1. 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.

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
- production and sale of cough syrup and health care products
- property investment
- retailing of pork stalls

2. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

The following new and revised SSAP and Interpretation are effective for the first time for the current year's financial statements and have had a significant impact thereon:

- SSAP 12 (Revised): "Income taxes"
- Interpretation 20: "Income taxes – Recovery of revalued non-depreciable assets"

These SSAP and Interpretation prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAP and Interpretation are summarised as follows:

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The principal impact of the revision of this SSAP on these financial statements is described below:

Measurement and recognition:

- deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future;

- a deferred tax asset has been recognised for provisions for onerous contracts made in the current/prior periods; and

- a deferred tax asset has been recognised for tax losses arising in the current/prior periods to the extent that it is probable that there will be sufficient future taxable profits against which such losses can be utilised.

2. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP") *(Cont'd)*

Disclosures:

- deferred tax assets and liabilities are presented separately on the balance sheet, whereas previously they were presented on a net basis; and

- the related note disclosures are now more extensive than previously required. These disclosures are presented in notes 10 and 29 to the financial statements and include a reconciliation between the accounting profit and the tax expense for the year.

Further details of these changes and the prior year adjustments arising from them are included in the accounting policy for deferred tax in note 3 and in note 29 to the financial statements.

Interpretation 20 requires that a deferred tax asset or liability that arises from the revaluation of certain non-depreciable assets and investment properties is measured based on the tax consequences that would follow from the recovery of the carrying amount of that asset through sale. This policy has been applied by the Group in respect of the revaluation of its investment properties in the deferred tax calculated under SSAP 12.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties and certain investments, 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 2004. 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.

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

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 or negative 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.

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 and is amortised on the straight-line basis of not more than 20 years, being the estimated useful life of the goodwill recorded by the associate arising from the transactions.

Goodwill

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

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

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

Goodwill *(Cont'd)*

Prior to the adoption of SSAP 30 "Business combinations" in 2002, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of the SSAP that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to the adoption of the SSAP is treated according to the SSAP 30 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 goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

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

Negative goodwill

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

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

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.

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

Negative goodwill *(Cont'd)*

Prior to the adoption of SSAP 30 "Business combinations" in 2002, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of the SSAP that permitted such negative goodwill to remain credited to the capital reserve. 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 capital reserve 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 at the higher of the asset's value in use or its net selling price.

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

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

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

Fixed assets and depreciation

Fixed assets, other than investment properties and construction in progress, 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%
Machineries	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.

Construction in progress represents building under construction and renovation works, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and renovation works during the period of construction and renovation. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

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

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

Leased assets

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

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

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

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 certificate 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.

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

Investments *(Cont'd)*

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

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

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.

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.

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, 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) from the provision of project management and agency services, when the services are rendered;

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

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

(h) dividend income, where the shareholders' right to receive payment has been established.

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.

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.

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

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

(c) the pharmaceutical segment engages in the production and sale of cough syrup and health care products;

(d) the property investment segment invests in industrial and commercial premises and residential units for rental income;

(e) the retail business segment engages in the retailing of pork; and

(f) the corporate and others segment comprises the Group's management service business. This segment also includes corporate income and expense items.

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

4. SEGMENT INFORMATION *(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	Chinese wet markets		Shopping centres and car parks		Pharmaceutical*		Property investment		Retail business		Corporate and others		Eliminations		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	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* (Restated)
Segment revenue:																
Sales to external customers	**137,858**	145,981	**89,334**	77,349	**18,555**	27,167	**8,138**	4,515	**36,950**	31,885	**5,730**	5,259	**–**	–	**296,565**	292,156
Intersegment sales	**3,189**	3,921	**967**	873	**–**	–	**346**	–	**–**	–	**9,029**	–	**(13,531)**	(4,794)	**–**	–
Other revenue	**641**	919	**2,361**	3,248	**45**	333	**7,308**	123	**81**	155	**34,703**	99,687	**–**	–	**45,139**	104,465
Total	**141,688**	150,821	**92,662**	81,470	**18,600**	27,500	**15,792**	4,638	**37,031**	32,040	**49,462**	104,946	**(13,531)**	(4,794)	**341,704**	396,621
Segment results	**15,840**	7,323	**5,411**	3,814	**6,023**	6,475	**11,923**	(4,265)	**761**	(2,363)	**10,336**	70,290	**–**	892	**50,294**	82,166
Unallocated expenses															**(7,396)**	(10,482)
Interest income															**10,814**	10,872
Profit from operating activities															**53,712**	82,556
Finance costs															**(2,041)**	(2,552)
Share of profits and losses of associates (including amortisation of goodwill)															**(17,963)**	(27,863)
Provision for impairment of goodwill of an associate															**–**	(7,000)
Profit before tax															**33,708**	45,141
Tax															**(4,334)**	(3,361)
Profit before minority interests															**29,374**	41,780
Minority interests															**(89)**	(641)
Net profit from ordinary activities attributable to shareholders															**29,285**	41,139

* The Group's pharmaceutical operations were transferred to an associate during the year.

