate.

**INCOME TAX**

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

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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 goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination 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, associates and interests in joint ventures, 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 credits 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 credits 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 in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

**INCOME TAX *(Cont'd)***

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, 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.

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 reassessed at each balance sheet date and 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.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**GOVERNMENT GRANTS**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

**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 a time proportion basis over the lease terms;

(b) from the provision of services, when the services are rendered;

(c) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

**REVENUE RECOGNITION *(Cont'd)***

(d) from the sale of properties, when the sale agreement becomes unconditional;

(e) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

(f) income from the sale of listed securities, on the trade dates; and

(g) dividend income, where the shareholders' right to receive payment has been established.

**SHARE-BASED PAYMENT TRANSACTIONS**

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 36 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

**SHARE-BASED PAYMENT TRANSACTIONS *(Cont'd)***

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

**OTHER EMPLOYEE BENEFITS**

***PENSION SCHEMES***

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF 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 MPF Scheme.

The employees of the Group's subsidiaries and jointly-controlled entities in Mainland China are required to participate in a central pension scheme (the "PRC Pension Scheme") operated by the local municipal government. These subsidiaries and jointly-controlled entities are required to contribute certain percentage of their payroll costs to the PRC Pension Scheme. The only obligation of the Group with respect to the PRC Pension Scheme is to pay the ongoing contributions under the PRC Pension Scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the PRC Pension Scheme.

**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. The 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 2009*

## 2.4 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 equity 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 by-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**

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines their own functional currencies and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries, jointly-controlled entities and an associate are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries and the jointly-controlled entities 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 and the jointly-controlled entities which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

**JUDGEMENTS**

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

***OPERATING LEASE COMMITMENTS – GROUP AS LESSOR***

The Group has entered into leases on its investment property portfolio. The Group has determined, based on an evaluation of terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

***DEFERRED TAX ASSETS***

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are continued in note 34 to the financial statements.

**ESTIMATION UNCERTAINTY**

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

***IMPAIRMENT OF GOODWILL***

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. More details are given in note 18.

***IMPAIRMENT OF NON-FINANCIAL ASSETS (OTHER THAN GOODWILL)***

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Cont'd)*

**ESTIMATION UNCERTAINTY *(Cont'd)***

***IMPAIRMENT OF PROPERTIES UNDER DEVELOPMENT***

The Group assesses the recoverable amount of each property under development based on its value in use or net selling price, depending on the anticipated future plans for the property. Estimating the value in use of an asset involves estimating the future cash flows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to these future cash flows.

***ESTIMATION OF FAIR VALUE OF INVESTMENT PROPERTIES***

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location or subject to different leases or other contracts, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs.

***USEFUL LIVES AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT***

The Group's management determines the estimated useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and its competitor actions. Management will increase the depreciation charge where useful lives are less than previously estimates, or it will write off or write down technically obsolete assets that have been abandoned.

The carrying value of an item of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. The recoverable amount of an item of property, plant and equipment is calculated as the higher of its fair value less costs to sell and value in use, the calculations of which involve the use of estimates.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Cont'd)*

**ESTIMATION UNCERTAINTY *(Cont'd)***

***ALLOWANCE ON TRADE AND OTHER RECEIVABLES***

The provision policy for doubtful debts of the Group is based on the ongoing evaluation of the collectibility and the aged analysis of the outstanding receivables and on management's estimation. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

***PRC CORPORATE INCOME TAX ("CIT")***

The Group is subject to income taxes in the People's Republic of China (the "PRC"). As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 4. SEGMENT INFORMATION

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

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

(a) the 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 agricultural by-products wholesale markets segment engages in the operations and management of agricultural by-products wholesale markets;

(f) the trading of agricultural by-products segment engages in the wholesale and retail of agricultural by-products; and

(g) the corporate and others segment comprises the Group's management service business. This segment also includes corporate income and expense items.

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

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 4. SEGMENT INFORMATION *(Cont'd)*

### (a) BUSINESS SEGMENTS

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2009 and 2008.

| | Property development | | Property investment | | Chinese wet markets | | Shopping centres and car parks | | Agricultural by-products wholesale markets | | Trading of agricultural by-products | | Corporate and others | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2009 HK$'000** | 2008 HK$'000 | **2009 HK$'000** | 2008 HK$'000 | **2009 HK$'000** | 2008 HK$'000 | **2009 HK$'000** | 2008 HK$'000 | **2009 HK$'000** | 2008 HK$'000 | **2009 HK$'000** | 2008 HK$'000 | **2009 HK$'000** | 2008 HK$'000 | **2009 HK$'000** | 2008 HK$'000 | **2009 HK$'000** | 2008 HK$'000 |
| **Segment revenue:** | | | | | | | | | | | | | | | | | | |
| Sales to external customers | **129,630** | 312,846 | **13,421** | 11,019 | **168,335** | 148,136 | **13,378** | 12,893 | **48,639** | 34,395 | **86,004** | 22,606 | **52** | 3,987 | **-** | – | **459,459** | 545,882 |
| Intersegment sales | **-** | – | **-** | – | **-** | – | **240** | 440 | **-** | – | **-** | – | **10,745** | 19,544 | **(10,985)** | (19,984) | **-** | – |
| Gain on disposal of subsidiaries | **15,661** | – | **-** | – | **-** | – | **-** | – | **155,220** | – | **-** | – | **-** | – | **-** | – | **170,881** | – |
| Gain on disposal of a land use right | – | 62,969 | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | 62,969 |
| Fair value gains/(losses) on investment properties | **-** | – | **(58,601)** | 9,567 | **2,040** | 1,901 | **-** | – | **61,142** | (85) | **-** | – | **-** | – | **-** | – | **4,581** | 11,383 |
| Other revenue | **8** | 8 | **2,218** | 47 | **3,098** | 3,572 | **385** | 515 | **5,607** | 4,825 | **1** | 127 | **7,746** | 17,389 | **(1,213)** | (2,553) | **17,850** | 23,930 |
| Total | **145,299** | 375,823 | **(42,962)** | 20,633 | **173,473** | 153,609 | **14,003** | 13,848 | **270,608** | 39,135 | **86,005** | 22,733 | **18,543** | 40,920 | **(12,198)** | (22,537) | **652,771** | 644,164 |
| **Segment results** | **27,404** | 112,534 | **(44,969)** | 14,783 | **29,525** | 13,032 | **3,650** | 2,283 | **223,756** | (583) | **(1,936)** | 446 | **(81,054)** | (40,112) | **(6,022)** | (2,973) | **150,354** | 99,410 |
| Interest income | | | | | | | | | | | | | | | | | **5,195** | 10,430 |
| Finance costs | | | | | | | | | | | | | | | | | **(8,692)** | (14,906) |
| Share of profits and losses of associates | | | | | | | | | | | | | | | | | **(55,227)** | 27,643 |
| Profit before tax | | | | | | | | | | | | | | | | | **91,630** | 122,577 |
| Tax | | | | | | | | | | | | | | | | | **(11,480)** | (25,963) |
| Profit for the year | | | | | | | | | | | | | | | | | **80,150** | 96,614 |

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 4. SEGMENT INFORMATION *(Cont'd)*

### (a) BUSINESS SEGMENTS *(Cont'd)*

| | Property development | | Property investment | | Chinese wet markets | | Shopping centres and car parks | | Agricultural by-products wholesale markets | | Trading of agricultural by-products | | Corporate and others | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2009 HK$'000** | 2008 HK$'000 | **2009 HK$'000** | 2008 HK$'000 | **2009 HK$'000** | 2008 HK$'000 | **2009 HK$'000** | 2008 HK$'000 | **2009 HK$'000** | 2008 HK$'000 | **2009 HK$'000** | 2008 HK$'000 | **2009 HK$'000** | 2008 HK$'000 | **2009 HK$'000** | 2008 HK$'000 | **2009 HK$'000** | 2008 HK$'000 |
| **Assets and liabilities** | | | | | | | | | | | | | | | | | | |
| Segment assets | **720,229** | 751,325 | **750,436** | 436,214 | **223,495** | 198,402 | **43,429** | 47,072 | **33,384** | 432,077 | **6,809** | 5,690 | **3,234,582** | 2,462,613 | **(3,321,832)** | (2,611,586) | **1,690,532** | 1,721,807 |
| Interests in associates | **-** | – | **-** | – | **-** | – | **-** | – | **-** | – | **-** | – | **216,625** | 305,825 | **-** | – | **216,625** | 305,825 |
| Deferred tax assets | **-** | 3,062 | **190** | 244 | **365** | 1,036 | **-** | – | **-** | – | **-** | – | **-** | – | **-** | – | **555** | 4,342 |
| Total assets | | | | | | | | | | | | | | | | | **1,907,712** | 2,031,974 |
| Segment liabilities | **718,425** | 570,813 | **652,038** | 292,567 | **203,101** | 198,666 | **7,690** | 15,030 | **76,819** | 352,326 | **8,872** | 5,254 | **1,769,074** | 1,386,003 | **(3,321,832)** | (2,611,586) | **114,187** | 209,073 |
| Interest-bearing bank loans | **-** | 150,650 | **166,610** | 94,904 | **-** | – | **-** | – | **-** | 49,429 | **-** | – | **265,475** | 251,250 | **-** | – | **432,085** | 546,233 |
| Tax payable | **715** | 9,433 | **59** | 949 | **1,818** | 739 | **80** | 210 | **185** | 2,079 | **79** | 106 | **3,128** | 14,311 | **-** | – | **6,064** | 27,827 |
| Deferred tax liabilities | **-** | – | **2,472** | 8,593 | **408** | – | **-** | – | **-** | – | **-** | – | **316** | 33 | **-** | – | **3,196** | 8,626 |
| Total liabilities | | | | | | | | | | | | | | | | | **555,532** | 791,759 |
| **Other segment information:** | | | | | | | | | | | | | | | | | | |
| Depreciation and amortisation | **1,294** | 796 | **9** | 12 | **5,687** | 6,727 | **8** | 11 | **7,198** | 6,669 | **47** | 7 | **773** | 840 | **-** | – | **15,016** | 15,062 |
| Impairment losses recognised in the income statement | **-** | 14,925 | **-** | – | **458** | – | **-** | 70 | **-** | – | **-** | – | **-** | 6,333 | **-** | – | **458** | 21,328 |
| Capital expenditure | **589** | 181,641 | **71,045** | 118,357 | **1,731** | 16,405 | **-** | – | **84,800** | 210,128 | **1** | 248 | **171** | 1,392 | **-** | – | **158,337** | 528,171 |

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 4. SEGMENT INFORMATION *(Cont'd)*

### (b) GEOGRAPHICAL SEGMENTS

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 March 2009 and 2008.

| | Hong Kong | | Mainland China | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Segment revenue:** | | | | | | | | |
| Sales to external customers | **417,753** | 518,813 | **41,706** | 27,069 | **–** | – | **459,459** | 545,882 |
| **Other segment information:** | | | | | | | | |
| Segment assets | **5,030,960** | 3,807,212 | **198,584** | 836,348 | **(3,321,832)** | (2,611,586) | **1,907,712** | 2,031,974 |
| Capital expenditure | **73,004** | 136,341 | **85,333** | 391,830 | **–** | – | **158,337** | 528,171 |

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents sub-licensing and management 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 sale of properties during the year.

An analysis of the Group's revenue, other income and gains is as follows:

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| **Revenue** | | |
| Sub-licensing fee income | **165,646** | 145,024 |
| Property management fee income | **16,591** | 16,609 |
| Sale of goods | **86,004** | 22,606 |
| Rendering of services | **52** | 3,781 |
| Gross rental income | **61,536** | 43,366 |
| Sale of properties | **129,630** | 314,496 |
| | **459,459** | 545,882 |
| **Other income** | | |
| Bank interest income | **3,217** | 8,189 |
| Interest income from unlisted investments | **378** | 1,195 |
| Interest income from loans receivable | **1,600** | 1,046 |
| Dividend income from listed securities | **1,568** | 404 |
| Land resumption compensation | **4,259** | – |
| Management fee income | **1,914** | 2,190 |
| Others | **7,143** | 5,757 |
| | **20,079** | 18,781 |
| **Gains** | | |
| Gain on disposal of a land use right | **–** | 62,969 |
| Gain on disposal of financial assets at fair value through profit or loss, net | **–** | 11,522 |
| Exchange gains, net | **–** | 3,242 |
| Recognition of a deferred gain | **902** | 799 |
| Gain on disposal of items of property, plant and equipment | **–** | 16 |
| Excess over the cost of a business combination *(note 38(b))* | **2,064** | – |
| | **2,966** | 78,548 |
| Other income and gains | **23,045** | 97,329 |

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

| | *Notes* | Group 2009 HK$'000 | Group 2008 HK$'000 |
|---|---|---|---|
| Auditors' remuneration | | **2,200** | 2,700 |
| Cost of inventories sold | | **86,401** | 21,775 |
| Cost of services provided | | **151,413** | 150,921 |
| Cost of properties sold | | **88,577** | 211,861 |
| Depreciation | *14* | **7,797** | 8,290 |
| Less: Government grants released# | | **(302)** | (440) |
| | | **7,495** | 7,850 |
| Minimum lease payments under operating leases in respect of land and buildings | | **99,008** | 90,586 |
| Amortisation of prepaid land lease payments | *15* | **1,159** | 712 |
| Amortisation of other intangible asset | *23* | **6,060** | 6,060 |
| Employee benefit expense (including directors' remuneration – *note 8*): | | | |
| Wages and salaries | | **68,192** | 63,398 |
| Pension scheme contributions | | **1,528** | 2,992 |
| Equity-settled share option expense | | **225** | 64 |
| Less: Amount capitalised | | **–** | (1,478) |
| | | **69,945** | 64,976 |
| Fair value losses/(gains), net: | | | |
| Financial assets at fair value through profit or loss* | | **39,208** | 6,663 |
| Derivative financial instruments* | | **(2,338)** | 2,338 |
| Compensation paid to a minority shareholder of a subsidiary* | | **–** | 9,971 |
| Impairment of goodwill* | *18* | **–** | 11,558 |
| Impairment of a land use right* | *15* | **–** | 9,700 |
| Loss on disposal and write-off of items of property, plant and equipment* | | **–** | 67 |
| Loss on disposal of financial assets at fair value through profit or loss, net* | | **3,956** | – |
| Loss on partial/deemed disposal of an associate* | | **31,764** | 4,855 |
| Amount provided/(released) for onerous contracts, net | *33* | **(1,440)** | 3,281 |
| Net rental income | | **(53,186)** | (33,771) |

* These expenses are included in "Other expenses" on the face of the consolidated income statement.

