Notes to Financial Statements

31 March 2002

1. CORPORATE INFORMATION

The head office and principal place of business of Wang On Group Limited is located at 12th Floor, Tower 1, South Seas Centre, No. 75 Mody Road, Tsimshatsui East, Kowloon.

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

- management and sub-licensing of Chinese wet markets, shopping centres and car parks
- manufacture and sale of Chinese medicine, herbs and other medicinal products
- provision of project management and agency services
- property investment

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

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised) : "Events after the balance sheet date"
- SSAP 14 (Revised) : "Leases"
- SSAP 18 (Revised) : "Revenue"
- SSAP 26 : "Segment reporting"
- SSAP 28 : "Provisions, contingent liabilities and contingent assets"
- SSAP 29 : "Intangible assets"
- SSAP 30 : "Business combinations"
- SSAP 31 : "Impairment of assets"
- SSAP 32 : "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12 : "Business combinations – subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13 : "Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

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

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that the proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained earnings on a separate line within the capital and reserves section of the balance sheet.

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

(continued)

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, and therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for finance leases and operating leases, which are further detailed in notes 29 and 35 to the financial statements.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company's own financial statements for the year.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatment for intangible assets and the additional disclosures that it requires have not been significant for these financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill and negative goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Negative goodwill is recognised in the consolidated profit and loss account depending on the circumstances from which it arose, as further described in the accounting policy for negative goodwill disclosed in note 3 to the financial statements. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of the SSAP and Interpretation has not resulted in a prior year adjustment, for the reasons detailed in note 15 to the financial statements. The required new additional disclosures are included in note 32 to the financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

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

(continued)

In addition to the above new and revised SSAPs and related Interpretations, certain minor revisions to the following SSAPs are effective for the first time for the current year's financial statements:

SSAP 10	:	"Accounting for investments in associates"
SSAP 17	:	"Property, plant and equipment"
SSAP 21	:	"Accounting for interests in joint ventures"

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties and certain investments in securities, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2002. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

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

The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any impairment losses. Goodwill or negative goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in reserves, is included as part of the Group's interests in associates.

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

Associates *(continued)*

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

Goodwill

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

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

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to 1 April 2001, to remain eliminated against consolidated reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

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

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

Negative goodwill

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

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

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

Negative goodwill *(continued)*

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

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

In prior years, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits negative goodwill on acquisitions which occurred prior to 1 April 2001, to remain credited to the capital reserve. Negative goodwill on subsequent acquisitions is treated according to the new accounting policy above.

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

Impairment of assets

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

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

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

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

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

Fixed assets and depreciation

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

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

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

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

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Intangible assets

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

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

Provision for onerous contracts

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

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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

Investments

Debt securities which are intended to be held to maturity are accounted for as held-to-maturity securities, while other securities are accounted for as investment securities or other investments, as explained below.

The profit or loss on disposal of an investment is credited or charged to the profit and loss account in the period in which the disposal occurs, and is calculated as the difference between the net sales proceeds and the carrying amount of the investment.

Provisions against the carrying amounts of investments are written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

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

Investments *(continued)*

Held-to-maturity securities

Investments in dated debt securities which are intended to be held to maturity are stated at cost, adjusted for the amortisation of premiums or discounts arising on acquisitions, less any provisions for impairment in values.

The carrying amounts of held-to-maturity securities are reviewed as at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised as an expense in the profit and loss account in the period in which they arise.

Investment securities

Investments in dated debt securities, equity securities and unit trusts, intended to be held for a continuing strategic or identified long term purpose, are stated at cost less any provisions for impairment in values.

When such impairments in values have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise.

Other investments

Investments in equity securities which are not intended to be held for an identified long term purpose are stated in the balance sheet at fair values. Fair values are determined on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair values of such investments are credited or charged to the profit and loss account in the period in which they arise.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Construction, renovation and decoration contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the percentage of billings raised to the estimated total billings for each contract.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is reflected as an amount due from contract customers.

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

Construction, renovation and decoration contracts *(continued)*

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Website development costs

Costs incurred for the development and enhancement of websites are charged to the profit and loss account as incurred.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

Provisions

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

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

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from construction and decoration contracts, on the percentage of completion basis as further explained in the accounting policy for "Construction, renovation and decoration contracts" above;

(b) from the provision of project management and agency 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;

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

Revenue recognition *(continued)*

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

(e) franchise fee income, on a time proportion basis over the franchise period;

(f) rental and sub-licensing fee income, on an accrual basis; and

(g) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Dividends

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

Foreign currencies

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

On consolidation, the financial statements of overseas subsidiaries and associates are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. The Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme.

Prior to the Scheme becoming effective, the Group operated a defined contribution retirement benefits scheme (the "prior scheme") for those employees who were eligible to participate in this scheme. This prior scheme operated in a similar way to the Scheme, except that when an employee left the prior scheme before his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of the forfeited employer contributions. This prior scheme was terminated with effect from 1 December 2000.

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

Properties held for re-sale

Properties held for re-sale are stated at the lower of their carrying values and net realisable values, which are determined by the directors by reference to prevailing market prices.

Deferred income

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

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. 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 other business segments. Summary details of the business segments are as follows:

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

(b) the shopping centres and car parks segment engages in the management and sub-licensing of shopping centres and car parks;

(c) the pharmaceutical segment manufactures and sells Chinese medicine, herbs and other medicinal products; and

(d) the corporate and other segment comprises the Group's management services business, which provides management and security services and provides cleaning services. This segment also includes corporate income and expense items.

