

## I. CORPORATE INFORMATION

The head office and principal place of business of Wang On Group Limited is located at 5th Floor, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.

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

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

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

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

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

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

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

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

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

31 March 2005

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

## (a) (Cont'd)

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

In accordance with the provisions of HKFRS 3:

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

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

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

31 March 2005

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

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

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

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

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

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

In accordance with the provisions of Interpretation 24, revenue arising from pre-completion contracts for the sale of development properties that do not fall within the scope of HKAS 11 “Construction Contracts” is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties under development sold. Such properties are stated at cost.

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

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

## Notes to Financial Statements (Cont'd)

31 March 2005

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also includes Statements of Standard Accounting Practice (“SSAPs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties and certain investments, as further explained below.

#### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2005. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

#### Subsidiaries

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

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

#### Associates

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

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

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

#### Associates (Cont'd)

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

Deferred gain represents the unrealised profit resulting from downstream transactions with an associate eliminated to the extent of the Group's interest in that associate. Deferred gain is recognised in the consolidated balance sheet as part of the Group's interests in associates.

#### Business combinations

##### Goodwill

Goodwill arising on the acquisition of subsidiaries and associates is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill arising on the acquisition of subsidiaries is recognised in the consolidated balance sheet as an asset and in the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

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

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

## Notes to Financial Statements (Cont'd)

31 March 2005

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

#### Business combinations (Cont'd)

##### *Goodwill (Cont'd)*

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

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

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

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

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

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

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

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

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

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

Prior to the adoption of SSAP 30 "Business Combinations" in 2002, negative goodwill arising on acquisitions was credited to the consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provisions of the SSAP that permitted such negative goodwill to remain credited to the consolidated reserves. Negative goodwill on acquisitions subsequent to the adoption of the SSAP is treated according to the SSAP 30 negative goodwill accounting policy above.

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

**Related parties**

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

**Impairment of assets**

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

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

## Notes to Financial Statements (Cont'd)

31 March 2005

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

#### Impairment of assets (Cont'd)

A previously recognised impairment loss for an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset. Any impairment losses made against goodwill is not reversed.

#### Fixed assets and depreciation

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

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

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

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



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

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are owned by the Group or held by the Group under finance leases to earn rentals or for capital appreciation or both. Such properties are not depreciated, and are measured initially at cost including all transaction costs and, after initial recognition, carried at fair values, being their open market values on the basis of annual professional valuations performed at the end of each financial year.

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

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

**Properties under development**

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

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

**Borrowing costs**

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

## Notes to Financial Statements (Cont'd)

31 March 2005

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

#### Investments

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

##### *Held-to-maturity securities*

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

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

##### *Investment securities*

Investments in dated debt securities, equity securities, unit trusts and certificates of deposit intended to be held for a continuing strategic or identified long term purpose are stated at cost less any impairment losses, on an individual investment basis.

When a decline in the fair value of an investment security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amount of the security is reduced to its fair value, as estimated by the directors. The amount of the impairment is charged to the profit and loss account for the period in which it arises.

##### *Other investments*

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

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

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

#### Investments (Cont'd)

##### *Other investments (Cont'd)*

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

#### Inventories

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

#### Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

#### Provisions

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

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

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

31 March 2005

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

#### Provisions for onerous contracts

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

#### Income tax

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

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

**Revenue recognition**

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

- (a) rental and sub-licensing fee income, on an accrual basis;
- (b) from the provision of management services, when the services are rendered;
- (c) from the sale of goods and pre-sale of properties under development, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods or properties sold;
- (d) from the sale of properties, when the sale agreement becomes unconditional;
- (e) from the provision of project management and agency services, when the services are rendered;
- (f) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- (g) on the trading of securities, revenue is recognised on the date when the transaction takes place; and
- (h) dividend income, where the shareholders' right to receive payment has been established.