\# Certain government grants have been received for renovating and upgrading certain Chinese wet markets operated by the Group's jointly-controlled entity in Shenzhen, the PRC. The government grants released have been deducted from the depreciation cost to which they relate. Government grants received for which related expenditure has not yet been undertaken are included in deferred income under other payables and accruals in the balance sheet. There are no unfulfilled conditions or contingencies relating to these grants.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 7. FINANCE COSTS

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Interest on convertible notes | **–** | 1,144 |
| Interest on bank loans and overdrafts | **13,134** | 24,490 |
| Total interest | **13,134** | 25,634 |
| Less: Interest capitalised | **(4,442)** | (10,728) |
| | **8,692** | 14,906 |

## 8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Fees | **771** | 771 |
| Other emoluments for executive directors: | | |
| Salaries, allowances and benefits in kind | **9,857** | 10,067 |
| Performance related bonuses* | **2,016** | 1,944 |
| Equity-settled share option expense | **42** | 12 |
| Pension scheme contributions | **86** | 84 |
| | **12,001** | 12,107 |
| | **12,772** | 12,878 |

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the Company's operating results, individual performance of the directors and comparable market statistics during the year.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 8. DIRECTORS' REMUNERATION *(Cont'd)*

During the year, a director was granted share options in respect of his services to the Group, under the share option scheme of the Company, further details of which are set out in note 36 to the financial statements. The fair value of such options which has been recognised in the income statement over the vesting period was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above director's remuneration disclosures.

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

Executive directors and independent non-executive directors

| | Fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Performance related bonuses HK$'000 | Equity-settled share option expense HK$'000 | Pension scheme contributions HK$'000 | Total remuneration HK$'000 |
|---|---|---|---|---|---|---|
| **2009** | | | | | | |
| *Executive directors:* | | | | | | |
| Mr. Tang Ching Ho | – | 4,151 | 259 | 42 | 12 | 4,464 |
| Ms. Yau Yuk Yin | – | 4,014 | 185 | – | 12 | 4,211 |
| Mr. Chan Chun Hong, Thomas | – | 1,692 | 1,572 | – | 62 | 3,326 |
| | – | 9,857 | 2,016 | 42 | 86 | 12,001 |
| *Independent non-executive directors:* | | | | | | |
| Dr. Lee Peng Fei, Allen, *CBE, BS, FHKIE, JP* | 297 | – | – | – | – | 297 |
| Mr. Wong Chun, Justein, *MBE, JP* | 217 | – | – | – | – | 217 |
| Mr. Siu Yim Kwan, Sidney, *S.B.St.J.* | 117 | – | – | – | – | 117 |
| Mr. Siu Kam Chau | 140 | – | – | – | – | 140 |
| | 771 | – | – | – | – | 771 |
| | 771 | 9,857 | 2,016 | 42 | 86 | 12,772 |

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 8. DIRECTORS' REMUNERATION *(Cont'd)*

| | Fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Performance related bonuses HK$'000 | Equity-settled share option expense HK$'000 | Pension scheme contributions HK$'000 | Total remuneration HK$'000 |
|---|---|---|---|---|---|---|
| 2008 | | | | | | |
| *Executive directors:* | | | | | | |
| Mr. Tang Ching Ho | – | 4,030 | 336 | – | 12 | 4,378 |
| Ms. Yau Yuk Yin | – | 4,094 | 240 | – | 12 | 4,346 |
| Mr. Chan Chun Hong, Thomas | – | 1,943 | 1,368 | 12 | 60 | 3,383 |
| | – | 10,067 | 1,944 | 12 | 84 | 12,107 |
| *Independent non-executive directors:* | | | | | | |
| Dr. Lee Peng Fei, Allen, *CBE, BS, FHKIE, JP* | 297 | – | – | – | – | 297 |
| Mr. Wong Chun, Justein, *MBE, JP* | 217 | – | – | – | – | 217 |
| Mr. Siu Yim Kwan, Sidney, *S.B.St.J.* | 117 | – | – | – | – | 117 |
| Mr. Siu Kam Chau | 140 | – | – | – | – | 140 |
| | 771 | – | – | – | – | 771 |
| | 771 | 10,067 | 1,944 | 12 | 84 | 12,878 |

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2008: three) directors, details of whose remuneration are disclosed in note 8 above. Details of the remuneration of the remaining two (2008: two) non-director, highest paid employees for the year are as follows:

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Salaries and allowances | **2,105** | 2,199 |
| Performance related bonuses | **536** | 333 |
| Equity-settled share option expense | **13** | 4 |
| Pension scheme contributions | **56** | 24 |
| | **2,710** | 2,560 |

During the year, share options were granted to the non-director, highest paid employees, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 36 to the financial statements. The fair value of such options which has been recognised in the income statement over the vesting period was determined as at the dates of grant and the amount included in the financial statements for the current year is included in the above remuneration disclosures.

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

| | Number of employees | |
|---|---|---|
| | **2009** | 2008 |
| HK$1,000,001 to HK$1,500,000 | **2** | 2 |

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 10. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China, based on existing legislation, interpretations and practices in respect thereof.

| | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|
| Group: | | |
| Current – Hong Kong | | |
| Charge for the year | **5,658** | 24,645 |
| Overprovision in prior years | **(11,195)** | (1,297) |
| | **(5,537)** | 23,348 |
| Current – PRC | | |
| Charge for the year | **3,375** | 1,052 |
| Deferred *(note 34)* | **13,642** | 1,563 |
| Total tax charge for the year | **11,480** | 25,963 |

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the jurisdictions in which the Company, its subsidiaries and jointly-controlled entities are domiciled to the tax expense at the effective tax rate is as follows:

**Group**

| | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|
| Profit before tax | **91,630** | 122,577 |
| Tax at the statutory tax rates of different jurisdictions | **23,706** | 21,505 |
| Lower tax rate for specific provinces or local authority | **(445)** | (997) |
| Effect on opening deferred tax of decrease in rates | **(265)** | – |
| Adjustments in respect of current tax of previous periods | **(11,291)** | (1,297) |
| Profits and losses attributable to associates | **8,668** | (5,773) |
| Income not subject to tax | **(31,737)** | (3,240) |
| Expenses not deductible for tax | **16,035** | 8,836 |
| Effect of withholding tax of 5% on the distributable profits of the Group's PRC jointly-controlled entity | **283** | – |
| Tax losses utilised from previous periods | **(744)** | (3,930) |
| Tax losses not recognised | **4,465** | 6,373 |
| Others | **2,805** | 4,486 |
| Tax charge at the Group's effective rate | **11,480** | 25,963 |

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 March 2009 includes a loss of HK$17,274,000 (2008: profit of HK$180,187,000) which has been dealt with in the financial statements of the Company (note 37(b)).

## 12. DIVIDENDS

| | **2009** **HK$'000** | 2008 HK$'000 |
|---|---|---|
| Interim – Nil (2008: HK4.00 cents) per ordinary share | **–** | 10,319 |
| Proposed final – HK0.5 cents (2008: HK2.50 cents) per ordinary share | **11,329** | 7,868 |
| | **11,329** | 18,187 |

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

The dividend per ordinary share amounts for the prior year have been adjusted to reflect the consolidation of shares during the year.

## 13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the consolidation of shares during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent adjusted to reflect the interest on the convertible bonds, where applicable. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares, as adjusted for the consolidation of shares during the year.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(Cont'd)*

The calculations of basic and diluted earnings per share amounts are based on:

| | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|
| **Earnings** | | |
| Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation | **55,409** | 96,089 |
| Interest on convertible notes | **–** | 1,144 |
| Profit for the purpose of the diluted earnings per share calculation | **55,409** | 97,233 |

| | Number of shares<br>2009 | <br>2008<br>(Restated) |
|---|---|---|
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation* | **331,737,174** | 248,213,005 |
| Effect of dilution – weighted average number of ordinary shares: | | |
| Convertible notes | **–** | 8,771,148 |
| Share options | **102,814** | 15,943,557 |
| Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation | **331,839,988** | 272,927,710 |

* The weighted average numbers of ordinary shares in 2009 and 2008 have been retrospectively adjusted for the twenty five-to-one share consolidation taken place on 30 March 2009.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 14. PROPERTY, PLANT AND EQUIPMENT

**Group**

| | Building HK$'000 | Leasehold improvements HK$'000 | Plant and machinery HK$'000 | Furniture, fixtures and office equipment HK$'000 | Motor vehicles HK$'000 | Computer equipment HK$'000 | Construction in progress HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **31 March 2009** | | | | | | | | |
| At 31 March 2008 and at 1 April 2008: | | | | | | | | |
| Cost | 638 | 62,558 | 13,863 | 33,611 | 3,825 | 3,368 | 127,232 | 245,095 |
| Accumulated depreciation | (112) | (44,671) | (2,960) | (32,738) | (1,079) | (2,651) | – | (84,211) |
| Net carrying amount | 526 | 17,887 | 10,903 | 873 | 2,746 | 717 | 127,232 | 160,884 |
| At 1 April 2008, net of accumulated depreciation | 526 | 17,887 | 10,903 | 873 | 2,746 | 717 | 127,232 | 160,884 |
| Additions | – | 1,043 | 687 | 1,219 | 731 | 210 | 75,646 | 79,536 |
| Acquisition of subsidiaries *(note 38(b))* | – | 225 | – | – | – | – | – | 225 |
| Disposal of subsidiaries *(note 38(c))* | (511) | – | (12,052) | (1,088) | (1,346) | – | (191,206) | (206,203) |
| Disposals and write-off | – | (35) | (69) | (9) | (134) | – | – | (247) |
| Depreciation provided during the year | (28) | (5,444) | (899) | (448) | (645) | (333) | – | (7,797) |
| Transfer | – | – | 1,862 | – | – | – | (1,862) | – |
| Transfer to investment properties *(note 16)* | – | – | – | – | – | – | (12,559) | (12,559) |
| Exchange realignment | 13 | 67 | 129 | 24 | 26 | 2 | 2,749 | 3,010 |
| At 31 March 2009, net of accumulated depreciation | – | 13,743 | 561 | 571 | 1,378 | 596 | – | 16,849 |
| At 31 March 2009: | | | | | | | | |
| Cost | – | 63,741 | 1,042 | 33,388 | 2,828 | 3,571 | – | 104,570 |
| Accumulated depreciation | – | (49,998) | (481) | (32,817) | (1,450) | (2,975) | – | (87,721) |
| Net carrying amount | – | 13,743 | 561 | 571 | 1,378 | 596 | – | 16,849 |

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 14. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

**Group *(Cont'd)***

| | Building HK$'000 | Leasehold improvements HK$'000 | Plant and machinery HK$'000 | Furniture, fixtures and office equipment HK$'000 | Motor vehicles HK$'000 | Computer equipment HK$'000 | Construction in progress HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **31 March 2008** | | | | | | | | |
| At 31 March 2007 and at 1 April 2007: | | | | | | | | |
| Cost | – | 48,415 | 364 | 32,811 | 1,658 | 2,891 | – | 86,139 |
| Accumulated depreciation | – | (39,094) | (349) | (32,182) | (288) | (2,241) | – | (74,154) |
| Net carrying amount | – | 9,321 | 15 | 629 | 1,370 | 650 | – | 11,985 |
| At 1 April 2007, net of accumulated depreciation | – | 9,321 | 15 | 629 | 1,370 | 650 | – | 11,985 |
| Additions | – | 15,966 | 289 | 833 | 1,971 | 548 | 126,268 | 145,875 |
| Acquisition of a subsidiary *(note 38(b))* | 505 | – | 10,388 | 15 | 163 | – | 898 | 11,969 |
| Disposals and write-off | – | (1,860) | (46) | (77) | – | (7) | – | (1,990) |
| Depreciation provided during the year | (16) | (5,964) | (503) | (539) | (794) | (474) | – | (8,290) |
| Exchange realignment | 37 | 424 | 760 | 12 | 36 | – | 66 | 1,335 |
| At 31 March 2008, net of accumulated depreciation | 526 | 17,887 | 10,903 | 873 | 2,746 | 717 | 127,232 | 160,884 |
| At 31 March 2008: | | | | | | | | |
| Cost | 638 | 62,558 | 13,863 | 33,611 | 3,825 | 3,368 | 127,232 | 245,095 |
| Accumulated depreciation | (112) | (44,671) | (2,960) | (32,738) | (1,079) | (2,651) | – | (84,211) |
| Net carrying amount | 526 | 17,887 | 10,903 | 873 | 2,746 | 717 | 127,232 | 160,884 |

At 31 March 2008, the leasehold land with an aggregate carrying amount of HK$95,835,000 and included in the Group's construction in progress is held under medium term leases and situated in Mainland China.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 15. PREPAID LAND LEASE PAYMENTS

