



**WANG ON GROUP LIMITED**  
**宏安集團有限公司**

(Incorporated in Bermuda with limited liability)

**Interim Report 2004**

## INTERIM RESULTS

The Board of Directors (the “Directors”) of Wang On Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2004, together with the comparative figures for the corresponding period in 2003. The condensed consolidated financial statements have not been audited, but have been reviewed by the Company’s audit committee.

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2004

	Notes	For the six months ended 30 September	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
TURNOVER	2	<b>144,015</b>	156,307
Cost of sales		<b>(118,484)</b>	(120,078)
Gross profit		<b>25,531</b>	36,229
Other revenue and gains		<b>11,648</b>	22,224
Selling and distribution costs		<b>(5,579)</b>	(8,207)
Administrative expenses		<b>(11,180)</b>	(20,942)
Other operating expenses		<b>(1,097)</b>	(5,781)
Provision for impairment of investments		<b>(1,200)</b>	(4,539)
Loss on disposal of interests in subsidiaries		<b>(372)</b>	(1,020)
Gain on disposal of an associate		<b>–</b>	5,830
PROFIT FROM OPERATING ACTIVITIES	3	<b>17,751</b>	23,794
Finance costs		<b>(1,870)</b>	(1,053)
Share of profits and losses of associates		<b>(1,654)</b>	(6,697)
Amortisation of goodwill of associates		<b>(1,767)</b>	(5,308)
PROFIT BEFORE TAX		<b>12,460</b>	10,736
Tax	4	<b>(2,939)</b>	(3,486)
PROFIT BEFORE MINORITY INTERESTS		<b>9,521</b>	7,250
Minority interests		<b>1</b>	(12)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<b>9,522</b>	7,238
PROPOSED DIVIDEND	5	<b>4,300</b>	3,544
EARNINGS PER SHARE	6		
Basic		<b>6.64 cents</b>	6.13 cents
Diluted		<b>6.63 cents</b>	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

30 September 2004

		<b>30 September 2004 (Unaudited) HK\$'000</b>	31 March 2004 (Audited) HK\$'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Fixed assets		<b>320,831</b>	292,779
Properties under development		<b>118,335</b>	–
Goodwill	8	<b>4,671</b>	5,459
Interests in associates	9	<b>155,459</b>	136,602
Long term investments	10	<b>36,448</b>	34,843
Loan receivables		<b>1,392</b>	1,741
Rental deposits paid		<b>7,810</b>	7,556
Other deposits		<b>2,479</b>	30,630
Deferred tax assets		<b>514</b>	1,418
		<b>647,939</b>	511,028
<b>CURRENT ASSETS</b>			
Short term investments	10	<b>45,442</b>	37,428
Inventories		<b>68</b>	73
Trade receivables	11	<b>8,543</b>	5,551
Prepayments, deposits and other debtors		<b>20,543</b>	13,972
Cash and cash equivalents		<b>298,056</b>	289,365
		<b>372,652</b>	346,389
<b>CURRENT LIABILITIES</b>			
Trade payables	12	<b>157</b>	188
Other payables and accruals		<b>16,569</b>	12,997
Deposits received and receipts in advance		<b>42,594</b>	40,299
Interest-bearing bank and other borrowings		<b>64,481</b>	24,575
Provisions for onerous contracts		<b>7,915</b>	9,112
Tax payable		<b>6,241</b>	4,729
		<b>137,957</b>	91,900
<b>NET CURRENT ASSETS</b>		<b>234,695</b>	254,489

**CONDENSED CONSOLIDATED BALANCE SHEET** *(continued)*

30 September 2004

		<b>30 September 2004 (Unaudited) HK\$'000</b>	31 March 2004 (Audited) HK\$'000
	Notes		
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>882,634</b>	765,517
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		<b>206,306</b>	80,073
Provisions for onerous contracts		<b>270</b>	4,461
		<b>206,576</b>	84,534
MINORITY INTERESTS		<b>400</b>	401
		<b>675,658</b>	680,582
CAPITAL AND RESERVES			
Issued capital	13	<b>14,332</b>	14,332
Reserves		<b>657,026</b>	666,250
Proposed interim dividend	5	<b>4,300</b>	–
		<b>675,658</b>	680,582