## Notes to Financial Statements (Cont'd)

31 March 2005

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

#### Employee benefits

##### *Employment Ordinance long service payments*

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, to the balance sheet date, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

##### *Retirement benefits scheme*

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

##### *Share option schemes*

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option schemes is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

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

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

Interim dividends are simultaneously proposed and declared, because bye-law 140 of the Company's bye-laws grants the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

**Foreign currencies**

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

On consolidation, the financial statements of overseas subsidiaries and associates are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and associates are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

## Notes to Financial Statements (Cont'd)

31 March 2005

### 4. SEGMENT INFORMATION

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

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Hong Kong, and over 90% of the Group's assets are located in Hong Kong.

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

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

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



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## Notes to Financial Statements (Cont'd)

## 4. SEGMENT INFORMATION (Cont'd)

## Business segments

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

Group	Property development		Property investment		Chinese wet markets		Shopping centres and car parks		Retail business		Corporate and others		Pharmaceutical*		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:																		
Sales to external customers	-	-	85,062	8,138	146,242	137,858	89,340	89,334	38,213	36,950	5,266	5,730	-	18,555	-	-	364,123	296,565
Intersegment sales	-	-	-	346	3,837	3,189	933	967	-	-	12,684	9,029	-	-	(17,454)	(13,531)	-	-
Other revenue	-	-	31,314	7,308	811	641	1,632	2,361	994	81	65,588	34,703	-	45	-	-	100,339	45,139
Total	-	-	116,376	15,792	150,890	141,688	91,905	92,662	39,207	37,031	83,538	49,462	-	18,600	(17,454)	(13,531)	464,462	341,704
Segment results	(3,104)	-	59,702	11,923	15,425	15,840	6,904	5,411	947	761	12,697	10,336	-	6,023	(416)	-	92,155	50,294
Unallocated expenses																		
Interest income																		
Profit from operating activities																		
Finance costs																		
Share of profits and losses of associates (including amortisation of goodwill)																	(2,047)	(7,396)
Profit before tax																	5,289	10,814
Tax																		
Profit before minority interests																		
Minority interests																		
Net profit from ordinary activities attributable to shareholders																	(15,000)	(17,963)
																	76,071	33,708
																	(5,910)	(4,334)
																	70,161	29,374
																	(34)	(89)
																	70,127	29,285

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

## Notes to Financial Statements (Cont'd)

31 March 2005

## 4. SEGMENT INFORMATION (Cont'd)

## Business segments (Cont'd)

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

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

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## Notes to Financial Statements (Cont'd)

**5. TURNOVER, REVENUE AND GAINS**

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

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

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

## Notes to Financial Statements (Cont'd)

31 March 2005

### 6. PROFIT FROM OPERATING ACTIVITIES

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

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

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

31 March 2005

## Notes to Financial Statements (Cont'd)

## 7. FINANCE COSTS

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

## 8. DIRECTORS' REMUNERATION

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

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

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

	Number of directors	
	2005	2004
Nil to HK\$1,000,000	4	3
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$3,500,001 to HK\$4,000,000	2	1
HK\$4,000,001 to HK\$4,500,000	–	1
	<b>7</b>	<b>6</b>

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

## Notes to Financial Statements (Cont'd)

31 March 2005

### 9. FIVE HIGHEST PAID EMPLOYEES

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

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

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

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

During the year, 2,860,000 share options of the Company were granted to the two non-director, highest paid employees in respect of their services to the Group, further details of which are set out in note 32 to the financial statements. No value in respect of the share options granted during the year has been charged to the profit and loss account, or is otherwise included in the above non-director, highest paid employees' remuneration disclosures.

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## Notes to Financial Statements (Cont'd)

## 10. TAX

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

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

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and the majority of its subsidiaries and associates are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e. the statutory tax rates) to the effective tax rates, are as follows:

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

## Notes to Financial Statements (Cont'd)

31 March 2005

### 11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

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

### 12. DIVIDENDS

	2005 HK\$'000	2004 HK\$'000
Interim – HK3.0 cents (2004: HK3.0 cents) per ordinary share	4,300	3,544
Proposed final – HK12.0 cents (2004: HK7.0 cents) per ordinary share	17,846	10,032
	<b>22,146</b>	<b>13,576</b>

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

### 13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$70,127,000 (2004: HK\$29,285,000), and the weighted average of 143,320,366 (2004: 121,746,522) ordinary shares in issue during the year.

