

1. CORPORATE INFORMATION

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

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

- management and sub-licensing of Chinese wet markets, shopping centres and car parks
- manufacturing and sale of Chinese medicine, herbs and other medicinal products
- provision of project management and agency services
- provision of building related contracting services
- property investments

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("SSAP"), 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 remeasurement of investment properties and certain investments in securities, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2001 together with the Group's share of the results for the year and net assets of its associates as set out below. The results of the subsidiaries and associates acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been impairment in values, when they are written down to values determined by the directors.



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

Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of its issued share capital 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 provisions for impairment in values deemed necessary by the directors, other than those considered to be temporary in nature.

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 stated at cost less any provisions for impairment in values deemed necessary by the directors, other than those considered to be temporary in nature.

Goodwill or capital reserve

The goodwill or capital reserve arising on consolidation of subsidiaries and on acquisition of associates represents the excess or shortfall, respectively, of the purchase consideration paid for subsidiaries and associates over the fair values ascribed to the net underlying assets acquired, and is eliminated against or credited to reserves, respectively, in the year of acquisition. On disposal of such subsidiaries or associates, the relevant portion of attributable goodwill or capital reserve previously eliminated against or credited to reserves is written back and included in the calculation of the gain or loss on disposal.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation. 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.

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

Fixed assets and depreciation *(continued)*

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

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

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

Investment properties

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

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

Provision for onerous contracts

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

Leased assets

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



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

Leased assets *(continued)*

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

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rental receipts or payments under such operating leases are credited or charged to the profit and loss account on the straight-line basis over the lease terms.

Investments

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

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

Provisions against the carrying values 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.

Held-to-maturity securities

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

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

Investment securities

Investments in dated debt securities and equity securities, intended to be held for a continuing strategic or identified long term purpose, are stated at cost less any provisions for impairment in values deemed necessary by the directors, other than those considered to be temporary in nature, on an individual basis.

When such impairment in values have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairment are charged to the profit and loss account for the period in which they arise. When the circumstances and events which led to the impairment in values cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amounts of the impairment previously charged are credited to the profit and loss account to the extent of the amounts previously charged.

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

Investments *(continued)*

Other investments

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

Inventories

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

Construction, renovation and decoration contracts

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

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

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

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

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

Website development cost

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

Deferred tax

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



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

Foreign currencies

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

Retirement benefits scheme

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

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

Revenue recognition

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

- (a) from construction and decoration contracts, based on the percentage of completion basis as further explained in the accounting policy for "Construction, renovation and decoration contracts" above;
- (b) from project management and agency services, when services are rendered;
- (c) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (d) from the sale of properties, at the time when the sale agreement becomes unconditional;
- (e) rental and sub-licensing fee income, on an accrual basis; and
- (f) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Properties held for re-sale

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

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.

Cash equivalents

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

3. TURNOVER AND REVENUE

Turnover represents the invoiced value of building related contracting services, building materials, Chinese medicine, herbs and other medicinal products sold, and sub-licensing fee income, the proceeds from the disposal of properties. All significant intra-group transactions have been eliminated.

An analysis of turnover and revenue is as follows:

	2001	2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
Management and sub-licensing of Chinese wet markets	104,923	60,358
Management and sub-licensing of shopping centres	20,558	21,390
Management of car parks	70,109	77,594
Sale of Chinese medicine, herbs and other medicinal products	9,036	—
Sales of investment properties and properties held for resale	1,230	74,900
Building related contracting business	1,515	86,671
Trading of building materials	—	19,425
Others	4,627	2,308
	<hr/>	<hr/>
Turnover	211,998	342,646
Interest income	12,172	6,240
Gain on disposal of investments	2,281	—
	<hr/>	<hr/>
Revenue	<u>226,451</u>	<u>348,886</u>

**4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES**

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

	Group	
	2001	2000
	HK\$'000	HK\$'000
Cost of inventories sold	3,398	96,289
Depreciation:		
Owned fixed assets	10,791	8,830
Leased fixed assets	113	210
Operating lease rentals for land and buildings	119,515	114,064
Website development cost	7,169	5,449
Auditors' remuneration	945	784
Staff costs (including directors' remuneration — Note 6):		
Wages and salaries	40,262	29,491
Pension scheme contributions	754	287
Less: Forfeited contributions	(148)	(144)
	40,868	29,634
Loss/(gain) on disposal of properties held for re-sale	(641)	2,074
Loss on disposal of fixed assets	19	5,048
Provision for contingency, net	8,927	1,200
Provision for doubtful debts	5,182	3,480
Loss/(gain) on disposal of interests in subsidiaries	(1,060)	1,885
Provision/(amount released) for onerous contracts — Note 26	26,676	(1,706)
Provision for impairment of investments	20,715	—
Write-back of provision for doubtful debts and bad debt expenses	(638)	(6,431)
Gain on disposal of investments, net	(2,281)	—
Net holding gain on investments	(215)	—
Interest income from investments	(2,142)	—
Exchange losses/(gains), net	12	(10)
Gain on early redemption of convertible notes	—	(1,250)
Interest income	(12,172)	(6,240)
Gross rental income	(1,734)	(1,863)
Less: Outgoings	—	122
Net rental income	(1,734)	(1,741)