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Warrant reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Investment property revaluation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Proposed interim dividend (Unaudited) HK\$'000	Proposed final dividend (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the six months ended 30 September 2003										
At 1 April 2003	11,815	348,222	106,329	1,735	1,511	-	153,876	-	-	623,488
Expiry of warrants	-	-	-	(1,735)	-	-	1,735	-	-	-
Net profit for the period	-	-	-	-	-	-	7,238	-	-	7,238
Interim dividend	-	-	-	-	-	-	(3,544)	3,544	-	-
Transfer from retained profits	-	-	-	-	5,830	-	(5,830)	-	-	-
At 30 September 2003	11,815	348,222	106,329	-	7,341	-	153,475	3,544	-	630,726
For the six months ended 30 September 2004										
At 1 April 2004	14,332	372,362	106,329	-	-	4,696	172,831	-	10,032	680,582
Final dividend declared	-	-	-	-	-	-	-	-	(10,032)	(10,032)
Deficit on revaluation of investment properties and net loss not recognised in the profit and loss account	-	-	-	-	-	(4,414)	-	-	-	(4,414)
Net profit for the period	-	-	-	-	-	-	9,522	-	-	9,522
Interim dividend	-	-	-	-	-	-	(4,300)	4,300	-	-
At 30 September 2004	14,332	372,362*	106,329*	-*	-*	282*	178,053*	4,300	-	675,658

\* These reserve accounts comprise the consolidated reserves of HK\$657,026,000 (31 March 2004: HK\$666,250,000) in the condensed consolidated balance sheet.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2004</b>	2003
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	<b>8,216</b>	(9,599)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	<b>(174,542)</b>	53,040
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	<b>175,017</b>	(5,369)
	<hr/>	<hr/>
INCREASE IN CASH AND CASH EQUIVALENTS	<b>8,691</b>	38,072
Cash and cash equivalents at beginning of period	<b>289,365</b>	214,191
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>298,056</b>	252,263
	<hr/>	<hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>33,126</b>	42,523
Non-pledged time deposits with original maturity of less than three months when acquired	<b>264,930</b>	209,740
	<hr/>	<hr/>
	<b>298,056</b>	252,263
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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**1. Basis of preparation and significant accounting policies**

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies and basis of preparation used in the interim financial statements are the same as those used in the preparation of the audited financial statements for the year ended 31 March 2004, except for the new adoption of accounting policy for properties under development as set out below.

*(a) Properties under development and properties under development for sale*

Properties under development, for which pre-sales have not yet commenced, are stated at cost less any impairment losses. Cost includes all costs attributable to such developments, including financial charges.

Properties under development which have been pre-sold are stated at cost plus attributable profits less sale deposits/instalments received and receivable and any foreseeable losses. Properties under development which have been pre-sold and in respect of which occupation permits are expected to be granted within one year from the balance sheet date are classified under current assets.

When properties under development have been pre-sold, the total estimated profit is apportioned over the entire period of construction to reflect the progress of the development. On this basis, profit recognised on properties pre-sold during the accounting period is calculated by reference to the proportion of construction costs incurred up to the accounting date to the estimated total construction costs to completion, limited to the amount of sale deposits/instalments received, with due allowances for contingencies.

*(b) Completed properties for sale*

Completed properties 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.

*(c) 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:

- (i) from the sale of properties, when the legally binding unconditional sale contracts are signed and exchanged; and
- (ii) from the pre-sale of properties under development, when the construction work has progressed to a stage where the ultimate realisation of profit can be reasonably determined and on the basis set out under the accounting policy headed “Properties under development and properties under development for sale”.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

### 2. Segment information

#### Business segments

The Company is an investment holding company and the Group principally operates in seven business segments as described below.

The following table presents revenue and profit/(loss) information for the Group's business segments for the six months ended 30 September.

#### 2004

Group	Chinese	Shopping	Phar-	Property	Property	Retail	Corporate	Eliminations	Consolidated
	wet markets	centres and car parks	maceutical business	development	investment	business	and other		
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Note)						
Segment revenue									
Sales to external customers	72,129	44,377	-	-	5,794	18,921	2,794	-	144,015
Intersegment sales	1,821	462	-	-	-	-	5,181	(7,464)	-
Other revenue	323	934	-	-	4,727	27	3,206	-	9,217
Total	74,273	45,773	-	-	10,521	18,948	11,181	(7,464)	153,232
Segment results	6,942	2,880	-	(1,556)	9,102	491	290	-	18,149
Unallocated expenses									(2,829)
Interest income									2,431
Profit from operating activities									17,751
Finance costs									(1,870)
Share of profits and losses of associates (including amortisation of goodwill)									(3,421)
Profit before tax									12,460
Tax									(2,939)
Profit before minority interests									9,521
Minority interests									1
Net profit from ordinary activities attributable to shareholders									9,522



