

# THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this prospectus or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Wang On Group Limited, you should at once hand this prospectus together with the accompanying provisional allotment letter and the form of application for excess Rights Shares to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A copy of this prospectus, together with the provisional allotment letter and the form of application for excess Rights Shares, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance of Hong Kong. A copy of this prospectus, together with copies of the provisional allotment letter and the form of application for excess Rights Shares, have been filed with the Registrar of Companies in Bermuda as required by the Companies Act 1981 of Bermuda. The Registrar of Companies in Hong Kong, the Securities & Futures Commission and the Registrar of Companies in Bermuda take no responsibility as to the contents of any of the documents referred to above.

Dealings in the shares of Wang On Group Limited may be settled through the Central Clearing and Settlement System ("CCASS") and you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Securities Clearing Company Limited (the "Hongkong Clearing") take no responsibility for this prospectus, the provisional allotment letter or the form of application for excess Rights Shares, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus, the provisional allotment letter or the form of application for excess Rights Shares.



## WANG ON GROUP LIMITED

*(incorporated in Bermuda with limited liability)*

### RIGHTS ISSUE OF 6,576,243,732 NEW SHARES ON THE BASIS OF FOUR RIGHTS SHARES FOR EVERY EXISTING SHARE HELD WITH 1,644,060,933 BONUS SHARES TO BE ISSUED WITH RIGHTS SHARES ON THE BASIS OF ONE BONUS SHARE FOR FOUR FULLY PAID RIGHTS SHARES

Financial adviser to Wang On Group Limited



Kingsway Capital Limited

Manager of the Rights Issue

Co-Manager of the Rights Issue



Kingsway SW Securities Limited



KINGSTON SECURITIES LIMITED

The latest time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Friday, 15th March, 2002. The procedure for acceptance and payment or transfer of the Rights Shares is set out on pages 21 to 22 of this prospectus.

It should be noted that the Underwriters may terminate their obligations set out in the Underwriting Agreement by notice in writing given by Kingsway SW Securities Limited (for itself and on behalf of the other Underwriters) to the Company at any time if, prior to 5:00 p.m. on the third Business Day after the date on which the latest time for acceptance of the Rights Shares falls, which is Wednesday, 20th March, 2002, there shall develop, occur, exist or come into effect: (a) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other place in which any member of the Group conducts or carries on business; or (b) any change in, or any event or series of events resulting or likely to result in any change in, local, national or international financial, political, military, industrial, economic, currency or (whether or not sui generis with any of the foregoing) market conditions; or (c) any change in the conditions of local, national or international securities markets (including but without limitation, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise), which: (1) is or will have a material adverse effect on the Company or the Group or the Rights Issue; or (2) has or will have a material adverse effect on the success of the Rights Issue or the level of Rights Shares taken up; or (3) makes it inadvisable or inexpedient for the Company to proceed with the Rights Issue. Accordingly, if the Underwriters exercise their rights to terminate the Underwriting Agreement, the Rights Issue will not proceed. This means that any persons contemplating selling or purchasing Rights Shares in their nil-paid form during the period in which they may be traded on the Stock Exchange, which is from Monday, 4th March, 2002 to Tuesday, 12th March, 2002, and in Shares, which have been dealt in on an ex-rights basis from Thursday, 21st February, 2002, bear the risk that the Rights Issue may not proceed.

Any Shareholders or other persons contemplating selling or purchasing Shares and/or Rights Shares in their nil-paid form during the period when the conditions to which the Rights Issue is subject remain unfulfilled or during which the Underwriters have the right to terminate their obligations for force majeure events or otherwise and who are in any doubt about their position are recommended to consult their professional advisers.

Subject to the granting of listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms and the Bonus Shares on the Stock Exchange, and subject to compliance with the stock admission requirements of Hongkong Clearing, the Rights Shares in both their nil-paid and fully-paid forms and the Bonus Shares will be accepted as eligible securities by Hongkong Clearing for deposit, clearance and settlement in CCASS with effect from the relevant commencement dates of dealings in the Rights Shares (in both their nil-paid and fully-paid) and the Bonus Shares on the Stock Exchange or such other dates as determined by Hongkong Clearing. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

28th February, 2002

---

# CONTENTS

---

	<i>Page</i>
<b>Termination of the Underwriting Agreement</b> .....	1
<b>Summary of the Rights Issue</b> .....	2
<b>Expected timetable</b> .....	3
<b>Definitions</b> .....	4
<b>Letter from the Board</b>	
Introduction .....	8
Issue statistics .....	9
Terms of the Rights Issue .....	9
Underwriting arrangements .....	12
Conditions of the Rights Issue .....	14
Shareholding structure of the Company .....	15
Review of operations and prospects since 31st March, 2001 .....	16
Reasons for the Rights Issue and use of proceeds .....	19
Procedures for acceptance and transfer .....	21
Application for excess Rights Shares .....	22
Listing and dealings .....	23
Permission of the BMA .....	24
Warning of the risks of dealings in Shares and Rights Shares .....	24
Further information .....	24
<b>Appendix I – Financial information relating to the Group</b> .....	25
<b>Appendix II – Financial information relating to Dailywin</b> .....	87
<b>Appendix III – General information</b> .....	129

---

## **TERMINATION OF THE UNDERWRITING AGREEMENT**

---

The Underwriters may terminate their obligations set out in the Underwriting Agreement by notice in writing given by Kingsway SW Securities Limited (for itself and on behalf of the other Underwriters) to the Company at any time if, prior to 5:00 p.m. on the third Business Day after the date on which the latest time for acceptance of the Rights Shares falls, which is Wednesday, 20th March, 2002, there shall develop, occur, exist or come into effect:

- (a) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other place in which any member of the Group conducts or carries on business; or
- (b) any change in, or any event or series of events resulting or likely to result in any change in, local, national or international financial, political, military, industrial, economic, currency or (whether or not sui generis with any of the foregoing) market conditions; or
- (c) any change in the conditions of local, national or international securities markets (including but without limitation, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise),

which:

- (1) is or will have a material adverse effect on the Company or the Group or the Rights Issue; or
- (2) has or will have a material adverse effect on the success of the Rights Issue or the level of Rights Shares taken up; or
- (3) makes it inadvisable or inexpedient for the Company to proceed with the Rights Issue.

Save for all reasonable costs, charges and expenses which may be incurred in connection with the Rights Issue, upon the giving of notice of termination, all obligations of the Underwriters under the Underwriting Agreement shall cease and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Underwriting Agreement. If the Underwriters exercise such right, the Rights Issue will not proceed.

---

## SUMMARY OF THE RIGHTS ISSUE

---

*The following information is derived from, and should be read in conjunction with, the full text of this prospectus.*

<b>Number of Shares in issue</b>	1,644,060,933 Shares as at the Latest Practicable Date
<b>Basis of the Rights Issue</b>	4 Rights Shares for 1 existing Share held on the Record Date
<b>Basis of issue of Bonus Shares</b>	1 Bonus Share for every 4 fully-paid Rights Shares
<b>Number of Rights Shares to be issued</b>	6,576,243,732
<b>Number of Bonus Shares to be issued</b>	1,644,060,933
<b>Amount to be raised by the Rights Issue</b>	approximately HK\$197 million before expenses
<b>Right of excess applications</b>	Qualifying Shareholders will be entitled to apply for any unsold entitlements of the Non-Qualifying Shareholders and any Rights Shares provisionally allotted but not accepted or otherwise subscribed for by transferees of nil-paid Rights Shares
<b>Non-Qualifying Shareholders</b>	Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of HK\$100 or more will be paid pro rata to the Non-Qualifying Shareholders. The Company will retain individual amounts of less than HK\$100

---

## EXPECTED TIMETABLE

---

2002

Record Date .....	Thursday, 28th February
Register of members re-opens .....	Friday, 1st March
First day of dealings in nil-paid Rights Shares .....	Monday, 4th March
Latest time for splitting nil-paid Rights Shares .....	4:00 p.m. on Thursday, 7th March
Last day of dealings in nil-paid Rights Shares .....	Tuesday, 12th March
Latest time for payment for and acceptance of Rights Shares .....	4:00 p.m. on Friday, 15th March
Rights Issue expected to become unconditional .....	5:00 p.m. on Wednesday, 20th March
Announcement of results of the Rights Issue .....	Thursday, 21st March
Despatch of refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares on or before .....	Thursday, 21st March
Despatch of certificates for fully-paid Rights Shares and Bonus Shares on or before .....	Thursday, 21st March
First day of dealings in the fully-paid Rights Shares and the Bonus Shares .....	Monday, 25th March