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



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## Notes to Financial Statements (Cont'd)

## 14. FIXED ASSETS

## Group

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

## Notes to Financial Statements (Cont'd)

31 March 2005

### 14. FIXED ASSETS (Cont'd)

#### Company

	Furniture, fixtures and office equipment <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:			
At 1 April 2004 and 31 March 2005	15	66	81
Accumulated depreciation:			
At beginning of year	10	66	76
Provided during the year	3	–	3
<b>At 31 March 2005</b>	<b>13</b>	<b>66</b>	<b>79</b>
Net book value:			
<b>At 31 March 2005</b>	<b>2</b>	<b>–</b>	<b>2</b>
At 31 March 2004	5	–	5

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

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

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

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

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

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

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

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

**15. PROPERTIES UNDER DEVELOPMENT**

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

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

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

## Notes to Financial Statements (Cont'd)

31 March 2005

### 16. GOODWILL

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

#### Group

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

As detailed in note 3 to the financial statements, on the adoption of SSAP 30 in 2002, the Group applied the transitional provision of SSAP 30 that permitted goodwill and negative goodwill in respect of acquisitions which occurred prior to the adoption of the SSAP, to remain eliminated against consolidated reserves or credited to the capital reserve, respectively.

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## Notes to Financial Statements (Cont'd)

**16. GOODWILL** (Cont'd)

The amounts of goodwill recorded at cost in consolidated reserves, arising from the acquisition of subsidiaries prior to the adoption of SSAP 30 in 2002 were HK\$20,829,000 as at 1 April 2003. During the year ended 31 March 2004, upon the acquisition of additional interest in an associate, which became a subsidiary thereafter, the entire amount of goodwill of HK\$926,000 recorded at cost in consolidated reserves as at 1 April 2003, arising from the acquisition of an associate prior to the adoption of SSAP 30 in 2002, was reclassified as goodwill arising on acquisition of subsidiaries. Accordingly, the goodwill remaining in consolidated reserves as at 31 March 2005 was HK\$21,755,000.

**17. INTERESTS IN SUBSIDIARIES**

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

## Notes:

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

## Notes to Financial Statements (Cont'd)

31 March 2005

### 17. INTERESTS IN SUBSIDIARIES (Cont'd)

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

Name	Place of incorporation/ operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Advance Century Limited	Hong Kong	Ordinary HK\$2	–	100	Investment holding
Charter Golden Design & Contracting Limited	Hong Kong	Ordinary HK\$2	–	100	Property development
Century Fortune Hong Kong Limited	Hong Kong	Ordinary HK\$2	–	100	Property investment
China Coin Management Limited	Hong Kong	Ordinary HK\$1,000	–	100	Property investment
Conway Consultants Limited	Hong Kong	Ordinary HK\$1,400,000 Non-voting preference (Note 2) HK\$600,000	–	70	Provision of medical consultation services
Denox Management Limited	Hong Kong	Ordinary HK\$2	–	100	Management and sub-letting of properties
Dragon Richly Investment Limited	Hong Kong	Ordinary HK\$1	–	100	Property development
Easy Kindom Limited	Hong Kong	Ordinary HK\$2	–	100	Property investment
Goodtech Management Limited	Hong Kong	Ordinary HK\$2,800,100	–	100	Management of shopping centres
Grand Quality Development Limited	Hong Kong	Ordinary HK\$2	–	100	Property investment

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## Notes to Financial Statements (Cont'd)

## 17. INTERESTS IN SUBSIDIARIES (Cont'd)

Name	Place of incorporation/ operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Greatest Wealth Limited	Hong Kong	Ordinary HK\$100	–	100	Management of pork stalls and butcher shops
Join China Investment Limited	Hong Kong	Ordinary HK\$2	–	100	Investment holding
Lead Fortune Limited	Hong Kong	Ordinary HK\$1,000	–	100	Property investment
Kartix Investment Limited	Hong Kong	Ordinary HK\$1	–	100	Property development
Lica Parking Company Limited	Hong Kong	Ordinary HK\$25,500,000	–	99	Management and sub-licensing of car parks
Majorluck Limited	Hong Kong	Ordinary HK\$10,000	–	100	Management and sub-licensing of Chinese wet markets
Poly Talent Investment Limited	Hong Kong	Ordinary HK\$1	–	100	Property development
Profit Million Investment Limited	Hong Kong	Ordinary HK\$1	–	100	Property development
Parking Lot Management Limited	Hong Kong	Ordinary HK\$700,002	–	100	Property investment
Rich Time Strategy Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	–	100	Investment holding