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

### 2. Segment information (Continued)

#### Business segments (Continued)

2003

Group	Chinese wet markets	Shopping centres and car parks	Pharmaceutical business	Property development	Property investment	Retail business	Corporate and other	Eliminations	Consolidated
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue									
Sales to external customers	66,378	44,516	18,556	-	5,580	18,629	2,648	-	156,307
Intersegment sales	1,479	481	-	-	346	-	1,322	(3,628)	-
Other revenue	376	1,126	45	-	-	41	20,002	-	21,590
Total	68,233	46,123	18,601	-	5,926	18,670	23,972	(3,628)	177,897
Segment results	6,841	2,677	6,023	-	1,502	2,190	3,927	(3,282)	19,878
Unallocated expenses									(2,548)
Interest income									6,464
Profit from operating activities									23,794
Finance costs									(1,053)
Share of profits and losses of associates (including amortisation of goodwill)									(12,005)
Profit before tax									10,736
Tax									(3,486)
Profit before minority interests									7,250
Minority interests									(12)
Net profit from ordinary activities attributable to shareholders									7,238

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

Note: The Group's pharmaceutical operations were transferred to an associate during the year ended 31 March 2004.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)***3. Profit from operating activities**

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

	<b>For the six months ended 30 September</b>	
	<b>2004</b>	2003
	<b>(Unaudited) HK\$'000</b>	(Unaudited) HK\$'000
Cost of inventories sold	<b>12,492</b>	12,241
Depreciation	<b>6,048</b>	8,179
Amortisation of goodwill	<b>788</b>	5,457
Amount released from onerous contracts, net	<b>(5,387)</b>	(4,629)
Loss on disposal of properties held for re-sale	–	15
Gain on disposal of investment properties	<b>(4,223)</b>	–
Loss on disposal of interests in subsidiaries	<b>372</b>	1,020
Gain on disposal of an associate	–	(5,830)
Provision for impairment of investments	<b>1,200</b>	4,539
Interest income	<b>(2,431)</b>	(6,464)
Investment income		
– Listed	<b>(1,529)</b>	–
– Unlisted	<b>(174)</b>	(258)
	<hr/>	<hr/>

**4. Tax**

	<b>For the six months ended 30 September</b>	
	<b>2004</b>	2003
	<b>(Unaudited) HK\$'000</b>	(Unaudited) HK\$'000
Group:		
Current tax – Hong Kong		
– Charge for the period	<b>2,156</b>	2,560
– Overprovision in prior year	<b>(538)</b>	(183)
Deferred	<b>904</b>	876
	<hr/>	<hr/>
	<b>2,522</b>	3,253
Share of tax attributable to associates	<b>417</b>	233
	<hr/>	<hr/>
Total tax charge for the period	<b>2,939</b>	3,486
	<hr/>	<hr/>

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong for the period under review.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)***5. Proposed dividend**

	<b>For the six months ended 30 September</b>	
	<b>2004</b>	2003
	<b>(Unaudited) HK\$'000</b>	(Unaudited) HK\$'000
2004 Interim of HK3 cents per share (2003 Interim: HK3 cents per share)	<b>4,300</b>	3,544

**6. Earnings per share**

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of HK\$9,522,000 (2003: HK\$7,238,000), and the weighted average of 143,320,366 (2003: 118,143,655) ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the period of HK\$9,522,000. The weighted average number of ordinary shares used in the calculation is the 143,320,366 ordinary shares in issue during the period, as used in the basic earnings per share calculation; and the weighted average of 257,759 ordinary shares assumed to have been issued at no consideration on deemed exercise of all the share options during the period.

The diluted earnings per share amount for the period ended 30 September 2003 has not been disclosed as no dilutive events existed during the period.

**7. Pledge of assets**

As at 30 September 2004, the Group's properties under development, investment properties and certain rental income generated therefrom were pledged to secure certain of the Group's general banking facilities.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)***8. Goodwill**

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

	<b>Goodwill arising on acquisition of subsidiaries (Unaudited) HK\$'000</b>	<b>Goodwill arising on acquisition of associate (Note 9) (Unaudited) HK\$'000</b>	<b>Negative goodwill arising on acquisition of associate (Note 9) (Unaudited) HK\$'000</b>
Cost:			
At beginning of period	7,096	15,149*	–
Acquisitions during the period	–	–	(23,264)
<b>At 30 September 2004</b>	<b>7,096</b>	<b>15,149</b>	<b>(23,264)</b>
Accumulated amortisation and impairment:			
At beginning of period	(1,637)	(3,492)*	–
Amortisation provided during the period	(788)	(2,348)	581
<b>At 30 September 2004</b>	<b>(2,425)</b>	<b>(5,840)</b>	<b>581</b>
Net book value:			
<b>At 30 September 2004</b>	<b>4,671</b>	<b>9,309</b>	<b>(22,683)</b>
At 31 March 2004	5,459	11,657	–