---

## DEFINITIONS

---

*In this prospectus (except Appendix II) the following expressions have the meanings respectively set opposite them unless the context otherwise requires:*

“associate”	has the meaning ascribed thereto under the Listing Rules
“BMA”	Bermuda Monetary Authority
“Board”	board of Directors
“Bonus Shares”	1,644,060,933 new Shares to be allotted and issued by way of bonus to the first registered holders of the fully-paid Rights Shares on the basis of 1 Share (credited as fully-paid) for every 4 fully-paid Rights Shares
“Business Day”	any day on which the Stock Exchange is open for the business of dealing in securities
“CCASS”	the Central Clearing and Settlement System, established and operated by Hongkong Clearing
“Company”	Wang On Group Limited, a company incorporated in Bermuda with limited liability the shares of which are listed on the Stock Exchange
“Dailywin”	Dailywin Group Limited, a company incorporated in Bermuda with limited liability the shares of which are listed on the Stock Exchange and admitted to the Official List of the London Stock Exchange, and an associated company of the Company
“Dailywin Group”	Dailywin and its subsidiaries
“Dailywin Stock”	9.5% convertible unsecured loan stock 2008 issued by Dailywin and constituted under a Trust Deed dated 10th December, 1998 and made between Dailywin and the Trustee, which is admitted to the Official List of the London Stock Exchange
“Director(s)”	director(s) of the Company
“Dynamission”	Dynamission Investments Ltd., an indirect wholly-owned subsidiary of the Company incorporated in the British Virgin Islands

---

## DEFINITIONS

---

“EAF(s)”	form(s) of application for excess Rights Shares
“GMP”	acronym for Good Manufacturing Practice, the part of quality assurance which ensures that pharmaceutical products are consistently produced and controlled to the quality standards appropriate to their intended use
“Group”	the Company and its subsidiaries
“Hong Kong” or “HKSAR”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hongkong Clearing”	Hong Kong Securities Clearing Company Limited
“Kingsway Capital”	Kingsway Capital Limited, an investment adviser registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong) and the financial adviser to the Company in connection with the Rights Issue
“Last Trading Day”	14th January, 2002, being the last trading day before the suspension of the trading of the Shares on the Stock Exchange pending the publication on 17th January, 2002 of the Company’s announcement dated 16th January, 2002 in respect of, among other things, the Rights Issue
“Latest Practicable Date”	26th February, 2002, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information for inclusion in this prospectus
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Luxembourg Medicine”	Luxembourg Medicine Company Limited, an associated company of the Company incorporated in Hong Kong
“Mr. Tang”	Mr. Tang Ching Ho, the Chairman and Managing Director of the Company
“Ms. Tang”	Ms. Tang Mui Fun, a sister of Mr. Tang and one of the Underwriters

---

## DEFINITIONS

---

“Ms. Yau”	Ms. Yau Yuk Yin, the wife of Mr. Tang and who is the Deputy Chairman and Deputy Managing Director of the Company
“Non-Qualifying Shareholder(s)”	Shareholder(s) other than the Qualifying Shareholders
“PAL(s)”	provisional allotment letter(s) in respect of the Rights Shares
“Prospectus Documents”	this prospectus, the PAL and the EAF
“Qualifying Shareholder(s)”	Shareholder(s) whose names appear on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown in the register of members of the Company on that date is/are in Hong Kong
“Record Date”	28th February, 2002, being the date by reference to which entitlements to the Rights Issue are to be determined
“Rich Time”	Rich Time Strategy Limited, an indirect wholly-owned subsidiary of the Company incorporated in the British Virgin Islands which owns approximately 29% equity interest in Dailywin
“Rights Issue”	the proposed issue of the Rights Shares (with Bonus Shares) at a price of HK\$0.03 per Rights Share on the terms and conditions described in this prospectus
“Rights Share(s)”	6,576,243,732 new Share(s) to be allotted and issued under the Rights Issue
“SDI Ordinance”	Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)
“Share(s)”	share(s) of a nominal value of HK\$0.01 each in the capital of the Company
“Share Option Scheme”	the share option scheme of the Company adopted on 6th February, 1995

---

## DEFINITIONS

---

“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholders”	Caister Limited (which is wholly and beneficially owned by Mr. Tang), Mr. Tang, Ms. Yau, Ms. Tang Mui Fong (a sister of Mr. Tang), Mr. Yau Yuk Tong (a brother of Ms. Yau) and Ms. Tang
“Trustee”	Prudential Trustee Company Limited as trustee for the holders of the Dailywin Stock
“Underwriters”	Kingsway SW Securities Limited, Kingston Securities Limited, Great China Brokerage Limited, GC Capital (Asia) Limited, Luen Fat Securities Co. Ltd. and Ms. Tang, whose obligations shall be several (and not joint or joint and several)
“Underwriting Agreement”	the agreement dated 15th January, 2002 entered into between the Company and the Underwriters in relation to the underwriting and certain other arrangements in respect of the Rights Issue
“Wai Yuen Tong”	Wai Yuen Tong Medicine Company Limited, a subsidiary of the Company incorporated in Hong Kong
“GBP”	Pounds sterling, the lawful currency of the United Kingdom
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“sq.ft.”	square feet
“%”	per cent.

*(Note: For the purpose of this prospectus, the exchange rate of GBP1 = HK\$11.05 is used.)*

---

## LETTER FROM THE BOARD

---



### WANG ON GROUP LIMITED

*(incorporated in Bermuda with limited liability)*

*Executive Directors:*

Mr. Tang Ching Ho

*(Chairman and Managing Director)*

Ms. Yau Yuk Yin

*(Deputy Chairman and*

*Deputy Managing Director)*

Mr. Chan Chun Hong, Thomas

*Independent non-executive Directors:*

Dr. Lee Peng Fei, Allen, CBE, JP

Mr. Wong Chun, Justein, MBE, JP

Dr. Siu Yim Kwan, Sidney

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head office and principal  
place of business:*

12th Floor, Tower 1

South Seas Centre

No. 75 Mody Road

Tsimshatsui East

Kowloon

Hong Kong

28th February, 2002

*To the Qualifying Shareholders and,*

*for information only, Non-Qualifying Shareholders*

Dear Sir or Madam,

**RIGHTS ISSUE OF 6,576,243,732 NEW SHARES ON THE BASIS OF  
FOUR RIGHTS SHARES FOR EVERY EXISTING SHARE HELD  
WITH 1,644,060,933 BONUS SHARES TO BE ISSUED  
WITH RIGHTS SHARES ON THE BASIS OF  
ONE BONUS SHARE FOR FOUR FULLY PAID RIGHTS SHARES**

#### **INTRODUCTION**

It was announced on 16th January, 2002 (which announcement was published on 17th January, 2002) that, subject to the satisfaction of the conditions of the Rights Issue as mentioned in the section headed "Conditions of the Rights Issue" below, the Company proposed to raise approximately HK\$197 million, before expenses, by way of a rights issue of not less than 6,576,243,732 Rights Shares at the subscription price of HK\$0.03 per Rights Share. The Company would provisionally allot 4 Rights Shares in nil-paid form for 1 existing Share held by the Qualifying Shareholders on the Record Date, and would issue by way of bonus 1 Bonus Share for every 4 fully-paid Rights Shares.

---

## LETTER FROM THE BOARD

---

On 28th February, 2002, the Rights Issue was approved by the Shareholders at the special general meeting of the Company.

In connection with the Rights Issue, Kingsway Capital, which is independent of and not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates, has been appointed as the financial adviser to the Company.

The purpose of this prospectus is to provide you with details of the Rights Issue, including information on dealings and transfer of the Rights Shares in their nil-paid form, the procedure for acceptance of and payment for the Rights Shares and application for excess Rights Shares, and certain financial information relating to the Group and Dailywin.

### ISSUE STATISTICS

Basis of the Rights Issue	:	4 Rights Shares for 1 existing Share held on the Record Date, issued with 1 Bonus Share for every 4 fully-paid Rights Shares
Number of Shares in issue	:	1,644,060,933 Shares as at the Latest Practicable Date
Number of Rights Shares	:	6,576,243,732 Rights Shares
Subscription price for Rights Shares	:	HK\$0.03 per Rights Share
Number of Bonus Shares	:	1,644,060,933 Shares

### TERMS OF THE RIGHTS ISSUE

#### Basis of provisional allotment

4 Rights Shares for 1 existing Share held by a Qualifying Shareholder on the Record Date at the subscription price of HK\$0.03 per Rights Share, payable in full on acceptance.