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

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

4. SEGMENT INFORMATION *(continued)*

Business segments

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

Group	Chinese wet markets		Shopping centres and car parks		Pharmaceutical		Corporate and other		Eliminations		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:												
Sales to external customers	**152,770**	98,471	**85,939**	97,119	**70,727**	9,036	**10,611**	7,372	**–**	–	**320,047**	211,998
Intersegment sales	**767**	6	**994**	880	**1,609**	–	**–**	–	**(3,370)**	(886)	**–**	–
Other revenue	**995**	1,101	**2,713**	3,273	**1,052**	1,043	**10,408**	4,459	**–**	–	**15,168**	9,876
Total	**154,532**	99,578	**89,646**	101,272	**73,388**	10,079	**21,019**	11,831	**(3,370)**	(886)	**335,215**	221,874
Segment results	**13,676**	4,641	**2,194**	(10,731)	**17,044**	1,866	**4,472**	(52,269)	**(846)**	–	**36,540**	(56,493)
Unallocated expenses											**(5,505)**	(4,808)
Interest income											**7,721**	14,314
Profit/(loss) from operating activities											**38,756**	(46,987)
Finance costs											**(3,482)**	(1,850)
Share of profits and losses of associates (including amortisation of goodwill)											**(1,151)**	899
Profit/(loss) before tax											**34,123**	(47,938)
Tax											**(3,634)**	138
Profit/(loss) before minority interests											**30,489**	(47,800)
Minority interests											**(2,789)**	287
Net profit/(loss) from ordinary activities attributable to shareholders											**27,700**	(47,513)

Group	Chinese wet markets		Shopping centres and car parks		Pharmaceutical		Corporate and other		Eliminations		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**85,602**	66,376	**37,551**	41,918	**52,628**	36,347	**379,499**	232,747	**(65,921)**	(47,827)	**489,359**	329,561
Interests in associates	**–**	–	**3**	–	**72,416**	200	**84,707**	529	**–**	–	**157,126**	729
Total assets	**85,602**	66,376	**37,554**	41,918	**125,044**	36,547	**464,206**	233,276	**(65,921)**	(47,827)	**646,485**	330,290
Segment liabilities	**(78,072)**	(60,328)	**(58,611)**	(69,872)	**(11,302)**	(3,889)	**(35,013)**	(29,468)	**65,076**	47,827	**(117,922)**	(115,730)
Unallocated liabilities	–	–	–	–	**–**	–	**–**	–	**–**	–	**(49,995)**	(46,815)
Total liabilities	**(78,072)**	(60,328)	**(58,611)**	(69,872)	**(11,302)**	(3,889)	**(35,013)**	(29,468)	**65,076**	47,827	**(167,917)**	(162,545)
Other segment information:												
Depreciation	**8,412**	5,218	**4,461**	4,202	**1,865**	339	**1,075**	1,145	**–**	–	**15,813**	10,904
Amortisation:												
Goodwill	**–**	–	**–**	–	**1,517**	–	**2,990**	–	**–**	–	**4,507**	–
Intangible assets	**–**	–	**–**	–	**2**	–	**–**	–	**–**	–	**2**	–
Other non-cash expenses	**–**	–	**–**	–	**–**	–	**2,201**	61,500	**–**	–	**2,201**	61,500
Capital expenditure	**10,596**	6,639	**330**	2,780	**3,547**	2,495	**1,679**	1,037	**–**	–	**16,152**	12,951

5. TURNOVER, REVENUE AND GAINS

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

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

	2002 HK$'000	2001 HK$'000
Turnover		
Sub-licensing fee income	**232,859**	184,732
Management income	**5,946**	10,858
Sales of goods	**75,620**	10,266
Rendering of services	**4,030**	4,408
Gross rental income	**1,592**	1,734
	320,047	211,998
Other revenue		
Interest income	**6,340**	12,172
Interest income from investments	**1,381**	2,142
Forfeiture of deposits received	**431**	270
Franchise income	**323**	–
Others	**5,784**	6,050
	14,259	20,634
Gains		
Gain on disposal of investments	**8,546**	2,281
Net holding gain on investments	**84**	215
Gain on disposal of interests in subsidiaries	**–**	1,060
	8,630	3,556
	22,889	24,190

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	Group	
	2002	2001
	HK$'000	HK$'000
Amortisation of trademarks and patents *	**2**	–
Amortisation of goodwill****	**25**	–
Auditors' remuneration	**900**	945
Cost of inventories sold	**24,741**	3,398
Cost of services provided	**195,094**	197,647
Depreciation	**15,813**	10,904
Exchange losses, net	**955**	12
Loss on disposal of fixed assets	**614**	19
Minimum lease payments under operating leases for land and buildings	**138,325**	119,515
Provision for contingency, net	**–**	8,927
Provision/(write-back of provision) for doubtful debts	**(903)**	4,544
Provision for impairment of investments***	**–**	20,715
Website development cost	**–**	7,169
Staff costs (including directors' remuneration – note 8):		
Wages and salaries	**56,581**	40,262
Pension contributions	**1,873**	754
Less: Forfeited contributions	**–**	(148)
Net pension contributions**	**1,873**	606
	58,454	40,868
Net provision/(amount released) for onerous contracts – note 27	**(5,689)**	26,676
Gain on disposal of properties held for re-sale	**(6)**	(641)
Net rental income	**(2,219)**	(1,734)

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

** At 31 March 2002, the forfeited contributions available to reduce the Group's contributions to the pension scheme in future year were not material (2001: approximately HK$148,000).

*** The provision for impairment of investments is included in "Provision for impairment of investments" on the face of the consolidated profit and loss account.

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

7. FINANCE COSTS

	Group 2002 HK$'000	Group 2001 HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**3,482**	1,845
Interest on finance leases	**–**	5
	3,482	1,850

8. DIRECTORS' REMUNERATION

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

	Group 2002 HK$'000	Group 2001 HK$'000
Fees:		
Executive directors	**–**	–
Independent non-executive directors	**631**	631
Other emoluments for executive directors:		
Salaries and allowances	**10,319**	9,012
Pension scheme contributions	**36**	48
	10,986	9,691

The remuneration of the directors fell within the following bands:

	Number of directors 2002	Number of directors 2001
Nil to HK$1,000,000	**3**	3
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,500,001 to HK$3,000,000	**–**	1
HK$4,000,001 to HK$4,500,000	**2**	1
	6	6

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

8. DIRECTORS' REMUNERATION *(continued)*

During the year, 109,000,000 share options were granted to two of the directors as adjustments to their share options granted in the prior year, as a result of the rights issue and bonus share issue of the Company allotted during the year. Further details of the share options granted are set out under the heading "Share option schemes" in the Report of the Directors on pages 13 to 15 of the Annual Report. No value in respect of the share options granted during the year has been charged to the profit and loss account.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2001: three) directors, details of whose remuneration are disclosed in note 8 above. The details of the remuneration of the remaining two (2001: two) non-director, highest paid employees are as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Salaries and allowances	**3,021**	2,199
Pension scheme contributions	**175**	45
	3,196	2,244

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

	Number of employees	
	2002	2001
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**1**	1
	2	2

During the year, 110,000,000 share options were granted to the two non-director, highest paid employees as adjustments to their share options granted in the prior year, as a result of the rights issue and bonus share issue of the Company allotted during the year. Further details of the share options granted are set out under the heading "Share option schemes" in the Report of the Directors on pages 13 to 15 of the Annual Report. No value in respect of the share options granted during the year has been charged to the profit and loss account.