\* The opening amounts of cost and accumulated amortisation have each been adjusted by HK\$20,507,000 for goodwill released arising from the disposal of an associate during the year ended 31 March 2004. There was no impact on the net book amounts as at 31 March 2004.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)*

## 9. Interests in associates

	30 September 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000
Share of net assets	176,781	69,713
Deferred gain	(8,328)	(8,785)
Goodwill on acquisition – Note 8	9,309	11,657
Negative goodwill on acquisition – Note 8	(22,683)	–
	<u>155,079</u>	<u>72,585</u>
Due from associates – Note (i)	433	539
Due to associates – Note (i)	(50)	(19)
Loans to associates – Note (ii)	–	7,000
Convertible notes due from an associate – Note (ii)	–	56,500
	<u>155,462</u>	<u>136,605</u>
Provisions for impairment	(3)	(3)
	<u>155,459</u>	<u>136,602</u>

## Notes:

- (i) The amounts with associates are unsecured, interest-free and have no fixed terms of repayment.
- (ii) The loans to associates and all the convertible notes were repaid during the period.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

### 9. Interests in associates (Continued)

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

Name	Business structure	Place of incorporation/ operations	Percentage of ownership interest attributable to the Group		Principal activities
			30 September 2004 (Note)	31 March 2004	
Wai Yuen Tong Medicine Holdings Limited ("WYTH")*	Corporate	Bermuda/ Hong Kong	29.75	19.62	Production and sale of Chinese and western medicine, and health care products

Note: During the period, the interest in WYTH was increased as a result of subscription of right shares together with the application of 210,000,000 excess rights shares in the investee company.

\* Listed on The Stock Exchange of Hong Kong Limited

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)***10. Investments***(a) Long term investments*

	<b>30 September 2004 (Unaudited) HK\$'000</b>	31 March 2004 (Audited) HK\$'000
Held-to-maturity securities:		
Hong Kong dated listed debt securities, at amortised cost	1,601	–
Hong Kong dated unlisted debt securities, at amortised cost	<u>15,538</u>	<u>15,534</u>
	<u>17,139</u>	<u>15,534</u>
Investment securities:		
Hong Kong unlisted unit trusts, at cost	4,010	4,010
Hong Kong unlisted equity shares, at cost	<u>30,098</u>	<u>30,098</u>
	<u>34,108</u>	<u>34,108</u>
Less: Provisions for impairment	<u>(14,799)</u>	<u>(14,799)</u>
	<u>19,309</u>	<u>19,309</u>
	<u>36,448</u>	<u>34,843</u>

*(b) Short term investments*

	<b>30 September 2004 (Unaudited) HK\$'000</b>	31 March 2004 (Audited) HK\$'000
Held-to-maturity securities:		
Hong Kong unlisted unit trusts, at cost	11,641	19,403
Investment securities:		
Hong Kong unlisted callable deposit, at cost	7,769	–
Hong Kong unlisted certificate of deposit, at cost	<u>11,654</u>	<u>11,650</u>
Other investments:		
Listed equity securities, at fair value		
Hong Kong	13,885	5,920
Elsewhere	<u>493</u>	<u>455</u>
	<u>45,442</u>	<u>37,428</u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)***11. Trade receivables**

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

	30 September 2004 (Unaudited)		31 March 2004 (Audited)	
	HK\$'000	%	HK\$'000	%
Within 90 days	7,817	90	5,297	94
91 days to 180 days	746	9	253	4
Over 180 days	79	1	86	2
	<u>8,642</u>	<u>100</u>	<u>5,636</u>	<u>100</u>
Less: Provision for doubtful debts	<u>(99)</u>		<u>(85)</u>	
	<u>8,543</u>		<u>5,551</u>	

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

**12. Trade payables**

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

	30 September 2004 (Unaudited)		31 March 2004 (Audited)	
	HK\$'000	%	HK\$'000	%
Within 90 days	<u>157</u>	<u>100</u>	<u>188</u>	<u>100</u>



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)***13. Share capital***Shares*

	<b>30 September 2004 (Unaudited) HK\$'000</b>	31 March 2004 (Audited) HK\$'000
<i>Authorised:</i>		
2,000,000,000 ordinary shares of HK\$0.10 each	<u>200,000</u>	<u>200,000</u>
<i>Issued and fully paid:</i>		
143,320,366 ordinary shares of HK\$0.10 each	<u>14,332</u>	<u>14,332</u>

*Share options*

Details of the Company's share option scheme are set out in the section "Share Option Scheme" of the interim report.