In conjunction with the Rights Issue, the Company proposes to issue Bonus Shares to the first registered holders of fully-paid Rights Shares on the basis of 1 Bonus Share for every 4 fully-paid Rights Shares subscribed for. The Rights Issue is not available to Non-Qualifying Shareholders.

---

## LETTER FROM THE BOARD

---

### Subscription price for the Rights Shares

HK\$0.03 per Rights Share, payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or applies for excess Rights Shares, or when a transferee of nil-paid Rights Shares applies for Rights Shares.

Taking into account the Bonus Shares being issued with the fully-paid Rights Shares, the effective price for each Rights Share is HK\$0.024 which represents:

- (i) a discount of about 79.66% to the closing price of HK\$0.118 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of about 77.84% to the average closing price of HK\$0.1083 per Share for the last 10 trading days up to and including the Last Trading Day;
- (iii) a discount of about 39.50% to the theoretical ex-rights price of approximately HK\$0.040 per Share based on the closing price of HK\$0.118 per Share on the Last Trading Day;
- (iv) discount of about 35.14% to the closing price of HK\$0.037 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (v) a discount of about 26.15% to the average closing price of HK\$0.0325 per Share for the last 10 trading days up to and including the Latest Practicable Date; and
- (vi) a discount of about 8.28% to the theoretical ex-rights price of approximately HK\$0.026 per Share based on the closing price of HK\$0.037 per Share on the Latest Practicable Date.

The subscription price was determined after arm's length negotiations between the Company and the Underwriters. The Directors consider the terms of the Rights Issue to be fair and reasonable and in the best interests of the Company and the Shareholders.

### Status of the Rights Shares and the Bonus Shares

The Rights Shares (when issued and fully paid) and the Bonus Shares (when issued and credited as fully-paid) will rank pari passu with the then existing Shares in all respects. Holders of fully-paid Rights Shares and Bonus Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the Rights Shares and the Bonus Shares.

### Certificates for Rights Shares and Bonus Shares

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares and Bonus Shares are expected to be posted on or about Thursday, 21st

---

## LETTER FROM THE BOARD

---

March, 2002 to those who have accepted and (where applicable) applied for, and paid, for the Rights Shares at their own risk.

### **Qualifying Shareholders**

The Company will send the Prospectus Documents to the Qualifying Shareholders and the Prospectus, for information only, to the Non-Qualifying Shareholders.

To qualify for the Rights Shares, a Shareholder must:

1. be registered as a member of the Company on the Record Date; and
2. have an address in Hong Kong which appears on the register of members of the Company on the Record Date.

The last date on which transfer of Shares were accepted for registration in order to be registered as members on the Record Date was 22nd February, 2002.

### **Rights of Non-Qualifying Shareholders**

The Prospectus Documents will not be registered or filed under the applicable securities legislation of any jurisdictions other than Hong Kong and Bermuda. As the Directors are of the view that the offer of Rights Shares to Non-Qualifying Shareholders would or might, in the absence of compliance with registration or other special formalities in other jurisdictions, be unlawful or impracticable, the Company will send this prospectus to Non-Qualifying Shareholders for their information only but no PAL or EAF will be sent to the Non-Qualifying Shareholders. No provisional allotment of Rights Shares will be made to the Non-Qualifying Shareholders.

No action has been taken in any territory other than Hong Kong and Bermuda to permit the offering of the Rights Shares and/or distribution of the Prospectus Documents. No person receiving the Prospectus Documents in any territory outside Hong Kong may treat it as an offer or invitation unless in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements. It is the responsibility of anyone outside Hong Kong wishing to make an application for the Rights Shares to satisfy himself as to the observance of the laws and regulations of all relevant territories, including the obtaining of any government or other authorities' consents, and to pay any taxes and duties required to be paid in such territories in connection therewith. No application for Rights Shares will be accepted from any person who is a Non-Qualifying Shareholder. In particular, the Company reserves the right to refuse to accept any application for Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of the territory of residence of the applicant (or of any other relevant territory) or would result in such violation without compliance with registration and/or other legal or regulatory requirements outside Hong Kong and Bermuda.

---

## LETTER FROM THE BOARD

---

Arrangements will be made for Rights Shares which would otherwise be provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of HK\$100 or more will be paid pro rata to the Non-Qualifying Shareholders. The Company will retain individual amounts of less than HK\$100.

### UNDERWRITING ARRANGEMENTS

#### Undertakings from Substantial Shareholders

As at the Latest Practicable Date, the Substantial Shareholders were together beneficially interested in an aggregate of 200,617,117 Shares, representing approximately 12.20% of the issued share capital of the Company. Each of the Substantial Shareholders has given an irrevocable undertaking to accept or procure acceptance of its/his/her entitlement to the Rights Shares which will be provisionally allotted to it/him/her as the holders of such Shares under the Rights Issue, amounting to 802,468,468 Rights Shares in aggregate in respect of all the Substantial Shareholders.

#### Underwriting Agreement

Date : 15th January, 2002

Underwriters : (1) Kingsway SW Securities Limited  
(2) Kingston Securities Limited  
(3) Great China Brokerage Limited  
(4) GC Capital (Asia) Limited  
(5) Luen Fat Securities Co. Ltd.  
(6) Ms. Tang

Commission : 2.5% of the total subscription price of the Rights Shares underwritten by the Underwriters

Save for Ms. Tang, all the other Underwriters are dealers registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong).

Ms. Tang is a sister of Mr. Tang and one of the Substantial Shareholders who currently holds 37,036,907 Shares and who has undertaken to take up her entitlement under the Rights Issue of 148,147,628 Rights Shares. Ms. Tang is also a director of 55 subsidiaries of the Company. Dr. Siu Yim Kwan, Sidney, an independent non-executive Director, is a controlling shareholder of Great China Brokerage Limited. Save as disclosed in this paragraph, the Underwriters are independent of and not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates.

---

## LETTER FROM THE BOARD

---

The Underwriters have fully underwritten all of the Rights Shares to be issued under the Rights Issue other than the 802,468,468 Rights Shares which are the subject of the Substantial Shareholders' irrevocable undertakings referred to above, amounting to 5,773,775,264 in aggregate. Such obligations imposed on the Underwriters shall be several (and not joint or joint and several). Sub-underwriting arrangements, if any, will be at the sole discretion of the Underwriters in respect of their respective shares of the Rights Shares underwritten.

Pursuant to the Underwriting Agreement, Ms. Tang as one of the Underwriters has agreed to underwrite 615,336,334 Rights Shares. Assuming the Substantial Shareholders subscribe in full for all of the 802,468,468 Rights Shares to which they are respectively entitled under the Rights Issue in accordance with the irrevocable undertakings referred to above and assuming Ms. Tang is required to take up 615,336,334 Rights Shares (which will be issued with Bonus Shares), she together with the other Substantial Shareholders will be beneficially interested in an aggregate (including the Bonus Shares to be issued with the relevant fully-paid Rights Shares) of 1,972,873,120 Shares, representing approximately 20% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares and the Bonus Shares. Ms. Tang has indicated to the Directors that she will procure any Rights Shares underwritten by herself pursuant to the Underwriting Agreement which are required to be taken up by her to be allocated to the Substantial Shareholders in proportion to their respective shareholdings in the Company as at the Record Date.

### **Termination of the Underwriting Agreement**

**The Underwriters may terminate their obligations set out in the Underwriting Agreement by notice in writing given by Kingsway SW Securities Limited (for itself and on behalf of the other Underwriters) to the Company at any time if, prior to 5:00 p.m. on the third Business Day after the date on which the latest time for acceptance of the Rights Shares falls, which is Wednesday, 20th March, 2002, there shall develop, occur, exist or come into effect:**

- (a) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other place in which any member of the Group conducts or carries on business; or**
- (b) any change in, or any event or series of events resulting or likely to result in any change in, local, national or international financial, political, military, industrial, economic, currency or (whether or not sui generis with any of the foregoing) market conditions; or**
- (c) any change in the conditions of local, national or international securities markets (including but without limitation, the imposition of any moratorium,**

---

## LETTER FROM THE BOARD

---

**suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise),**

**which:**

- (1) is or will have a material adverse effect on the Company or the Group or the Rights Issue; or**
- (2) has or will have a material adverse effect on the success of the Rights Issue or the level of Rights Shares taken up; or**
- (3) makes it inadvisable or inexpedient for the Company to proceed with the Rights Issue.**

Save for all reasonable costs, charges and expenses which may be incurred in connection with the Rights Issue, upon the giving of notice of termination, all obligations of the Underwriters under the Underwriting Agreement shall cease and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Underwriting Agreement. **If the Underwriters exercise such right, the Rights Issue will not proceed.**

### **CONDITIONS OF THE RIGHTS ISSUE**

The Rights Issue is conditional upon each of the following conditions being fulfilled:

1. the Listing Committee of the Stock Exchange granting, or agreeing to grant, the listing of, and permission to deal in, the Rights Shares, in their nil-paid and fully-paid forms, and the Bonus Shares by not later than the first Business Day after the date of despatch of this prospectus;
2. the registration of the Prospectus Documents with the Registrar of Companies in Hong Kong, and the filing of the Prospectus with the Registrar of Companies in Bermuda, on or prior to the date of despatch of this prospectus;
3. compliance by the Substantial Shareholders with their irrevocable undertakings to take up all the Rights Shares to be provisionally allotted to them under the Rights Issue; and
4. the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms or otherwise.