5. FINANCE COSTS

	Group	
	2001	2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
Interest on bank loans, overdrafts and other loans wholly repayable within five years	1,845	5,968
Interest on finance leases	5	21
	<u>1,850</u>	<u>5,989</u>

6. DIRECTORS' REMUNERATION

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

	Group	
	2001	2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
Fees:		
Executive directors	—	—
Independent non-executive directors	631	331
Other emoluments for executive directors:		
Salaries and allowances	9,012	8,649
Pension scheme contributions	48	51
	<u>9,691</u>	<u>9,031</u>

The remuneration of the directors fell within the following bands:

	Number of directors	
	2001	2000
Nil — HK\$1,000,000	3	3
HK\$1,000,001 — HK\$1,500,000	—	1
HK\$1,500,001 — HK\$2,000,000	1	—
HK\$2,500,001 — HK\$3,000,000	1	1
HK\$4,000,001 — HK\$4,500,000	1	1
	<u>6</u>	<u>6</u>

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

No value is included in directors' remuneration in respect of share options granted during the year because, in the absence of a readily available market value for the options on the Company's shares, the directors are unable to arrive at an accurate assessment of the value of the options granted. Details of the options granted to the directors during the year are set out in the section "Directors' rights to acquire shares" in the Report of the Directors.

**7. FIVE HIGHEST PAID EMPLOYEES**

The five highest paid employees during the year included three (2000: three) directors, details of whose remuneration are disclosed in note 6 above. The details of the remuneration of the remaining two (2000: two) non-director, highest paid employees are as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Salaries and allowances	2,199	2,167
Pension scheme contributions	45	47
	<u>2,244</u>	<u>2,214</u>

The remuneration of the two (2000: two) non-director, highest paid employees fell within the following bands:

	Number of employees	
	2001	2000
Nil to HK\$1,000,000	1	1
HK\$1,500,001 to HK\$2,000,000	1	1
	<u>2</u>	<u>2</u>

8. TAX

Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during the year. In the prior year, no provision for Hong Kong profits tax had been made because the Group had no estimated assessable profits arising in Hong Kong.

	2001	2000
	HK\$'000	HK\$'000
Group:		
Hong Kong profits tax	411	—
Overprovision in prior year	(1,644)	(725)
Deferred — <i>Note 29</i>	919	(450)
	<u>(314)</u>	<u>(1,175)</u>
Share of tax attributable to:		
Associates	176	786
Tax credit for the year	<u>(138)</u>	<u>(389)</u>

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

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$136,426,000 (2000: profit of HK\$15,332,000).

10. DIVIDEND

	<u>2001</u>	<u>2000</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Proposed final — Nil cent (2000: 1 cent) per ordinary share	<u>—</u>	<u>8,176</u>

In the prior year, the directors proposed a final dividend of 1 cent per ordinary share with an option to elect to receive new shares of the Company credited as fully paid in lieu of cash payment in respect of part or all of the final dividend by way of a scrip dividend.

11. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss attributable to shareholders for the year of HK\$47,513,000 (2000: profit of HK\$21,051,000) and on the weighted average number of 781,688,699 (2000: 463,095,553) ordinary shares in issue during the year.

In the prior year, the calculation of diluted earnings per share was based on the net profit attributable to shareholders for the year of HK\$21,051,000. The weighted average number of ordinary shares used in the calculation is 463,095,553 ordinary shares in issue as used in the basic earnings per share calculation, and the weighted average of 16,862,965 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options.

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

12. FIXED ASSETS
Group

	Leasehold land and buildings	Investment properties	Leasehold improve- ments	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Computer equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation:								
At beginning of year	—	18,000	22,206	4,675	26,632	2,919	2,540	76,972
Additions	—	41	9,006	1,591	1,888	—	425	12,951
Acquisition of subsidiaries	6,156	1,550	894	2,381	40,980	1,534	962	54,457
Disposals	—	—	(12)	(106)	(107)	(1,602)	(989)	(2,816)
Deficit on revaluation	—	(1,841)	—	—	—	—	—	(1,841)
At 31 March 2001	6,156	17,750	32,094	8,541	69,393	2,851	2,938	139,723
Accumulated depreciation:								
At beginning of year	—	—	9,991	3,129	14,384	2,547	1,253	31,304
Provided during the year	35	—	4,278	684	5,351	248	308	10,904
Acquisition of subsidiaries	796	—	880	2,244	26,838	1,502	711	32,971
Disposals	—	—	(3)	(74)	(44)	(1,578)	(128)	(1,827)
At 31 March 2001	831	—	15,146	5,983	46,529	2,719	2,144	73,352
Net book value:								
At 31 March 2001	<u>5,325</u>	<u>17,750</u>	<u>16,948</u>	<u>2,558</u>	<u>22,864</u>	<u>132</u>	<u>794</u>	<u>66,371</u>
At 31 March 2000	<u>—</u>	<u>18,000</u>	<u>12,215</u>	<u>1,546</u>	<u>12,248</u>	<u>372</u>	<u>1,287</u>	<u>45,668</u>
Analysis of cost or valuation:								
At cost	6,156	—	32,094	8,541	69,393	2,851	2,938	121,973
At 31 March 2001 valuation	—	17,750	—	—	—	—	—	17,750
	<u>6,156</u>	<u>17,750</u>	<u>32,094</u>	<u>8,541</u>	<u>69,393</u>	<u>2,851</u>	<u>2,938</u>	<u>139,723</u>