4. SEGMENT INFORMATION *(Cont'd)*

Business segments *(Cont'd)*

Group	Chinese wet markets		Shopping centres and car parks		Pharmaceutical		Property investment		Retail business		Corporate and others		Eliminations		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	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 (Restated)
Segment assets	**62,601**	59,323	**40,460**	34,113	**–**	7,918	**264,457**	166,870	**3,484**	3,218	**647,885**	547,615	**(299,490)**	(227,215)	**719,397**	591,842
Interests in associates	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**136,602**	187,454
Unallocated assets	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**1,418**	2,282
Total assets	**62,601**	59,323	**40,460**	34,113	**–**	7,918	**264,457**	166,870	**3,484**	3,218	**647,885**	547,615	**(299,490)**	(227,215)	**857,417**	781,578
Segment liabilities	**(62,662)**	(57,747)	**(47,586)**	(52,924)	**–**	(5,994)	**(224,452)**	(160,778)	**(2,877)**	(3,678)	**(28,970)**	(24,466)	**299,490**	227,215	**(67,057)**	(78,372)
Unallocated liabilities	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(109,377)**	(79,394)
Total liabilities	**(62,662)**	(57,747)	**(47,586)**	(52,924)	**–**	(5,994)	**(224,452)**	(160,778)	**(2,877)**	(3,678)	**(28,970)**	(24,466)	**299,490**	227,215	**(176,434)**	(157,766)
Other segment information:																
Depreciation	**6,830**	9,466	**2,973**	3,956	**88**	572	**–**	–	**134**	116	**2,570**	890	**–**	–	**12,595**	15,000
Amortisation:																
Goodwill	**–**	–	**–**	–	**–**	592	**–**	–	**–**	–	**6,246**	355	**–**	–	**6,246**	947
Intangible assets	**–**	–	**–**	–	**–**	5	**–**	–	**–**	–	**–**	–	**–**	–	**–**	5
Other non-cash expenses	**–**	50	**21**	5	**–**	–	**–**	6,198	**–**	–	**8,462**	17,783	**–**	–	**8,483**	24,036
Capital expenditure	**748**	4,082	**3,545**	64	**57**	–	**102,266**	148,165	**163**	825	**706**	132	**–**	–	**107,485**	153,268

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 property held for re-sale during the year.

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

	Group	
	2004	2003
	HK$'000	*HK$'000*
Turnover		
Sub-licensing fee income	**213,335**	216,965
Management income	**13,454**	4,160
Sale of goods	**55,679**	59,053
Rendering of services	**5,959**	7,463
Gross rental income	**8,138**	2,835
Sale of property held for re-sale	**–**	1,680
	296,565	292,156
Other revenue		
Interest income	**8,428**	9,007
Interest income from investments	**2,386**	1,865
Dividend income from listed securities	**128**	93
Franchise income	**–**	35
Others	**4,653**	8,201
	15,595	19,201
Gains		
Gain on disposal of convertible notes due from an associate	**17,883**	–
Gain on disposal of investments, net	**109**	200
Exchange gains, net	**1,564**	4,070
Recognition of deferred gain on disposal of subsidiaries	**688**	944
	20,244	5,214
Other revenue and gains	**35,839**	24,415

6. PROFIT FROM OPERATING ACTIVITIES

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

		Group	
		2004	2003
	Notes	***HK$'000***	*HK$'000*
Amortisation of trademarks and patents*		**–**	5
Amortisation of goodwill of subsidiaries**	*15*	**6,246**	947
Auditors' remuneration		**785**	768
Cost of inventories sold		**30,235**	21,924
Cost of services provided		**208,935**	200,093
Depreciation	*14*	**12,595**	15,000
Deficit/(surplus) on revaluation of investment properties	*14*	**(7,066)**	6,210
Loss on disposal of an investment property		**15**	–
Loss on disposal of other fixed assets		**164**	–
Fixed assets written off		**21**	1,061
Net holding loss/(gain) on investments		**(570)**	570
Minimum lease payments under operating leases for land and buildings		**121,176**	141,953
Provision for impairment of long term investments		**1,641**	637
Provision for and write-off of bad and doubtful debts		**6,821**	5,158
Staff costs (including directors' remuneration – Note 8):			
Wages and salaries		**56,104**	58,030
Pension scheme contributions		**2,114**	2,030
Total staff costs		**58,218**	60,060
Amount released for onerous contracts	*26*	**(6,566)**	(6,878)
Gain on disposal of properties held for re-sale		**–**	(493)
Net rental income		**(8,060)**	(2,794)

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

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

7. FINANCE COSTS

	Group 2004 HK$'000	2003 HK$'000
Interest on bank loans and overdrafts	**2,041**	2,552

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 2004 HK$'000	2003 HK$'000
Fees:		
Executive directors	**–**	–
Independent non-executive directors	**631**	631
Other emoluments for executive directors:		
Salaries and allowances	**9,975**	10,115
Pension scheme contributions	**36**	36
	10,642	10,782

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

	Number of directors 2004	2003
Nil to HK$1,000,000	**3**	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	**1**	–
HK$4,000,001 to HK$4,500,000	**1**	2
	6	6

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2003: three) directors, details of whose remuneration are disclosed in note 8 above. Details of the remuneration of the remaining two (2003: two) non-director, highest paid employees for the year are as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Salaries and allowances	**1,567**	2,889
Pension scheme contributions	**37**	209
	1,604	3,098

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

	Number of employees	
	2004	2003
HK$500,001 to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**–**	2
	2	2

During the year, 1,100,000 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 31 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.

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profits arising in Hong Kong during the year. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 March 2004.

	2004	2003
	HK$'000	*HK$'000*
		(Restated)
Group:		
Current – Hong Kong		
Charge for the year	**2,796**	2,246
Underprovision in the prior years	**213**	37
Deferred *(Note 29)*	**809**	154
	3,818	2,437
Share of tax attributable to associates	**516**	924
Total tax charge for the year	**4,334**	3,361

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and 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

	2004		2003	
	HK$'000	%	*HK$'000*	%
Profit before tax	**33,708**		45,141	
Tax at the statutory tax rate	**5,899**	**17.5**	7,223	16.0
Effect on opening deferred tax of increase in rate	**–**	**–**	(203)	(0.5)
Adjustments in respect of current tax of previous periods	**213**	**0.6**	37	0.1
Income not subject to tax	**(20,968)**	**(62.2)**	(17,572)	(38.9)
Expenses not deductible for tax	**20,358**	**60.4**	12,456	27.6
Tax losses utilised from previous periods	**(4,967)**	**(14.7)**	(1,056)	(2.4)
Tax losses not recognised	**3,799**	**11.3**	2,476	5.5
Tax charge at the Group's effective rate	**4,334**	**12.9**	3,361	7.4

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 March 2004 dealt with in the financial statements of the Company was HK$6,166,000 (2003: HK$108,216,000).