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Carrying amount at 1 April | **180,491** | – |
| Additions | **405** | 181,183 |
| Transfer from properties under development *(note 17)* | **–** | 3,422 |
| Amortisation during the year | **(1,159)** | (712) |
| Impairment during the year | **–** | (9,700) |
| Disposal of subsidiaries *(note 38(c))* | **(181,056)** | – |
| Exchange realignment | **4,575** | 6,298 |
| Carrying amount at 31 March | **3,256** | 180,491 |
| Current portion included in prepayments, deposits and other receivables *(note 26)* | **(85)** | (2,589) |
| Non-current portion | **3,171** | 177,902 |

The Group's leasehold land is situated in Hong Kong and Mainland China and is held under the following lease terms:

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Long term leases: | | |
| – Mainland China | **–** | 176,908 |
| Medium term leases: | | |
| – Hong Kong | **3,256** | 3,337 |
| – Mainland China | **–** | 246 |
| | **3,256** | 3,583 |
| | **3,256** | 180,491 |

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 16. INVESTMENT PROPERTIES

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Carrying amount at 1 April | **555,199** | 315,143 |
| Additions | **78,396** | 201,113 |
| Transfer from accrued rent-free rental income | **(512)** | (82) |
| Acquisition of subsidiaries *(note 38(b))* | **98,766** | 20,019 |
| Disposals during the year | **(28,000)** | – |
| Disposal of subsidiaries *(note 38(c))* | **(188,099)** | – |
| Transfer from construction in progress *(note 14)* | **12,559** | – |
| Net profit from a fair value adjustment | **4,581** | 11,383 |
| Exchange realignment | **3,246** | 7,623 |
| Carrying amount at 31 March | **536,136** | 555,199 |

The Group's investment properties are situated in Hong Kong and Mainland China and are held under the following lease terms:

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Long term leases: | | |
| – Hong Kong | **154,000** | 60,600 |
| Medium term leases: | | |
| – Hong Kong | **308,572** | 319,300 |
| – Mainland China | **73,564** | 175,299 |
| | **382,136** | 494,599 |
| | **536,136** | 555,199 |

The investment properties of the Group were revalued on 31 March 2009 by Savills Valuation and Professional Services Limited and Vigers Appraisal and Consulting Limited, independent professional qualified valuers, on an open market, existing use basis. The investment properties are leased to a director of the Company and third parties under operating leases, further details of which are included in notes 40 and 42 to the financial statements.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 16. INVESTMENT PROPERTIES *(Cont'd)*

At 31 March 2009, the Group's investment properties with an aggregate carrying value of HK$420,572,000 (2008: HK$348,900,000) and certain rental income generated therefrom were pledged to secure the Group's general banking facilities, of which approximately HK$432,085,000 (2008: HK$201,504,000) had been utilised as at 31 March 2009 (note 32).

Further particulars of the Group's investment properties are included on page 129 to 135.

## 17. PROPERTIES UNDER DEVELOPMENT

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Carrying amount at 1 April | **288,405** | 470,680 |
| Additions (including development cost and capitalised interest) | **32,302** | 59,081 |
| Transfer to prepaid land lease payments *(note 15)* | **–** | (3,422) |
| Transfer to properties held for sale *(note 24)* | **(320,707)** | (237,934) |
| Carrying amount at 31 March | **–** | 288,405 |

At 31 March 2008, the Group's properties under development with an aggregate carrying value of HK$282,197,000 were pledged to secure the Group's general banking facilities, of which HK$150,650,000 had been utilised as at 31 March 2008 (note 32).

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 18. GOODWILL

**Group**

| | Goodwill arising on acquisition of subsidiaries | Goodwill arising on acquisition of a jointly-controlled entity | Total | Goodwill arising on acquisition of associates *(Note 20)* |
|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Cost and net carrying amount: | | | | |
| At 1 April 2007 | 943 | 1,376 | 2,319 | 9,718 |
| Acquisition of a subsidiary *(note 38(b))* | 11,444 | – | 11,444 | – |
| Impairment during the year | (5,943) | – | (5,943) | (5,615) |
| Partial/deemed disposal of an associate | – | – | – | (4,103) |
| At 31 March 2008 and 1 April 2008 | 6,444 | 1,376 | 7,820 | – |
| At 31 March 2008: | | | | |
| Cost | 12,387 | 1,376 | 13,763 | 5,615 |
| Accumulated impairment | (5,943) | – | (5,943) | (5,615) |
| Net carrying amount | 6,444 | 1,376 | 7,820 | – |
| Cost at 1 April 2008, net of accumulated impairment | 6,444 | 1,376 | 7,820 | – |
| Disposal of subsidiaries *(note 38(c))* | (6,444) | – | (6,444) | – |
| At 31 March 2009 | – | 1,376 | 1,376 | – |
| At 31 March 2009: | | | | |
| Cost | 943 | 1,376 | 2,319 | 5,615 |
| Accumulated impairment | (943) | – | (943) | (5,615) |
| Net carrying amount | – | 1,376 | 1,376 | – |

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 18. GOODWILL *(Cont'd)*

The Group applied the transitional provisions of SSAP 30 that permitted goodwill and negative goodwill in respect of acquisitions which occurred prior to the adoption of the standard, to remain eliminated against consolidated reserves or credited to the capital reserve, respectively.

The amount of goodwill remaining in the consolidated reserves, arising from the acquisition of subsidiaries prior to the adoption of SSAP 30 in 2001, was HK$21,775,000 (2008: HK$21,775,000) as at 31 March 2009.

**IMPAIRMENT TESTING OF GOODWILL**

Goodwill arising from business combinations has been allocated to the following cash-generating units, which are reportable segments, for impairment testing:

- Property development cash-generating unit;
- Agricultural by-products wholesale markets cash-generating unit;
- Associates – pharmaceutical products cash-generating unit; and
- A jointly-controlled entity – Shenzhen traditional wet markets cash-generating unit.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

| | Property development | | Agricultural by-products wholesale markets | | Associates – pharmaceutical products | | A jointly-controlled entity – Shenzhen traditional wet markets | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2009 HK$'000** | 2008 HK$'000 | **2009 HK$'000** | 2008 HK$'000 | **2009 HK$'000** | 2008 HK$'000 | **2009 HK$'000** | 2008 HK$'000 | **2009 HK$'000** | 2008 HK$'000 |
| Carrying amount of goodwill | **–** | – | **–** | 6,444 | **–** | – | **1,376** | 1,376 | **1,376** | 7,820 |

***PROPERTY DEVELOPMENT CASH-GENERATING UNIT***

The goodwill of this cash-generating unit has been fully impaired in the prior year due to the completion of the respective property projects and management did not expect the relevant subsidiaries will further generate positive cash flow to the Group.

***AGRICULTURAL BY-PRODUCTS WHOLESALE MARKETS CASH-GENERATING UNIT***

This cash-generating unit was disposed of during the year and further details are set out in note 38(c) to the financial statements.

***ASSOCIATES – PHARMACEUTICAL PRODUCTS CASH-GENERATING UNIT***

The goodwill of this cash-generating unit has been fully impaired in the prior year due to the increase in market competition and operating expenses which affected adversely the future growth and profits of the Group's pharmaceutical products business.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 18. GOODWILL *(Cont'd)*

**IMPAIRMENT TESTING OF GOODWILL** *(Cont'd)*

***A JOINTLY-CONTROLLED ENTITY – SHENZHEN TRADITIONAL WET MARKETS CASH-GENERATING UNIT***

The recoverable amount of the Shenzhen traditional wet markets cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets conversing a five-year period approved by senior management. The discount rate applied to cash flow projections is 15% (2008: 16%).

Management has determined the budgeted gross margins based on past performance and its expectation for market development. The discount rates used are before tax and reflect specific risks relating to the relevant units.

## 19. INTERESTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Unlisted shares, at cost | **71,000** | 71,000 |
| Due from subsidiaries – *Note (i)* | **1,654,200** | 1,441,026 |
| Loans to subsidiaries – *Note (ii)* | **13,656** | 20,529 |
| Due to subsidiaries – *Note (i)* | **(314,025)** | (230,258) |
| | **1,424,831** | 1,302,297 |
| Impairment – *Note (iii)* | **(110,876)** | (110,876) |
| | **1,313,955** | 1,191,421 |

*Notes:*

(i) The amounts are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these amounts approximate to their fair values.

(ii) The amounts are unsecured, bear interest at 3% over the best lending rate per annum offered by banks, except for a balance of HK$4,651,000 at 31 March 2008 which was interest-free, and have no fixed terms of repayment. The carrying amounts of the loans to subsidiaries approximate to their fair values.

(iii) The impairment relates primarily to amounts due from subsidiaries and loans to subsidiaries that had suffered losses for years or ceased operations.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 19. 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 | |
| Allied Victory Investment Limited | Hong Kong | Ordinary HK$2 | – | 100 | Property investment |
| Allied Wide Investment Limited | Hong Kong | Ordinary HK$1 | – | 100 | Property investment |
| Banco Investments Limited | Hong Kong | Ordinary HK$1 | – | 100 | Property investment |
| Champford Investment Limited | Hong Kong | Ordinary HK$1 | – | 100 | Property investment |
| Charter Golden Design & Contracting Limited | Hong Kong | Ordinary HK$2 | – | 100 | Property development |
| Denox Management Limited | Hong Kong | Ordinary HK$2 | – | 100 | Management and sub-letting of properties |
| Easy Kingdom Limited | Hong Kong | Ordinary HK$2 | – | 100 | Property investment |
| Easytex Investment Limited | Hong Kong | Ordinary HK$1 | – | 100 | Property investment |
| Everlong Limited | British Virgin Islands/ Hong Kong | Ordinary US$1 | – | 100 | Investment holding |
| Excellence Star Limited | Hong Kong | Ordinary HK$1 | – | 100 | Property investment |
| Extra Power Limited | Hong Kong | Ordinary HK$1 | – | 100 | Money lending |
| Fly Star Limited | Hong Kong | Ordinary HK$1 | – | 100 | Property investment |

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 19. INTERESTS IN SUBSIDIARIES *(Cont'd)*

| Name | Place of incorporation/ operations | Nominal value of issued ordinary share capital | Percentage of equity attributable to the Company Direct | Indirect | Principal activities |
|---|---|---|---|---|---|
| Fulling Limited | Hong Kong | Ordinary HK$100 | – | 100 | Money lending and securities investment |
| Fully Finance Limited | British Virgin Islands/ Hong Kong | Ordinary US$1 | – | 100 | Money lending |
| First World Investments Limited | Hong Kong | Ordinary HK$1 | – | 100 | Property investment |
| Goldbo Investment 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 |
| Honland Limited | Hong Kong | Ordinary HK$1 | – | 100 | Property investment |
| Hovan Investments Limited | Hong Kong | Ordinary HK$1 | – | 100 | Property investment |
| Info World Investment Limited | Hong Kong | Ordinary HK$1 | – | 100 | Property investment |
| Kartix Investment Limited | Hong Kong | Ordinary HK$1 | – | 100 | Property development |
| King Channel Limited | Hong Kong | Ordinary HK$1 | – | 100 | Property development |
| Kingtex Investment Limited | Hong Kong | Ordinary HK$1 | – | 100 | Property development |

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 19. INTERESTS IN SUBSIDIARIES *(Cont'd)*

| Name | Place of incorporation/ operations | Nominal value of issued ordinary share capital | Percentage of equity attributable to the Company Direct | Indirect | Principal activities |
|---|---|---|---|---|---|
| Kova Investments Limited | Hong Kong | Ordinary HK$1 | – | 100 | Property investment |
| Lica Parking Company Limited | Hong Kong | Ordinary HK$25,500,000 | – | 99 | Management and sub-licensing of car parks |
| Lanbo Investment Limited | Hong Kong | Ordinary HK$1 | – | 100 | Property development |
| Longable Limited | Hong Kong | Ordinary HK$1 | – | 100 | Property investment |
| Mailful Investments Limited | British Virgin Islands/ Hong Kong | Ordinary US$1 | – | 100 | Investment holding |
| Majorluck Limited | Hong Kong | Ordinary HK$10,000 | – | 100 | Management and sub-licensing of Chinese wet markets |
| Newbo Investment Limited | Hong Kong | Ordinary HK$1 | – | 100 | Property development |
| New Sino Investment Limited | Hong Kong | Ordinary HK$1 | – | 100 | Property development |
| New Shiny Investment Limited | Hong Kong | Ordinary HK$1 | – | 100 | Property investment |
| Pacific Base Investments Limited | Hong Kong | Ordinary HK$1 | – | 100 | Property investment |
| Poly Talent Investment Limited | Hong Kong | Ordinary HK$1 | – | 100 | Property development |
| Richly Gold Limited | Hong Kong | Ordinary HK$2 | – | 100 | Property investment |

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 19. INTERESTS IN SUBSIDIARIES *(Cont'd)*

| Name | Place of incorporation/ operations | Nominal value of issued ordinary share capital | Percentage of equity attributable to the Company Direct | Indirect | Principal activities |
|---|---|---|---|---|---|
| Rich Time Strategy Limited | British Virgin Islands/ Hong Kong | Ordinary US$1 | – | 100 | Investment holding |
| Shiny World Investment Limited | Hong Kong | Ordinary HK$1 | – | 100 | Property investment |
| Smart First Investment Limited | Hong Kong | Ordinary HK$1 | – | 100 | Property investment |
| Sunbo Investment Limited | Hong Kong | Ordinary HK$1 | – | 100 | Property investment |
| Topbo Investment Limited | Hong Kong | Ordinary HK$1 | – | 100 | Property development |
| Ventix Investment Limited | Hong Kong | Ordinary HK$1 | – | 100 | Property investment |
| Wang Hing Fruits and Vegetables Wholesale Limited | Hong Kong | Ordinary HK$1 | – | 100 | Wholesale of agricultural products |
| Wang Hing Vegetables Wholesale Company Limited | Hong Kong | Ordinary HK$100 | – | 51 | Wholesale of agricultural products |
| Wang On Agricultural Wholesale (HK) Limited | Hong Kong | Ordinary HK$1 | – | 100 | Wholesale of agricultural products |
| Wang On Commercial Management Limited | British Virgin Islands/ Hong Kong | Ordinary US$2 | – | 100 | Investment holding |
| Wang On Shopping Centre Management Limited | Hong Kong | Ordinary HK$2 | – | 100 | Management and sub-licensing of shopping centres |

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 19. INTERESTS IN SUBSIDIARIES *(Cont'd)*

| Name | Place of incorporation/ operations | Nominal value of issued ordinary share capital | Percentage of equity attributable to the Company Direct | Indirect | Principal activities |
|---|---|---|---|---|---|
| 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 |
| WEH Investments Limited | Hong Kong | Ordinary HK$477 Non-voting deferred *(Note 2)* HK$1,262,523 | – | 100 | Property investment |
| Winhero Investment Limited | Hong Kong | Ordinary HK$1 | – | 100 | Property development |

*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 deferred shares carry no voting rights or rights to dividends. On the winding-up of the company, the holders of non-voting deferred shares have a right to repayment in proportion to the amounts of all paid-up ordinary and deferred shares after the first HK$1,000,000,000,000 thereof has been distributed among the holders of the ordinary shares.