12. FIXED ASSETS (continued)

Company

	Furniture, fixtures and office equipment	Computer equipment	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:			
At beginning of year	—	66	66
Additions	10	—	10
At 31 March 2001	10	66	76
Accumulated depreciation:			
At beginning of year	—	6	6
Provided during the year	1	20	21
At 31 March 2001	1	26	27
Net book value:			
At 31 March 2001	<u>9</u>	<u>40</u>	<u>49</u>
At 31 March 2000	<u>—</u>	<u>60</u>	<u>60</u>

The net book value of the fixed assets of the Group held under finance leases included in the total amount of office equipment at 31 March 2001 amounted to HK\$240,453 (2000: HK\$141,600). At 31 March 2000, net book value of HK\$280,425 of motor vehicles was held under finance leases.

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

The Group's investment properties were revalued on 31 March 2001 by DTZ Debenham Tie Leung Limited, an independent professional valuer, at HK\$17,750,000 on an open market, existing use basis.

At 31 March 2001, certain of the Group's investment properties were pledged to secure general banking facilities granted to the Group (Note 27).

13. INTERESTS IN SUBSIDIARIES

	Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Unlisted shares, at cost	71,000	71,000
Due from subsidiaries — <i>Note (i)</i>	327,341	189,501
Loans to subsidiaries — <i>Note (ii)</i>	93,863	92,313
Due to subsidiaries — <i>Note (i)</i>	(16,265)	(9,649)
	475,939	343,165
Provisions for impairment in values	(419,449)	(275,116)
	56,490	68,049

Notes:

- (i) The amounts due are unsecured, interest-free and have no fixed terms of repayment in the current and prior years.
- (ii) The loans to the Company's subsidiaries are unsecured and have no fixed terms of repayment in the current and prior years. Except for a loan to a subsidiary of HK\$20,232,000 which bears interest at 8% per annum for the current year, the remaining balances are interest-free. In the prior year, loans to subsidiaries of HK\$22,835,000 bore interest at 8.5% per annum.

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

Name	Place of incorporation/ registration	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Billion Good Investment Limited	Hong Kong	Ordinary HK\$2	—	75.79	Property holding and investment
Charter Golden Design & Contracting Limited	Hong Kong	Ordinary HK\$2	—	100	Provision of decoration services
Conway Consultants Limited	Hong Kong	Ordinary HK\$1,050,000 Non-voting preference ^(Note 2) HK\$450,000	—	70	Provision of medical consultation services
Denox Management Limited	Hong Kong	Ordinary HK\$2	—	100	Management and property sub-letting

13. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Fenny Planning & Project Management Limited	Hong Kong	Ordinary HK\$100	—	100	Promotion of Chinese wet markets activities
Fulling Limited	Hong Kong	Ordinary HK\$100	—	100	Money lending
Geswin Limited	Hong Kong	Ordinary HK\$2	—	100	Investment holding
Goodtech Management Limited	Hong Kong	Ordinary HK\$1,100,100	—	100	Management of shopping centres
Grand Quality Development Limited	Hong Kong	Ordinary HK\$2	—	100	Property investment
Join China Investment Limited	Hong Kong	Ordinary HK\$2	—	100	Investment holding
Kinetic Technology Limited (Notes 5 and 6)	Hong Kong	Ordinary HK\$2	—	100	Provision of technology services
Lead Fortune Limited	Hong Kong	Ordinary HK\$1,000	—	100	Property investment
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
Parking Lot Management Limited	Hong Kong	Ordinary HK\$2	—	100	Management and sub-licensing of car parks
Real World Limited	British Virgin Islands	Ordinary US\$1	—	100	Investment holding

13. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Royal Focus Limited	Hong Kong	Ordinary HK\$2	—	100	Investment holding
Wai Yuen Tong Medicine Company Limited	Hong Kong	Ordinary HK\$217,374 Non-voting deferred ^(Note 3) HK\$17,373,750	—	75.79	Manufacturing and sale of Chinese medicine, herbs and other medicinal products
Wang On Builders Limited	Hong Kong	Ordinary HK\$2	—	100	Provision of renovation and project management services
Wang On Commercial Management Limited	British Virgin Islands	Ordinary US\$2	—	100	Investment holding
Wang On Construction Engineering Limited	Hong Kong	Ordinary HK\$15,000,000 Non-voting deferred ^(Note 3) HK\$100	—	100	Provision of construction, renovation & project management services
Wang On Design & Contracting Limited	Hong Kong	Ordinary HK\$1,000,000	—	100	Provision of decoration services
Wang On Engineering Holding Limited	Hong Kong	Ordinary HK\$477 Non-voting deferred ^(Note 3) HK\$1,262,523	—	100	Provision of decoration & project management services
Wang On Enterprises (BVI) Limited	British Virgin Islands	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

13. INTERESTS IN SUBSIDIARIES (continued)

Notes:

- (1) The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.
- (2) The non-voting preference shares carry no voting rights, but they rank in priority to any other class of shares provided the assets of the company available for distribution to its members.
- (3) The non-voting deferred shares carry no voting rights or rights to dividends. On the winding up of the companies, the non-voting deferred shares have a right to repayment in proportion to the amounts paid-up on all ordinary and deferred shares after the first HK\$1,000,000,000 thereof has been distributed among the holders of the ordinary shares.
- (4) All of the subsidiaries have their principal operations in Hong Kong except for Kinetic Technology Limited, for which the principal operation is in the People's Republic of China.
- (5) The financial statements of the company is not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.
- (6) Subsequent to the balance sheet date, the company applied for a members' voluntary winding-up.