12. DIVIDENDS

	2004	2003
	HK$'000	*HK$'000*
Interim – HK3 cents (2003: Nil) per ordinary share	**3,544**	–
Proposed final – HK7 cents (2003: Nil) per ordinary share	**10,032**	–
	13,576	–

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$29,285,000 (2003 (restated): HK$41,139,000), and the weighted average of 121,746,522 (2003: 115,739,546) ordinary shares in issue during the year, as adjusted to reflect the capital reorganisation during the year.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the year of HK$29,285,000. The weighted average number of ordinary shares used in the calculation is the 121,746,522 ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average of 6,807,774 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all the share options during the year.

The diluted earnings per share for the year ended 31 March 2003 has not been shown as the share options and warrants outstanding had no dilutive effect on the basic earnings per share.

14. FIXED ASSETS

Group

	Investment properties *HK$'000*	Leasehold improvements *HK$'000*	Machineries *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Computer equipment *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
Cost or valuation:								
At beginning of year	128,790	40,905	4,522	55,512	699	1,167	32,559	264,154
Additions	95,807	801	3,370	629	22	599	6,257	107,485
Acquisition of subsidiaries *(Note 33(c))*	–	–	96	2	59	1	–	158
Disposals and write-off	(1,940)	(762)	(2,361)	(6,740)	(22)	(16)	–	(11,841)
Disposal of subsidiaries *(Note 33(d))*	–	–	(111)	(623)	–	–	–	(734)
Transfer	25,981	12,340	–	479	–	16	(38,816)	–
Surplus on revaluation	11,762	–	–	–	–	–	–	11,762
At 31 March 2004	**260,400**	**53,284**	**5,516**	**49,259**	**758**	**1,767**	**–**	**370,984**
Accumulated depreciation:								
At beginning of year	–	24,148	3,209	46,830	463	869	–	75,519
Provided during the year	–	6,393	1,029	4,814	113	246	–	12,595
Disposals and write-off	–	(726)	(2,145)	(6,621)	(2)	(5)	–	(9,499)
Disposal of subsidiaries *(Note 33(d))*	–	–	(21)	(389)	–	–	–	(410)
At 31 March 2004	**–**	**29,815**	**2,072**	**44,634**	**574**	**1,110**	**–**	**78,205**
Net book value:								
At 31 March 2004	**260,400**	**23,469**	**3,444**	**4,625**	**184**	**657**	**–**	**292,779**
At 31 March 2003	128,790	16,757	1,313	8,682	236	298	32,559	188,635
Analysis of cost or valuation:								
At cost	–	53,284	5,516	49,259	758	1,767	–	110,584
At 31 March 2004 valuation	260,400	–	–	–	–	–	–	260,400
	260,400	53,284	5,516	49,259	758	1,767	–	370,984

14. FIXED ASSETS *(Cont'd)*

Company

	Furniture, fixtures and office equipment	Computer equipment	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost:			
At 1 April 2003 and 31 March 2004	**15**	**66**	**81**
Accumulated depreciation:			
At beginning of year	7	66	73
Provided during the year	3	–	3
At 31 March 2004	**10**	**66**	**76**
Net book value:			
At 31 March 2004	**5**	**–**	**5**
At 31 March 2003	8	–	8

The net book value of the fixed assets of the Group held under finance leases included in the total amount of furniture, fixtures and office equipment at 31 March 2004 amounted to HK$Nil (2003: HK$112,800).

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

The Group's investment properties were revalued on 31 March 2004 by Vigers Appraisal & Consulting Limited, independent professionally qualified valuers, on an open market, existing use basis. An aggregate amount of revaluation surplus of HK$11,762,000 resulting from the revaluation has been credited to the investment property revaluation reserve for HK$4,696,000 and the profit and loss account for HK$7,066,000. 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 35 and 38 to the financial statements.

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

Further particulars of the Group's investment properties are included on page 91 to 92.

15. 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

	Goodwill arising on acquisition of subsidiaries HK$'000	**Goodwill arising on acquisition of associates** *(Note 17)* HK$'000
Cost:		
At beginning of year	144,839	41,785
Acquisitions during the year *(Note 33(c))*	2,191	17,204
Disposal of subsidiaries *(Note 33(d))*	(139,934)	–
Disposal of interests in an associate	–	(23,333)
At 31 March 2004	**7,096**	**35,656**
Accumulated amortisation and impairment:		
At beginning of year	(9,231)	(19,498)
Amortisation provided during the year	(6,246)	(7,656)
Disposal of subsidiaries *(Note 33(d))*	13,840	–
Disposal of interests in an associate	–	3,155
At 31 March 2004	**(1,637)**	**23,999**
Net book value:		
At 31 March 2004	**5,459**	**11,657**
At 31 March 2003	135,608	22,287

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.

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, upon the acquisition of additional interest in an associate, which became a subsidiary thereafter, the entire goodwill 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 of HK$926,000 was reclassified as goodwill arising on acquisition of subsidiaries. Accordingly, the goodwill remaining in consolidated reserve as at 31 March 2004 were HK$21,755,000.

The amount of negative goodwill recorded at cost in consolidated reserves as at 31 March 2003 and 2004, arising from the acquisition of a subsidiary prior to the adoption of SSAP 30 in 2002, was HK$8,112,000.