## Notes to Financial Statements (Cont'd)

31 March 2005

### 17. INTERESTS IN SUBSIDIARIES (Cont'd)

Name	Place of incorporation/ operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
WOB Investments Limited	Hong Kong	Ordinary HK\$2	–	100	Property investment
Wang On Commercial Management Limited	British Virgin Islands/ Hong Kong	Ordinary US\$2	–	100	Investment holding
WEH Investments Limited	Hong Kong	Ordinary HK\$477 Non-voting deferred (Note 3) HK\$1,262,523	–	100	Property investment
Wang On Enterprises (BVI) Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100	–	Investment holding
Wang On Majorluck Limited	Hong Kong	Ordinary HK\$1,000	–	100	Management and sub-licensing of Chinese wet markets
Wang On Shopping Centre Management Limited	Hong Kong	Ordinary HK\$2	–	100	Management and sub-licensing of shopping centres
Willing Dental Consultants Limited	Hong Kong	Ordinary HK\$100	–	100	Provision of dental consultation services



31 March 2005

## Notes to Financial Statements (Cont'd)

**17. INTERESTS IN SUBSIDIARIES (Cont'd)**

Notes:

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

**18. INTERESTS IN ASSOCIATES**

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

## Notes to Financial Statements (Cont'd)

31 March 2005

### 18. INTERESTS IN ASSOCIATES (Cont'd)

Notes:

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

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

Name	Business structure	Place of incorporation/ operations	Percentage of ownership interest attributable to the Group		Principal activities
			2005 (Note 2)	2004	
WYTH* (Note 3)	Corporate	Hong Kong	28.57	19.62	Production and sale of traditional Chinese and Western pharmaceutical, health food products and property holding

Notes:

- (1) The above table lists the associate of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.
- (2) During the year, the interest in WYTH was increased as a result of subscription of rights shares, placements of shares and the exercise of convertible notes in the investee company.
- (3) The financial statements of the company are not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

\* Listed on The Stock Exchange of Hong Kong Limited.

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

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

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

## Notes to Financial Statements (Cont'd)

31 March 2005

## 19. INVESTMENTS

## (a) Long term investments

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

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## Notes to Financial Statements (Cont'd)

## 19. INVESTMENTS (Cont'd)

## (b) Short term investments

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

## 20. INVENTORIES

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

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

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

31 March 2005

**21. TRADE RECEIVABLES**

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

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

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

**22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

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

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## Notes to Financial Statements (Cont'd)

## 23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

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

## 24. TRADE PAYABLES

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

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

## 25. OTHER PAYABLES AND ACCRUALS

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

## 26. INTEREST-BEARING BANK LOANS

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

## Notes to Financial Statements (Cont'd)

31 March 2005

## 27. PROVISIONS FOR ONEROUS CONTRACTS

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

## 28. INTEREST-BEARING BANK LOANS

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

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

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



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## Notes to Financial Statements (Cont'd)

## 29. CONVERTIBLE NOTES

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

## Notes:

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

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

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

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

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

## Notes to Financial Statements (Cont'd)

31 March 2005

## 30. DEFERRED TAX

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

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

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

<b>Group</b>	<b>2004</b>					
	Accelerated tax depreciation <i>HK\$'000</i>	Provisions for onerous contract <i>HK\$'000</i>	Revaluation of properties <i>HK\$'000</i>	Losses available for offset against future taxable profit <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2003	(1,764)	1,500	78	2,393	20	2,227
Deferred tax credited/(charged) to the profit and loss account during the year (Note 10)	(962)	(254)	(59)	476	(10)	(809)
Deferred tax assets/(liabilities) at 31 March 2004	(2,726)	1,246	19	2,869	10	1,418