## LETTER FROM THE BOARD

### SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company is, and will be, as follows:

	Immediately before completion of the Rights Issue and on the basis that the Substantial Shareholders hold the same number of Shares as at the Latest Practicable Date		Immediately after completion of the Rights Issue (assuming all Qualifying Shareholders take up the Rights Shares in full) and the issue of the Bonus Shares		Immediately after completion of the Rights Issue (assuming no Qualifying Shareholders take up any Rights Shares except the Substantial Shareholders) and the issue of the Bonus Shares	
	Shares	%	Shares	%	Shares	%
Caister Limited ( <i>Note 1</i> )	36,314,000	2.21%	217,884,000	2.21%	217,884,000	2.21%
Mr. Tang	9,927,645	0.60%	59,565,870	0.60%	59,565,870	0.60%
Ms. Yau	9,927,645	0.60%	59,565,870	0.60%	59,565,870	0.60%
Ms. Tang Mui Fong	65,904,095	4.01%	395,424,570	4.01%	395,424,570	4.01%
Mr. Yau Yuk Tong	41,506,825	2.52%	249,040,950	2.52%	249,040,950	2.53%
Ms. Tang	37,036,907	2.25%	222,221,442	2.25%	991,391,860	10.05%
Dr. Siu Yim Kwan, Sidney	100,000	0.01%	600,000	0.01%	100,000	<0.01%
Public ( <i>Note 2</i> )	1,443,343,816	87.80%	8,660,062,896	87.80%	1,443,343,816	14.63%
Underwriters (excluding Ms. Tang) ( <i>Notes 2 and 3</i> )	–	–	–	–	6,448,048,662	65.37%
<b>Total</b>	<b><u>1,644,060,933</u></b>	<b><u>100.00%</u></b>	<b><u>9,864,365,598</u></b>	<b><u>100.00%</u></b>	<b><u>9,864,365,598</u></b>	<b><u>100.00%</u></b>

*Notes:*

- Mr. Tang is deemed to be interested in these Shares due to Caister Limited being wholly and beneficially owned by Mr. Tang.
- Assuming no Qualifying Shareholders take up any Rights Shares except the Substantial Shareholders and assuming the Underwriters themselves will subscribe for the Rights Shares underwritten by them respectively, immediately after completion of the Rights Issue and the issue of the Bonus Shares, the percentage of Shares in public hands for the purpose of the Listing Rules will be approximately 29.41% of the total issued Shares as enlarged by the allotment and issue of the Rights Shares and Bonus Shares (including approximately 14.78% of the total issued Shares held by some of the Underwriters immediately after completion of the Rights Issue who will not be substantial shareholders of the Company for the purpose of the Listing Rules).
- Assuming no Qualifying Shareholders take up any Rights Shares except the Substantial Shareholders and assuming the Underwriters themselves will subscribe for the Rights Shares underwritten by them respectively, immediately after completion of the Rights Issue and the issue of the Bonus Shares, Kingsway SW Securities Limited, being one of the Underwriters, will be interested in 3,323,048,662 Shares, representing approximately 33.69% of the total issued Shares as enlarged by the allotment and issue of the Rights Shares and Bonus Shares. In this event, Kingsway SW Securities Limited will become the controlling shareholder of the Company for the purpose of the Listing Rules. Kingsway SW Securities Limited will undertake to the Company to take appropriate steps such as making sub-underwriting arrangements and/or placing down its share of Rights Shares to make itself not become a controlling shareholder of the Company immediately after completion of the Rights Issue.

---

## LETTER FROM THE BOARD

---

### REVIEW OF OPERATIONS AND PROSPECTS SINCE 31ST MARCH, 2001

#### **Business review**

The Group is principally engaged in the commercial management of Chinese wet markets, shopping centers, car parks, manufacturing and sale of Chinese medicine, herbs and other medicinal products, building related contracting and property investment.

The Group's unaudited consolidated turnover and net profit attributable to Shareholders for the six months ended 30th September, 2001 are approximately HK\$145.9 million (2000: HK\$87.6 million) and approximately HK\$7.6 million (2000: HK\$2.3 million) respectively. The increase in turnover as compared with the last corresponding period was mainly attributable to the increase in the Group's management and sub-licensing of Chinese wet markets business and the turnover generated by Wai Yuen Tong, a subsidiary of the Company acquired in February 2001. The increase in net profit attributable to Shareholders was mainly due to the profit generated by Wai Yuen Tong and the reduction in the amount of provision which had to be made for technology-related and building related contracting businesses in the six-month period ended 30th September, 2001.

#### **Management and sub-licensing of Chinese wet markets**

After the recent opening of the Tin Chak (Allmart) Chinese Market at Tin Chak Shopping Centre, Tin Shui Wai, Hong Kong, the Group currently operates 12 Chinese wet markets in Hong Kong with a total area of over 254,000 sq.ft.. The Directors believe that the Group is a leading operator of Chinese wet markets in Hong Kong, and it is expected that the turnover and revenue resulting from its Chinese wet markets business will continue to generate over 50% of the Group's total turnover.

#### **Management and sub-licensing of shopping centres and car parks management**

The Group currently manages and operates 10 shopping centres with a floor area of over 1.7 million sq.ft. and over 3,900 car parking bays which generate a steady source of income of the Group.

#### **Wai Yuen Tong**

Since its acquisition in February 2001, substantial efforts have been made by the Group in improving and modernising Wai Yuen Tong's existing business and these efforts have proved to be fruitful and rewarding. Whilst preserving Wai Yuen Tong's over 100 year's old reputable

---

## LETTER FROM THE BOARD

---

brand name, new elements have been injected into the traditional Chinese medicine business of the company to further enhance its image and to make its products more appealing to the younger generation. Product range and retail distribution have also been expanded.

The Directors are confident that with the global increase in health awareness and the increasing popularity of Chinese medicinal therapies, Wai Yuen Tong will gradually become one of the Group's core businesses which will provide a steady and stable income for the Group.

### **Other investments in pharmaceutical business**

As disclosed in the Group's 2001 annual report, the Group acquired an approximate 19% equity interest in Luxembourg Medicine in April 2001, which is principally engaged in the manufacturing and sale of medicinal products under the brand name "Madame Pearl". With a view to strengthening its investment in Luxembourg Medicine, the Group recently acquired a further approximate 3.6% and a further approximate 19% equity interest in Luxembourg Medicine in November and December 2001 respectively, which resulted in Luxembourg Medicine becoming an associate of the Group. Details as to the further acquisition of an approximate 19% equity interest in Luxembourg Medicine were set out in the Company's announcement dated 19th December, 2001 and its circular to Shareholders dated 9th January, 2002.

The business of Hunan Xiangya Pharmaceutical Co., Limited, the Group's first investment in the PRC pharmaceutical market, remains stable. The Directors believe that this investment will assist the Group to further expand into Mainland China's pharmaceutical business.

### **Investment in Dailywin**

As detailed in the announcements made by the Company on 16th August, 2001 and 29th August, 2001, the Group has acquired an approximate 29% equity interest in Dailywin, the holding company of a listed group which is principally engaged in the manufacturing and sale of watches and bags, at a consideration of HK\$7.7 million, and a loan of HK\$21 million was also made to Dailywin. Subsequent to the acquisition, further loans amounting to HK\$9.93 million were made to Dailywin as at the Latest Practicable Date. New directors nominated by the Group have been appointed to Dailywin's board of directors to assist in its business restructuring. The aggregate of the remuneration payable to and benefits in kind receivable by the Directors have not been varied in consequence of the acquisition of the equity interest in Dailywin by the Group.