16. INTERESTS IN SUBSIDIARIES

	Company	
	2004	2003
	HK\$'000	*HK\$'000*
Unlisted shares, at cost	**71,000**	71,000
Due from subsidiaries – *Note (i)*	**655,101**	712,203
Loans to subsidiaries – *Note (ii)*	**83,461**	81,133
Due to subsidiaries – *Note (i)*	**(33,481)**	(38,057)
	776,081	826,279
Less: Provisions for impairment	**(419,449)**	(419,449)
	356,632	406,830

Notes:

(i) The amounts are unsecured and have no fixed terms of repayment. Except for a balance of HK\$7,000,000 advanced to a subsidiary which bears interest at 2% per annum, the remaining balances are interest-free.

(ii) The amounts are unsecured and have no fixed terms of repayment. Except for a loan to a subsidiary of HK\$17,217,000 which bears interest at 3% per annum, the remaining balances are interest-free.

16. 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 Direct %	Indirect %	Principal activities
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
Fenny Planning & Project Management Limited	Hong Kong	Ordinary HK$100	–	100	Promotion of Chinese wet markets
Fulling Limited	Hong Kong	Ordinary HK$100	–	100	Money lending
Geswin Limited	Hong Kong	Ordinary HK$2	–	100	Investment holding

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

Particulars of the principal subsidiaries at the balance sheet date are as follows: *(Cont'd)*

Name	Place of incorporation/ operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Principal activities
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
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
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$700,002	–	100	Management and sub-licensing of car parks
Rich Time Strategy Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	–	100	Investment holding

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

Particulars of the principal subsidiaries at the balance sheet date are as follows: *(Cont'd)*

Name	Place of incorporation/ operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Richly Gold Ltd.	Hong Kong	Ordinary HK$2	–	100	Investment holding
Tse's Waxing & Cleaning Company Limited ("Tse's")	Hong Kong	Ordinary HK$2	–	100	Provision of cleaning services
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
WOD Investments Limited ("WOD")	Hong Kong	Ordinary HK$1,000,000	–	100	Property investment
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

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

Particulars of the principal subsidiaries at the balance sheet date are as follows: *(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 %	
Wang On Shopping Centre Management Limited	Hong Kong	Ordinary HK$2	–	100	Management and sub-licensing of shopping centres
Willing Dental Consultants Limited	Hong Kong	Ordinary HK$100	–	100	Provision of dental consultation services

Notes:

(1) The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets 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$1,000,000,000,000 thereof has been distributed among the holders of the ordinary shares.

17. INTERESTS IN ASSOCIATES

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Share of net assets	**69,713**	32,259	**–**	–
Deferred gain	**(8,785)**	(16,058)	**–**	–
Goodwill on acquisition – *Note 15*	**11,657**	22,287	**–**	–
	72,585	38,488	**–**	–
Due from associates – *Note (i)*	**539**	7,874	**219**	219
Due to associates – *Note (i)*	**(19)**	–	**–**	–
Loans to associates – *Note (ii)*	**7,000**	80,495	**–**	–
Convertible notes due from an associate – *Note (iii)*	**56,500**	64,000	**–**	–
	136,605	190,857	**219**	219
Less: Provisions for impairment	**(3)**	(3,403)	**–**	–
	136,602	187,454	**219**	219

Notes:

(i) The amounts with associates are unsecured and interest-free. Except for an amount due from an associate of HK$319,000 which was repaid on 29 June 2004, the remaining balance has no fixed terms of repayment.

(ii) A loan to an associate of HK$7,000,000 as at 31 March 2004 is unsecured, bears interest at 2% per annum and was repaid on 29 June 2004.

(iii) The convertible notes of HK$36,500,000 carry interest at 3.8% 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$0.01 per share during the period from 9 July 2002 to 8 July 2005. The initial conversion price of HK$0.01 per share was increased to HK$1 per share as a result of the capital reorganisation of WYTH effective on 20 October 2003.

The convertible notes of HK$20,000,000 carry interest at 3% per annum with a right to convert into ordinary shares of WYTH at an initial conversion price of HK$0.7 per share during the period from 31 March 2004 to 30 March 2006.

All the convertible notes were repaid on 29 June 2004.

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

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 2004 *(Note 2)*	2003	Principal activities
WYTH* *(Note 3)*	Corporate	Hong Kong	19.62	30.87	Production and sale of Chinese and western medicine, and health care products

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 diluted as a result of placements of shares and the exercise of convertible notes and share options 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.

17. INTERESTS IN ASSOCIATES (Cont'd)

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

	WYTH	
	2004	2003
	HK$'000	*HK$'000*
Profit and loss account		
Turnover	**349,225**	259,824
Loss for the year	**(30,006)**	(28,946)
Balance sheet		
Non-current assets	**343,339**	216,510
Current assets	**126,017**	103,175
Current liabilities	**(44,784)**	(99,736)
Non-current liabilities	**(70,667)**	(133,821)
Minority interests	**(212)**	(94)
Net assets	**353,693**	86,034

18. INVESTMENTS

(a) Long term investments

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Held-to-maturity securities:				
Hong Kong unlisted dated debt securities, at amortised cost	**15,534**	–	**15,534**	–
Investment securities:				
Hong Kong unlisted certificate of deposit, at cost	**–**	11,700	**–**	11,700
Hong Kong unlisted unit trusts, at cost	**4,010**	3,000	**–**	–
Hong Kong unlisted equity shares, at cost	**30,098**	13,158	**–**	–
	34,108	27,858	**–**	11,700
Less: Provisions for impairment	**(14,799)**	(13,158)	**–**	–
	19,309	14,700	**–**	11,700
	34,843	14,700	**15,534**	11,700

(b) Short term investments

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Held-to-maturity securities:				
Hong Kong unlisted unit trusts, at cost	**19,403**	–	**–**	–
Investment security:				
Hong Kong unlisted certificate of deposit, at cost	**11,650**	–	**11,650**	–
Other investments:				
Listed equity securities, at fair value				
Hong Kong	**5,920**	3,344	**–**	–
Elsewhere	**455**	–	**455**	–
	37,428	3,344	**12,105**	–

19. INVENTORIES

	Group	
	2004	2003
	HK$'000	*HK$'000*
Raw materials	**–**	944
Packing materials	**–**	987
Finished goods	**73**	632
	73	2,563

None of the inventories included in the above was carried at net realisable value as at the balance sheet date (2003: Nil).