Details of the subsidiaries acquired and disposed of during the year were included in notes 38(b) and 38(c) to the financial statements, respectively.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 20. INTERESTS IN ASSOCIATES

| | | Group | | Company | |
|---|---|---|---|---|---|
| | *Notes* | **2009 HK$'000** | 2008 HK$'000 | **2009 HK$'000** | 2008 HK$'000 |
| Share of net assets | | **219,685** | 307,664 | **–** | – |
| Deferred gains | | **(2,418)** | (3,320) | **–** | – |
| | | **217,267** | 304,344 | **–** | – |
| Due from associates | *(i)* | **248** | 2,362 | **252** | 2,089 |
| Due to associates | *(i)* | **(887)** | (878) | **–** | – |
| | | **216,628** | 305,828 | **252** | 2,089 |
| Provision for impairment | | **(3)** | (3) | **–** | – |
| | | **216,625** | 305,825 | **252** | 2,089 |
| Market value of listed shares at 31 March | *(ii)* | **67,984** | 98,161 | **N/A** | N/A |

*Notes:*

(i) The amounts are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these amounts approximate to their fair values.

(ii) The market value of the listed shares of an associate, Wai Yuen Tong Medicine Holdings Limited ("WYTH"), held by the Group was approximately HK$57,444,000 at the date of approval of these financial statements.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 20. INTERESTS IN ASSOCIATES *(Cont'd)*

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

| Name | Particulars of issued shares/ registered capital | Place of incorporation/ operations | Percentage of ownership interest attributable to the Group | | Principal activities |
|---|---|---|---|---|---|
| | | | **2009** | 2008 | |
| WYTH* *(Note 2)* | Ordinary shares of HK$0.01 each | Hong Kong | **26.21** | 28.31 | Production and sale of traditional Chinese and Western pharmaceutical health food products and property holding |
| Changzhou Lin Jia Tang Hong-Jin Logistic Development Company Limited | Paid-up capital of US$20,000,000 | PRC | **40** | 40 | Development and management of agricultural by-products wholesale market |

*Notes:*

(1) The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

(2) The financial statements of WYTH and its subsidiaries were not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

* Listed on the Stock Exchange

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 20. INTERESTS IN ASSOCIATES *(Cont'd)*

The following table illustrates the summarised financial information of the Group's associates extracted from their financial statements/management accounts:

| | **2009** **HK$'000** | 2008 HK$'000 |
|---|---|---|
| Assets | **950,638** | 1,375,285 |
| Liabilities | **(160,218)** | (364,152) |
| Revenue | **496,151** | 477,021 |
| Profit | **(348,924)** | 81,392 |

## 21. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

Particulars of the jointly-controlled entity are as follows:

| **Name** | **Paid-up registered capital** | **Place of registration/ incorporation** | **Percentage of Ownership interest** | **Percentage of Voting power** | **Percentage of Profit sharing** | **Principal activities** |
|---|---|---|---|---|---|---|
| Shenzhen Jimao Market Co., Limited | RMB31,225,000 | PRC | 50 | 50 | 50 | Management and sub-licensing of Chinese wet markets |

The amounts of the assets, liabilities, revenue and expenses of the Group's jointly-controlled entities attributable to the Group are as follows:

| | **2009** **HK$'000** | 2008 HK$'000 |
|---|---|---|
| Non-current assets | **75,650** | 245,906 |
| Current assets | **6,401** | 11,267 |
| Current liabilities | **(4,536)** | (6,054) |
| Non-current liabilities | **(408)** | – |
| Net assets | **77,107** | 251,119 |
| Total revenue | **17,364** | 16,844 |
| Total expenses | **(11,703)** | (12,129) |
| Profit for the year | **5,661** | 4,715 |

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 21. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(Cont'd)*

During the year, the Group disposed of its 50% interests in Vast Time Limited ("Vast Time") and Fuzhou Wang On Property Development Co. Ltd. ("Fuzhou Wang On") as a result of the disposal of its 100% equity interest in Strengthen Investments Limited ("Strengthen Investments"). Vast Time and Fuzhou Wang On are jointly-controlled entities of the Group held through Strengthen Investments. Further details of this disposal are set out in note 38(c).

## 22. HELD-TO-MATURITY FINANCIAL ASSETS

| | **Group and Company** | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Unlisted debt investments, at amortised cost | **4,114** | 1,943 |

## 23. OTHER INTANGIBLE ASSET

| | **Group** | |
|---|---|---|
| | **Marketplace operating right** | |
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Carrying amount at 1 April | **24,240** | 30,300 |
| Amortisation for the year | **(6,060)** | (6,060) |
| Carrying amount at 31 March | **18,180** | 24,240 |

## 24. PROPERTIES HELD FOR SALE

| | **Group** | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Carrying amount at 1 April | **27,885** | 1,455 |
| Transfer from properties under development *(note 17)* | **320,707** | 237,934 |
| Properties sold during the year | **(86,320)** | (211,504) |
| Carrying amount at 31 March | **262,272** | 27,885 |

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 24. PROPERTIES HELD FOR SALE *(Cont'd)*

At 31 March 2009, the Group's properties held for sale with an aggregate carrying value of HK$240,908,000 (2008: HK$10,334,000) were pledged to secure the Group's general banking facilities and of which approximately HK$192,975,000 (2008: HK$8,400,000) had been utilised as at 31 March 2009 (note 32).

Further particulars of the Group's properties held for sale are included on page 135.

## 25. TRADE RECEIVABLES

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

| | **Group** | | | |
|---|---|---|---|---|
| | **2009** | | 2008 | |
| | **HK$'000** | **Percentage** | HK$'000 | Percentage |
| Within 90 days | **4,279** | **90** | 3,948 | 94 |
| 91 days to 180 days | **251** | **5** | 165 | 4 |
| Over 180 days | **239** | **5** | 76 | 2 |
| | **4,769** | **100** | 4,189 | 100 |
| Less: impairment | **(271)** | | (88) | |
| | **4,498** | | 4,101 | |

The Group generally grants a 15 to 30 days credit period to customers for its sub-leasing business. The Group generally does not grant any credit to customers of other businesses.

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 25. TRADE RECEIVABLES *(Cont'd)*

The movements in provision for impairment of trade receivables are as follows:

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Balance at 1 April | **88** | 548 |
| Impairment losses reversed | **(216)** | (244) |
| Impairment losses recognised | **458** | – |
| Amount written off as uncollectible | **(59)** | (216) |
| Balance at 31 March | **271** | 88 |

The above provision for impairment of trade receivables is related to individually impaired trade receivables, the customers of which were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Neither past due nor impaired | **4,240** | 2,116 |
| Less than 90 days past due | **66** | 1,832 |
| 91 to 180 days past due | **192** | 138 |
| Over 180 days past due | **–** | 15 |
| | **4,498** | 4,101 |

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there were no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | | Group | | Company | |
|---|---|---|---|---|---|
| | *Notes* | **2009 HK$'000** | 2008 HK$'000 | **2009 HK$'000** | 2008 HK$'000 |
| Prepayments | | **11,184** | 7,600 | **1,489** | 771 |
| Prepaid land lease payments *(note 15)* | | **85** | 2,589 | **–** | – |
| Deposits | | **17,024** | 19,369 | **162** | 162 |
| Other receivables | | **4,375** | 15,053 | **322** | 47 |
| Loans to WYTH | *(i)* | **25,000** | – | **–** | – |
| Loan to LeRoi | *(ii)* | **40,408** | – | **–** | – |
| Loan to Super Treasure | *(iii)* | **238,200** | – | **–** | – |
| Loans receivable, secured | *(iv)* | **990** | 23,565 | **–** | – |
| Loans receivable, unsecured | *(iv)* | **8,347** | 120 | **–** | – |
| | | **345,613** | 68,296 | **1,973** | 980 |
| Less: Impairment | *(v)* | **(5,915)** | (7,522) | **–** | – |
| | | **339,698** | 60,774 | **1,973** | 980 |
| Less: Loans receivable classified as non-current assets | | **(281,241)** | (12,989) | **–** | – |
| Rental deposits classified as non-current assets | | **(11,737)** | (4,595) | **–** | – |
| | | **46,720** | 43,190 | **1,973** | 980 |

*Notes:*

(i) The loans are unsecured, bear interest at the Hong Kong prime rate as quoted by The Hong Kong and Shanghai Banking Corporation Limited and are repayable within one year.

(ii) LeRoi Holdings Limited ("LeRoi") is an associate of WYTH, and has an executive director in common with the Company.

The loan is unsecured, bears interest at 6% per annum and is repayable within two years from the date of drawdown.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Cont'd)*

*Notes: (Cont'd)*

(iii) Super Treasure Holdings Limited ("Super Treasure") is a wholly-owned subsidiary of China Agri-Products Exchange Limited ("China Agri-Products"), which is an associate of LeRoi and has an executive director in common with the Company.

The loan bears interest at 6% per annum and is repayable on the date falling 18 months from the date of the loan agreement, and is secured by share charge of in respect of share of a subsidiary of China Agri-Products and a corporate guarantee granted by China Agri-Products in favour of the Group.

(iv) These loans receivable are stated at amortised cost at effective interest rates ranging from 2% to 12% and the credit terms of which range from 4 months to 14 years. As these loans receivable relate to a number of different borrowers, the directors are of the opinion that there is no concentration of credit risk over these loans receivable. The carrying amounts of these loans receivable approximate to their fair values.

As at 31 March 2009, certain loans receivable and other receivables are secured by a retail shop located in Mongkok, Kowloon, Hong Kong (2008: a retail shop located in Mongkok, Kowloon, Hong Kong and contra deposits of HK$2,232,000).

(v) Included in the above provision for impairment of other receivables and loans receivable are provision for individually impaired receivables of HK$5,915,000 (2008: HK$7,522,000) with an aggregate carrying amount of HK$8,864,000 (2008: HK$9,833,000). The individually impaired other receivables related to customers or debtors that were in financial difficulties and only a portion secured by the cash deposit received and a property are expected to be recovered.

Other than the aforementioned impaired other receivables, none of the above assets is either past due or impaired. The financial assets included in the above balances relate to the receivables for which there was no recent history of default.

## 27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Group | | Company | |
|---|---|---|---|---|
| | **2009 HK$'000** | 2008 HK$'000 | **2009 HK$'000** | 2008 HK$'000 |
| Listed equity investments, at fair value: | | | | |
| Hong Kong | **17,931** | 27,882 | **2,565** | 8,915 |
| Elsewhere | **2,493** | 9,819 | **1,004** | 5,556 |
| Unlisted debt securities, at fair value | **–** | 7,577 | **–** | – |
| | **20,424** | 45,278 | **3,569** | 14,471 |

The market values of the Group's and the Company's listed equity investments at the date of approval of these financial statements were HK$47,506,000 and HK$8,549,000, respectively.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 28. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Cash and bank balances | **191,735** | 81,307 | **98,328** | 6,129 |
| Time deposits | **291,972** | 249,512 | **277,873** | 218,218 |
| Cash and cash equivalents | **483,707** | 330,819 | **376,201** | 224,347 |

As at the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$35,323,000 (2008: HK$36,474,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

## 29. TRADE PAYABLES

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

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Within 90 days | **18,076** | 24,624 |

The trade payables are non-interest-bearing and have an average term of 30 days. The carrying amounts of the trade payables approximated to their fair values.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 30. OTHER PAYABLES AND ACCRUALS

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Other payables *(Note)* | **10,135** | 114,298 | **780** | 67,542 |
| Accruals | **10,407** | 14,125 | **2,918** | 2,102 |
| | **20,542** | 128,423 | **3,698** | 69,644 |

*Note:* Included in other payables as at 31 March 2008 was subscription monies of HK$65,470,000 received for the subscription of shares of the Company (note 35(b)(i)).

Other payables are non-interest-bearing and there are generally no credit terms. The carrying amounts of the other payables approximate to their fair values.