14. INTERESTS IN ASSOCIATES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	—	—	—	—
Share of net assets	102	661	—	—
Due from associates	1,227	3,668	219	219
	1,329	4,329	219	219
Provisions for impairment in values	(600)	—	—	—
	729	4,329	219	219

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

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

Name	Business structure	Place of incorporation and operations	Percentage of ownership interest attributable to the Group		Principal activities
			2001	2000	
			%	%	
Hong Kong Classic Information Technology Limited — (Note 2)	Corporate	Hong Kong	50	—	Provision of technology services
Tse's Waxing & Cleaning Company Limited	Corporate	Hong Kong	50	—	Provision of cleaning services

14. INTERESTS IN ASSOCIATES *(continued)*
Notes:

- (1) The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets and liabilities of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.
- (2) The financial statements of the company is not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

15. INVESTMENTS
(a) Long term investments

	Group	
	2001	2000
	HK\$'000	HK\$'000
Held-to-maturity securities		
Hong Kong listed dated debt securities, at amortised cost	7,437	—
Investment securities		
Investment in unlisted shares, at cost	12,521	—
Less: Provisions for impairment in values	(12,521)	—
	7,437	—

The aggregate market value of the Hong Kong listed dated debt securities totalled approximately HK\$8,132,000 at 31 March 2001.

(b) Short term investments

	Group	
	2001	2000
	HK\$'000	HK\$'000
Held-to-maturity securities		
Hong Kong listed dated debt securities, at amortised cost #	4,906	—
Investment securities		
Hong Kong listed equity securities, at cost #	13,531	—
Less: Provisions for impairment in values	(8,194)	—
Other investments		
Hong Kong listed equity securities, at fair value	1,020	—
	11,263	—

The aggregate market value of the Hong Kong listed dated debt securities and Hong Kong listed equity securities totalled approximately HK\$4,910,000 and HK\$17,176,000, respectively, at 31 March 2001.

The Hong Kong listed securities were disposed after the balance sheet date and the provision for impairment in value had been incorporated in the financial statements at 31 March 2001.

16. DEPOSIT PAID

The amount paid in the prior year represented deposit for the acquisition of the remaining 51% equity interest in Majorluck Limited in which the Group had a 49% equity interest as at 31 March 2000. The conditions for completion of the agreement on the acquisition of 51% equity interest in Majorluck Limited were fulfilled during the year.

17. CONSTRUCTION CONTRACTS

Retentions of HK\$224,000 (2000: HK\$1,320,000) held by customers for contract works were included in trade receivables in current assets.

18. PROPERTIES HELD FOR RE-SALE

Properties held for re-sale at the balance sheet date represented the Group's interests in certain retail shops situated in Hong Kong. The properties are currently leased to third parties.

The Group's properties held for re-sale are situated in Hong Kong and are held under medium term leases. At 31 March 2001, all of the properties held for re-sale and the rental income therefrom were pledged to secure certain banking facilities granted to the Group (Notes 25 and 27).

19. INVENTORIES

	Group	
	2001	2000
	HK\$'000	HK\$'000
Raw materials	952	—
Packing materials	1,065	—
Finished goods	2,342	—
	4,359	—

20. TRADE RECEIVABLES

The aging analysis of trade receivables at the balance sheet date was as follows:

	Group			
	2001	%	2000	%
	<u><i>HK\$'000</i></u>		<u><i>HK\$'000</i></u>	
Current to 90 days	6,460	92	7,675	46
91 days to 180 days	62	1	247	2
Over 180 days	504	7	8,668	52
	7,026	100	16,590	100
Less: Provision for doubtful debts	<u>(315)</u>		<u>(4,959)</u>	
	<u>6,711</u>		<u>11,631</u>	

The Group generally does not grant any credit to customers, except for the Group's medical and medicinal distribution business which offers a credit term of 30 to 180 days.

As at 31 March 2001, retentions held by customers for contract works, as included in trade receivables in current assets amounted to HK\$224,000 (2000: HK\$1,320,000).

21. PLEDGED TIME DEPOSITS

The Group's time deposits pledged to banks for general banking facilities granted to certain group companies in the prior year were released during the current year.

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2001	2000	2001	2000
	<u><i>HK\$'000</i></u>	<u><i>HK\$'000</i></u>	<u><i>HK\$'000</i></u>	<u><i>HK\$'000</i></u>
Cash and bank balances				
Time deposits	30,799	7,914	417	64
	154,837	222,633	110,889	203,373
	<u>185,636</u>	<u>230,547</u>	<u>111,306</u>	<u>203,437</u>

23. DUE FROM A DIRECTOR

Particulars of the amount due from a director disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

Group

<i>Name</i>	31 March 2001	Maximum amount outstanding during the year	1 April 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. Tang Ching Ho	—	61	61

The balance in the prior year represented the outstanding amount of shortfall in rental income, as detailed in note 36(b) and rental receivable, as detailed in note 36(c) and was fully settled in April 2000.