10. TAX

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year.

	2002 **HK$'000**	2001 HK$'000
Group:		
Hong Kong profits tax	**3,092**	411
Overprovision in the prior year	**(138)**	(1,644)
Deferred – note 30	**–**	919
	2,954	(314)
Share of tax attributable to:		
Associates	**680**	176
Tax charge/(credit) for the year	**3,634**	(138)

11. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 March 2002 dealt with in the financial statements of the Company was HK$3,100,000 (2001: loss of HK$136,426,000).

12. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit attributable to shareholders for the year of HK$27,700,000 (2001: loss of HK$47,513,000) and on the weighted average number of 1,531,551,990 (2001: 1,082,338,198) ordinary shares in issue during the year, as adjusted to reflect the rights issue and bonus issue during the year.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the year of HK$27,700,000. The weighted average number of ordinary shares used in the calculation is the 1,531,551,990 ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average of 6,425,028 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

The diluted loss per share for the year ended 31 March 2001 has not been shown as the share options outstanding had an anti-dilutive effect on the basic loss per share.

13. FIXED ASSETS

Group

	Investment properties	Leasehold land and buildings	Leasehold improve-ments	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Computer equipment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost or valuation:								
At beginning of year	17,750	6,156	32,094	8,541	69,393	2,851	2,938	139,723
Additions	–	–	11,163	2,642	1,280	330	737	16,152
Transfer from properties held for re-sale	3,501	–	–	–	–	–	–	3,501
Disposals	–	–	(625)	(24)	(8)	(123)	–	(780)
Surplus on revaluation	1,989	–	–	–	–	–	–	1,989
Transfers	(1,550)	1,550	–	–	–	–	–	–
At 31 March 2002	**21,690**	**7,706**	**42,632**	**11,159**	**70,665**	**3,058**	**3,675**	**160,585**
Accumulated depreciation:								
At beginning of year	–	831	15,146	5,983	46,529	2,719	2,144	73,352
Provided during the year	–	123	5,687	1,175	8,253	107	468	15,813
Disposals	–	–	–	–	(4)	(104)	–	(108)
At 31 March 2002	**–**	**954**	**20,833**	**7,158**	**54,778**	**2,722**	**2,612**	**89,057**
Net book value:								
At 31 March 2002	**21,690**	**6,752**	**21,799**	**4,001**	**15,887**	**336**	**1,063**	**71,528**
At 31 March 2001	17,750	5,325	16,948	2,558	22,864	132	794	66,371
Analysis of cost or valuation:								
At cost	–	7,706	42,632	11,159	70,665	3,058	3,675	138,895
At 31 March 2002 valuation	21,690	–	–	–	–	–	–	21,690
	21,690	7,706	42,632	11,159	70,665	3,058	3,675	160,585

13. FIXED ASSETS *(continued)*

Company

	Furniture, fixtures and office equipment HK$'000	Computer equipment HK$'000	Total HK$'000
Cost:			
At beginning of year	10	66	76
Additions	5	–	5
At 31 March 2002	**15**	**66**	**81**
Accumulated depreciation:			
At beginning of year	1	26	27
Provided during the year	4	20	24
At 31 March 2002	**5**	**46**	**51**
Net book value:			
At 31 March 2002	**10**	**20**	**30**
At 31 March 2001	9	40	49

The net book value of the fixed assets of the Group held under finance leases included in the total amount of furniture, fixtures and office equipment at 31 March 2002 amounted to HK$170,400 (2001: HK$240,453).

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

The Group's investment properties were revalued on 31 March 2002 by Vigers Hong Kong Limited, an independent professional valuer, 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 summary details of which are included in notes 35 and 38 to the financial statements.

At 31 March 2002, the Group's investment properties and property held for re-sale with an aggregate value of HK$22,857,000 and certain rental income generated therefrom were pledged to secure the Group's general banking facilities, approximately HK$27,625,000 of which was utilised at 31 March 2002 (Note 28).

Further particulars of the Group's investment properties are included on page 73.

14. INTANGIBLE ASSETS

Group	Trademarks and patents HK$'000
Cost:	
Additions and at 31 March 2002	235
Accumulated amortisation:	
Provided during the year and at 31 March 2002	(2)
Net book value:	
At 31 March 2002	233

15. GOODWILL

SSAP 30 was adopted during the year, as detailed in note 2 to the financial statements. The amounts of the goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of a subsidiary and associates, are as follows:

Group

	Goodwill arising on acquisition of a subsidiary HK$'000	Goodwill arising on acquisition of associates (Note 17) HK$'000
Cost:		
Acquisitions during the year and at 31 March 2002	100	85,003
Accumulated amortisation and impairment:		
Amortisation provided during the year and at 31 March 2002	(25)	(4,482)
Net amount:		
At 31 March 2002	75	80,521

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

15. GOODWILL *(continued)*

The amounts of goodwill and negative goodwill remaining in consolidated reserves as at 31 March 2002, arising from the acquisition of subsidiaries prior to 1 April 2001, were HK$95,933,000 and HK$8,112,000, respectively. The amounts of goodwill and negative goodwill are stated at cost.

The amount of goodwill recorded in consolidated reserves as at 1 April 2001, arising from the acquisition of associates prior to 1 April 2001, was HK$2,226,000. Upon disposal of an associate during the year, goodwill of HK$1,300,000 was released from the consolidated reserves. The amount of goodwill remaining in consolidated reserves as at 31 March 2002 was HK$926,000. The amount of goodwill is stated at cost.