## 31. DERIVATIVE FINANCIAL INSTRUMENTS

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Stock accumulator contracts | **–** | 2,338 |

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 32. INTEREST-BEARING BANK LOANS

### Group

| | 2009 Contractual interest rate (%) | 2009 Maturity | 2009 HK$'000 | 2008 Contractual interest rate (%) | 2008 Maturity | 2008 HK$'000 |
|---|---|---|---|---|---|---|
| **Current:** | | | | | | |
| Bank loans – secured | HIBOR+ (0.85 – 2.25)/ P – (2.6 – 3.15) | 2010 | 121,948 | HIBOR+ (0.85 – 1.625)/ P – (2.25 – 3.15) | 2009 | 244,240 |
| Bank loans – unsecured | – | – | – | HIBOR+ (0.85 – 1.625) | 2009 | 102,875 |
| | | | 121,948 | | | 347,115 |
| **Non-current:** | | | | | | |
| Bank loans – secured | HIBOR+ (0.85 – 2.25)/ P – (2.6 – 3.15) | 2010-2028 | 310,137 | HIBOR+ (0.85 – 1.0)/ P – (2.25 – 3.15) | 2009-2025 | 165,743 |
| Bank loans – unsecured | – | – | – | HIBOR+ (0.85 – 1.0) | 2009-2022 | 33,375 |
| | | | 310,137 | | | 199,118 |
| | | | 432,085 | | | 546,233 |

### Company

| | 2009 Contractual interest rate (%) | 2009 Maturity | 2009 HK$'000 | 2008 Contractual interest rate (%) | 2008 Maturity | 2008 HK$'000 |
|---|---|---|---|---|---|---|
| **Current:** | | | | | | |
| Bank loans – secured | HIBOR+ (1 – 2.5) | 2010 | 105,300 | HIBOR+ (0.85 – 1.0) | 2009 | 30,400 |
| Bank loans – unsecured | – | – | – | HIBOR+ (0.85 – 1.625) | 2009 | 102,875 |
| | | | 105,300 | | | 133,275 |
| **Non-current:** | | | | | | |
| Bank loans – secured | HIBOR+ (1 – 2.25) | 2010-2028 | 160,175 | HIBOR+ (0.85 – 1.0) | 2009-2023 | 84,600 |
| Bank loans – unsecured | – | – | – | HIBOR+ (0.85 – 1.0) | 2009-2022 | 33,375 |
| | | | 160,175 | | | 117,975 |
| | | | 265,475 | | | 251,250 |

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 32. INTEREST-BEARING BANK LOANS *(Cont'd)*

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Analysed into: | | | | |
| Bank loans repayable: | | | | |
| Within one year | **121,948** | 347,115 | **105,300** | 133,275 |
| In the second year | **81,292** | 42,483 | **67,300** | 35,500 |
| In the third to fifth years, inclusive | **108,836** | 74,122 | **58,275** | 70,475 |
| Beyond five years | **120,009** | 82,513 | **34,600** | 12,000 |
| | **432,085** | 546,233 | **265,475** | 251,250 |

*Notes:*

(a) Certain bank loans of the Group and the Company are secured by the Group's investment properties and certain rental income generated therefrom (note 16), properties under development (note 17) and properties held for sale (note 24).

In addition, the Company has guaranteed certain of the Group's bank loans up to HK$252,325,000 (2008: HK$577,371,000) as at the balance sheet date.

(b) All bank loans of the Group and the Company bear interest at floating interest rates.

(c) The carrying amounts of the bank loans of the Group and of the Company approximate to their fair values.

## 33. PROVISIONS FOR ONEROUS CONTRACTS

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Carrying amount at 1 April | **3,650** | 369 |
| Additional provision | **–** | 3,650 |
| Amount utilised during the year | **(1,440)** | (369) |
| Carrying amount at 31 March | **2,210** | 3,650 |
| Portion classified as current liabilities | **(1,960)** | (1,690) |
| Long term portion | **250** | 1,960 |

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 34. DEFERRED TAX

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

**DEFERRED TAX LIABILITIES**

**Group**

| | **Depreciation allowance in excess of related depreciation** HK$'000 | **Revaluation gain of investment properties** HK$'000 | **Withholding tax** HK$'000 | **Total** HK$'000 |
|---|---|---|---|---|
| At 1 April 2007 | 1,133 | 4,321 | – | 5,454 |
| Deferred tax charged to the income statement during the year *(note 10)* | 388 | 2,784 | – | 3,172 |
| At 31 March and 1 April 2008 | 1,521 | 7,105 | – | 8,626 |
| Deferred tax charged/(credited) to the income statement during the year *(note 10)* | **(1,029)** | **10,601** | **283** | **9,855** |
| Disposal of subsidiaries *(note 38(c))* | **–** | **(15,285)** | **–** | **(15,285)** |
| Deferred tax liabilities at 31 March 2009 | **492** | **2,421** | **283** | **3,196** |

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 34. DEFERRED TAX *(Cont'd)*

**DEFERRED TAX ASSETS**

**Group**

| | Depreciation in excess of related depreciation allowance | Provision for onerous contracts | Revaluation loss of investment properties | Losses available for offsetting against future taxable profit | Total |
|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| At 1 April 2007 | – | – | – | 2,733 | 2,733 |
| Deferred tax credited to the income statement during the year *(note 10)* | 397 | 639 | 244 | 329 | 1,609 |
| At 31 March and 1 April 2008 | 397 | 639 | 244 | 3,062 | 4,342 |
| Deferred tax charged to the income statement during the year *(note 10)* | **(397)** | **(274)** | **(54)** | **(3,062)** | **(3,787)** |
| Deferred tax assets at 31 March 2009 | **–** | **365** | **190** | **–** | **555** |

The Group has tax losses arising in Hong Kong of approximately HK$107,576,000 (2008: HK$88,637,000) 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.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividend declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applied to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by its jointly-controlled entity established in the PRC in respect of earnings generated from 1 January 2008.

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

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 35. SHARE CAPITAL

**SHARES**

| | 2009 | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Authorised: | | |
| 20,000,000,000 (2008: 40,000,000,000) ordinary shares of HK$0.01 (2008: HK$0.005) each | **200,000** | 200,000 |
| Issued and fully paid: | | |
| 377,620,545 (2008: 6,410,233,640) ordinary shares of HK$0.01 (2008: HK$0.005) each | **3,776** | 32,051 |

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

**(a) EXERCISE OF SHARE OPTIONS**

The subscription rights attaching to 97,680,000 share options were exercised at the subscription price of HK$0.0485 per share (note 36), resulting in the issue of 97,680,000 shares of HK$0.005 each for a total consideration, before issue expenses, of HK$4,738,000.

**(b) PLACEMENT OF NEW SHARES**

(i) On 26 March 2008, Accord Power Limited ("Accord Power"), a substantial shareholder of the Company, entered into a Top-up Placing and Subscription Agreement with Kingston Securities Limited (the "Placing Agent") and the Company and pursuant to which, Accord Power agreed to place, through the Placing Agent, an aggregate of 900,000,000 existing ordinary shares of the Company to certain private investors at a price of HK$0.075 each (the "First Top-up Placing") and subscribe for an aggregate of 900,000,000 new ordinary shares of the Company at a price of HK$0.075 each (the "First Top-up Subscription").

The First Top-up Placing and the First Top-up Subscription were completed on 31 March 2008 and 2 April 2008, respectively, and the Group raised a total of HK$67,500,000 (before expenses).

(ii) On 22 April 2008, the Company placed an aggregate of 460,000,000 new ordinary shares, through the Placing Agent, to certain private investors at a price of HK$0.075 per share, raising a total of HK$34,500,000 (before expenses).

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 35. SHARE CAPITAL *(Cont'd)*

### (b) PLACEMENT OF NEW SHARES *(Cont'd)*

(iii) On 26 November 2008, Accord Power entered into another Top-up Placing and Subscription Agreement with the Placing Agent and the Company and pursuant to which, Accord Power agreed to place, through the Placing Agent, an aggregate of 900,000,000 existing ordinary shares of the Company to certain private investors at a price of HK$0.022 each (the "Second Top-up Placing") and subscribe for an aggregate of 900,000,000 new ordinary shares of the Company at a price of HK$0.022 each (the "Second Top-up Subscription").

The Second Top-up Placing and the Second Top-up Subscription were completed on 3 December 2008 and 9 December 2008, respectively, and the Group raised a total of HK$19,800,000 (before expenses).

(iv) On 12 December 2008, the Company placed an aggregate of 672,600,000 new ordinary shares, through the Placing Agent, to certain private investors at a price of HK$0.022 per share, raising a total of approximately HK$14,797,000 (before expenses).

### (c) SHARE CONSOLIDATION

Pursuant to the special resolution passed on 30 March 2009, every twenty-five issued ordinary shares of the Company of HK$0.005 each were consolidated into one issued share of HK$0.125 each and every two authorised but unissued ordinary shares of the Company of HK$0.005 each were consolidated into one authorised but unissued share of HK$0.01 each.

### (d) CAPITAL REDUCTION

Pursuant to the same special resolution passed on 30 March 2009, the par value of each issued consolidated ordinary share of the Company was reduced from HK$0.125 to HK$0.01 by cancelling HK$0.115 of the paid-up capital on each issued consolidated share. The credit arising from this capital reduction was credited to the contributed surplus account of the Company.

### (e) OPEN OFFER AND BONUS ISSUE

Pursuant to the ordinary resolutions passed on 30 March 2009, the Company made an open offer (the "Open Offer") of 1,132,861,635 offer shares at a subscription price of HK$0.10 per offer share on the basis of three offer shares for every one consolidated share (after the share consolidation in (c) above), together with two bonus shares for every three offer shares taken up under the Open Offer (the "Bonus Issue").

The Open Offer and the Bonus Issue became unconditional on 30 April 2009 and the Company raised a total of approximately HK$113,300,000 (before expenses).

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 35. SHARE CAPITAL *(Cont'd)*

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

| | Number of shares in issue | Issued capital HK$'000 | Share premium account HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1 April 2007 | 294,178,882 | 29,418 | 549,612 | 579,030 |
| Exercise of share options | 143,391,600 | 896 | 7,798 | 8,694 |
| Subdivision of shares | 5,625,263,158 | – | – | – |
| Conversion of convertible notes | 528,000,000 | 2,640 | 49,712 | 52,352 |
| Repurchases of shares | (180,600,000) | (903) | (20,603) | (21,506) |
| Share issue expenses | – | – | (160) | (160) |
| At 31 March and 1 April 2008 | 6,410,233,640 | 32,051 | 586,359 | 618,410 |
| Exercise of share options (a) | 97,680,000 | 488 | 4,250 | 4,738 |
| Placement of new shares (b) | 2,932,600,000 | 14,663 | 121,934 | 136,597 |
| Consolidation of shares (c) | (9,062,893,095) | – | – | – |
| Capital reduction (d) | – | (43,426) | – | (43,426) |
| Share issue expenses | – | – | (4,584) | (4,584) |
| At 31 March 2009 | 377,620,545 | 3,776 | 707,959 | 711,735 |

### SHARE OPTIONS

Details of the Company's share option scheme are set out in note 36 to the financial statements.

### WARRANTS

On 15 May 2007, the Company entered into a warrant agreement (the "Warrant Agreement") with Lehman Brothers Commercial Corporation Asia Limited and pursuant to which the Company agreed to issue a total of 10 million warrants attaching the rights to subscribe for 10 million ordinary shares of the Company for a total warrants' issue price of HK$4,500,000. The Warrant Agreement was completed on 31 May 2007 and a total of 200 million warrants (adjusted for the effect of the share subdivision on 17 May 2007) attaching the rights to subscribe for 200 million ordinary shares of the Company of HK$0.005 each were issued.

No warrants was exercised during the year and the Warrant Agreement expired on 26 November 2008.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 36. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") which was adopted on 3 May 2002. Under the Scheme, share options maybe granted any director or proposed director (whether executive or non-executive, including independent non-executive director), employee or proposed employee (whether full-time or part-time), secondee, any holder of securities issued by any member of the Group, any business or joint venture partner, contractor, agent or representative, any person or entity that provides research, development or other technology support or advisory, consultancy, professional or other services to the Group, any supplier, producer or licensor of goods or services to the Group, any customer, licensee (including any sub-licensee) or distributor of goods or services of the Group, or any landlord or tenant (including any sub-tenant) of the Group or any substantial shareholder or company controlled by a substantial shareholder, or any company controlled by one or more persons belonging to any of the above classes of participants. The 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.

### PURPOSE

The purpose of the Scheme are to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations.

### MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION

Pursuant to the Scheme, the maximum number of share options that may be granted under the Scheme and any other share option schemes of the Company is an amount equivalent, upon their exercise, not in aggregate exceed 30% of the issued share capital of the Company from time to time, excluding any shares issued on the exercise of share options. The total number of shares which may be issued upon exercise of all options already granted or to be granted under the Scheme and any other schemes, shall not, in aggregate, exceed 10% of the number of shares in issue, as at the date of approval of the Scheme limit.

### MAXIMUM ENTITLEMENT OF EACH PARTICIPANT

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 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 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.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 36. SHARE OPTION SCHEME *(Cont'd)*

**BASIS OF DETERMINING THE EXERCISE PRICE**

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.

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.

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

During the year, 17,000,000 (2008: 7,150,000) share options were granted to employees under the Scheme. The following share options were outstanding under the Scheme during the year:

| | **2009** | | 2008 | |
|---|---|---|---|---|
| | **Weighted average exercise price HK$ per share** | **Number of options '000** | Weighted average exercise price HK$ per share | Number of options '000 |
| At 1 April | **0.1237** | **478,830** | 2.0502 | 32,547 |
| Adjustment arising from subdivision of shares | **–** | **–** | – | 582,525 |
| Adjustment arising from share consolidation | **–** | **(382,224)** | – | – |
| Granted during the year | **0.6750** | **17,000** | 0.1670 | 7,150 |
| Exercised during the year | **0.0485** | **(97,680)** | 0.0606 | (143,392) |
| At 31 March | **3.4502** | **15,926** | 0.1237 | 478,830 |

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.0485 (2008: HK$0.0606).