As disclosed in the Company's announcement dated 11th February, 2002, Dailywin, the Trustee, Rich Time and Dynamission entered into the Heads of Agreement on 7th February, 2002 pursuant to which Dynamission agreed to acquire from the holders of the Dailywin Stock not less than 70% of the outstanding Dailywin Stock (with an aggregate principal amount of GBP 2,756,816 (approximately HK\$30.46 million)) at the price of 78% of the face value of the

---

## LETTER FROM THE BOARD

---

Dailywin Stock. As also disclosed in the same announcement, as a result of the implementation of the arrangements provided in the Heads of Agreement and taking into account the total indebtedness of Dailywin to the Group, the Group's possible total relevant advance to Dailywin for the purposes of Practice Note 19 of the Listing Rules was HK\$61.39 million and could, depending on the actual amount of Dailywin Stock to be delivered, amount up to approximately 30% (and taking into account the net proceeds from the Rights Issue approximately 16.5%) of the Company's net tangible asset value as at 30th September, 2001.

At completion of the Heads of Agreement on 20th February, 2002, Dynamission acquired from the holders of the Dailywin Stock in the aggregate principal amount of GBP2,270,710 (approximately HK\$25.09 million), representing approximately 82.37% of the outstanding Dailywin Stock, for a total consideration of GBP1,771,153.80 (approximately HK\$19.57 million). In addition to the Dailywin Stock in the principal amount of GBP430,000 (approximately HK\$4.75 million) at the aggregate consideration of GBP255,850 (approximately HK\$2.88 million) acquired in December 2001, the Group's holding of Dailywin Stock as at the Latest Practicable Date amounted to an aggregate principal amount of GBP2,700,710 (approximately HK\$29.84 million), representing approximately 97.96% of the outstanding Dailywin Stock. The payment made by Dynamission under the Heads of Agreement has been made by internal resources of the Group. Following implementation of the terms of the Heads of Agreement, the winding up petition previously taken out by the Trustee against Dailywin was dismissed by the Court on 25th February, 2002.

### **Business trend and prospects of the Group since 31st March, 2001**

The Directors believe that with the global increase in health awareness and the increasing popularity of Chinese medicinal therapies, the business of manufacture and sale of Chinese medicine has a good prospect and a promising outlook. Whilst continuing to strengthen its steady growing commercial management business, the Group plans to further invest in and develop its pharmaceutical business by expanding and upgrading its production facilities and sales network.

Meanwhile, the Group will continue to explore suitable opportunities to diversify its business into areas which would bring about future economic benefits and possible further improvement to the Group's results.

The Directors believe that the Group's investments in the pharmaceutical business, together with the steady income generated by the Group's existing commercial management business, will maintain the Group's financial position. Furthermore, the Directors are optimistic about the Group's future and that Shareholders will benefit from the Group's expected growth.

---

## LETTER FROM THE BOARD

---

### **Business trend and prospects of the Dailywin Group since 31st March, 2001**

The global economic downturn continues to exert negative pressure on the Dailywin Group's business. Whilst its management will continue to put emphasis on the marketing of its products, in view of the difficult economic environment, they will continue to look for possible new sources of funding and new business opportunities in order to enhance the business of the Dailywin Group.

### **REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS**

In view of the current market conditions and the considerable amount intended to be raised for the purposes as stated below, the Directors consider the Rights Issue to be a good opportunity for the Group to raise funds to enhance its pharmaceutical production facilities and to strengthen its financial position.

The net proceeds of the Rights Issue of approximately HK\$191 million are intended to be used in the following manner:

- (i) approximately HK\$40 million for the improvement and upgrade of the Group's pharmaceutical production facilities to GMP;
- (ii) approximately HK\$26 million for financing the completion of the acquisition of an industrial building by the Company and for its renovation, further details of which acquisition were set out in the Company's announcement dated 19th December, 2001 and its circular to Shareholders dated 9th January, 2002;
- (iii) approximately HK\$15 million for repayment of the Group's indebtedness;
- (iv) approximately HK\$35 million for possible investments in new business opportunities (although no opportunities have yet been determined); and
- (v) the balance of approximately HK\$75 million as the Group's working capital.

As the Qualifying Shareholders are given the opportunity to maintain their respective pro rata shareholdings in the Company after the Rights Issue, the Directors consider that it is in the interests of the Company and its Shareholders as a whole to raise the capital by way of the Rights Issue.

In 2001, the Company raised a total of approximately HK\$86 million (net of related expenses) through placings of Shares and convertible bonds issued by the Company, out of which the Company has utilized a total of approximately HK\$59 million as at the Latest Practicable Date. The balance of proceeds of approximately HK\$27 million are currently

## LETTER FROM THE BOARD

placed on deposits with banks in Hong Kong. Set out below are the details of the intended uses (as announced previously) and the actual uses of the proceeds raised from the placings of Shares and issue of convertible bonds in 2001.

Date of announcement of Placing	Amount and intended use of proceeds as set out in the announcement	Amount of proceeds utilized and the actual use	Unutilised amount as at the Latest Practicable Date
24th July, 2001	HK\$10 million for acquisition of, or investment into, new business	HK\$10 million for the acquisition of Hunan Xiangya Pharmaceutical Co., Limited ( <i>Note 1</i> )	–
	HK\$10 million for expansion of the commercial management business in Chinese wet markets, car parks and shopping centres	HK\$10 million for expansion of commercial management business	–
	HK\$9.5 million for general working capital	HK\$1 million for the acquisition of Hunan Xiangya Pharmaceutical Co., Limited, and HK\$8.5 million for part of the consideration for the acquisition of an approximate 22.57% shareholding in Luxembourg Medicine ( <i>Notes 1 &amp; 2</i> )	–
25th September, 2001	HK\$7 million for expansion of the Group's pharmaceutical business	–	HK\$7 million
	HK\$5.3 million for general working capital	HK\$5.3 million for part of the consideration for the acquisition of an approximate 22.57% shareholding in Luxembourg Medicine	–
1st November, 2001	HK\$10 million for acquisition of, or investment into, new business	HK\$10 million for part of the consideration for the acquisition of an approximate 22.57% shareholding in Luxembourg Medicine	–
	HK\$4 million for repayment of bank loans	HK\$4 million for repayment of bank loans	–
	HK\$6 million for general working capital	HK\$6 million for part of the consideration for the acquisition of an approximate 22.57% shareholding in Luxembourg Medicine	–
19th December, 2001	HK\$24 million for partial satisfaction of the aggregate consideration for property acquisition ( <i>Note 3</i> )	HK\$4 million for property deposit	HK\$20 million

---

## LETTER FROM THE BOARD

---

*Notes:*

1. Details of the acquisition of Hunan Xiangya Pharmaceutical Co., Limited were set out in the Company's announcements dated 18th June, 2001 and 10th July, 2001.
2. Details as to the acquisition of an approximate 19.01% shareholding in Luxembourg Medicine were set out in the Company's announcement dated 19th December, 2001 and its circular to Shareholders dated 9th January, 2002.
3. Details of the property acquisition were set out in the Company's announcement dated 19th December, 2001 and its circular to Shareholders dated 9th January, 2002.

### **PROCEDURES FOR ACCEPTANCE AND TRANSFER**

**Qualifying Shareholders will find enclosed with this prospectus a PAL which entitles Qualifying Shareholders to take up the number of Rights Shares shown therein. If any Qualifying Shareholder wishes to exercise his rights to take up all the Rights Shares specified in the PAL, he will need to lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the branch share registrar of the Company in Hong Kong, Tengis Limited of 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong by no later than 4:00 p.m. on Friday, 15th March, 2002.** All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and banker's cashier orders must be issued by, a bank in Hong Kong and made payable to "**WANG ON GROUP LIMITED – PROVISIONAL ALLOTMENT ACCOUNT**" and crossed "**ACCOUNT PAYEE ONLY**".

**It should be noted that unless the PAL, together with the appropriate remittance, has been lodged with Tengis Limited by 4:00 p.m. on Friday, 15th March, 2002, whether by the original allottee or any person to whom the rights have been validly transferred, the relevant provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.**

If any Qualifying Shareholder wishes to accept only part of his provisional allotment and/or to transfer part of his right to subscribe for the Rights Shares provisionally allotted to him or to transfer his rights to more than one person, the PAL must be surrendered by no later than 4:00 p.m. on Thursday, 7th March, 2002 to Tengis Limited which will cancel the original PAL and issue new PALs, in the denominations required.