16. INTERESTS IN SUBSIDIARIES

	Company	
	2002	2001
	HK$'000	HK$'000
Unlisted shares, at cost	**71,000**	71,000
Due from subsidiaries – note (i)	**487,093**	327,341
Loans to subsidiaries – note (ii)	**77,321**	93,863
Due to subsidiaries – note (i)	**(49,137)**	(16,265)
	586,277	475,939
Provisions for impairment	**(419,449)**	(419,449)
	166,828	56,490

Notes:

(i) The amounts are unsecured and have no fixed terms of repayment. Except for a balance of HK$65,750,000 advanced to a subsidiary which bears interest at Hong Kong dollar prime rate plus 2% p.a., the remaining balances are interest-free.

(ii) The amounts are unsecured and have no fixed terms of repayment. Except for a loan to a subsidiary of HK$14,472,000 which bears interest at 6% per annum, the remaining balances are interest-free.

16. INTERESTS IN SUBSIDIARIES *(continued)*

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

Name	Place of incorporation/ operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Advance Century Limited	Hong Kong	Ordinary HK$2	–	100	Investment holding
Billion Good Investment Limited	Hong Kong	Ordinary HK$2	–	75.79	Property holding and investment
Charter Golden Design & Contracting Limited	Hong Kong	Ordinary HK$2	–	100	Provision of decoration services
China Ocean Investments Limited	Hong Kong	Ordinary HK$5,000 "A" shares and HK$5,000 "B" shares (Note 4)	–	50.1	Management of pork stalls and butcher shops
Conway Consultants Limited	Hong Kong	Ordinary HK$1,400,000 Non-voting preference (Note 2) HK$600,000	–	70	Provision of medical consultation services
Denox Management Limited	Hong Kong	Ordinary HK$2	–	100	Management and sub-letting of properties
Fenny Planning & Project Management Limited	Hong Kong	Ordinary HK$100	–	100	Promotion of Chinese wet markets
Fulling Limited	Hong Kong	Ordinary HK$100	–	100	Money lending
Geswin Limited	Hong Kong	Ordinary HK$2	–	100	Investment holding

16. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Goodtech Management Limited	Hong Kong	Ordinary HK$1,100,100	–	100	Management of shopping centres
Grand Quality Development Limited	Hong Kong	Ordinary HK$2	–	100	Property investment
Join China Investment Limited	Hong Kong	Ordinary HK$2	–	100	Investment holding
Lead Fortune Limited	Hong Kong	Ordinary HK$1,000	–	100	Property management
Lica Parking Company Limited	Hong Kong	Ordinary HK$25,500,000	–	99	Management and sub-licensing of car parks
Macro Pacific Investment Limited	Hong Kong	Ordinary HK$2	–	100	Investment holding
Majorluck Limited	Hong Kong	Ordinary HK$10,000	–	100	Management and sub-licensing of Chinese wet markets
Mak's Construction Company Limited (formerly known as Wang On Construction Engineering Limited)	Hong Kong	Ordinary HK$15,000,000 Non-voting deferred (Note 3) HK$100	–	100	Provision of construction, renovation and project management services
Parking Lot Management Limited	Hong Kong	Ordinary HK$2	–	100	Management and sub-licensing of car parks

16. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Royal Focus Limited	Hong Kong	Ordinary HK$2	–	100	Investment holding
Wai Yuen Tong Medicine Company Limited	Hong Kong	Ordinary HK$217,374 Non-voting deferred (Note 3) HK$17,373,750	–	75.79	Manufacture and sale of Chinese medicine, herbs and other medicinal products
Wang On Builders Limited	Hong Kong	Ordinary HK$2	–	100	Provision of renovation and project management services
Wang On Commercial Management Limited	British Virgin Islands/ Hong Kong	Ordinary US$2	–	100	Investment holding
Wang On Design & Contracting Limited	Hong Kong	Ordinary HK$1,000,000	–	100	Provision of decoration services
Wang On Engineering Holding Limited	Hong Kong	Ordinary HK$477 Non-voting deferred (Note 3) HK$1,262,523	–	100	Provision of decoration and project management services
Wang On Enterprises (BVI) Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100	–	Investment holding

16. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
			%	%	
Wang On Majorluck Limited	Hong Kong	Ordinary HK$1,000	–	100	Management and sub-licensing of Chinese wet markets
Wang On Shopping Centre Management Limited	Hong Kong	Ordinary HK$2	–	100	Management and sub-licensing of shopping centres
Willing Dental Consultants Limited	Hong Kong	Ordinary HK$100	–	100	Provision of dental consultation services

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 and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

(2) The non-voting preference shares carry no voting rights. They have priority over any other class of shares provided the assets of the Company available for distribution to its members.

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

(4) Each "A" share and "B" share rank pari passu as regards to voting rights and all other aspects except that the holders of "A" shares shall be entitled to receive one-third of the profits distributed by ways of dividend and one-third of the capital and surplus assets upon winding up of the company while the holders of "B" shares shall be entitled to receive two-third of the profits distributed by ways of dividend and two-third of the capital and surplus assets upon winding up of the company.

17. INTERESTS IN ASSOCIATES

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Share of net assets	**9,237**	102	**–**	–
Goodwill on acquisition – note 15	**80,521**	–	**–**	–
	89,758	102	**–**	–
Due from associates	**1,221**	1,227	**522**	219
Loans to associates	**66,150**	–	**–**	–
	157,129	1,329	**522**	219
Provisions for impairment	**(3)**	(600)	**–**	–
	157,126	729	**522**	219

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

Included in the loans to associates is an amount of HK$400,000 which is unsecured, bears interest at 6% per annum and has no fixed terms of repayment.

The remaining loans to an associate with an aggregate amount of HK$65,750,000 are unsecured, bear interest at the Hong Kong dollar prime rate plus 2% per annum and are repayable before September 2003. Subsequent to the balance sheet date, HK$900,000 of the loans were repaid, and pursuant to a revised loan agreement, the repayment date of the remaining loans with an aggregate amount of HK$64,850,000 is extended to July 2005.