**14. Contingent liabilities**

At the balance sheet date, the Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employee Ordinance, with a maximum possible amount of HK\$1,534,000 (31 March 2004: HK\$1,534,000). The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service of the group in order to be eligible for long service payments under the Employment Ordinance if their employment was to be terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)***15. Operating lease arrangements***(a) As lessor*

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

As at 30 September 2004, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>30 September 2004 (Unaudited) HK\$'000</b>	31 March 2004 (Audited) HK\$'000
Within one year	<b>69,409</b>	70,810
In the second to fifth years, inclusive	<b>54,608</b>	30,319
	<b><u>124,017</u></b>	<u>101,129</u>

*(b) As lessee*

The Group leases Chinese wet markets, shopping centres and car parks under operating lease arrangements. Leases are negotiated for terms ranging from one to nine years.

As at 30 September 2004, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 September 2004 (Unaudited) HK\$'000</b>	31 March 2004 (Audited) HK\$'000
Within one year	<b>123,254</b>	109,754
In the second to fifth years, inclusive	<b>196,843</b>	114,171
After five years	–	378
	<b><u>320,097</u></b>	<u>224,303</u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)***16. Commitments**

In addition to the operating lease commitments detailed in note 15(b) above, the Group had the following commitments at the balance sheet date:

	<b>30 September 2004 (Unaudited) HK\$'000</b>	31 March 2004 (Audited) HK\$'000
Capital commitments contracted, but not provided for	<u>121,644</u>	<u>146,561</u>

**17. Post balance sheet events**

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

- (a) On 7 September 2004, the Group entered into four provisional sale and purchase agreements with an independent third party to acquire investment properties at an aggregate consideration of approximately HK\$30.9 million, of which approximately HK\$1.5 million had been paid as a deposit by the Group prior to the balance sheet date. The outstanding balance of approximately HK\$29.4 million was included in the amount of capital commitments contracted, but not provided for, in note 16 to the financial statements. The directors expect the acquisition will be completed on or before 10 March 2005.
- (b) On 27 September 2004, the Group entered into a conditional sale and purchase agreement with Mr. Tang Ching Ho ("Mr. Tang"), the chairman and the managing director of the Company, and Dragon Richly Investment Limited ("Dragon Richly"), a company wholly and beneficially owned by Mr. Tang (the "DR Agreement"). Pursuant to the DR Agreement, the Group agreed to acquire Dragon Richly from Mr. Tang at a consideration equivalent to the face value of the entire issued share capital and shareholder's loan of Dragon Richly as at completion of the DR Agreement. Prior to the DR Agreement, Dragon Richly had entered into provisional agreements with independent third parties to acquire properties for redevelopment at an aggregate consideration of approximately HK\$77.6 million. The transaction was completed on 23 November 2004.
- (c) On 30 September 2004, the Group entered into a provisional sale and purchase agreement with an independent third party to dispose of an investment property at a cash consideration of HK\$73.8 million. The directors expect the disposal will be completed on or before 31 January 2005 and will result in a gain of approximately HK\$22.7 million for the Group.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***(Continued)***17. Post balance sheet events** *(Continued)*

- (d) On 12 October 2004, the Group entered into a conditional sale and purchase agreement with Mr. Tang, Poly Talent Investment Limited (“Poly Talent”) and Profit Million Investment Limited (“Profit Million”), companies wholly and beneficially owned by Mr. Tang (the “PT/PM Agreement”). Pursuant to the PT/PM Agreement, the Group agreed to acquire both Poly Talent and Profit Million from Mr. Tang at a consideration equivalent to the face value of the entire issued share capital and shareholder’s loans of both Poly Talent and Profit Million as at completion of the PT/PM Agreement. Prior to the PT/PM Agreement, Poly Talent and Profit Million had entered into provisional agreements with independent third parties to acquire properties for redevelopment at an aggregate consideration of approximately HK\$68.3 million. The transaction was completed on 23 November 2004.
- (e) On 21 October 2004, the Group entered into provisional sale and purchase agreements with independent third parties to acquire two respective adjoining residential sites at an aggregate consideration of approximately HK\$13.8 million.
- (f) On 18 November 2004, the Group entered into a joint venture agreement with independent third parties to set up a sino-foreign equity joint venture company, in which the Group and the joint venture partners will have 48% and 52% of equity interests, respectively. The Group’s capital contribution to the joint venture company will be capped at HK\$12 million.
- (g) On 19 November 2004, the Company entered into a conditional placing underwriting agreement (the “Placing Agreement”) with an independent placing agent. Pursuant to the Placing Agreement, the placing agent agreed to place convertible notes in an aggregate principal amount of approximately HK\$37.2 million. The transaction was completed on 16 December 2004 and the net proceeds of approximately HK\$35.7 million was received.
- (h) On 23 November 2004, the Group entered into a provisional sale and purchase agreement with an independent third party to dispose of an investment property at a consideration of HK\$29.1 million. The directors expect the disposal will be completed on or before 18 March 2005 and will result in a gain of approximately HK\$7.7 million.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)***18. Related party transactions**