The PAL contains full information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of provisional allotment of Qualifying Shareholders.

All cheques and banker's cashier orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and lodgment of a PAL together with a cheque or banker's cashier order in payment for the Rights Shares accepted will constitute a warranty by the subscriber that the cheque or banker's cashier order will be honoured on first presentation. Without prejudice to its rights in

---

## LETTER FROM THE BOARD

---

respect thereof (but subject to the terms of the Underwriting Agreement), the Company reserves the right to reject any PAL in respect of which the accompanying cheque or banker's cashier order is dishonoured on first presentation and, in the event, the relevant provisional allotment and all rights thereunder will be deemed to have been declined.

If the Underwriters exercise its right to terminate its obligations under the Underwriting Agreement or conditions of the Underwriting Agreement are not fulfilled on or before 5:00 p.m. on Wednesday, 20th March, 2002, being the third Business Day following the last day for the acceptance of the Rights Shares, the monies received in respect of applications for Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the nil-paid Rights Shares shall have been validly transferred without interest by means of cheques despatched by ordinary post at the address of the applicants at their own risk on or before Thursday, 21st March, 2002.

### **APPLICATION FOR EXCESS RIGHTS SHARES**

Qualifying Shareholders will be entitled to apply (by completing the EAFs) for any unsold entitlements of the Non-Qualifying Shareholders and any Rights Shares provisionally allotted but not accepted or otherwise subscribed for by transferees of nil-paid Rights Shares. The fully-paid Rights Shares issued pursuant to excess applications will also be issued with Bonus Shares on the basis of 1 Bonus Share for every 4 Rights Shares so issued. The Directors will allocate the excess Rights Shares at their discretion, but on a fair and reasonable basis, and will give preference to topping-up odd lots to whole board lots.

**If a Qualifying Shareholder wishes to apply for any Rights Shares in addition to his provisional allotment under the Rights Issue, he must complete and sign the enclosed EAF as indicated therein and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the branch share registrar of the Company in Hong Kong, Tengis Limited of 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong by no later than 4:00 p.m. on Friday, 15th March, 2002.** All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and banker's cashier orders must be issued by, a bank in Hong Kong and made payable to "WANG ON GROUP LIMITED – EXCESS APPLICATION ACCOUNT" and crossed "ACCOUNT PAYEE ONLY".

If no excess Rights Shares are allotted to such Qualifying Shareholders, it is expected that a cheque for the amount tendered on application will be posted to their addresses as shown on the register of members of the Company on the Record Date without interest at their own risk on or before Thursday, 21st March, 2002. If the number of excess Rights Shares allotted to such Qualifying Shareholders is less than that applied for, it is expected that a cheque for the amount of the surplus application monies will be posted to their addresses as shown on the register of members of the Company on the Record Date without interest at their own risk on or before Thursday, 21st March, 2002.

---

## LETTER FROM THE BOARD

---

All cheques and cashier orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and lodgment of an EAF together with a cheque or banker's cashier order in payment for the Rights Shares applied for will constitute a warranty by the applicant that the cheque or banker's cashier order will be honoured on first presentation. Without prejudice to its rights in respect thereof (but subject to the terms of the Underwriting Agreement), the Company reserves the right to reject any EAF in respect of which the accompanying cheque or banker's cashier order is dishonoured on first presentation.

An EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including cheques or banker's cashier orders for amounts due, will be posted at the risk of the persons entitled thereto to their addresses as shown on the register of members of the Company on the Record Date.

If the Underwriters exercise their right to terminate their obligations set out in the Underwriting Agreement or conditions of the Underwriting Agreement are not fulfilled on or before 5:00 p.m. on Wednesday, 20th March, 2002 being the third Business Day following the last day for the acceptance of the Rights Issue, the monies received in respect of applications for excess Rights Shares will be returned to applicants without interest by means of cheques despatched by ordinary post to their addresses as shown on the register of members of the Company on the Record Date at their own risk on or before Thursday, 21st March.

### LISTING AND DEALINGS

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms, and the Bonus Shares.

No part of the share capital of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the securities of the Company to be listed or dealt in on any other stock exchange.

Subject to the granting of listing of, and permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) and the Bonus Shares on the Stock Exchange, and subject to compliance with the stock admission requirements of Hongkong Clearing, the Rights Shares (in both their nil-paid and fully-paid forms) and the Bonus Shares will be accepted as eligible securities by Hongkong Clearing for deposit, clearance and settlement in CCASS with effect from the relevant commencement dates of dealings in the Rights Shares (in both their nil-paid and fully-paid) and the Bonus Shares on the Stock Exchange or such other dates as determined by Hongkong Clearing. Settlement of transactions between participants on the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

---

## LETTER FROM THE BOARD

---

For the purpose of trading on the Stock Exchange, a board lot for the Rights Shares, in both their nil-paid and fully-paid forms, and for the Bonus Shares, will be 2,000 Shares, which is the same as the board lot size for the existing Share trading on the Stock Exchange.

Dealings in the Rights Shares, in both their nil-paid and fully-paid forms, and the Bonus Shares registered in the branch register of the Company in Hong Kong will be subject to the payment of stamp duty in Hong Kong.

### **PERMISSION OF THE BMA**

Permission under the Exchange Control Act 1972 of Bermuda (and regulations made thereunder) has been received from the BMA in respect of the issue of the Rights Shares and Bonus Shares to persons regarded as non-residents of Bermuda for exchange control purposes subject to the requirement that the Rights Shares and Bonus Shares are listed on the Stock Exchange. In granting such permission and in accepting this prospectus, the PAL and the EAF for filing, neither the BMA nor the Registrar of Companies of Bermuda accepts any responsibility for the financial soundness of the Group or for the correctness of any statements made or opinions expressed in this prospectus, the PAL or the EAF.

### **WARNING OF THE RISKS OF DEALINGS IN SHARES AND RIGHTS SHARES**

**Existing Shares have been dealt in on an ex-rights basis from Thursday, 21st February, 2002. Dealings in the Rights Shares in their nil-paid form will take place from Monday, 4th March, 2002 to Tuesday, 12th March, 2002 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed.**

**Any Shareholders or other persons contemplating selling or purchasing Shares and/or Rights Shares in their nil-paid form during the period in which they may be traded on the Stock Exchange, which is from Monday, 4th March, 2002 to Tuesday, 12th March, 2002 who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled and any persons dealing in the nil-paid Rights Shares during the period in which they may be traded on the Stock Exchange will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.**

### **FURTHER INFORMATION**

Your attention is drawn to the appendices to this prospectus.

By Order of the Board  
**Wang On Group Limited**  
**Tang Ching Ho**  
*Chairman and Managing Director*

**1. THREE YEAR INCOME STATEMENT SUMMARY**

Set out below is a summary of the audited consolidated profit and loss account of the Group for the three years ended 31st March, 2001 and the audited consolidated assets and liabilities of the Group as at 31st March, 1999, 2000 and 2001 extracted from the Company's audited financial statements for the relevant years:

	<b>Year ended 31 March</b>		
	<b>2001</b>	<b>2000</b>	<b>1999</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>RESULTS</b>			
TURNOVER	<u>211,998</u>	<u>342,646</u>	<u>882,882</u>
PROFIT/(LOSS) FROM OPERATING ACTIVITIES AFTER FINANCE COSTS	(48,837)	15,067	(120,813)
Share of profits less losses of associates	<u>899</u>	<u>5,595</u>	<u>4,002</u>
PROFIT/(LOSS) BEFORE TAX	(47,938)	20,662	(116,811)
Tax	<u>138</u>	<u>389</u>	<u>1,568</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	(47,800)	21,051	(115,243)
Minority interests	<u>287</u>	<u>–</u>	<u>(870)</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u>(47,513)</u>	<u>21,051</u>	<u>(116,113)</u>
<b>ASSETS AND LIABILITIES</b>			
		<b>31 March</b>	
	<b>2001</b>	<b>2000</b>	<b>1999</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TOTAL ASSETS	331,295	368,598	291,233
TOTAL LIABILITIES	(163,550)	(103,239)	(240,002)
MINORITY INTERESTS	<u>(7,829)</u>	<u>–</u>	<u>–</u>
NET ASSETS	<u>159,916</u>	<u>265,359</u>	<u>51,231</u>