20. TRADE RECEIVABLES

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

	Group			
	2004		2003	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
Within 90 days	**5,297**	**94**	7,546	89
91 days to 180 days	**253**	**4**	720	8
Over 180 days	**86**	**2**	251	3
	5,636	**100**	8,517	100
Less: Provision for doubtful debts	**(85)**		(214)	
	5,551		8,303	

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

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**2,978**	2,939	**814**	509
Deposits	**6,269**	6,176	**47**	–
Other receivables	**4,725**	3,019	**227**	78
	13,972	12,134	**1,088**	587

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**25,931**	40,947	**2,189**	22,261
Time deposits	**263,434**	173,244	**236,200**	153,223
	289,365	214,191	**238,389**	175,484

23. TRADE PAYABLES

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

	Group	
	2004	2003
	HK$'000	*HK$'000*
Within 90 days	**188**	1,140
Over 180 days	**–**	460
	188	1,600

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other payables	**4,010**	7,508	**110**	110
Accruals	**8,987**	9,211	**131**	266
	12,997	16,719	**241**	376

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

		Group	
		2004	2003
	Notes	***HK$'000***	*HK$'000*
Current portion of bank loans and overdrafts	27	**24,575**	25,124
Current portion of finance lease payable	28	**–**	58
		24,575	25,182

26. PROVISIONS FOR ONEROUS CONTRACTS

	Group	
	2004	2003
	HK$'000	*HK$'000*
At beginning of year	**20,139**	27,017
Write back of provision	**(420)**	(313)
Amount utilised during the year	**(6,146)**	(6,565)
At 31 March	**13,573**	20,139
Portion classified as current liabilities	**(9,112)**	(7,709)
Long term portion	**4,461**	12,430

27. INTEREST-BEARING BANK LOANS

	Group 2004 HK$'000	Group 2003 HK$'000
Bank loans:		
Secured – *Note*	**104,648**	60,193
Unsecured	**–**	15,767
	104,648	75,960
Bank loans repayable:		
Within one year	**24,575**	25,124
In the second year	**9,734**	11,355
In the third to fifth years, inclusive	**24,890**	29,061
Beyond five years	**45,449**	10,420
	104,648	75,960
Portion classified as current liabilities *(Note 25)*	**(24,575)**	(25,124)
Long term portion	**80,073**	50,836

Note: Certain of the Group's bank loans are secured by the Group's investment properties (note 14).

28. FINANCE LEASE PAYABLE

The Group leased certain of its office equipment. These leases were classified as finance leases and have been terminated during the year.

At the balance sheet date, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments		**Present value of minimum lease payments**	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts repayable:				
Within one year	**–**	58	**–**	58
In the second year	**–**	52	**–**	52
Total minimum finance lease payments	**–**	110	**–**	110
Future finance charges	**–**	–		
Total net finance lease payables	**–**	110		
Portion classified as current liabilities *(Note 25)*	**–**	(58)		
Long term portion	**–**	52		

29. DEFERRED TAX

The movement in deferred tax liabilities and assets during the year is as follows:

Deferred tax assets

Group — **2003**

	Accelerated tax depreciation *HK$'000*	Provisions for onerous contracts *HK$'000*	Revaluation of properties *HK$'000*	Losses available for offset against future taxable profit *HK$'000*	Others *HK$'000*	Total *HK$'000*
At 1 April 2002						
As previously reported	(983)	–	–	–	–	(983)
Prior year adjustment:						
SSAP 12 – restatement of deferred tax	725	1,500	–	921	–	3,146
As restated	(258)	1,500	–	921	–	2,163
Disposal of subsidiaries *(note 33(d))*	218	–	–	–	–	218
Deferred tax credited/(charged) to the profit and loss account during the year, including a credit of HK$203,000 due to the effect of a change in tax rate *(note 10)*	(1,724)	–	78	1,472	20	(154)
Deferred tax assets/(liabilities) at 31 March 2003	(1,764)	1,500	78	2,393	20	2,227

Group — **2004**

	Accelerated tax depreciation *HK$'000*	Provisions for onerous contracts *HK$'000*	Revaluation of properties *HK$'000*	Losses available for offset against future taxable profit *HK$'000*	Others *HK$'000*	Total *HK$'000*
At 1 April 2003						
As previously reported	(765)	–	–	–	–	(765)
Prior year adjustment:						
SSAP 12 – restatement of deferred tax	(999)	1,500	78	2,393	20	2,992
As restated	(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**

29. DEFERRED TAX *(Cont'd)*

The Group has tax losses arising in Hong Kong of HK$121,230,000 (2003: HK$127,361,000) 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 2004, there is no significant unrecognised deferred tax liability (2003: 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.

SSAP 12 (revised) was adopted during the year, as further explained in note 2 to the financial statements. This change in accounting policy has resulted in an increase in the Group's deferred tax assets as at 31 March 2004 and 2003 by HK$2,183,000 and HK$2,992,000, respectively. As a consequence, the consolidated net profits attributable to shareholders for the years ended 31 March 2004 and 2003 have been decreased by HK$809,000 and HK$154,000, respectively, and the consolidated retained profits at 1 April 2003 and 2002 have been increased by HK$2,992,000 and HK$3,146,000, respectively, as detailed in the consolidated statement of changes in equity.

