

## Management Discussion and Analysis

### RESULTS

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

### DIVIDEND

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

### PROPOSED BONUS ISSUE OF SHARES

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

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

### CLOSURE OF REGISTER

The register of members of the Company will be closed from 9 August 2005 to 12 August 2005, both days inclusive, during which period no transfer of shares will be registered. To qualify for the proposed final dividend and Bonus Shares, all shareholders are required to lodge their transfers with the Company's branch share registrars in Hong Kong, Tengis Limited of G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration by no later than 4:00 p.m. on 8 August 2005.

### BUSINESS REVIEW

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

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

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

## Management Discussion and Analysis (Cont'd)

### Property Development

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

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

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

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

### Property Investment

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

#### *Disposals*

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

#### *Acquisitions*

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

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

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

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

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

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

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

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

### Investment in Pharmaceutical and Health Products related Business

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

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

### LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

As at 31 March 2005, the Group's gearing ratio was approximately 3.9% (calculated with reference to the Group's total borrowings net of cash and cash equivalent and capital and reserves of approximately HK\$28.5 million and HK\$736.4 million, respectively, as at 31 March 2005). As at 31 March 2004, the Group had a net cash position of HK\$184.8 million (calculated with reference to the Group's cash and cash equivalent and total borrowings of HK\$289.4 million and HK\$104.6 million, respectively, as at 31 March 2004).

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

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

### EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2005, the Group had over 500 full time employees, over 96% of whom were located in Hong Kong.

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

### PROSPECTS

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