The Group had the following transaction with related parties during the period:

	Notes	Six months ended	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Rental income received from Mr. Tang	(a)	270	300
Proceeds from disposal of subsidiaries to an associate	(b)	65,354	129,725
Income from associates:	(c)		
– Management fee		504	35
– Interest income		519	4,164
– Rental		2,355	2,386
Expenses paid to associates:	(c)		
– Rental		588	–
– Cleaning		–	1,716
		–	1,716

- (a) An investment property of the Group was leased to Mr. Tang for a period of one year from 20 December 2002 at an agreed monthly rental of HK\$50,000. The lease was renewed and extended for further one year at an agreed monthly rental of HK\$45,000. The rentals were determined with reference to the prevailing market rates.
- (b) The entire interests of WOD Investments Limited was disposed of to WYTH at a consideration of HK\$65.4 million. The consideration was based on terms mutually agreed between both parties.
- (c) The transactions were based on terms mutually agreed between both parties.

**19. Approval of the unaudited condensed consolidated financial statements**

The unaudited condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 17 December 2004.

## INTERIM DIVIDEND AND BOOK CLOSE

The Directors have resolved to declare an interim dividend of 3.0 HK cents (2003: 3.0 HK cents) per share for the six months ended 30 September 2004. The interim dividend will be payable on 21 January 2005 to those shareholders whose names appear on the register of members of the Company on 14 January 2005 (the "Record Date"). The register of members of the Company will be closed from 12 January 2005 to the Record Date, both days inclusive. During this period, no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tengis Limited of G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:00 p.m. on 11 January 2005.

## BUSINESS REVIEW

The Group posted a satisfactory performance for the six months ended 30 September 2004, with the operating results of the Group for the six months ended 30 September 2004 showing an improvement compared with its performance during the same period last year.

The Group's turnover for the six months ended 30 September 2004 decreased to approximately HK\$144.0 million (2003: HK\$156.3 million). This was mainly attributable to the disposal of the 99.79% effective interest in Luxembourg Medicine Company Limited to the Group's associated company, Wai Yuen Tong Medicine Holdings Limited. Excluding the turnover of the pharmaceutical business in 2003, the Group's turnover during the current period represented an increase of HK\$6.3 million or 5% against the same period in 2003. The net profit attributable to shareholders for the six months ended 30 September 2004 increased to HK\$9.5 million representing an improvement of over 31% compared to the same period last year (2003: HK\$7.2 million).

## **BUSINESS REVIEW** *(Continued)*

### **Management and Sub-licensing of Chinese Wet Markets**

The Group continues to be the leader in this business sector in Hong Kong and the grand opening of our Tseung Kwan O Plaza (Allmark) Market in July 2004, being the first wet market in Hong Kong which allows customers to purchase via the octopus payment system, has won much acclaim from the general public.

The recent offering prospectus of The Link Real Estate Investment Trust (the "Reit") disclosed that the Group was the third largest tenant of the Reit in terms of monthly based rent. The Directors believe that the Reit is likely to provide new business opportunities for the Group in the management and sub-licensing of Chinese wet markets.

### **Management and Sub-licensing of Shopping Centres and Car Parks**

These two areas of business remained stable during the period. It was disclosed in the offering prospectus of the Reit that the Group's car park management subsidiary is one of the major operators of the Reit's car parks.

### **Investment in Pharmaceutical & Health Products**

The disposal of the interest in the Wai Yuen Tong Medicine Building and the rights issue of Wai Yuen Tong Medicine Holdings Limited ("WYTH") were completed in June 2004.

With the extension of both its distribution network and product lines, turnover for WYTH's pharmaceutical and health products related business doubled compared with the corresponding period last year and the consolidated loss for the period under review was substantially reduced by 40%.

The Directors are confident that the Group's indirect investment in pharmaceutical and health products business via WYTH will bring satisfactory returns to the Group in the long term.

**BUSINESS REVIEW** (Continued)**Property Development**

With the rebound of the Hong Kong property market, the Group continues to expand in this area of business. During the period under review and up to the date of this report, the following acquisitions/sale and purchase agreements were made/signed.