17. INTERESTS IN ASSOCIATES *(continued)*

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

Name	Business structure	Place of incorporation/ operations	Percentage of ownership interest attributable to the Group 2002 %	2001 %	Principal activities
Dailywin Group Limited* (Notes 2 and 3)	Corporate	Bermuda/ Hong Kong	**29.19**	–	Manufacture and sale of watches and components
Luxembourg Medicine Company Limited (Note 2)	Corporate	Hong Kong	**47.53**	–	Manufacture and sale of cough syrup
China Field Enterprises Limited	Corporate	Hong Kong	**22**	–	Investment holding
Tse's Waxing & Cleaning Company Limited	Corporate	Hong Kong	**50**	50	Provision of cleaning services

Notes:

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

(2) The financial statements of the company is not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

(3) The Group increased its equity interests in Dailywin Group Limited after the balance sheet date, as detailed in note 37 to the financial statements.

* Listed on The Stock Exchange of Hong Kong Limited

17. INTERESTS IN ASSOCIATES *(continued)*

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

	Dailywin Group Limited Year ended 31 March 2002 HK$'000	Luxembourg Medicine Company Limited Year ended 31 March 2002 HK$'000
Profit and loss accounts		
Turnover	220,812	42,215
Profit/(loss) attributable to shareholders	(33,552)	9,544
Balance sheets		
Non-current assets	26,572	1,566
Current assets	56,888	24,406
Current liabilities	(64,520)	(13,852)
Non-current liabilities	(65,762)	(1,600)
Net assets/(liabilities)	(46,822)	10,520

18. INVESTMENTS

(a) Long term investments

	Group	
	2002 HK$'000	2001 HK$'000
Held-to-maturity securities:		
Hong Kong listed dated debt securities, at amortised cost	**–**	7,437
Investment securities:		
Hong Kong unlisted unit trusts, at cost	**1,000**	–
Hong Kong unlisted equity shares, at cost	**12,521**	12,521
Less: Provisions for impairment	**(12,521)**	(12,521)
	1,000	7,437

18. INVESTMENTS *(continued)*

(b) Short term investments

	Group	
	2002	2001
	HK$'000	HK$'000
Held-to-maturity securities:		
Hong Kong listed dated debt securities, at amortised cost	**–**	4,906
Investment securities:		
Hong Kong unlisted unit trusts, at cost #	**5,000**	–
Hong Kong listed equity securities, at cost	**–**	13,531
Less: Provisions for impairment	**–**	(8,194)
Other investments:		
Hong Kong listed equity securities, at fair value	**3,914**	1,020
	8,914	11,263

The Hong Kong unlisted unit trusts were disposed after the balance sheet date at a gain of HK$203,000.

19. PROPERTIES HELD FOR RE-SALE

During the year, certain properties held for re-sale with an aggregate carrying value of HK$3,501,000 were transferred to investment properties (Note 13). The properties are retail shops situated in Hong Kong and are currently leased to third parties.

20. INVENTORIES

	Group	
	2002	2001
	HK$'000	HK$'000
Raw materials	**4,524**	952
Packing materials	**3,280**	1,065
Finished goods	**3,848**	2,342
	11,652	4,359

None of the inventories included in the above were carried at net realisable value as at the balance sheet date (2001: Nil).

21. TRADE RECEIVABLES

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

	Group			
	2002		2001	
	HK$'000	**%**	HK$'000	%
Within 90 days	**26,792**	**96**	6,460	92
91 days to 180 days	**440**	**2**	62	1
Over 180 days	**552**	**2**	504	7
	27,784	**100**	7,026	100
Less: Provision for doubtful debts	**(267)**		(315)	
	27,517		6,711	

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

As at 31 March 2002, retentions held by customers for contract works, as included in trade receivables were nil (2001: HK$224,000).

22. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**8,889**	1,592	**459**	137
Deposits	**5,814**	7,992	**11**	11
Other receivables	**6,499**	9,653	**–**	6
	21,202	19,237	**470**	154

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**27,625**	30,799	**9,267**	417
Time deposits	**286,181**	154,837	**272,511**	110,889
	313,806	185,636	**281,778**	111,306

24. TRADE PAYABLES

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

	Group	
	2002	2001
	HK$'000	HK$'000
Within 90 days	**6,669**	1,191
91 days to 180 days	**15**	–
Over 180 days	**3,831**	4,249
	10,515	5,440

25. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**11,584**	16,169	**168**	87
Accruals	**15,060**	11,534	**1,567**	432
	26,644	27,703	**1,735**	519

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

		Group	
		2002	2001
	Notes	**HK$'000**	HK$'000
Current portion of bank loans and overdrafts	28	**21,208**	14,618
Current portion of finance lease payables	29	**58**	58
		21,266	14,676

27. PROVISIONS FOR ONEROUS CONTRACTS

	Group	
	2002	2001
	HK$'000	HK$'000
At beginning of year	**32,706**	10,580
Additional provision	**2,884**	26,676
Amount utilised during the year	**(8,573)**	(4,550)
At 31 March	**27,017**	32,706
Portion classified as current liabilities	**(10,695)**	(9,367)
Long term portion	**16,322**	23,339

28. INTEREST-BEARING BANK LOANS AND OVERDRAFTS

		Group	
	Notes	**2002 HK$'000**	2001 HK$'000
Bank overdrafts:			
Unsecured		**–**	823
Bank loans:			
Secured	(i)	**15,160**	7,118
Unsecured		**30,745**	36,203
		45,905	43,321
Convertible bonds	(ii)	**–**	–
		45,905	44,144
Bank overdrafts repayable on demand	(i)	**–**	823
Bank loans repayable:			
Within one year		**21,208**	13,795
In the second year		**18,835**	13,864
In the third to fifth years, inclusive		**4,927**	13,458
Beyond five years		**935**	2,204
		45,905	43,321
		45,905	44,144
Portion classified as current liabilities (Note 26)		**(21,208)**	(14,618)
Long term portion		**24,697**	29,526

Notes:

(i) The Group's overdraft facilities and certain bank loans are secured by the pledge of the Group's investment properties (2001: HK$17,750,000 of investment properties and HK$5,134,000 properties held for re-sale).