<b>Group</b>	<b>2005</b>					
	Accelerated tax depreciation <i>HK\$'000</i>	Provisions for onerous contract <i>HK\$'000</i>	Revaluation of properties <i>HK\$'000</i>	Losses available for offset against future taxable profit <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2004	(2,726)	1,246	19	2,869	10	1,418
Disposal of subsidiaries	2,194	-	-	(2,194)	-	-
Deferred tax credited/(charged) to the profit and loss account during the year (Note 10)	788	(1,011)	(2,164)	275	-	(2,112)
Deferred tax assets/(liabilities) at 31 March 2005	256	235	(2,145)	950	10	(694)

31 March 2005

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

The Group has tax losses arising in Hong Kong of approximately HK\$77,601,000 (2004: HK\$121,230,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31 March 2005, there is no significant unrecognised deferred tax liability (2004: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or associates as the Group has no liability to additional tax should such amounts be remitted.

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

**31. SHARE CAPITAL****Shares**

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

**Share options**

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

**32. SHARE OPTION SCHEMES**

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. On 6 February 1995, the Company approved a share option scheme (the "Old Scheme") under which the directors of the Company may, at their discretion, invite any executive directors or full-time employees of the Group to take up share options to subscribe for shares of the Company at any time during the 10 years from the date of approval of the Old Scheme. The Old Scheme became effective upon the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 February 1995.

In compliance with the amended Chapter 17 of the Listing Rules, the Old Scheme was terminated on 3 May 2002 and a new share option scheme (the "New Scheme") was adopted pursuant to an ordinary resolution passed at a special general meeting of the Company on 3 May 2002. As a result, the Company will no longer grant any further share options under the Old Scheme. However, all share options granted prior to the termination of the Old Scheme will remain in full force and effect. As at 31 March 2005, all share options granted under the Old Scheme were lapsed.

## Notes to Financial Statements (Cont'd)

31 March 2005

### 32. SHARE OPTION SCHEMES (Cont'd)

Under the New Scheme, eligible participants include any director or proposed director (whether executive or non-executive, including independent non-executive director), employee or proposed employee (whether full-time or part-time), seconded, any holder of securities issued by any member of the Group, any business or joint venture partner, contractor, agent or representative, any person or entity that provides research, development or other technology support or advisory, consultancy, professional or other services to the Group, any supplier, producer or licensor of goods or services to the Group, any customer, licensee (including any sub-licensee) or distributor of goods or services of the Group, or any landlord or tenant (including any sub-tenant) of the Group or any substantial shareholder or company controlled by a substantial shareholder, or any company controlled by one or more persons belonging to any of the above classes of participants. The New Scheme became effective on 3 May 2002 and, unless otherwise terminated earlier by shareholders in a general meeting, will remain in force for a period of 10 years from that date.

Pursuant to the New Scheme, the maximum number of share options that may be granted under the New Scheme and any other share option schemes of the Company is an amount equivalent, upon their exercise, not in aggregate exceed 10% of the issued share capital of the Company from time to time, excluding any shares issued on the exercise of share options. As at 31 March 2005, the number of shares issuable under the share options granted under the New Scheme was 22,790,000 which in aggregate represented approximately 15.9% of the Company's shares in issue as at that date.

The maximum number of shares issuable under share options to each eligible participant (except for a substantial shareholder or an independent non-executive director or any of their respective associates) under the New Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of such limit must be separately approved by shareholders with such eligible participant and his associates abstaining from voting.

Share options granted to a director, chief executive or substantial shareholder of the Company (or any of their respective associates) must be approved by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the option). Where any grant of share options to a substantial shareholder or an independent non-executive director (or any of their respective associates) will result in the total number of shares issued and to be issued upon exercise of share options already granted and to be granted to such person under the New Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant representing in aggregate over 0.1% of the shares in issue, and having an aggregate value, based on the closing price of the Company's shares at each date of grant, in excess of HK\$5 million, such further grant of share options is required to be approved by shareholders in a general meeting in accordance with the Listing Rules. Any change in the terms of a share option granted to a substantial shareholder or an independent non-executive director (or any of their respective associates) is also required to be approved by shareholders.