30. SHARE CAPITAL

Shares

	2004	2003
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
143,320,366 (2003: 118,143,655) ordinary shares of HK$0.10 each	**14,332**	11,815

During the year, the movements in the Company's share capital were as follows:

(a) On 19 December 2003, the Group declared an interim dividend of HK$0.03 per share, with a scrip alternative, to its shareholders whose names appear on the register of members on 9 January 2004. Accordingly, 1,576,711 ordinary shares of HK$0.10 each were issued at an issue price of HK$0.9558 each to the shareholders who elected to receive dividend, wholly or partly, by way of allotment of shares on 3 February 2004, resulting in the transfer of HK$157,000 and HK$1,350,000 from retained profits to issued capital and share premium account, respectively.

30. SHARE CAPITAL *(Cont'd)*

Shares *(Cont'd)*

(b) On 9 February 2004, a top-up placement of 23,600,000 ordinary shares of HK$0.10 each was made at an issue price of HK$1.10 each. The net proceeds were used for the purchase of investment properties.

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

	Number of shares in issue	Issued share capital	Share premium account	Total
		HK$'000	*HK$'000*	*HK$'000*
At 1 April 2002	9,864,365,596	98,644	331,114	429,758
Placement of shares	1,950,000,000	19,500	19,500	39,000
Capital reorganisation	(11,696,221,941)	(106,329)	–	(106,329)
Share issue expenses	–	–	(2,392)	(2,392)
At 31 March and 1 April 2003	118,143,655	11,815	348,222	360,037
Interim 2004 dividend (a)	1,576,711	157	1,350	1,507
Placement of shares (b)	23,600,000	2,360	23,600	25,960
Share issue expenses	–	–	(810)	(810)
At 31 March 2004	**143,320,366**	**14,332**	**372,362**	**386,694**

Share options

Details of the Company's share option schemes are set out in note 31 to the financial statements.

Warrants

On 3 July 2002, 2,000,000,000 warrants were issued at HK$0.001 each for a total proceed, before expenses, of HK$2,000,000. The warrant-holders were entitled to subscribe for one ordinary share of the Company of HK$0.01 each at a subscription price of HK$0.017 per share (subject to adjustment) at any time during the period from the date of issue to 31 July 2003 (the "Expiry Date"). As a result of a capital reorganisation effective on 4 October 2002 (the "Capital Reorganisation"), the number of warrants was reduced from 2,000,000,000 to 20,000,000. The subscription price was increased from HK$0.017 each to HK$1.7 each. No warrant was exercised up to the Expiry Date. Accordingly, the warrant reserve as at 31 March 2003 of approximately HK$1,735,000 was transferred to retained profits on the Expiry Date.

31. 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 2004, there were 2,628,000 (adjusted for the Capital Reorganisation) share options granted under the Old Scheme which remained outstanding as at the same date.

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), secondee, 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, licencee (including any sub-licencee) 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 2004, the number of shares issuable under the share options granted under the Old Scheme and the New Scheme were 2,628,000 and 9,800,000, respectively, which in aggregate represented approximately 8.7% 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.

31. SHARE OPTION SCHEMES *(Cont'd)*

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.

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:

	Number of share options					
Name or category of participant	**At 1 April 2003**	**Granted during the year**	**At 31 March 2004**	**Date of grant of share options**	**Exercise period of share options**	**Exercise price of share options** *HK$*
Directors						
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
Other employees						
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	9,800,000	*	*	*
	2,628,000	9,800,000	12,428,000			

31. SHARE OPTION SCHEMES *(Cont'd)*

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

At the balance sheet date, the Company had 2,628,000 (2003: 2,628,000) and 9,800,000 (2003: Nil) share options outstanding under the Old Scheme and the New Scheme, respectively. The exercise in full of the share options would, under the present capital structure of the Company, result in the issue of 12,428,000 (2003: 2,628,000) additional ordinary shares of the Company and additional share capital of HK$1,242,800 (2003: HK$262,800) and share premium of HK$14,323,760 (2003: HK$5,440,000) (before issue expenses).

32. 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 15 to the financial statements.

32. RESERVES *(Cont'd)*

(b) Company

	Notes	Share premium account HK$'000	Contributed surplus *(Note)* HK$'000	Warrant reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 April 2002		331,114	15,035	–	3,100	–	349,249
Placement of shares	30	19,500	–	–	–	–	19,500
Capital Reorganisation	30	–	106,329	–	–	–	106,329
Warrant issue	30	–	–	2,000	–	–	2,000
Warrant issue expenses		–	–	(265)	–	–	(265)
Share issue expenses	30	(2,392)	–	–	–	–	(2,392)
Net profit for the year		–	–	–	108,216	–	108,216
At 31 March and 1 April 2003		348,222	121,364	1,735	111,316	–	582,637
Placement of shares	30	23,600	–	–	–	–	23,600
Expiry of warrant	30	–	–	(1,735)	1,735	–	–
Share issue expenses	30	(810)	–	–	–	–	(810)
Net profit for the year		–	–	–	6,166	–	6,166
Interim 2004 dividend	12, 30	1,350	–	–	(3,544)	–	(2,194)
Proposed final 2004 dividend	12	–	–	–	(10,032)	10,032	–
At 31 March 2004		**372,362**	**121,364**	**–**	**105,641**	**10,032**	**609,399**

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. The movements during the year ended 31 March 2003 represent the difference between the nominal value of the share capital before and after the Group's Capital Reorganisation. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Major non-cash transactions

During the year, the Group entered into a sale and purchase agreement to dispose of its entire interests in certain subsidiaries of the Group to WYTH at a consideration of HK$130 million. The consideration was satisfied by the issuance of approximately 5,972 million ordinary shares in WYTH at HK$0.01 per share and convertible notes issued by WYTH of approximately HK$70 million. Further details are set out in note (d) below.