**2. FINANCIAL INFORMATION FOR EACH OF THE TWO YEARS ENDED 31ST MARCH, 2001**

Set out below are the audited consolidated income statements, consolidated statements of recognised gains and losses and consolidated cash flow statements of the Group for each of the two years ended 31st March, 2001 and the audited consolidated balance sheets and balance sheets of the Company as at 31st March, 2001 and 31st March, 2000 together with the relevant notes thereto as extracted from the Company's audited financial statements set out in the Company's annual report for the year ended 31st March, 2001:

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

*Year ended 31 March 2001*

	<i>Notes</i>	<b>2001</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>
TURNOVER	3	211,998	342,646
Cost of sales		<u>(201,625)</u>	<u>(281,232)</u>
Gross profit		10,373	61,414
Other revenue		24,190	14,156
Selling and distribution costs		(2,637)	–
Administrative expenses		(40,114)	(46,264)
Other operating expenses		(18,084)	(8,250)
Provision for impairment of investments		<u>(20,715)</u>	<u>–</u>
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	(46,987)	21,056
Finance costs	5	(1,850)	(5,989)
Share of profits less losses of associates		<u>899</u>	<u>5,595</u>
PROFIT/(LOSS) BEFORE TAX		(47,938)	20,662
Tax	8	<u>138</u>	<u>389</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(47,800)	21,051
Minority interests		<u>287</u>	<u>–</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	9	(47,513)	21,051
Dividend	10	<u>–</u>	<u>(8,176)</u>
RETAINED PROFITS/(ACCUMULATED LOSSES) FOR THE YEAR		<u><u>(47,513)</u></u>	<u><u>12,875</u></u>
EARNINGS/(LOSS) PER SHARE	11		
Basic		<u><u>(6.08 cents)</u></u>	<u><u>4.55 cents</u></u>
Diluted		<u><u>N/A</u></u>	<u><u>4.39 cents</u></u>

**APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP****CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES***Year ended 31 March 2001*

	<i>Notes</i>	<b>2001</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>
Surplus/(deficit) on revaluation of investment properties	31	<u>(1,841)</u>	<u>2,095</u>
Net profit/(loss) not recognised in the profit and loss account		(1,841)	2,095
Net profit/(loss) for the year attributable to shareholders		<u>(47,513)</u>	<u>21,051</u>
Total recognised gains and losses		(49,354)	23,146
Goodwill eliminated directly against reserves	31	<u>(95,769)</u>	<u>–</u>
		<u><b>(145,123)</b></u>	<u><b>23,146</b></u>

**APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP****CONSOLIDATED BALANCE SHEET***31 March 2001*

	<i>Notes</i>	<b>2001</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Fixed assets	12	66,371	45,668
Interests in associates	14	729	4,329
Long term investments	15	7,437	–
Loans receivable		2,586	4,106
Rental deposits paid		21,650	15,388
Deposit paid	16	–	19,507
		<u>98,773</u>	<u>88,998</u>
<b>CURRENT ASSETS</b>			
Properties held for re-sale	18	5,134	5,723
Short term investments	15	11,263	–
Inventories	19	4,359	–
Trade receivables	20	6,711	11,631
Prepayments, deposits and other debtors		19,237	21,551
Tax recoverable		182	2,050
Pledged time deposits	21	–	8,037
Cash and cash equivalents	22	185,636	230,547
Due from a director	23	–	61
		<u>232,522</u>	<u>279,600</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	24	5,440	16,325
Other payables and accruals		27,703	18,869
Deposits received and receipts in advance		49,881	28,199
Interest-bearing bank and other borrowings	25	14,676	4,425
Provision for onerous contracts	26	9,367	4,990
Tax payable		2,467	3,940
Proposed final dividend		–	8,176
		<u>109,534</u>	<u>84,924</u>
<b>NET CURRENT ASSETS</b>		<u>122,988</u>	<u>194,676</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>221,761</b>	<b>283,674</b>

**APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP**

	<i>Notes</i>	<b>2001</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank loans	27	29,526	12,612
Finance lease payables	28	168	113
Provision for onerous contracts	26	23,339	5,590
Deferred tax	29	983	–
		<u>54,016</u>	<u>18,315</u>
<b>MINORITY INTERESTS</b>			
		<u>7,829</u>	<u>–</u>
		<u>159,916</u>	<u>265,359</u>
<b>CAPITAL AND RESERVES</b>			
Issued capital	30	8,221	6,826
Reserves	31	151,695	258,533
		<u>159,916</u>	<u>265,359</u>

**CONSOLIDATED CASH FLOW STATEMENT**

*Year ended 31 March 2001*

	<i>Notes</i>	<b>2001</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>
NET CASH INFLOW FROM OPERATING			
ACTIVITIES	32(a)	694	76,511
RETURNS ON INVESTMENTS			
AND SERVICING OF FINANCE			
Interest income from investments		2,142	–
Interest received		12,172	6,240
Interest paid		(1,845)	(5,968)
Interest element of finance lease rental payments		(5)	(21)
Dividend received from an associate		–	4,167
Dividend paid		(6,867)	–
		<hr/>	<hr/>
Net cash inflow from returns on investments		5,597	4,418
and servicing of finance		<hr/>	<hr/>
TAX			
Hong Kong profits tax paid		(340)	(6,541)
		<hr/>	<hr/>
INVESTING ACTIVITIES			
Decrease/(increase) in due from an associate		3,041	(1,980)
Decrease in pledged time deposits		8,037	4,550
Purchases of subsidiaries	32(b)&(c)	(108,693)	–
Purchases of associates		(2,226)	–
Proceeds from disposal of subsidiaries	32(d)	4,972	3,630
Proceeds from disposal of interests in a subsidiary	32(e)	30,029	–
Purchases of fixed assets		(12,910)	(6,651)
Purchases of investment properties		(41)	(15,905)
Proceeds from disposal of fixed assets		970	104
Proceeds from disposal of investments		44,744	–
Deposit paid		–	(19,507)
Purchases of long term investments		(36,447)	–
Purchases of short term investments		(48,216)	–
		<hr/>	<hr/>
Net cash outflow from investing activities		(116,740)	(35,759)
		<hr/>	<hr/>

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

	<i>Note</i>	<b>2001</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES		<u>(110,789)</u>	<u>38,629</u>
FINANCING ACTIVITIES	32(f)		
Proceeds from issue of shares		39,150	203,626
Share issue expenses		(779)	(4,468)
Redemption of convertible notes		–	(23,750)
Repayment of bank loans		(3,666)	(59,890)
New bank loans		30,000	13,000
Capital element of finance lease rental payments		63	(94)
Contributions from minority interests		<u>287</u>	<u>–</u>
Net cash inflow from financing activities		<u>65,055</u>	<u>128,424</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(45,734)	167,053
Cash and cash equivalents at beginning of year		<u>230,547</u>	<u>63,494</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>184,813</u></u>	<u><u>230,547</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		30,799	7,914
Unpledged time deposits with original maturity of less than three months when acquired		154,837	222,633
Bank overdrafts		<u>(823)</u>	<u>–</u>
		<u><u>184,813</u></u>	<u><u>230,547</u></u>

**APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP****BALANCE SHEET***31 March 2001*

	<i>Notes</i>	<b>2001</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Fixed assets	12	49	60
Interests in subsidiaries	13	56,490	68,049
Interests in associates	14	219	219
		<u>56,758</u>	<u>68,328</u>
<b>CURRENT ASSETS</b>			
Prepayments, deposits and other debtors		154	1,084
Cash and cash equivalents	22	111,306	203,437
		<u>111,460</u>	<u>204,521</u>
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		519	228
Proposed final dividend		–	8,176
		<u>519</u>	<u>8,404</u>
<b>NET CURRENT ASSETS</b>		<u>110,941</u>	<u>196,117</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><u>167,699</u></u>	<u><u>264,445</u></u>
<b>CAPITAL AND RESERVES</b>			
Issued capital	30	8,221	6,826
Reserves	31	159,478	257,619
		<u>167,699</u>	<u>264,445</u>

**NOTES TO FINANCIAL STATEMENTS**

*31 March 2001*

**1. CORPORATE INFORMATION**

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

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Basis of preparation**

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice (“SSAP”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of investment properties and certain investments in securities, as further explained below.

**Basis of consolidation**

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

**Subsidiaries**

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Associates**

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of its issued share capital and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for impairment in values deemed necessary by the directors, other than those considered to be temporary in nature.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are stated at cost less any provisions for impairment in values deemed necessary by the directors, other than those considered to be temporary in nature.