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 36. SHARE OPTION SCHEME *(Cont'd)*

The exercise prices and exercise periods of the share options outstanding as at that balance sheet date are as follows:

**2009**

| Number of options '000 | Exercise price* HK$ per share | Exercise period |
|---|---|---|
| **14,960** | **3.5625** | **1/3/2007 to 28/2/2017** |
| **286** | **4.1750** | **2/1/2009 to 1/1/2013** |
| **680** | **0.6750** | **8/1/2010 to 7/1/2019** |
| **15,926** | | |

2008

| Number of options '000 | Exercise price* HK$ per share | Exercise period |
|---|---|---|
| 97,680 | 0.0485 | 12/11/2004 to 11/11/2014 |
| 374,000 | 0.1425 | 1/3/2007 to 28/2/2017 |
| 7,150 | 0.1670 | 2/1/2009 to 1/1/2013 |
| 478,830 | | |

* The exercise price of the share options is subject to adjustment in case of bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted during the year was HK$207,000 (2008: HK$467,000) and the Group recognised a share option expense of HK$225,000 (2008: HK$64,000) during the year ended 31 March 2009.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 36. SHARE OPTION SCHEME *(Cont'd)*

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used.

| | **2009** | 2008 |
|---|---|---|
| Expected dividend yield (%) | **1.00** | 1.00 |
| Expected volatility (%) | **60.00** | 57.00 |
| Risk-free interest rate (%) | **1.40** | 2.60 – 3.10 |

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other feature of the options granted was incorporated into the measurement of fair value.

The 97,680,000 share options exercised during the year resulted in the issue of 97,680,000 ordinary shares of the Company and new share capital of HK$488,000 and share premium of approximately HK$4,250,000 (before issue expenses), as further detailed in note 35 to the financial statements.

At the balance sheet date, the Company had 15,926,000 (2008: 478,830,000) share options outstanding under the Scheme. The exercise in full of these share options would, under the then capital structure of the Company, result in the issue of 15,926,000 (2008: 478,830,000) additional ordinary shares of the Company and additional share capital of approximately HK$159,000 (2008: approximately HK$2,394,000) and share premium of approximately HK$54,789,000 (2008: approximately HK$56,832,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 20,391,188 share options available for issue under the Scheme which represented approximately 0.9% of the Company's shares in issue as at that date.

## 37. 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 page 34 of the financial statements.

Certain amounts of goodwill arising on the acquisition of subsidiaries and associates in prior years remain eliminated against consolidated reserves, as explained in note 18 to the financial statements.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 37. RESERVES *(Cont'd)*

### (b) COMPANY

| | Notes | Share premium account HK$'000 | Contributed surplus (Note) HK$'000 | Share option reserve HK$'000 | Warrant reserve HK$'000 | Retained profits HK$'000 | Proposed final dividend HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| At 1 April 2007 | | 549,612 | 121,364 | 7,633 | – | 192,518 | 19,540 | 890,667 |
| Final 2007 dividend declared | | – | – | – | – | – | (19,540) | (19,540) |
| Conversion of convertible notes | 35 | 49,712 | – | – | – | – | – | 49,712 |
| Issue of warrants | 35 | – | – | – | 4,500 | – | – | 4,500 |
| Exercise of share options | 35 | 7,798 | – | – | – | – | – | 7,798 |
| Repurchases of shares | 35 | (20,603) | – | – | – | – | – | (20,603) |
| Share issue expenses | 35 | (160) | – | – | – | – | – | (160) |
| Equity-settled share option arrangements | 36 | – | – | 64 | – | – | – | 64 |
| Profit for the year | | – | – | – | – | 180,187 | – | 180,187 |
| Interim 2008 dividend | 12 | – | – | – | – | (10,319) | – | (10,319) |
| Proposed final 2008 dividend | 12 | – | – | – | – | (7,868) | 7,868 | – |
| At 31 March and 1 April 2008 | | 586,359 | 121,364 | 7,697 | 4,500 | 354,518 | 7,868 | 1,082,306 |
| Final 2008 dividend declared | | – | – | – | – | – | (7,868) | (7,868) |
| Exercise of share options | 35 | 4,250 | – | – | – | – | – | 4,250 |
| Placement of new shares | 35 | 121,934 | – | – | – | – | – | 121,934 |
| Expiry of warrants | 35 | – | – | – | (4,500) | 4,500 | – | – |
| Capital reduction | 35 | – | 43,426 | – | – | – | – | 43,426 |
| Share issue expenses | 35 | (4,584) | – | – | – | – | – | (4,584) |
| Equity-settled share option arrangements | 36 | – | – | 225 | – | – | – | 225 |
| Profit for the year | | – | – | – | – | 187,426 | – | 187,426 |
| Proposed final 2009 dividend | 12 | – | – | – | – | (11,329) | 11,329 | – |
| At 31 March 2009 | | 707,959 | 164,790 | 7,922 | – | 535,115 | 11,329 | 1,427,115 |

*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's reorganisation on 6 February 1995 and the par value of the Company's shares issued in exchange therefore. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) MAJOR NON-CASH TRANSACTION

During the prior year, all the outstanding convertible notes with a face value of HK$48,000,000 were converted into 528,000,000 new shares of the Company.

### (b) ACQUISITION OF SUBSIDIARIES

***YEAR ENDED 31 MARCH 2009***

On 13 February 2009, the Group entered into an acquisition agreement (the "Acquisition Agreement") with Loyal Fame International Limited ("Loyal Fame"), a wholly-owned subsidiary of LeRoi, to acquire the 100% issued share capital of Everlong Limited ("Everlong") and the loan advanced by Loyal Fame to Everlong for a cash consideration of HK$63.4 million. Everlong and its subsidiaries (collectively the "Everlong Group") are principally engaged in property investment. The Acquisition Agreement was completed on 25 March 2009.

The fair values of the identifiable assets and liabilities of the Everlong Group as at the date of acquisition approximated to the corresponding carrying amounts immediately before the acquisition and were as follows:

| | *Notes* | **Fair value recognised on acquisition HK$'000** |
|---|---|---|
| Property, plant and equipment | *14* | **225** |
| Investment properties | *16* | **98,766** |
| Trade receivables | | **19** |
| Prepayments, deposits and other receivables | | **197** |
| Cash and bank balances | | **1,568** |
| Other payables and accruals | | **(565)** |
| Deposits received and receipts in advance | | **(1,355)** |
| Interest-bearing bank loans | | **(33,391)** |
| | | **65,464** |
| Excess over the cost of a business combination recognised in the income statement | | **(2,064)** |
| Satisfied by cash | | **63,400** |

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Cont'd)*

### (b) ACQUISITION OF SUBSIDIARIES *(Cont'd)*

***YEAR ENDED 31 MARCH 2009 (Cont'd)***

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

| | HK$'000 |
|---|---|
| Cash consideration | (63,400) |
| Cash and bank balances acquired | 1,568 |
| Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries | (61,832) |

The results of the Everlong Group since acquisition have no significant contribution to the Group's consolidated turnover and profit after tax for the year ended 31 March 2009.

Had the Acquisition Agreement taken place at the beginning of the year, the Group's consolidated turnover and profit after tax for the year ended 31 March 2009 would have been HK$467,072,000 and HK$62,127,000, respectively.

***YEAR ENDED 31 MARCH 2008***

Pursuant to the Shareholder Agreement dated 6 January 2008 entered into between the Group and the existing shareholders of Xuzhou Yuan Yang Trading Development Company Limited ("Xuzhou Yuan Yang"), the Group injected capital amounting to RMB35.7 million into Xuzhou Yuan Yang and obtained a 51% stake in the enlarged capital of Xuzhou Yuan Yang (the "Capital Injection"). Xuzhou Yuan Yang is principally engaged in the development, operation and management of an agricultural by-products wholesale market and related facilities, and rental of properties.

The Capital Injection was completed in August 2008 and Xuzhou Yuan Yang became a 51%-owned subsidiary of the Group.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Cont'd)*

### (b) ACQUISITION OF SUBSIDIARIES *(Cont'd)*

***YEAR ENDED 31 MARCH 2008 (Cont'd)***

The fair values of the identifiable assets and liabilities of Xuzhou Yuan Yang as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

| | Notes | 2008<br>Fair value<br>recognised<br>on acquisition<br>HK$'000 | Carrying<br>amount<br>HK$'000 |
|---|---|---|---|
| Property, plant and equipment | *14* | 11,969 | 11,776 |
| Investment properties | *16* | 20,019 | 19,678 |
| Trade receivables | | 201 | 201 |
| Other receivables | | 6,429 | 6,429 |
| Cash and bank balances | | 39,886 | 39,886 |
| Other payables and accruals | | (28,704) | (28,704) |
| | | 49,800 | 49,266 |
| Minority interests | | (24,402) | |
| Goodwill on acquisition | *18* | 11,444 | |
| Satisfied by cash | | 36,842 | |

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Cont'd)*

### (b) ACQUISITION OF SUBSIDIARIES *(Cont'd)*

***YEAR ENDED 31 MARCH 2008 (Cont'd)***

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

| | HK$'000 |
|---|---|
| Cash consideration | (36,842) |
| Cash and bank balances acquired | 39,886 |
| Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary | 3,044 |

Since its acquisition, Xuzhou Yuan Yang contributed HK$11,913,000 to the Group's turnover and HK$4,091,000 to the consolidated profit for the year ended 31 March 2008.

There would have been no significant differences to the Group's consolidated profit for the year had the acquisition taken place at the beginning of the year.

### (c) DISPOSAL OF SUBSIDIARIES

(i) On 31 July 2008, the Group entered into an agreement (the "Disposal Agreement") with Joyful Leap Investments Limited ("Joyful Leap"), a wholly-owned subsidiary of LeRoi, for the disposal of the entire equity interest in Strengthen Investments, a wholly-owned subsidiary of the Group, and the assignment of the amount advanced by the Group to Strengthen Investments at an aggregate consideration of HK$197,800,000. Strengthen Investments and its jointly-controlled entities (collectively the "Strengthen Investment Group") have not commenced any operations other than matters in relation to obtaining a parcel of land in Fuzhou, Jiangxi Province, the PRC.

The Disposal Agreement was completed on 16 September 2008.

(ii) On 12 February 2009, the Group entered into an agreement (the "Transfer Agreement") with Super Treasure for the disposal of the entire equity interest in Shiney Day Investments Limited ("Shiney Day"), a wholly-owned subsidiary of the Group, for a cash consideration of HK$150 million.

Shiney Day and its subsidiaries (collectively the "Shiney Day Group") are principally engaged in the management and sub-licensing of agricultural by-products wholesale markets in Mainland China.

The Transfer Agreement was completed on 25 March 2009.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Cont'd)*

### (c) DISPOSAL OF SUBSIDIARIES *(Cont'd)*

***YEAR ENDED 31 MARCH 2009***

Details of the net assets disposed of under the Disposal Agreement and the Transfer Agreement and their financial impacts are summarised below.

| | *Notes* | **2009 Strengthen Investments Group** HK$'000 | **2009 Shiney Day Group** HK$'000 | **2009 Total** HK$'000 |
|---|---|---|---|---|
| Net assets disposed of: | | | | |
| Property, plant and equipment | *14* | 316 | 205,887 | 206,203 |
| Prepaid land lease payments | *15* | 180,809 | 247 | 181,056 |
| Investment properties | *16* | – | 188,099 | 188,099 |
| Prepayments, deposits and other receivables | | 1,199 | 6,683 | 7,882 |
| Cash and cash equivalents | | 11,054 | 27,483 | 38,537 |
| Trade and other payables | | (162) | (44,402) | (44,564) |
| Tax payables | | – | (3,140) | (3,140) |
| Interest-bearing bank loans | | – | (45,341) | (45,341) |
| Deferred tax liabilities | *34* | – | (15,285) | (15,285) |
| Minority interests | | – | (84,291) | (84,291) |
| | | 193,216 | 235,940 | 429,156 |
| Release of exchange fluctuations reserve upon disposal | | (11,077) | (9,404) | (20,481) |
| Goodwill released on disposal | *18* | – | 6,444 | 6,444 |
| Loan to Super Treasure | | – | (238,200) | (238,200) |
| Gain on disposal of subsidiaries | | 15,661 | 155,220 | 170,881 |
| | | 197,800 | 150,000 | 347,800 |
| Satisfied by: | | | | |
| Cash | | 197,800 | 150,000 | 347,800 |

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Cont'd)*

### (c) DISPOSAL OF SUBSIDIARIES *(Cont'd)*

***YEAR ENDED 31 MARCH 2009 (Cont'd)***

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

| | **Strengthen Investments Group** HK$'000 | **Shiney Day Group** HK$'000 | **Total** HK$'000 |
|---|---|---|---|
| Cash consideration | 197,800 | 150,000 | 347,800 |
| Cash and cash equivalents disposed of | (11,054) | (27,483) | (38,537) |
| Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries | 186,746 | 122,517 | 309,263 |

## 39. CONTINGENT LIABILITIES

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

**(a)**

| | **Company** | |
|---|---|---|
| | **2009** **HK$'000** | 2008 HK$'000 |
| Guarantees given to financial institutions in connection with facilities granted to subsidiaries | **252,325** | 577,371 |

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 39. CONTINGENT LIABILITIES *(Cont'd)*

**(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$978,000 (2008: HK$799,000) as at 31 March 2009, as further explained under the heading "Employee benefits" in note 2.4 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.