An offer for the grant of share options must be accepted within 30 days from the date on which such offer was made. The amount payable by the grantee of a share option to the Company on acceptance of the offer of the grant is HK\$1.00.

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## Notes to Financial Statements (Cont'd)

## 32. SHARE OPTION SCHEMES (Cont'd)

The option price per share payable on the exercise of an option is determined by the directors provided that it shall be at least the higher of (i) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange at the date of offer of grant (which is deemed to be the date of grant if the offer for the grant of a share option is accepted by the eligible person), which must be a business day; and (ii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of grant, provided that the option price per share shall in no event be less than the nominal amount of one share.

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

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

Name or category of participant	At 1 April 2004	Granted during the year	Lapsed during the year	At 31 March 2005	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$
<b>Directors</b>							
Tang Ching Ho	654,000	–	(654,000)	–	6-3-2001	6-3-2001 to 5-2-2005	2.17
Yau Yuk Yin	654,000	–	(654,000)	–	6-3-2001	6-3-2001 to 5-2-2005	2.17
<b>Other employees</b>							
In aggregate (under the Old Scheme)	1,320,000	–	(1,320,000)	–	6-3-2001	6-3-2001 to 5-2-2005	2.17
In aggregate (under the New Scheme)	9,800,000	12,990,000	–	22,790,000	*	*	*
	12,428,000	12,990,000	(2,628,000)	22,790,000			

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

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

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

## Notes to Financial Statements (Cont'd)

31 March 2005

### 33. RESERVES

#### (a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 28 to 30 of the financial statements.

Certain amounts of goodwill and negative goodwill arising on the acquisition of subsidiaries and associates in prior years remain eliminated against consolidated retained profits and credited to the capital reserve, respectively, as explained in note 16 to the financial statements.

#### (b) Company

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

Note:

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

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## Notes to Financial Statements (Cont'd)

**34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT****(a) Major non-cash transactions**

During the year, the Group entered into a sale and purchase agreement to dispose of its entire interests in a subsidiary of the Group to WYTH at a consideration of approximately HK\$63.6 million. The consideration was satisfied by cash of approximately HK\$33.6 million and convertible notes issued by WYTH of HK\$30 million. Further details are set out in note (d) below.

**(b) Acquisition of subsidiaries**

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

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

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

## Notes to Financial Statements (Cont'd)

31 March 2005

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

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

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

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of additional shares in associates which became subsidiaries as a result thereof is as follows:

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



31 March 2005

## Notes to Financial Statements (Cont'd)

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

## (d) Disposal of subsidiaries

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

## Notes to Financial Statements (Cont'd)

31 March 2005

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

#### (d) Disposal of subsidiaries (Cont'd)

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

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

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

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

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

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## Notes to Financial Statements (Cont'd)

**35. CONTINGENT LIABILITIES**

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

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

- (b) The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK\$1,366,000 as at 31 March 2005, as further explained under the heading "Employee benefits" in note 3 to the financial statements. The contingent liability has arisen because, at the balance sheet date, a number of current employees had achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

## Notes to Financial Statements (Cont'd)

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### 36. OPERATING LEASE ARRANGEMENTS

#### (a) As lessor

The Group leases its investment properties (note 14 to the financial statements) and sub-leases Chinese wet markets, shopping centres and car parks under operating lease arrangements, with leases negotiated for terms ranging from three months to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions.

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

	<b>Group</b>	
	<b>2005</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>
Within one year	<b>140,509</b>	70,810
In the second to fifth years, inclusive	<b>137,077</b>	30,319
	<b>277,586</b>	101,129

#### (b) As lessee

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

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

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

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## Notes to Financial Statements (Cont'd)

**37. COMMITMENTS**

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

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

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

**38. POST BALANCE SHEET EVENTS**

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

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

## Notes to Financial Statements (Cont'd)

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### 39. RELATED PARTY TRANSACTIONS

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

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

Notes:

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

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

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

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

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

**41. APPROVAL OF THE FINANCIAL STATEMENTS**

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