Property Name	Location	Consideration (HK\$)	Estimated Approximate		Development Plan	Anticipated Completion
			Approximate Site Area (sq. ft.)	Gross Floor Area (sq. ft.)		
Shatin Heights	Lot No. 1476 in DD 189	103.8 million	49,100	27,900	Low density residential area with 11 luxury houses	First quarter of 2006
Fairview Park Boulevard	Lot No. 4781 in D.D. No. 104 and Lot No. 3254 RP in D.D. 104	68.3 million	104,600	37,100	Low density residential and commercial area with 19 luxury houses and 2 shops	Last quarter of 2006
Kennedy Town	29 residential and commercial units of Nos. 12, 14, 16, 18, 20 and 22, Davis Street, Kennedy Town, Hong Kong	77.6 million	5,000	37,000	26 storey residential and commercial building	Second quarter of 2007
Ho Chung	Various lots in D.D. 210 and D.D. 244 Sai Kung, New Territories	13.8 million	68,000	20,500	Low density residential development	First quarter of 2008
		<u>263.5 million</u>	<u>226,700</u>	<u>122,500</u>		

The Directors expect that, with the continual rebound of the Hong Kong property market, these property development projects should bring handsome return to the Group in the coming years.



**BUSINESS REVIEW** *(Continued)***Property Investment**

During the period under review and up to the date of this report, the Group has acquired/disposed of certain retail shops and residential units in its portfolio as follows:

**Disposals**

<b>Location</b>	<b>Consideration (HK\$)</b>	<b>Anticipated/Actual Completion</b>
Shop 6 (including Cockloft) on the Ground Floor, Cheuk Ming Building, Nos. 10-22 Tsuen Wan Market Street, Tsuen Wan, New Territories	33.8 million	June 2004
Whole block located at No. 32 Argyle Street, Kowloon	73.8 million	January 2005
Flat D on the Ground Floor and Flat D on Mezzanine Floor, Nam Yeung Mansion, Nos. 31-34 Mut Wah Street, Kwun Tong, Kowloon	29.1 million	March 2005

**Acquisitions**

<b>Location</b>	<b>Consideration (HK\$)</b>	<b>Anticipated/Actual Completion</b>
Ground Floor and Cockloft, No. 203 Tung Choi Street, Mongkok, Kowloon	19.8 million	July 2004
Four residential units of Parc Palais, 18 Wylie Road, King's Park, Kowloon	30.9 million	March 2005

As at 30 September 2004, the Group held a retail property portfolio with a net book value of approximately HK\$244.4 million, generating a projected annual rental income of approximately HK\$10.0 million.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group currently has cash resources of around HK\$280 million. In order to enhance its returns on the Group's financial resources in the current low interest rate environment, the Group has also invested, in aggregate, approximately HK\$52.1 million in certain long-term guaranteed return certificates of deposit and bank commercial papers.

The Group's gearing ratio as at 30 September 2004 was approximately 0.4 (calculated by reference to the Group's total borrowings and capital and reserves of HK\$270.8 million and HK\$675.7 million, respectively, as at 30 September 2004).

At 30 September 2004, the Group's investment properties with a book value of approximately HK\$289.6 million and certain rental income generated therefrom were pledged to secure the Group's banking facilities, approximately HK\$218.8 million of which was utilised at 30 September 2004.

The Group's contingent liabilities and capital commitment as at 30 September 2004 amounted to approximately HK\$123.2 million.

On 19 November 2004, the Company entered into a conditional placing underwriting agreement (the "Placing Agreement") with an independent placing agent. Pursuant to the Placing Agreement, the placing agent agreed to place convertible notes in an aggregate principal amount of approximately HK\$37.2 million. The transaction was completed on 16 December 2004 and the net proceeds of approximately HK\$35.7 million was received.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2004, the Group had around 600 full time employees, over 95% of whom were located in Hong Kong.

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

## PROSPECTS

The recovering Hong Kong economy is encouraging for the future performance of the Group. With deflation subsiding and the employment rate improving, the Directors expect the economy and the property market in Hong Kong should perform well in the near future. The Company's management will continue to strengthen the Group's existing businesses whilst making every effort to explore new business opportunities to maximize returns for all shareholders.

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

At 30 September 2004, the interests and short positions of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in ordinary shares of the Company:

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

The interests of the directors in the share options of the Company are separately disclosed in the section "Share Option Schemes".