## 40. OPERATING LEASE ARRANGEMENTS

### (a) AS LESSOR

The Group leases its investment properties (note 16), 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 | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Within one year | **27,897** | 25,610 |
| In the second to fifth years, inclusive | **7,062** | 13,791 |
| After five years | **–** | 1,660 |
| | **34,959** | 41,061 |

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 40. OPERATING LEASE ARRANGEMENTS *(Cont'd)*

### (b) AS LESSEE

The Group leases certain 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 | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Within one year | **67,875** | 52,802 |
| In the second to fifth years, inclusive | **71,554** | 49,466 |
| After five years | **–** | 10,949 |
| | **139,429** | 113,217 |

## 41. COMMITMENTS

In addition to the operating lease commitments detailed in note 40(b) above, the Group had the following capital commitments at the balance sheet date:

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Contracted, but not provided for: | | |
| Capital expenditure on property, plant and equipment | **–** | 803 |
| Capital expenditure for properties under development | **–** | 10,856 |
| Capital expenditure on properties held for sale | **27,818** | – |
| Capital expenditure for construction of investment properties in Mainland China | **–** | 53,643 |
| Acquisition of investment properties | **–** | 49,842 |
| Investment in an associate | **–** | 18,787 |
| Acquisition of associates | **–** | 63,470 |
| | **27,818** | 197,401 |

At the balance sheet date, the Company did not have any significant commitments.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 42. RELATED PARTY TRANSACTIONS

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

### (a) TRANSACTIONS WITH RELATED PARTIES

| | Notes | **2009 HK$'000** | 2008 HK$'000 |
|---|---|---|---|
| Rental income received from a director | *(i)* | **984** | 802 |
| Income from associates: | *(ii)* | | |
| Management fee | | **996** | 996 |
| Rental | | **3,141** | 1,657 |
| Interest | *(iii)* | **423** | – |
| Management fee income from companies that were significantly influenced by an executive director of the Company | *(ii)* | **960** | 960 |
| Rental expenses paid to an associate | *(ii)* | **1,920** | 1,920 |

*Notes:*

(i) Certain investment properties of the Group were leased to a director at an agreed monthly rental of HK$82,000 (2008: range from HK$50,000 to HK$82,000). The rental was determined with reference to the prevailing market rates.

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

(iii) During the year, interest income was charged by the Group on loans advanced to WYTH, details of which are set out in note 26(i) to the financial statements.

**(b)** Details of the Group's balances with associates as at the balance sheet date are disclosed in notes 20 and 26 to the financial statements.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 42. RELATED PARTY TRANSACTIONS *(Cont'd)*

### (c) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Short term employment benefits | **4,531** | 4,172 |
| Post-employment benefits | **80** | 75 |
| | **4,611** | 4,247 |

The above compensation of key management personnel excludes the directors' remuneration, details of which are set out in note 8 to the financial statements.

## 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

**INTEREST RATE RISK**

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no material impact on other components of the Group's equity.

| | Group | |
|---|---|---|
| | **Increase/ (decrease) in basis points** | **Increase/ (decrease) in profit before tax** HK$'000 |
| **2009** | | |
| HK$ | **100** | **(4,321)** |
| HK$ | **(100)** | **4,321** |
| 2008 | | |
| HK$ | 100 | (4,968) |
| RMB | 100 | (499) |
| HK$ | (100) | 4,968 |
| RMB | (100) | 499 |

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

**FOREIGN CURRENCY RISK**

The Group has minimal transactional currency exposure arising from sales or purchases by operating units in currencies other than the units' functional currency, and hence it does not have any foreign currency hedging policies.

Part of the Group's turnover and operating expenses are denominated in RMB, which is currently not a freely convertible currency. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of Mainland China. Shortages in the availability of foreign currencies may restrict the ability of the Group's PRC subsidiaries and jointly-controlled entities to remit sufficient foreign currencies to pay dividends or other amounts to the Group.

Under the PRC existing foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration for Foreign Exchange Bureau by complying with certain procedural requirements. However, approval from appropriate PRC governmental authorities is required where RMB is to be converted into a foreign currency and remitted out of Mainland China to pay capital account items, such as the repayment of bank loans denominated in foreign currencies.

Currently, the Group's PRC subsidiaries and jointly-controlled entities may purchase foreign exchange for settlement of current account transactions, including payment of dividends to the Company, without prior approval of the State Administration for Foreign Exchange Bureau. The Group's PRC subsidiaries and jointly-controlled entities may also retain foreign currencies in their current accounts to satisfy foreign currency liabilities or to pay dividends. Since foreign currency transactions on the capital account are still subject to limitations and require approval from the State Administration for Foreign Exchange Bureau, this could affect the Group's subsidiaries and jointly-controlled entities' ability to obtain required foreign exchange through debt or equity financing, including by means of loans or capital contributions from us.

There are limited hedging instruments available in the PRC to reduce the Group's exposure to exchange rate fluctuations between RMB and other currencies. To date, the Group has not entered into any hedging transactions in an effort to reduce the Group's exposure to foreign currency exchange risks. While the Group may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and the Group may not be able to hedge the Group's exposure successfully, or at all.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in Euro, Pound Sterling ("GBP") and RMB exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

**FOREIGN CURRENCY RISK *(Cont'd)***

| | Group | |
|---|---|---|
| | **Increase/ (decrease) in exchange rate** | **Increase/ (decrease) in profit before tax** |
| | % | HK$'000 |
| **2009** | | |
| If Euro strengthens against HK$ | **10.988** | **1,351** |
| If Euro weakens against HK$ | **(10.988)** | **(1,351)** |
| If GBP strengthens against HK$ | **28.490** | **1,838** |
| If GBP weakens against HK$ | **(28.490)** | **(1,838)** |
| If HK$ strengthens against RMB | **2.394** | **(658)** |
| If HK$ weakens against RMB | **(2.394)** | **658** |
| 2008 | | |
| If Euro strengthens against HK$ | 17.058 | 1,750 |
| If Euro weakens against HK$ | (17.058) | (1,750) |
| If HK$ strengthens against RMB | 9.023 | 3,989 |
| If HK$ weakens against RMB | (9.023) | (3,989) |

**CREDIT RISK**

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, financial assets at fair value through profit or loss, amounts due from associates, other receivables and certain derivative instruments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

### CREDIT RISK *(Cont'd)*

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 25 and 26 respectively, to the financial statements.

### LIQUIDITY RISK

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted and undiscounted payments, was as follows:

| | **2009** | | | | |
|---|---|---|---|---|---|
| | **Within 1 year or on demand HK$'000** | **1 to 2 years HK$'000** | **3 to 5 years HK$'000** | **Over 5 years HK$'000** | **Total HK$'000** |
| Interest-bearing bank loans | **125,149** | **89,068** | **129,037** | **133,956** | **477,210** |
| Trade payables *(note 29)* | **18,076** | **–** | **–** | **–** | **18,076** |
| Other payables *(note 30)* | **10,135** | **–** | **–** | **–** | **10,135** |
| | **153,360** | **89,068** | **129,037** | **133,956** | **505,421** |

| | 2008 | | | | |
|---|---|---|---|---|---|
| | Within 1 year or on demand HK$'000 | 1 to 2 years HK$'000 | 3 to 5 years HK$'000 | Over 5 years HK$'000 | Total HK$'000 |
| Interest-bearing bank loans | 358,552 | 48,224 | 83,327 | 93,621 | 583,724 |
| Trade payables *(note 29)* | 24,624 | – | – | – | 24,624 |
| Other payables *(note 30)* | 114,298 | – | – | – | 114,298 |
| | 497,474 | 48,224 | 83,327 | 93,621 | 722,646 |

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

### LIQUIDITY RISK *(Cont'd)*

The maturity profile of the Company's financial liabilities as at the balance sheet date, based on the contracted and undiscounted payments, was as follows:

| | **2009** | | | | |
|---|---|---|---|---|---|
| | **Within 1 year or on demand HK$'000** | **1 to 2 years HK$'000** | **3 to 5 years HK$'000** | **Over 5 years or no fixed terms of repayment HK$'000** | **Total HK$'000** |
| Interest-bearing bank loans | **112,292** | **71,593** | **63,751** | **39,895** | **287,531** |
| Other payables *(note 30)* | **780** | **–** | **–** | **–** | **780** |
| Due to subsidiaries *(note 19)* | **–** | **–** | **–** | **314,025** | **314,025** |
| | **113,072** | **71,593** | **63,751** | **353,920** | **602,336** |

| | 2008 | | | | |
|---|---|---|---|---|---|
| | Within 1 year or on demand HK$'000 | 1 to 2 years HK$'000 | 3 to 5 years HK$'000 | Over 5 years or no fixed terms of repayment HK$'000 | Total HK$'000 |
| Interest-bearing bank loans | 138,342 | 39,157 | 75,419 | 17,503 | 270,421 |
| Other payables *(note 30)* | 67,542 | – | – | – | 67,542 |
| Due to subsidiaries *(note 19)* | – | – | – | 230,258 | 230,258 |
| | 205,884 | 39,157 | 75,419 | 247,761 | 568,221 |

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

**EQUITY PRICE RISK**

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as trading equity investments (note 27) as at 31 March 2009. The Group's listed investments are listed on the Hong Kong, London, Paris, and Singapore stock exchanges and are valued at quoted market prices at the balance sheet date.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the balance sheet date, and their respective highest and lowest points during the year were as follows:

| | **31 March 2009** | **High/low 2009** | 31 March 2008 | High/low 2008 |
|---|---|---|---|---|
| Hong Kong – Hang Seng Index | **13,576** | **25,755/12,812** | 22,849 | 31,650/19,904 |
| London – FTSE 100 | **3,926** | **6,087/3,830** | 5,702 | 6,752/5,414 |
| Paris – CAC 40 Index | **2,807** | **5,014/2,702** | 4,707 | 6,168/4,417 |
| Singapore – Straits Times Index | **1,700** | **3,193/1,595** | 3,007 | 3,831/2,746 |

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the balance sheet date.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

**EQUITY PRICE RISK *(Cont'd)***

| | Carrying amount of equity investments | Increase/ (decrease) in equity price | Increase/ (decrease) in profit before tax |
|---|---|---|---|
| | HK$'000 | % | HK$'000 |
| **2009** | | | |
| Investments held for trading listed in: | | | |
| Hong Kong | **17,931** | **50.26** | **9,011** |
| Hong Kong | **17,931** | **(50.26)** | **(9,011)** |
| Paris | **1,489** | **46.10** | **687** |
| Paris | **1,489** | **(46.10)** | **(687)** |
| Singapore | **1,004** | **50.05** | **503** |
| Singapore | **1,004** | **(50.05)** | **(503)** |
| 2008 | | | |
| Investments held for trading listed in: | | | |
| Hong Kong | 27,882 | 54 | 15,140 |
| Hong Kong | 27,882 | (54) | (15,140) |
| London | 2,338 | 15 | 355 |
| London | 2,338 | (15) | (355) |
| Paris | 1,925 | 23 | 441 |
| Paris | 1,925 | (23) | (441) |
| Singapore | 5,556 | 22 | 1,203 |
| Singapore | 5,556 | (22) | (1,203) |

**CAPITAL MANAGEMENT**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2009 and 31 March 2008.

# Notes to Financial Statements *(Cont'd)*

*31 March 2009*

## 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

**CAPITAL MANAGEMENT *(Cont'd)***

The Group monitors capital using a gearing ratio, which is net debt divided by the capital. The Group's policy is to maintain the gearing ratio not exceeding 40%. Net debt is calculated as a total of interest-bearing bank borrowings, less cash and cash equivalents. Capital includes equity attributable to equity holders of the parent. The gearing ratios as at the balance sheet dates were as follows:

| | **Group** | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Interest-bearing bank borrowings *(note 32)* | **432,085** | 546,233 |
| Less: Cash and cash equivalents *(note 28)* | **(483,707)** | (330,819) |
| Net debt | **(51,622)** | 215,414 |
| Equity attributable to equity holders | **1,351,783** | 1,182,569 |
| Gearing ratio | **N/A** | 18.2% |

## 44. POST BALANCE SHEET EVENTS

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

(a) Pursuant to the ordinary resolutions passed on 30 March 2009, the Company raised approximately HK$113,300,000 (before expenses) by way of an open offer of 1,132,861,635 offer shares at a subscription price of HK$0.10 per offer share on the basis of three offer shares for every one consolidated share, together with two bonus shares for every three offer shares taken up under the Open Offer.

The Open Offer and the Bonus Issue became unconditional on 30 April 2009.

(b) On 7 May 2009, Rich Time Strategy Limited ("Rich Time"), an indirect wholly-owned subsidiary of the Company, entered into a Top-up Placing and Subscription Agreement with the Placing Agent and WYTH and pursuant to which, Rich Time agreed to place, through the Placing Agent, an aggregate of 165,000,000 existing ordinary shares of WYTH to certain private investors at a price of HK$0.088 each (the "WYTH Top-up Placing") and subscribe conditionally for an aggregate of 165,000,000 new ordinary shares of WYTH at a price of HK$0.088 each (the "WYTH Top-up Subscription").

The WYTH Top-up Placing and the WYTH Top-up Subscription were completed on 15 May 2009 and 21 May 2009, respectively. Upon completion of the WYTH Top-up Placing and the WYTH Top-up Subscription, the Group's interests in WYTH were diluted from 26.21% to 21.85%.