(ii) In August 2001, the Group issued convertible bonds to eight subscribers in the aggregate principal amount of HK$30,080,000. The convertible bonds were interest-free and were convertible into new ordinary shares of the Company at the conversion price of HK$0.188 at any time prior to the second anniversary of the date of issue of convertible bonds. In August 2001, all convertible bonds were converted into new ordinary shares of the Company as further detailed in note 31(b) to the financial statements.

29. FINANCE LEASE PAYABLES

The Group leases certain of its office equipment. These leases are classified as finance leases and have remaining lease terms of 3 years.

At 31 March 2002, the total future minimum lease payments under finance leases and their present values, were as follows:

Group	Minimum lease payments		Present value of minimum lease payments	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	58	58	58	58
In the second year	58	58	58	58
In the third to fifth years, inclusive	52	110	52	110
Total minimum finance lease payments	168	226	168	226
Future finance charges	–	–		
Total net finance lease payables	168	226		
Portion classified as current liabilities (Note 26)	(58)	(58)		
Long term portion	110	168		

SSAP 14 was revised and implemented during the year, as detailed in note 2 to the financial statements. Certain new disclosures are required and have been included above. The prior year comparative amounts for the new disclosures have also been included where appropriate.

30. DEFERRED TAX

	Group	
	2002	2001
	HK$'000	HK$'000
Balance at beginning of year	**983**	–
Acquisition of a subsidiary	**–**	64
Charge for the year – Note 10	**–**	919
At 31 March	**983**	983

30. DEFERRED TAX *(continued)*

The Group and the Company have no significant potential deferred tax liabilities for which provision has not been made.

The revaluation of the Group's investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

31. SHARE CAPITAL

Shares	**2002**	2001
	HK$'000	HK$'000
Authorised:		
20,000,000,000 (2001: 10,000,000,000) ordinary shares		
of HK$0.01 (2001: HK$0.01) each	**200,000**	100,000
Issued and fully paid:		
9,864,365,596 (2001: 822,060,933) ordinary shares		
of HK$0.01 (2001: HK$0.01) each	**98,644**	8,221

During the year, the following movements in the share capital were recorded:

(a) Pursuant to an ordinary resolution passed on 6 February 2002, the authorised share capital of the Company was increased from HK$100,000,000 to HK$200,000,000 by the creation of 10,000,000,000 additional shares of HK$0.01 each, ranking pari passu in all respects with the existing share capital of the Company.

(b) The exercise of the conversion rights of all of the convertible bonds was made in August 2001 at a conversion price of HK$0.188 per ordinary share, resulting in the issue of 160,000,000 ordinary shares of HK$0.01 each for a total cash consideration, before expenses, of HK$30,080,000.

(c) On 25 September 2001, 1 November 2001 and 19 December 2001 (the "Issue Dates"), certain shareholders of the Company (the "Shareholders") sold an aggregate of 353,900,000 existing ordinary shares of the Company at HK$0.08 to HK$0.09 per share to independent investors. On the respective Issue Dates, the Company allotted an aggregate of 662,000,000 new ordinary shares of the Company at HK$0.08 to HK$0.09 per share to the Shareholders. The closing market prices of the ordinary share of the Company at the Issue Dates, on which the terms of the issues were fixed, were HK$0.089, HK$0.112 and HK$0.107, respectively per share. These shares rank pari passu in all respects with the then existing issued ordinary shares of the Company. The resulting proceeds, before expenses, of HK$57,980,000, were mainly used by the Company to acquire an associate, repay bank loans, acquire fixed assets and for general working capital purposes.

31. SHARE CAPITAL *(continued)*

(d) A rights issue of four rights shares for every existing share held by members on the register of members on 28 February 2002 was made, at an issue price of HK$0.03 per rights share, resulting in the issue of 6,576,243,732 ordinary shares of HK$0.01 each for a total cash consideration, before expenses, of HK$197,287,000.

(e) Together with the rights issue, a bonus issue of one bonus share for four fully paid rights shares was made, resulting in the issue of 1,644,060,931 ordinary shares of HK$0.01 each.

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

	Number of shares in issue	Share capital
		HK$'000
At 1 April 2001	822,060,933	8,221
Conversion of convertible bonds (b)	160,000,000	1,600
Placement (c)	662,000,000	6,620
Rights issue (d)	6,576,243,732	65,762
Bonus issue (e)	1,644,060,931	16,441
At 31 March 2002	9,864,365,596	98,644

Share options

The Company operates share option schemes, further details of which are set out under the heading "Share option schemes" in the Report of the Directors on pages 13 to 15 of the Annual Report.

Details of the share options granted are as follows:

Exercise price per share	Exercise period	At 1 April 2001	Adjustments for rights and bonus issues during the year	At 31 March 2002
HK$ 0.0217	6 March 2001 to 5 February 2005	43,800,000	219,000,000	262,800,000

The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 262,800,000 additional shares of HK$0.01 each and proceeds of approximately HK$5,703,000.

32. RESERVES

Group

	Note	Share premium account HK$'000	Capital reserve HK$'000	Investment property revaluation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 April 2000		218,987	5,721	2,095	31,730	258,533
Issue of shares		37,800	–	–	–	37,800
Share issue expenses		(779)	–	–	–	(779)
Premium on shares issued by way of scrip dividend		1,264	–	–	–	1,264
Goodwill on acquisition		–	(5,721)	–	(90,048)	(95,769)
Deficit on revaluation of investment properties		–	–	(1,841)	–	(1,841)
Loss for the year		–	–	–	(47,513)	(47,513)
At 31 March and 1 April 2001		257,272	–	254	(105,831)	151,695
Transfer	(i)	(129,270)	–	–	129,270	–
Conversions of convertible bonds		28,480	–	–	–	28,480
Placement of shares		51,360	–	–	–	51,360
Rights issue		131,525	–	–	–	131,525
Bonus issue		–	–	–	(16,441)	(16,441)
Share issue expenses		(8,253)	–	–	–	(8,253)
Surplus on revaluation of investment properties		–	–	1,989	–	1,989
Release of goodwill on disposal of an associate		–	–	–	1,300	1,300
Profit for the year		–	–	–	27,700	27,700
At 31 March 2002		331,114	–	2,243	35,998	369,355

Note:

(i) Pursuant to a special resolution passed on 9 November 2001, the Company's share premium account was reduced by an amount of HK$129,270,000, which was applied to offset the accumulated losses of the Group.