During the year, the Group entered into a sale and purchase agreement to dispose of its entire interests in an associate to WYTH at a consideration of HK$20 million. The consideration was satisfied by the issuance of convertible notes by WYTH of approximately HK$20 million. A gain on disposal of approximately HK$13 million was resulted upon the completion of this disposal.

(b) Acquisition of a subsidiary

	2004	2003
	HK$'000	*HK$'000*
Net assets acquired:		
Fixed assets	–	495
Inventories	–	23
Trade receivables, prepayments, deposits and other receivables	–	2,075
Cash and cash equivalents	–	997
Trade payables, other payables and accruals	–	(2,201)
Tax payable	–	(124)
	–	1,265
Goodwill on acquisition	–	4,805
	–	6,070
Satisfied by:		
Cash	–	6,070

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

(b) Acquisition of a subsidiary (Cont'd)

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

	2004 HK$'000	2003 HK$'000
Cash consideration	–	(6,070)
Cash and cash equivalents acquired	–	997
Net outflow of cash and cash equivalents in respect of acquisition of a subsidiary	–	(5,073)

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

	Notes	2004 HK$'000	2003 HK$'000
Net assets acquired:			
Fixed assets	14	158	374
Inventories		–	2,496
Trade receivables, prepayments, deposits and other receivables		827	2,865
Tax recoverable		12	–
Cash and cash equivalents		844	2,185
Trade payables, other payables and accruals		(677)	(3,660)
Interest-bearing bank borrowings		–	(1,600)
Tax payable		–	(54)
		1,164	2,606
Goodwill on acquisition	15	2,191	71,001
		3,355	73,607
Satisfied by:			
Cash		2,773	1,885
Disposal of interests in an associate		582	71,722
		3,355	73,607

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Cont'd)*

(c) Acquisition of additional shares in associates which became subsidiaries as a result thereof *(Cont'd)*

An analysis of the net inflow/(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:

	2004	2003
	HK$'000	*HK$'000*
Cash consideration	**(2,750)**	(1,480)
Expenses incurred	**(23)**	(405)
Cash and cash equivalents acquired	**844**	2,185
Net inflow/(outflow) of cash and cash equivalents in respect of acquisition of additional shares in subsidiaries	**(1,929)**	300

On 15 July 2003, the Group acquired a further 50% interest in Tse's, a then 50%-owned associate of the Group at a cash consideration of HK$2,750,000.

Tse's had no significant impact on the Group's consolidated turnover and profit after tax for the year after it was accounted for as a subsidiary of the Group.

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

(d) Disposal of subsidiaries

	Notes	**2004** **HK$'000**	2003 HK$'000
Net assets disposed of:			
Fixed assets	14	**324**	12,516
Intangible assets		**–**	228
Interests in associates		**–**	5,593
Inventories		**3,377**	11,779
Trade receivable		**9,194**	14,619
Deposits and other receivables		**647**	5,424
Cash and cash equivalents		**3,691**	3,553
Trade and other payables		**(6,208)**	(16,856)
Interest-bearing bank and other borrowings		**(4,722)**	–
Tax payable		**(628)**	(2,159)
Deferred income		**–**	(722)
Deferred tax liabilities	29	**–**	(218)
Minority interests		**(12)**	(8,660)
		5,663	25,097
Goodwill released on disposal	15	**126,094**	75,104
Gain/(loss) on disposal of subsidiaries		**(1,020)**	17,031
Deferred gain/(loss) on disposal of subsidiaries		**(1,012)**	45,183
		129,725	162,415
Satisfied by:			
Interests in an associate		**59,938**	103,089
Convertible notes of an associate		**70,000**	64,000
Expenses incurred		**(213)**	(4,674)
		129,725	162,415

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Cont'd)*

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

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries as a result thereof is as follows:

	2004	2003
	HK$'000	*HK$'000*
Expenses incurred	**(213)**	(4,674)
Cash and cash equivalents disposed of	**(3,691)**	(3,553)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	**(3,904)**	(8,227)

On 20 August 2003, the Group disposed of its entire interests in Biomore Investments Limited and Bio Chapter Limited (collectively referred to as the "Disposed Subsidiaries"), two then wholly-owned subsidiaries of the Company, to WYTH for an aggregate consideration of HK$129,725,000. The consideration was satisfied by the issuance of approximately 5,972 million ordinary shares in WYTH at HK$0.01 per share and convertible notes issued by WYTH of HK$70 million. The convertible notes are interest-bearing at 2% per annum, payable semi-annually in arrears, with the maturity date falling on the last day of a period of three years from the issue date.

The Disposed Subsidiaries and their subsidiaries contributed HK$18,556,000 to the Group's turnover and HK$5,404,000 to the consolidated profit after tax and before minority interests for the year ended 31 March 2004.

34. CONTINGENT LIABILITIES

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

(a)

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees in respect of performance bonds given to third parties	**–**	15,222	**–**	–
Guarantees given in lieu of utility and property rental deposits	**–**	17,567	**–**	–
Bills discounted with recourse	**–**	1,628	**–**	–
Guarantees given to financial institutions in connection with facilities granted to subsidiaries	**–**	–	**243,650**	194,555
	–	34,417	**243,650**	194,555

(b) A corporate guarantee in the amount of approximately HK$Nil (2003: HK$464,000) was given by the Company to a landlord in respect of the full rental payments of the office premises during the tenancy period.

A corporate guarantee in the amount of HK$5,000,000 (2003: Nil) was given by the Company to a bank as a security of general banking facilities of HK$5,000,000 granted to a subsidiary of an associate of the Group. As at 31 March 2004, as aggregate amount of HK$1,486,000 was utilised.

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$1,558,000 as at 31 March 2004, 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.