24. TRADE PAYABLES

The aging analysis of trade payables at the balance sheet date was as follows:

	2001	Group		%
	<i>HK\$'000</i>	%	2000	
			<i>HK\$'000</i>	
Current to 90 days	1,191	22	4,846	30
91 days to 180 days	—	—	—	—
Over 180 days	4,249	78	11,479	70
	5,440	100	16,325	100

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	<i>Notes</i>	Group	
		2001	2000
		<i>HK\$'000</i>	<i>HK\$'000</i>
Current portion of bank loans and overdrafts	27	14,618	4,375
Current portion of finance lease payables	28	58	50
		14,676	4,425

**26. PROVISION FOR ONEROUS CONTRACTS**

	Group	
	2001	2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
At beginning of year	10,580	38,068
Provided during the year	26,676	—
Utilised during the year	(4,550)	(25,782)
Released during the year	—	(1,706)
	<u>32,706</u>	<u>10,580</u>
At 31 March		
Portion classified as current liabilities	<u>(9,367)</u>	<u>(4,990)</u>
Long term portion	<u><u>23,339</u></u>	<u><u>5,590</u></u>

27. INTEREST-BEARING BANK LOANS AND OVERDRAFTS

	Group	
	2001	2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
Bank overdrafts:		
Unsecured	<u>823</u>	<u>—</u>
Bank loans:		
Secured	7,118	16,987
Unsecured	<u>36,203</u>	<u>—</u>
	<u>43,321</u>	<u>16,987</u>
	<u><u>44,144</u></u>	<u><u>16,987</u></u>
Bank overdrafts repayable on demand	<u>823</u>	<u>—</u>
Bank loans repayable:		
Within one year	13,795	4,375
In the second year	13,864	4,375
In the third to fifth years, inclusive	13,458	7,502
Beyond five years	<u>2,204</u>	<u>735</u>
	<u>44,144</u>	<u>16,987</u>
Portion classified as current liabilities (<i>Note 25</i>)	<u>(14,618)</u>	<u>(4,375)</u>
Long term portion	<u><u>29,526</u></u>	<u><u>12,612</u></u>

At 31 March 2001, all of the Group's properties held for resale and rental therefrom and certain of the Group's investment properties were pledged to secure the banking facilities granted to the Group.

At 31 March 2000, the Group's cash and bank balances of HK\$8,037,000 were pledged to secure the banking facilities granted to the Group.

28. FINANCE LEASE PAYABLES

There were obligations under finance leases at the balance sheet date as follows:

	Group	
	2001	2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
Amounts payable:		
Within one year	58	54
In the second year	58	29
In the third to fifth years, inclusive	<u>110</u>	<u>84</u>
Total minimum lease payments	226	167
Future finance charges	<u>—</u>	<u>(4)</u>
Total net lease payables	226	163
Portion classified as current liabilities (<i>Note 25</i>)	<u>(58)</u>	<u>(50)</u>
Long term portion	<u><u>168</u></u>	<u><u>113</u></u>

29. DEFERRED TAX

	Group	
	2001	2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
Balance at beginning of year	—	450
Acquisition of a subsidiary	64	—
Charge/(credit) for the year — <i>Note 8</i>	<u>919</u>	<u>(450)</u>
At 31 March	<u><u>983</u></u>	<u><u>—</u></u>

There are no significant potential deferred tax liabilities for which provision has not been made.

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

30. SHARE CAPITAL

	<u>2001</u>	<u>2000</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:		
10,000,000,000 (2000: 10,000,000,000) ordinary shares of HK\$0.01 (2000: HK\$0.01) each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
822,060,933 (2000: 682,593,914) ordinary shares of HK\$0.01 (2000: HK\$0.01) each	<u>8,221</u>	<u>6,826</u>

On 13 July 2000, 135,000,000 ordinary shares of HK\$0.01 each were issued for cash at subscription price of HK\$0.29 per share for a total cash consideration, before expenses, of HK\$39,150,000. The net proceeds were used for acquisition and investment, for the expansion of the commercial management in Chinese wet markets, car parks and shopping centres, for repayment of bank loans and working capital.

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

	Nominal value of shares issued	Number of shares issued
	<i>HK\$'000</i>	
At beginning of year	6,826	682,593,914
Issue of 135,000,000 shares of HK\$0.01 each	1,350	135,000,000
Scrip dividend (Notes 10 and 31)	45	4,467,019
	<u>8,221</u>	<u>822,060,933</u>

As a result of the scrip dividend option in respect of the final dividend in the prior year, 4,467,019 new ordinary shares were issued at a subscription price of HK\$0.293 per share during the year under review.

Share option scheme

On 6 February 1995, the Company approved a share option scheme under which the directors may, at their discretion, invite any full-time employee or executive director of the Group to take up options to subscribe for shares of the Company at any time during the 10 years from the date of approval. The maximum number of shares on which options may be granted may not exceed 10% of the issued share capital of the Company from time to time, excluding any shares issued on the exercise of options. The scheme became effective upon the listing of the Company's shares on The Stock Exchange of Hong Kong Limited on 28 February 1995.