## 45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 July 2009.

# Particulars of Properties

## INVESTMENT PROPERTIES

| Location | Use | Tenure | Attributable interest of the Group |
|---|---|---|---|
| House 2 and Car Parking Spaces 3 & 4, Winners Lodge, Nos. 9, 11, 13 and 15 Ma Yeung Path, Shatin, New Territories | Residential premises for rental | 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% |
| Shop 6 on Ground Floor, Grandeur Garden, Nos. 14-18 Chik Fai Street, Nos. 55-65 Tai Wai Road, Shatin, New Territories | Commercial premises for rental | Medium term lease | 100% |
| Ground Floor, 170 Castle Peak Road Yuen Long, New Territories | Commercial premises for rental | Medium term lease | 100% |
| Shop B, Ground Floor, Kwong Sen Mansion, 23-33 Shui Wo Street, Kwun Tong, Kowloon | Commercial premises for rental | Medium term lease | 100% |
| Ground Floor, 1st and 2nd floors and rooftop, 68 San Hong Street, Sheung Shui, New Territories | Commercial premises for rental | Medium term lease | 100% |
| Shop B, Ground Floor, 106-108 Shau Kei Wan Road, Sai Wan Ho, Hong Kong | Commercial premises for rental | Long term lease | 100% |
| Shop 5, Ground Floor, Tak Lee Building, 993 King's Road, Quarry Bay, Hong Kong | Commercial premises for rental | Long term lease | 100% |
| Various lots in DD210 and DD244, Ho Chung, Sai Kung, New Territories | Vacant | Medium term lease | 100% |
| Front Portion, G/F, Nathan Apartments, 510 Nathan Road, Kowloon | Commercial premises for rental | Medium term lease | 100% |
| Flat E, 27th Floor, Block 2, Royal Ascot, 1 Tsun King Road, Shatin, New territories | Residential premises for rental | Medium term lease | 100% |

# Particulars of Properties *(Cont'd)*

## INVESTMENT PROPERTIES *(Cont'd)*

| Location | Use | Tenure | Attributable interest of the Group |
|---|---|---|---|
| Flat E, 35th Floor, Block 2, Royal Ascot, 1 Tsun King Road, Shatin, New territories | Residential premises for rental | Medium term lease | 100% |
| Flat F, 21st Floor, Block 3, Royal Ascot, 1 Tsun King Road, Shatin, New territories | Residential premises for rental | Medium term lease | 100% |
| Flat A, 10th Floor, Block 6, Royal Ascot, 1 Tsun King Road, Shatin, New territories | Residential premises for rental | Medium term lease | 100% |
| Shop 4 and 5, Ground Floor, Mongkok Building, 93, 95 and 99 Mongkok Road, Mongkok, Kowloon | Commercial premises for rental | Long term lease | 100% |
| Flat E, 21st Floor, Block 8, Royal Ascot, 1 Tsun King Road, Shatin, New territories | Residential premises for rental | Medium term lease | 100% |
| Flat H, 37th Floor, Tower 6, The Belcher's, 89 Pok Fu Lam Road, Sai Wan, Hong Kong | Residential premises for rental | Medium term lease | 100% |
| Shop C, Ground Floor and Flat C, Mezzanine Floor, Lee Wah Building, 738-740A Nathan Road, Mongkok, Kowloon | Commercial premises for rental | Long term lease | 100% |
| An agricultural wholesale market located at Ying Bin Main Road East, Quanshan District, Xuzhou, Jiangsu Province, the PRC | Commercial premises for rental | Medium term lease | 51% |
| Various wet markets located at Shenzhen, Guangdong Province, the PRC | Commercial premises for rental | Medium term lease | 50% |
| Flat F, 8th Floor, Block 9, Royal Ascot, 1 Tsun King Road, Shatin, New territories | Residential premises for rental | Medium term lease | 100% |
| Flat E, 57th Floor, Tower 5, The Belcher's, 89 Pok Fu Lam Road, Sai Wan, Hong Kong | Residential premises for rental | Medium term lease | 100% |

# Particulars of Properties *(Cont'd)*

## INVESTMENT PROPERTIES *(Cont'd)*

| Location | Use | Tenure | Attributable interest of the Group |
|---|---|---|---|
| 7th Floor, No.33 Wong Chuk Street, Kowloon | Residential premises for rental | Medium term lease | 100% |
| 9th Floor, No.10 Shek Kip Mei Street, Kowloon | Residential premises for rental | Medium term lease | 100% |
| 8th Floor, No.253 Tai Nan Street, Kowloon | Residential premises for rental | Medium term lease | 100% |
| 8th Floor, Kwok Chai Building, No.137 Sai Yee Street, Kowloon | Residential premises for rental | Long term lease | 100% |
| 7th Floor, Kwok Chai Building, No.137 Sai Yee Street, Kowloon | Residential premises for rental | Long term lease | 100% |
| Flat A6, 3rd Floor, Block A, Lockhart House, No.441 Lockhart Road, Hong Kong | Residential premises for rental | Long term lease | 100% |
| Flat F, 4th Floor, Wing Ming Building, Nos.34/42 Yen Chow Street, Kowloon | Residential premises for rental | Medium term lease | 100% |
| 7th Floor, Dun Tak Mansion, No.127 Portland Street, Kowloon | Residential premises for rental | Medium term lease | 100% |
| 2nd Floor, No.675 Shanghai Street, Kowloon | Residential premises for rental | Medium term lease | 100% |
| 5th Floor, No.524 Jaffe Road, Hong Kong | Residential premises for rental | Medium term lease | 100% |
| Front Portion, 4th Floor, Hing Yip Building, No.60 Castle Peak Road, Kowloon | Residential premises for rental | Medium term lease | 100% |
| Flat B, 5th Floor, Po Tai Building, No.180 Nam Cheong Street, Kowloon | Residential premises for rental | Medium term lease | 100% |
| Flat A, 8th Floor, East South Building, Nos.479 & 481 Hennessy Road, No.29 Percival Street, Hong Kong | Residential premises for rental | Long term lease | 100% |

# Particulars of Properties *(Cont'd)*

## INVESTMENT PROPERTIES *(Cont'd)*

| Location | Use | Tenure | Attributable interest of the Group |
|---|---|---|---|
| Flat A, 11th Floor, May Ming Mansion, No.312 Nathan Road, Kowloon | Residential premises for rental | Long term lease | 100% |
| 1st Floor, No.23C Fuk Wing Street, Kowloon | Residential premises for rental | Medium term lease | 100% |
| Flat B, 6th Floor, No.117-123 Hennessy Road, Hong Kong | Residential premises for rental | Long term lease | 100% |
| 6th Floor, No.258 Apliu Street, Kowloon | Residential premises for rental | Medium term lease | 100% |
| 5th Floor, Block F, No.89 Chung On Street, Tsuen Wan, New Territories | Residential premises for rental | Medium term lease | 100% |
| Flat D, 6th Floor, Po Cheong Building, Nos.148-154 Nam Cheong Street, Kowloon | Residential premises for rental | Medium term lease | 100% |
| Flat C, 6th Floor, Rex House, No.648, 650 & 652 Nathan Road, Kowloon | Residential premises for rental | Long term lease | 100% |
| Flat A, 6th Floor, Wellcome Mansion, Nos.233, 233A, 235, 237 & 239 Cheung Sha Wan Road, Kowloon | Residential premises for rental | Medium term lease | 100% |
| Flat C, 2nd Floor, Tsang Cheng House, Nos.444, 444A, 446 & 446A Nathan Road, Kowloon | Residential premises for rental | Long term lease | 100% |
| Flat C, 8th Floor, Pak Lok Building, Nos.322-326A Nathan Road, Kowloon | Residential premises for rental | Medium term lease | 100% |
| Flat F, 10th Floor, Thai Kong Building, No.482 Hennessy Road, Hong Kong | Residential premises for rental | Medium term lease | 100% |
| 7th Floor, No.3 Un Chau Street, Kowloon | Residential premises for rental | Medium term lease | 100% |

# Particulars of Properties *(Cont'd)*

## INVESTMENT PROPERTIES *(Cont'd)*

| Location | Use | Tenure | Attributable interest of the Group |
|---|---|---|---|
| Unit A, 6th Floor, Parkes Building, 17-23 Parkes Street, Kowloon | Residential premises for rental | Medium term lease | 100% |
| 2nd Floor, 30D Fuk Wing Street, Kowloon | Residential premises for rental | Medium term lease | 100% |
| Unit A, 4th Floor, & Flat Roof, Parkes Building, 17-23 Parkes Street, Hong Kong | Residential premises for rental | Medium term lease | 100% |
| 5th Floor, Tai Wah Building, 132A Electric Road, North Point, Hong Kong | Residential premises for rental | Long term lease | 100% |
| Flat 413, 4th Floor, Sincere House, 83 Argyle Street, Kowloon | Residential premises for rental | Long term lease | 100% |
| Flat B, 11st Floor, Wen Pang Building, 270-272 Lai Chi Kok Road, Kowloon | Residential premises for rental | Medium term lease | 100% |
| Flat P, 7th Floor, Wing Lung Building, 220-240 Castle Peak Road, Kowloon | Residential premises for rental | Medium term lease | 100% |
| Unit B, 4th Floor & Roof, Parkes Building, 17-23 Parkes Street, Hong Kong | Residential premises for rental | Medium term lease | 100% |
| 7th Floor, 64 Cheung Sha Wan Road, Kowloon | Residential premises for rental | Medium term lease | 100% |
| Flat No.5, 1st Floor, Tai Yue Mansion, 133 Sai Yee Street, Kowloon | Residential premises for rental | Long term lease | 100% |
| Flat G, 7th Floor, Lung Wa Building, 22 Fuk Wa Street, Kowloon | Residential premises for rental | Medium term lease | 100% |
| Flat 1, 1st & Flat Floor, 174 Jockey Club Road, North, New Territories | Residential premises for rental | Medium term lease | 100% |
| Flat M, 4th Floor, Lung Wa Building, 22 Fuk Wa Street, Kowloon | Residential premises for rental | Medium term lease | 100% |

# Particulars of Properties *(Cont'd)*

## INVESTMENT PROPERTIES *(Cont'd)*

| Location | Use | Tenure | Attributable interest of the Group |
|---|---|---|---|
| Unit B, 6th Floor, Parkes Building, 17-23 Parkes Street, Kowloon | Residential premises for rental | Medium term lease | 100% |
| 2nd Floor, Golden Jubilee House, 399 Lockhart Road, Hong Kong | Residential premises for rental | Long term lease | 100% |
| 11st Floor, 501 Nathan Road, Kowloon | Residential premises for rental | Medium term lease | 100% |
| 3rd Floor, 192 Tai Nan Street, Kowloon | Residential premises for rental | Medium term lease | 100% |
| 9th Floor, Wing Hon House, 13 Cheung Sha Wan Road, Kowloon | Residential premises for rental | Medium term lease | 100% |
| Flat A, 6th Floor, Lockhart Road, Hong Kong | Residential premises for rental | Long term lease | 100% |
| Unit A, 8th Floor, Parkes Building, 17-23 Parkes Street, Kowloon | Residential premises for rental | Medium term lease | 100% |
| 7th Floor, Wing Wah Building, No.109 Cheung Sha Wan Road, Kowloon | Residential premises for rental | Medium term lease | 100% |
| 5th Floor, Block H, Golden Horse Mansion, 27 Mansion Street, Hong Kong | Residential premises for rental | Long term lease | 100% |
| 1st Floor, Rear Portion, 1 San Lok Street, Shek Wu Hui, Sheung Shui, New Territories | Residential premises for rental | Medium term lease | 100% |
| 6th Floor & its interior Wall, 463 Hennessy Road, Hong Kong | Residential premises for rental | Long term lease | 100% |
| Unit B, 8th Floor, Parkes Building, 17-23 Parkes Street, Kowloon | Residential premises for rental | Medium term lease | 100% |
| 7th Floor, 250A Cheung Sha Wan Road, Kowloon | Residential premises for rental | Medium term lease | 100% |

# Particulars of Properties *(Cont'd)*

## INVESTMENT PROPERTIES *(Cont'd)*

| Location | Use | Tenure | Attributable interest of the Group |
|---|---|---|---|
| Unit A, 10th Floor, Parkes Building, 17-23 Parkes Street, Kowloon | Residential premises for rental | Medium term lease | 100% |
| Unit B, 10th Floor, Parkes Building, 17-23 Parkes Street, Kowloon | Residential premises for rental | Medium term lease | 100% |

## PROPERTIES UNDER DEVELOPMENT/PROPERTIES HELD FOR SALE

| Property name | Location | Approximate site area (sq. ft.) | Estimated approximate gross floor area (sq. ft.) | Use | Anticipated completion/ Assignment completion date | Attributable interest of the Group |
|---|---|---|---|---|---|---|
| GODI XI | 8 Shatin Height Road, Shatin | 43,809 | 22,769 | Residential | Oct 2007 | 100% |
| Meister House | 1 Fairview Park, Boulevard, Yuen Long | 3,219 | 2,697 | Residential and commercial | Aug 2007 | 100% |
| The Dawning Place | 92A – 92G Yeung Uk Tsuen, Shap Pat Heung, Yuen Long, New Territories | 8,705 | 6,300 | Residential and commercial | Mid 2008 | 100% |

# Five Year Financial Summary

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

## RESULTS

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2009** | 2008 | 2007 | 2006 | 2005 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| REVENUE | **459,459** | 545,882 | 499,488 | 395,557 | 364,123 |
| PROFIT AFTER FINANCE COSTS | **146,857** | 94,934 | 91,854 | 121,664 | 90,441 |
| Share of profits and losses of associates | **(55,227)** | 27,643 | 4,578 | (39,601) | (16,655) |
| PROFIT BEFORE TAX | **91,630** | 122,577 | 96,432 | 82,063 | 73,786 |
| Tax | **(11,480)** | (25,963) | (13,254) | (9,480) | (4,255) |
| PROFIT FOR THE YEAR | **80,150** | 96,614 | 83,178 | 72,583 | 69,531 |
| Attributable to: | | | | | |
| Equity holders of the parent | **55,409** | 96,089 | 83,170 | 72,554 | 69,497 |
| Minority interests | **24,741** | 525 | 8 | 29 | 34 |
| | **80,150** | 96,614 | 83,178 | 72,583 | 69,531 |

## ASSETS, LIABILITIES AND MINORITY INTERESTS

| | 31 March | | | | |
|---|---|---|---|---|---|
| | **2009** | 2008 | 2007 | 2006 | 2005 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| TOTAL ASSETS | **1,907,712** | 2,031,974 | 1,734,214 | 1,497,324 | 1,145,203 |
| TOTAL LIABILITIES | **(555,532)** | (791,759) | (691,908) | (657,151) | (398,118) |
| MINORITY INTERESTS | **(397)** | (57,646) | (472) | (464) | (435) |
| | **1,351,783** | 1,182,569 | 1,041,834 | 839,709 | 746,650 |