32. RESERVES *(continued)*

Group

	Share premium account HK$'000	Capital reserve HK$'000	Investment property revaluation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
Reserves retained by:					
Company and subsidiaries	331,114	–	2,243	33,094	366,451
Associates	–	–	–	2,904	2,904
At 31 March 2002	331,114	–	2,243	35,998	369,355
Company and subsidiaries	257,272	–	254	(106,084)	151,442
Associates	–	–	–	253	253
At 31 March 2001	257,272	–	254	(105,831)	151,695

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

Company

	Note	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 April 2000		218,987	31,476	7,156	257,619
Issue of shares		37,800	–	–	37,800
Share issue expenses		(779)	–	–	(779)
Premium on shares issued by way of scrip dividend		1,264	–	–	1,264
Loss for the year		–	–	(136,426)	(136,426)
At 31 March and 1 April 2001		257,272	31,476	(129,270)	159,478
Transfer	(i)	(129,270)	–	129,270	–
Conversion of convertible bonds		28,480	–	–	28,480
Placement of shares		51,360	–	–	51,360
Rights issue		131,525	–	–	131,525
Bonus issue		–	(16,441)	–	(16,441)
Share issue expenses		(8,253)	–	–	(8,253)
Profit for the year		–	–	3,100	3,100
At 31 March 2002		331,114	15,035	3,100	349,249

32. RESERVES *(continued)*

Notes:

(i) Pursuant to a special resolution passed on 9 November 2001, the Company's share premium account was reduced by an amount of HK$129,270,000, which was applied to offset the accumulated losses of the Company.

(ii) The contributed surplus of the Company originally derived from the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to the Group reorganisation on 6 February 1995 and the par value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) from operating activities to net cash inflow from operating activities:

	2002	2001
	HK$'000	HK$'000
Profit/(loss) from operating activities	38,756	(46,987)
Net holding gain on investments	(84)	(215)
Interest income from investments	(1,381)	(2,142)
Provision for impairment of investments	–	20,715
Interest income	(6,340)	(12,172)
Dividend income from investments	(10)	–
Gain on disposal of interests in subsidiaries	–	(1,060)
Gain on disposal of investments, net	(8,546)	(2,281)
Provision/(write-back) for doubtful debts	(903)	4,544
Increase/(decrease) in provision for onerous contracts	(5,689)	22,126
Depreciation	15,813	10,904
Amortisation of patents and trademarks	2	–
Amortisation of goodwill	25	–
Loss on disposal of fixed assets	614	19
Decrease/(increase) in trade receivables, prepayments deposits and other debtors	(26,494)	16,043
Decrease/(increase) in inventories	(7,293)	250
Decrease in amount due from a director	–	61
Decrease in properties held for re-sale	466	589
Increase/(decrease) in trade payables, other payables and accruals	4,016	(11,546)
Increase in deposits received and receipts in advance	3,438	1,846
Increase in deferred income	428	–
Net cash inflow from operating activities	6,818	694

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Purchase of a subsidiary:

	2002	2001
	HK$'000	HK$'000
Net assets acquired:		
Fixed assets	**–**	7,231
Investment properties	**–**	1,550
Inventories	**–**	4,609
Trade receivables, prepayments, deposits and other debtors	**–**	4,408
Cash and cash equivalents	**700**	16,751
Trade payables, other payables and accruals	**–**	(2,883)
Tax payable	**–**	(905)
Deferred tax	**–**	(64)
Minority interests	**–**	(60)
	700	30,637
Goodwill on acquisition	**100**	98,239
	800	128,876
Satisfied by:		
Cash	**800**	128,876

Analysis of the net outflow of cash and cash equivalents in respect of the purchase of a subsidiary:

	2002	2001
	HK$'000	HK$'000
Cash consideration	**800**	128,876
Cash and cash equivalents acquired	**(700)**	(16,751)
Net outflow of cash and cash equivalents in respect of purchase of a subsidiary	**100**	112,125

The subsidiary acquired during the year ended 31 March 2002 had no significant impact in respect of the cash flows of the Group. Also, the results of the subsidiary acquired during the year ended 31 March 2002 had no significant impact on the Group's consolidated turnover and profit after tax for the year.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Purchase of a subsidiary *(continued)*:

The subsidiary acquired in the prior year contributed approximately HK$5,020,000 to the Group's net operating cash flows, received approximately HK$198,000 in respect of the net returns on investments and servicing of finance, paid approximately HK$2,454,000 in respect of investing activities, but had no significant impact in respect of tax and financing activities. The subsidiary acquired in the prior year contributed turnover of approximately HK$9,036,000 and profit after tax of approximately HK$590,000 to the Group's turnover and loss after tax and before minority interests for the year ended 31 March 2001, respectively.

(c) Summary of the effects of purchase of additional shares in an associate which became a subsidiary as a result thereof:

	2002 HK$'000	2001 HK$'000
Net assets acquired:		
Fixed assets	–	12,705
Trade receivables, prepayments, deposits and other debtors	–	9,977
Due from the ultimate holding company	–	3,200
Due from fellow subsidiaries	–	548
Cash and cash equivalents	–	3,591
Trade payables, other payables and accruals	–	(3,001)
Deposits received and receipts in advance	–	(19,836)
Tax payable	–	(1,063)
Due to fellow subsidiaries	–	(3,611)
	–	2,510
Goodwill on acquisition	–	18,439
	–	20,949
Satisfied by:		
Decrease in deposit paid	–	19,507
Cash	–	159
Reclassification from interest in an associate	–	1,283
	–	20,949

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(c) Summary of the effects of purchase of additional shares in an associate which became a subsidiary as a result thereof *(continued)*:

Analysis of the net inflow of cash and cash equivalents in respect of the purchase of a subsidiary:

	2002	2001
	HK$'000	HK$'000
Cash consideration	**–**	159
Cash and cash equivalents acquired	**–**	(3,591)
Net inflow of cash and cash equivalents in respect of purchase of a subsidiary	**–**	(3,432)

The subsidiary acquired during the year ended 31 March 2001 contributed approximately HK$4,712,000 to the Group's net operating cash flows for that year, received approximately HK$133,000 in respect of the net returns on investments and servicing of finance, paid approximately HK$128,000 in respect of investing activities, but had no significant impact in respect of tax and financing activities.