During the year, the Company granted a total of 43,800,000 share options which entitle the holders to subscribe for ordinary shares in the capital of the Company in the period from 6 March 2001 to 5 February 2005 at an exercise price of HK\$0.13 each. The aggregate consideration paid by each grantee for each lot of share options granted is HK\$1.00.

No share option was exercised during the year and the Company had 43,800,000 outstanding share options at the balance sheet date. Exercise in full of such share options would, under the present capital structure of the Company, result in the issue of 43,800,000 additional ordinary shares and would generate cash proceeds, before the related issue expenses, of approximately HK\$5,694,000.

31. RESERVES

Group

	Share premium account	Capital reserve	Investment properties revaluation reserve	Retained profits/ (accumulated losses)	Total
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 1999	160,997	5,721	—	(154,226)	12,492
Issue of shares	193,924	—	—	—	193,924
Share issue expenses	(4,468)	—	—	—	(4,468)
Transfer from share premium	(131,466)	—	—	131,466	—
Reduction in nominal value of shares	—	—	—	41,615	41,615
Surplus on revaluation of investment properties	—	—	2,095	—	2,095
Profit for the year	—	—	—	21,051	21,051
Proposed final dividend	—	—	—	(8,176)	(8,176)
At 31 March and 1 April 2000	218,987	5,721	2,095	31,730	258,533
Issue of shares	37,800	—	—	—	37,800
Share issue expenses	(779)	—	—	—	(779)
Premium on shares issued by way of scrip dividend	1,264	—	—	—	1,264
Goodwill on acquisition	—	(5,721)	—	(90,048)	(95,769)
Deficit on revaluation of investment properties	—	—	(1,841)	—	(1,841)
Loss for the year	—	—	—	(47,513)	(47,513)
At 31 March 2001	<u>257,272</u>	<u>—</u>	<u>254</u>	<u>(105,831)</u>	<u>151,695</u>
Reserves retained by:					
Company and subsidiaries	257,272	—	254	(106,084)	151,442
Associates	—	—	—	253	253
At 31 March 2001	<u>257,272</u>	<u>—</u>	<u>254</u>	<u>(105,831)</u>	<u>151,695</u>
Company and subsidiaries	218,987	5,721	2,095	24,705	251,508
Associates	—	—	—	7,025	7,025
At 31 March 2000	<u>218,987</u>	<u>5,721</u>	<u>2,095</u>	<u>31,730</u>	<u>258,533</u>



31. RESERVES (continued)

Company

	Notes	Share premium account HK\$'000	Contributed surplus HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 April 1999		160,997	31,476	(173,081)	19,392
Issue of shares		193,924	—	—	193,924
Share issue expenses		(4,468)	—	—	(4,468)
Transfer from share premium	(i)	(131,466)	—	131,466	—
Reduction in nominal value of shares	(ii)	—	—	41,615	41,615
Profit for the year		—	—	15,332	15,332
Proposed final dividend		—	—	(8,176)	(8,176)
At 31 March and 1 April 2000		218,987	31,476	7,156	257,619
Issue of shares		37,800	—	—	37,800
Share issue expenses		(779)	—	—	(779)
Premium on shares issued by way of scrip dividend		1,264	—	—	1,264
Loss for the year		—	—	(136,426)	(136,426)
At 31 March 2001		<u>257,272</u>	<u>31,476</u>	<u>(129,270)</u>	<u>159,478</u>

Notes:

- (i) Pursuant to a special resolution passed on 20 December 1999, the Company's share premium account was reduced by an amount of HK\$131,466,000, which was applied to offset the accumulated losses of the Company.
- (ii) Pursuant to a resolution passed on 24 September 1999, the nominal value of the shares in the capital of the Company was reduced from HK\$0.10 each to HK\$0.01 each by cancelling the issued capital to the extent of HK\$0.09 paid up on each of the issued shares and that every unissued share be sub-dividend to the extent that each unissued share of HK\$0.10 shall become ten unissued shares of HK\$0.01 each.
- (iii) 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.

32. NOTES TO THE CASH FLOW STATEMENT

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

	2001	2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
Profit/(loss) from operating activities	(46,987)	21,056
Net holding gain on investments	(215)	—
Interest income from investments	(2,142)	—
Provision for impairment of investments	20,715	—
Interest income	(12,172)	(6,240)
Loss/(gain) on disposal of interests in subsidiaries	(1,060)	1,885
Gain on disposal of investments, net	(2,281)	—
Provision for doubtful debts	5,182	3,480
Write back of provision for doubtful debts and bad debt expenses	(638)	(6,431)
Increase/(decrease) in provision for onerous contracts	22,126	(27,488)
Depreciation	10,904	9,040
Gain on early redemption of convertible notes	—	(1,250)
Loss on disposal of fixed assets	19	5,048
Decrease in trade receivables, prepayments, deposits and other debtors	16,043	25,364
Decrease in inventories	250	—
Decrease in amount due from a director	61	727
Decrease in amount due from customers for contract work	—	5,186
Decrease in properties held for re-sale	589	76,278
Decrease in trade payables, other payables and accruals	(11,546)	(30,517)
Increase in deposits received and receipts in advance	1,846	874
Decrease in amount due to customers for contract work	—	(501)
	<u>694</u>	<u>76,511</u>
Net cash inflow from operating activities	<u>694</u>	<u>76,511</u>