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Notes:

- (a) Mr. Tang Ching Ho was taken to be interested under the SFO in those shares in which his spouse, Ms. Yau Yuk Yin, was interested.
- (b) Mr. Tang Ching Ho was interested in these shares through Caister Limited, a company which is wholly and beneficially owned by him.
- (c) Agreements were entered into between Middlemore Limited, a company wholly and beneficially owned by Mr. Tang Ching Ho, and (i) Ms. Tang Mui Fong; (ii) Ms. Tang Mui Fun and (iii) Mr. Yau Yuk Tong, all being the relatives of Mr. Tang Ching Ho, as a result of which, for the purpose of Sections 317(1)(a) and 318 of the SFO, Mr. Tang Ching Ho was taken to be interested in the shares owned by them.
- (d) Ms. Yau Yuk Yin was taken to be interested under the SFO in those shares in which her spouse, Mr. Tang Ching Ho, was interested.

Save as disclosed above, as at 30 September 2004, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

## SHARE OPTION SCHEMES

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

In compliance with the amended Chapter 17 of the Listing Rules, the Old Scheme was terminated on 3 May 2002 and a new share option scheme (the "New Scheme") was adopted pursuant to an ordinary resolution passed at a special general meeting of the Company on 3 May 2002. However, all share options granted prior to the termination of the Old Scheme will remain in full force and effect.

## SHARE OPTION SCHEMES (Continued)

Under the New Scheme, eligible participants include any director or proposed director (whether executive or non-executive, including independent non-executive director), employee or proposed employee (whether full-time or part-time), seconded, any holder of securities issued by any member of the Group, any business or joint venture partner, contractor, agent or representative, any person or entity that provides research, development or other technology support or advisory, consultancy, professional or other services to the Group, any supplier, producer or licensor of goods or services to the Group, any customer, licensee (including any sub-licensee) or distributor of goods or services of the Group, or any landlord or tenant (including any sub-tenant) of the Group or any substantial shareholder or company controlled by a substantial shareholder, or any company controlled by one or more persons belonging to any of the above classes of participants. The New Scheme became effective on 3 May 2002 and, unless otherwise terminated earlier by shareholders in a general meeting, will remain in force for a period of ten years from that date.

The following share options were outstanding under the two share option schemes during the period:

Name or category of participant	1 April and 30 September 2004	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$
<i>Directors</i>				
Mr. Tang Ching Ho	654,000	6-3-2001	6-3-2001 to 5-2-2005	2.17
Ms. Yau Yuk Yin	654,000	6-3-2001	6-3-2001 to 5-2-2005	2.17
<i>Other employees</i>				
In aggregate (under the Old Scheme)	1,320,000	6-3-2001	6-3-2001 to 5-2-2005	2.17
In aggregate (under the New Scheme)	9,800,000	*	*	*
	12,428,000			

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

**SHARE OPTION SCHEMES** (Continued)

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

Subsequent to the balance sheet date, on 12 November 2004, a total of 12,990,000 share options were granted to certain employees of the Group. These share options vested on 12 November 2004 and have an exercise price of HK\$1.28 per share and an exercise period ranging from 12 November 2004 to 11 November 2014. The closing price of the Company's share at the date of grant was HK\$1.28.

**SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

At 30 September 2004, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

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

Notes:

- (a) The shareholding of Caister Limited, Ms. Tang Mui Fong, Mr. Yau Yuk Tong and Ms. Tang Mui Fun in the capital of the Company are also disclosed above as the corporate interests and other interests of Mr. Tang Ching Ho and Ms. Yau Yuk Yin under the heading "Directors' interests and short positions in shares and underlying shares".

As disclosed in Note (c) under the heading "Directors' interests and short positions in shares and underlying shares", Caister Limited, Mr. Tang Ching Ho, Ms. Yau Yuk Yin, Ms. Tang Mui Fong, Mr. Yau Yuk Tong and Ms. Tang Mui Fun were taken to be interested in a total of 30,347,399 shares in the capital of the Company.

## **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

*(Continued)*

- (b) Ms. Chan Yuk Kuen was taken to be interested under the SFO in those shares in which her spouse, Mr. Yau Yuk Tong was interested.
- (c) The details of the share options outstanding during the period are separately disclosed in the section "Share Option Schemes".

Save as disclosed above, as at 30 September 2004, no persons, other than the directors of the Company whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short positions in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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

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

## **AUDIT COMMITTEE**

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, comprising of three independent non-executive directors of the Company. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the unaudited condensed financial statements.

## **COMPLIANCE WITH CODE OF BEST PRACTICE**

In the opinion of the Directors, the Company complied with the Code throughout the accounting period covered by the interim report, save that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's by-laws.

By Order of the Board  
**Tang Ching Ho**  
*Chairman and Managing Director*

Hong Kong, 17 December 2004