The subsidiary acquired during the year ended 31 March 2001 contributed turnover of approximately HK$24,798,000 and profit after tax of approximately HK$4,451,000 to the Group's turnover and loss after tax and before minority interests for the year ended 31 March 2001, respectively.

(d) Disposal of subsidiaries:

	2002	2001
	HK$'000	HK$'000
Net assets disposed of:		
Long term investments	**–**	3,000
Deposits and other debtors	**–**	38
Release of capital reserve	**–**	166
	–	3,204
Profit on disposal of subsidiaries	**–**	1,768
	–	4,972
Satisfied by:		
Cash	**–**	4,972

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(d) Disposal of subsidiaries *(continued)*:

The subsidiaries disposed of during the year ended 31 March 2001 made no significant contribution to the Group in respect of the cash flows, turnover and contribution to the Group's loss after tax and before minority interests for the year ended 31 March 2001.

(e) Disposal of interests in a subsidiary:

	2002	2001
	HK$'000	HK$'000
Net assets disposed of:		
Minority interests	–	7,602
Release of goodwill	–	23,135
	–	30,737
Loss on disposal of interests in a subsidiary	–	(708)
	–	30,029
Satisfied by:		
Cash	–	30,029

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(f) Analysis of changes in financing during the year:

	Issued capital (including share premium account) HK$'000	Bank loans HK$'000	Finance lease obligations HK$'000	Minority interests HK$'000
At 1 April 2000	225,813	16,987	163	–
Issue by way of scrip dividend	45	–	–	–
Premium on shares issued by way of scrip dividend	1,264	–	–	–
Net cash inflow/(outflow) from financing activities	38,371	26,334	(81)	287
Purchases of subsidiaries	–	–	–	7,829
Share of losses for the year	–	–	–	(287)
Inception of finance lease contracts	–	–	144	–
At 31 March and 1 April 2001	265,493	43,321	226	7,829
Transfer to retained profits	(129,270)	–	–	–
Transfer from retained profits	16,441	–	–	–
Net cash inflow/(outflow) from financing activities	277,094	2,584	(58)	1,550
Share of profits for the year	–	–	–	2,790
Dividends paid to minority shareholders	–	–	–	(1,600)
At 31 March 2002	429,758	45,905	168	10,569

(g) Major non-cash transactions:

During the year ended 31 March 2001, the Group paid dividends by way of scrip dividend of HK$1,309,000.

34. CONTINGENT LIABILITIES

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

(a)

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees in respect of performance bonds given to third parties	**20,230**	24,458	**–**	24,458
Guarantees given in lieu of utility and property rental deposits	**7,621**	18,300	**–**	18,300
Guarantees given to financial institutions in connection with facilities granted to subsidiaries and associates	**–**	–	**144,343**	144,363
	27,851	42,758	**144,343**	187,121

(b) A corporate guarantee in the amount of approximately HK$464,000 (2001: HK$464,000) was given by the Company to a landlord in respect of the full rental payments of the office premises during the tenancy period.

(c) In the prior year, a sub-contractor claimed against a wholly-owned subsidiary of the Group (the "Subsidiary") for recovery of approximately HK$900,000 for works performed. In turn, the Subsidiary instigated litigation against the main contractor for recovery of approximately HK$6,000,000 on works performed. The main contractor then made a counter claim against the Subsidiary for overpayment of approximately HK$4,900,000.

In the prior year, the Subsidiary also instigated litigation against another sub-contractor in the amount of approximately HK$120,000 for delay in completion of works performed. The sub-contractor made a counter claim against the Subsidiary of approximately HK$1,000,000 on works performed.

The directors, having reviewed the claims and obtained legal advice, consider that the alleged claims from the main and sub-contractors referred to above are without grounds, therefore, no provision had been made for the alleged claims in the financial statements at 31 March 2001 and 31 March 2002.

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

At 31 March 2002, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Within one year	**86,018**	109,691
In the second to fifth years, inclusive	**67,407**	70,889
	153,425	180,580

(b) As lessee

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

At 31 March 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
		(Restated)
Within one year	**113,603**	124,784
In the second to fifth years, inclusive	**194,425**	234,489
After five years	**7,579**	–
	315,607	359,273

35. OPERATING LEASE ARRANGEMENTS *(continued)*

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease receivables under non-cancellable operating leases, as detailed in note (a) above. This disclosure was not previously required. SSAP 14 (Revised) also requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee in note (b) above, have been restated to accord with the current year's presentation.

36. COMMITMENTS

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

	Group	
	2002	2001
	HK$'000	HK$'000
Capital commitments contracted, but not provided for	**39,891**	3,616

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

37. POST BALANCE SHEET EVENTS

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

As a result of the Dailywin Group Limited's ordinary shares issued to the Group as part of the consideration for the transaction, the Group's interests in Dailywin Group Limited increased from 29.19% at the balance sheet date to 75.04%. Completion of the above transaction took place on 9 July 2002. On the same day, the Group placed down its equity interests in Dailywin Group Limited from 75.04% to 42.4% for a consideration of HK$45 million.

38. RELATED PARTY TRANSACTIONS

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

	Notes	**2002** **HK$'000**	2001 HK$'000
Rental income received from Mr. Tang Ching Ho	(a)	**978**	1,080
Income from associates:	(b)		
– Consultancy fee		**–**	372
– Repairs and maintenance		**–**	64
– Management fee		**560**	743
– Rental		**96**	1,187
– Interest income		**1,955**	–
Cleaning expenses paid to an associate	(b)	**5,896**	2,902
Non-refundable initial franchise fee received from a related party	(b)	**450**	–
Sales to a related party	(b)	**4,694**	–

(a) An investment property of the Group was leased to Mr. Tang Ching Ho for a period of two years from 20 December 1999 at an agreed monthly rental of HK$90,000. The lease was renewed and extended for further 2 years at an agreed monthly rental of HK$60,000. The rentals were determined with reference to prevailing market rates.

(b) The transactions were based on terms as agreed between the Group and the related party.

39. COMPARATIVE AMOUNTS

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

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 July 2002.