32. NOTES TO THE CASH FLOW STATEMENT *(continued)*
(b) Purchase of a subsidiary

	<u>2001</u> <i>HK\$'000</i>	<u>2000</u> <i>HK\$'000</i>
Net assets acquired:		
Fixed assets	7,231	—
Investment properties	1,550	—
Inventories	4,609	—
Trade receivables, prepayments, deposits and other debtors	4,408	—
Cash and cash equivalents	16,751	—
Trade payables, other payables and accruals	(2,883)	—
Tax payable	(905)	—
Deferred tax	(64)	—
Minority interests	(60)	—
	<u>30,637</u>	—
Goodwill on acquisition	<u>98,239</u>	—
	<u>128,876</u>	<u>—</u>
Satisfied by:		
Cash	<u>128,876</u>	<u>—</u>

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

	<u>2001</u> <i>HK\$'000</i>	<u>2000</u> <i>HK\$'000</i>
Cash consideration	128,876	—
Cash and cash equivalents acquired	<u>(16,751)</u>	—
Net outflow of cash and cash equivalents in respect of purchase of a subsidiary	<u>112,125</u>	<u>—</u>

The subsidiary acquired during the year contributed approximately HK\$5,020,000 to the Group's net operating cash flows, received approximately HK\$198,000 in respect of the net returns on investments and servicing of finance, paid approximately HK\$2,454,000 in respect of investing activities, but had no significant impact in respect of tax and financing activities.

The subsidiary acquired during the year contributed turnover of approximately HK\$9,036,000 and profit after tax of approximately HK\$590,000 to the Group's turnover and loss after tax and before minority interests for the year ended 31 March 2001, respectively.

32. NOTES TO THE CASH FLOW STATEMENT (continued)

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

	2001	2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
Net assets acquired:		
Fixed assets	12,705	—
Trade receivables, prepayments, deposits and other debtors	9,977	—
Due from ultimate holding company	3,200	—
Due from fellow subsidiaries	548	—
Cash and cash equivalents	3,591	—
Trade payables, other payables and accruals	(3,001)	—
Deposits received and receipts in advance	(19,836)	—
Tax payable	(1,063)	—
Due to fellow subsidiaries	(3,611)	—
	<u>2,510</u>	—
Goodwill on acquisition	<u>18,439</u>	—
	<u>20,949</u>	<u>—</u>
Satisfied by:		
Decrease in deposit paid	19,507	—
Cash	159	—
Reclassification from interest in an associate	1,283	—
	<u>20,949</u>	<u>—</u>
Analysis of the net inflow of cash and cash equivalents in respect of the purchase of a subsidiary:		
	2001	2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
Cash consideration	159	—
Cash and cash equivalents acquired	(3,591)	—
Net inflow of cash and cash equivalents in respect of purchase of a subsidiary	<u>(3,432)</u>	<u>—</u>

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

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

32. NOTES TO THE CASH FLOW STATEMENT (continued)
(d) Disposal of subsidiaries

	<u>2001</u> <i>HK\$'000</i>	<u>2000</u> <i>HK\$'000</i>
Net assets disposed of:		
Long term investments	3,000	—
Fixed assets	—	69
Deposits and other debtors	38	7,311
Cash and cash equivalents	—	670
Trade payables, other payables and accruals	—	(1,865)
Release of capital reserve	166	—
	<u>3,204</u>	<u>6,185</u>
Profit/(loss) on disposal of subsidiaries	<u>1,768</u>	<u>(1,885)</u>
	<u>4,972</u>	<u>4,300</u>
Satisfied by:		
Cash	<u>4,972</u>	<u>4,300</u>

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

	<u>2001</u> <i>HK\$'000</i>	<u>2000</u> <i>HK\$'000</i>
Cash consideration	4,972	4,300
Cash and bank balances disposed of	—	(670)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u>4,972</u>	<u>3,630</u>

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

The subsidiaries disposed of in the prior year contributed approximately HK\$14,042,000 to turnover and profits of approximately HK\$7,500 to the consolidated profit after tax for the year ended 31 March 2000.

The subsidiaries disposed of in the prior year did not have any significant impact on the Group's net operating or other cash flows.

32. NOTES TO THE CASH FLOW STATEMENT (continued)

(e) Disposal of interests in a subsidiary

	2001 <u>HK\$'000</u>	2000 <u>HK\$'000</u>
Net assets disposed of:		
Minority interests	7,602	—
Release of goodwill	23,135	—
	<u>30,737</u>	—
Loss on disposal of interests in a subsidiary	(708)	—
	<u>30,029</u>	—
Satisfied by:		
Cash	<u>30,029</u>	—

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

	Share capital (including share premium account) <u>HK\$'000</u>	Bank loans <u>HK\$'000</u>	Convertible loans <u>HK\$'000</u>	Finance lease obligations <u>HK\$'000</u>	Minority interests <u>HK\$'000</u>
At 1 April 1999	199,736	63,877	25,000	257	—
Net cash inflow/(outflow) from financing activities	199,158	(46,890)	(23,750)	(94)	—
Transfer to retained earnings	(131,466)	—	—	—	—
Reduction of share capital	(41,615)	—	—	—	—
Gain on early redemption of convertible notes	—	—	(1,250)	—	—
At 31 March and 1 April 2000	225,813	16,987	—	163	—
Issue by way of scrip dividend	45	—	—	—	—
Premium on shares issued by way of scrip dividend	1,264	—	—	—	—
Net cash inflow/(outflow) from financing activities	38,371	26,334	—	(81)	287
Inception of finance lease contracts	—	—	—	144	—
At 31 March 2001	<u>265,493</u>	<u>43,321</u>	<u>—</u>	<u>226</u>	<u>287</u>

(g) Major non-cash transactions

During the year, the Group paid dividends by way of scrip dividend of HK\$1,309,000 (2000: Nil).