35. 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 six 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:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Within one year	**70,810**	108,730
In the second to fifth years, inclusive	**30,319**	57,853
	101,129	166,583

(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 six years.

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

	Group	
	2004	2003
	HK$'000	*HK$'000*
Within one year	**109,754**	130,353
In the second to fifth years, inclusive	**114,171**	288,040
After five years	**378**	7,321
	224,303	425,714

36. COMMITMENTS

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

	Group	
	2004	2003
	HK$'000	*HK$'000*
Capital commitments contracted, but not provided for	**146,561**	7,460

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

37. POST BALANCE SHEET EVENTS

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

(a) On 19 March 2004, the Group entered into a provisional sale and purchase agreement with an independent third party to acquire an investment property at a consideration of HK$56 million, of which, HK$10 million had been paid as a deposit by the Group prior to the balance sheet date. The outstanding balance of HK$46 million was included in the amount of capital commitments contracted, but not provided for, in note 36 to the financial statements. The acquisition was completed on 18 May 2004.

(b) On 24 March 2004, the Group entered into a conditional sale and purchase agreement with independent third parties to acquire Swing International Limited ("Swing") at a cash consideration of HK$10 million. The major asset of Swing was a deposit paid for the acquisition of an investment property of approximately HK$5.63 million, representing 10% of the total consideration of approximately HK$56.3 million. The remaining consideration was fully paid on the completion date of the acquisition on 30 April 2004.

(c) On 7 April 2004, the Group entered into a sale and purchase agreement with an independent third party to dispose of an investment property situated in Hong Kong for a cash consideration of HK$33.8 million. The transaction was completed on 1 June 2004 and resulted in a gain of approximately HK$4.4 million.

(d) On 26 March 2004, the Group entered into a provisional sale and purchase agreement with an independent third party to acquire a residential leasehold land situated in Shatin for residential development purpose at a consideration of HK$103.8 million, of which, HK$5 million had been paid as a deposit by the Group prior to the balance sheet date. The outstanding balance of HK$98.8 million was included in the amount of capital commitments contracted, but not provided for, in note 36 to the financial statements. The directors expect the acquisition will be completed on 20 July 2004.

37. POST BALANCE SHEET EVENTS *(Cont'd)*

(e) On 8 April 2004, the Group entered into a conditional sale and purchase agreement with a subsidiary of WYTH (the "Purchaser") to dispose of its entire interest in a wholly-owned subsidiary of the Group, WOD, which owns the Wai Yuen Tong Medicine Building, to the Purchaser at an initial consideration of approximately HK$64.5 million. The transaction was completed on 30 June 2004.

(f) On 20 April 2004, WYTH announced that it proposed to issue approximately 1,658 million rights shares at a price of HK$0.16 per rights share on the basis of three rights shares for every WYTH share held on 2 June 2004 ("Rights Issue"). In addition, WYTH also proposed to issue approximately 553 million bonus shares on the basis of one bonus share for every three fully paid rights shares ("Bonus Issue"). The Group had given a conditional irrevocable undertaking to WYTH to subscribe or procure the subscribing of all its entitlement pursuant to the Rights Issue (i.e. a total of 433.8 million of shares, including both rights shares and bonus shares, to be issued to the Group) and to make or procure an excess application for 210 million rights shares under the Rights Issues. Accordingly, upon the completion of Rights Issue and Bonus Issue on 28 June 2004, 535.3 million rights shares and 178.5 million bonus shares in the capital of WYTH were allotted to the Group, which increased the Group's interest in WYTH's enlarged share capital to 29.75%.

(g) On 5 July 2004, the Group entered into a sale and purchase agreement with an independent third party to acquire investment properties, together with two existing tenancies with an aggregated monthly rental charge of HK$77,000, both expiring on 31 May 2006, at a consideration of HK$19.8 million.

38. RELATED PARTY TRANSACTIONS

In addition to the transaction as detailed in note 34(b) to the financial statements, the Group had the following material transactions with related parties during the year:

	Notes	**2004** ***HK$'000***	2003 *HK$'000*
Rental income received from Mr. Tang Ching Ho	*(a)*	**583**	686
Proceeds from disposal of companies to an associate	*(b)*	**149,725**	167,089
Income from associates:	*(c)*		
– Management fee		**960**	960
– Rental		**5,116**	679
– Interest income		**6,957**	6,900
Cleaning expenses paid to an associate	*(c)*	**1,716**	6,084
Sales to a related party	*(c)*	**–**	247

38. RELATED PARTY TRANSACTIONS *(Cont'd)*

Notes:

(a) An investment property of the Group was leased to Mr. Tang Ching Ho for a period of one year from 20 December 2002 at an agreed monthly rental of HK$50,000. The lease was renewed and extended for a further one year at an agreed monthly rental of HK$45,000. The rentals were determined with reference to the prevailing market rates.

(b) The entire interests of the Disposed Subsidiaries and China Field Enterprises Limited, a then 49%-owned associate of the Group, were disposed of to WYTH at considerations of HK$129.7 million and HK$20 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 33(d) to the financial statements.

The Company agreed to severally warrant, guarantee and undertake to WYTH that the audited consolidated net profit after tax of Luxembourg Medicine Company Limited ("LMC"), a company 99.79%-owned by the Disposed Subsidiaries, for the year ended 31 March 2004 shall not be less than HK$11.5 million. In the event that the profit is less than the guaranteed profit, the Company will pay to WYTH a prescribed cash sum. The audited consolidated net profit after tax of LMC for the year ended 31 March 2004 was HK$12 million.

(c) The transactions were based on terms mutually agreed between the Group and the related parties.

Details of the Group's balances with associates as at the balance sheet date are disclosed in note 17 to the financial statements.

39. COMPARATIVE AMOUNTS

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

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 9 July 2004.