33. CONTINGENT LIABILITIES

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

(a)	Group		Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Guarantees in respect of performance bonds given to third parties	24,458	12,487	24,458	12,487
Guarantees given in lieu of utility and property rental deposits	18,300	14,785	18,300	5,550
Guarantees given to financial institutions in connection with facilities granted to subsidiaries and associates	—	23,286	144,363	67,035
	<u>42,758</u>	<u>50,558</u>	<u>187,121</u>	<u>85,072</u>

- (b) A corporate guarantee in the amount of approximately HK\$464,000 (2000: HK\$2,318,000) was given to the landlord in respect of the full rental payments of the office premises during the tenancy period.
- (c) In the prior year, a sub-contractor claimed against a wholly-owned subsidiary of the Group (the "Subsidiary") for recovery of approximately HK\$900,000 for works performed. In turn, the Subsidiary instigated litigation against the main contractor for recovery of approximately HK\$6,000,000 on works performed. The main contractor then made a counter claim against the Subsidiary for overpayment of approximately HK\$4,900,000.

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

The directors, having reviewed the claims and obtained legal advices, consider that the alleged claims from the main and sub-contractors referred to above are without grounds, therefore, no provision had been made for the alleged claims in the financial statements at 31 March 2000 and 31 March 2001.

34. COMMITMENTS

(a) Capital commitments

	Group	
	2001	2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
Capital commitments:		
Contracted, but not provided for	<u>3,616</u>	<u>379</u>

(b) Commitments under operating leases

At 31 March 2001, the Group had commitments under non-cancellable operating leases to make payments in the following year as follows:

	Group	
	2001	2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
Land and buildings expiring:		
Within one year	13,395	—
In the second to fifth years, inclusive	101,465	58,161
After five years	<u>8,640</u>	<u>13,108</u>
	<u>123,500</u>	<u>71,269</u>

The Company did not have any commitments at the balance sheet date (2000: Nil).

35. POST BALANCE SHEET EVENTS

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

- (i) On 12 April 2001, Macro Pacific Investment Limited ("Macro Pacific"), a wholly-owned subsidiary of the Group, entered into an agreement to acquire 19.01% equity interest in Luxembourg Medicine Company Limited ("Luxembourg") from an independent third party for a consideration of HK\$20 million. Luxembourg is principally engaged in the manufacture and sale of medical products under the brand name of "Madam Pearl".
- (ii) On 15 June 2001, Advance Century Limited ("Advance Century"), a wholly-owned subsidiary of the Group, entered into a conditional agreement with certain independent third parties to invest in 22% of the issued share capital (as enlarged by the issue of such new shares to Advance Century) of China Field Enterprises Limited at a consideration of HK\$15 million. Advance Century will hold an 80% equity interest in a joint venture pharmaceutical enterprise in Changsha, Hunan Province in the People's Republic of China. Details of the transactions have been disclosed in the Company's announcement dated 18 June 2001.


36. RELATED PARTY TRANSACTIONS

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

	<i>Notes</i>	2001 HK\$'000	2000 <i>HK\$'000</i>
Rental paid to Wisex Limited	(a)	—	791
Shortfall in rental income received from Mr. Tang Ching Ho	(b)	—	136
Acquisition of investment property from Ying Jun Limited	(c)	—	15,000
Rental income received from Mr. Tang Ching Ho	(c)	1,080	305
Income from associates:	(d)		
— Consultancy fee		372	600
— Repairs and maintenance		64	309
— Renovation fee		—	135
— Management fee		743	1,200
— Rental		1,187	540
Cleaning expenses paid to an associate	(d)	2,902	—

- (a) In accordance with the rental agreement dated 1 October 1996, the Group paid a monthly rental of HK\$280,000 to Wisex Limited in the prior year. Wisex Limited is a company in which Mr. Tang Ching Ho and Ms. Yau Yuk Yin (directors of the Company), have beneficial interests. The rental agreement was terminated on 30 June 1999.
- (b) In accordance with the sale and purchase agreement approved by independent shareholders on 4 March 1998, Mr. Tang Ching Ho paid approximately HK\$136,000 to the Group in respect of the shortfall in rental income from certain properties which the Group had acquired from Mr. Tang in the prior year.
- (c) The Group acquired a Hong Kong property (the "Property") from Ying Jun Limited, a company wholly-owned by Ms. Yau Yuk Yin, for a consideration of HK\$15 million in the prior year. The Property was then leased to Mr. Tang Ching Ho for a period of two years from 20 December 1999 at an agreed monthly rental of HK\$90,000.
- (d) The transactions were based on terms as agreed between the Group and the associates.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 6 July 2001.