**Goodwill or capital reserve**

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

**Fixed assets and depreciation**

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

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

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

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

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

**Investment properties**

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

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

**Provision for onerous contracts**

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

**Leased assets**

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

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Investments**

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

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

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

*Held-to-maturity securities*

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

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

*Investment securities*

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

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

*Other investments*

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Inventories**

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

**Construction, renovation and decoration contracts**

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

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

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

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

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

**Website development cost**

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

**Deferred tax**

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

**Foreign currencies**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Retirement benefits scheme**

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

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

**Revenue recognition**

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

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

**Properties held for re-sale**

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

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

**Related parties**

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

**Cash equivalents**

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

**3. TURNOVER AND REVENUE**

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

An analysis of turnover and revenue is as follows:

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

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

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

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

**5. FINANCE COSTS**

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

**6. DIRECTORS' REMUNERATION**

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

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

The remuneration of the directors fell within the following bands:

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

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

**6. DIRECTORS' REMUNERATION (CONTINUED)**

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

**7. FIVE HIGHEST PAID EMPLOYEES**

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

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

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

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

**8. TAX**

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

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

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

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

**10. DIVIDEND**

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

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

**11. EARNINGS/(LOSS) PER SHARE**

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

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

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

**APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP**

**12. FIXED ASSETS**

**Group**

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

**12. FIXED ASSETS (CONTINUED)**

**Company**

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

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

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

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

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

**13. INTERESTS IN SUBSIDIARIES**

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

*Notes:*

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

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

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

**13. INTERESTS IN SUBSIDIARIES (CONTINUED)**

Name	Place of incorporation/ registration	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Denox Management Limited	Hong Kong	Ordinary HK\$2	–	100	Management and property sub-letting
Fenny Planning & Project Management Limited	Hong Kong	Ordinary HK\$100	–	100	Promotion of Chinese wet markets activities
Fulling Limited	Hong Kong	Ordinary HK\$100	–	100	Money lending
Geswin Limited	Hong Kong	Ordinary HK\$2	–	100	Investment holding
Goodtech Management Limited	Hong Kong	Ordinary HK\$1,100,100	–	100	Management of shopping centres
Grand Quality Development Limited	Hong Kong	Ordinary HK\$2	–	100	Property investment
Join China Investment Limited	Hong Kong	Ordinary HK\$2	–	100	Investment holding
Kinetic Technology Limited (Notes 5 and 6)	Hong Kong	Ordinary HK\$2	–	100	Provision of technology services
Lead Fortune Limited	Hong Kong	Ordinary HK\$1,000	–	100	Property investment
Lica Parking Company Limited	Hong Kong	Ordinary HK\$25,500,000	–	99	Management and sub-licensing of car parks
Majorluck Limited	Hong Kong	Ordinary HK\$10,000	–	100	Management and sub-licensing of Chinese wet markets

**APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP**

**13. INTERESTS IN SUBSIDIARIES (CONTINUED)**

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

**13. INTERESTS IN SUBSIDIARIES (CONTINUED)**

Name	Place of incorporation/ registration	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Wang On Engineering Holding Limited	Hong Kong	Ordinary HK\$477 Non-voting deferred <sup>(Note 3)</sup> HK\$1,262,523	–	100	Provision of decoration & project management services
Wang On Enterprises (BVI) Limited	British Virgin Islands	Ordinary US\$1	100	–	Investment holding
Wang On Majorluck Limited	Hong Kong	Ordinary HK\$1,000	–	100	Management and sub-licensing of Chinese wet markets
Wang On Shopping Centre Management Limited	Hong Kong	Ordinary HK\$2	–	100	Management and sub-licensing of shopping centres
Willing Dental Consultants Limited	Hong Kong	Ordinary HK\$100	–	100	Provision of dental consultation services

*Notes:*

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

**14. INTERESTS IN ASSOCIATES**

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

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

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

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

*Notes:*

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

**15. INVESTMENTS**

**(a) Long term investments**

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

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

**(b) Short term investments**

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

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

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

**16. DEPOSIT PAID**

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

**17. CONSTRUCTION CONTRACTS**

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

**18. PROPERTIES HELD FOR RE-SALE**

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

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

**19. INVENTORIES**

	<b>Group</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	952	–
Packing materials	1,065	–
Finished goods	2,342	–
	<u>4,359</u>	<u>–</u>

**20. TRADE RECEIVABLES**

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

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

**20. TRADE RECEIVABLES (CONTINUED)**

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

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

**21. PLEDGED TIME DEPOSITS**

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

**22. CASH AND CASH EQUIVALENTS**

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

**23. DUE FROM A DIRECTOR**

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

**Group**

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

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

**24. TRADE PAYABLES**

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

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

**25. INTEREST-BEARING BANK AND OTHER BORROWINGS**

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

**26. PROVISION FOR ONEROUS CONTRACTS**

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

**27. INTEREST-BEARING BANK LOANS AND OVERDRAFTS**

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

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

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

**28. FINANCE LEASE PAYABLES**

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

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

**29. DEFERRED TAX**

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

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

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

**30. SHARE CAPITAL**

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

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

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

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

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

**Share option scheme**

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

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

**30. SHARE CAPITAL (CONTINUED)**

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

**31. RESERVES**

**Group**

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

**31. RESERVES (CONTINUED)**

**Company**

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

*Notes:*

- (i) Pursuant to a special resolution passed on 20 December 1999, the Company's share premium account was reduced by an amount of HK\$131,466,000, which was applied to offset the accumulated losses of the Company.
- (ii) Pursuant to a resolution passed on 24 September 1999, the nominal value of the shares in the capital of the Company was reduced from HK\$0.10 each to HK\$0.01 each by cancelling the issued capital to the extent of HK\$0.09 paid up on each of the issued shares and that every unissued share be sub-dividend to the extent that each unissued share of HK\$0.10 shall become ten unissued shares of HK\$0.01 each.
- (iii) The contributed surplus of the Company originally derived from the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to the Group reorganisation on 6 February 1995 and the par value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

**32. NOTES TO THE CASH FLOW STATEMENT**

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

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

**32. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)**

**(b) Purchase of a subsidiary**

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

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

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

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

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

**32. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)**

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

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

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

**32. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)**

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

**(d) Disposal of subsidiaries**

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

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

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

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

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

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

**32. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)**

**(e) Disposal of interests in a subsidiary**

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

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

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

**32. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)**

**(g) Major non-cash transactions**

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

**33. CONTINGENT LIABILITIES**

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

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

(b) A corporate guarantee in the amount of approximately HK\$464,000 (2000: HK\$2,318,000) was given to the landlord in respect of the full rental payments of the office premises during the tenancy period.

(c) In the prior year, a sub-contractor claimed against a wholly-owned subsidiary of the Group (the "Subsidiary") for recovery of approximately HK\$900,000 for works performed. In turn, the Subsidiary instigated litigation against the main contractor for recovery of approximately HK\$6,000,000 on works performed. The main contractor then made a counter claim against the Subsidiary for overpayment of approximately HK\$4,900,000.

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

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

**34. COMMITMENTS**

**(a) Capital commitments**

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

**(b) Commitments under operating leases**

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

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

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

**35. POST BALANCE SHEET EVENTS**

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

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

**36. RELATED PARTY TRANSACTIONS**

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

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

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

**37. APPROVAL OF THE FINANCIAL STATEMENTS**

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

**3. FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2001 AND 30TH SEPTEMBER, 2000**

Set out below are the unaudited consolidated income statements, unaudited consolidated statements of recognised gains and losses and unaudited consolidated cash flow statements of the Group for the six months ended 30th September, 2000 and 30th September, 2001, the unaudited consolidated balance sheet of the Group as at 30th September, 2001 and the audited consolidated balance sheet of the Group as at 31st March, 2001 together with the relevant notes thereto as extracted from the Company's financial statements set out in the Company's interim report for the six months ended 30th September, 2001:

**CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED**

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2001</b>	<b>2000</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	3	145,882	87,626
Cost of sales		(108,099)	(71,859)
Gross profit		37,783	15,767
Other revenue		6,980	10,729
Selling and distribution costs		(6,593)	–
Administrative expenses		(24,072)	(16,000)
Other operating expenses		(1,125)	(7,745)
<b>PROFIT FROM OPERATING ACTIVITIES</b>	<b>4</b>	<b>12,973</b>	<b>2,751</b>
Finance costs		(2,042)	(823)
Share of profits less losses of associates		129	172
<b>PROFIT BEFORE TAX</b>		<b>11,060</b>	<b>2,100</b>
Tax	5	(2,301)	(60)
Profit before minority interests		8,759	2,040
Minority interests		(1,197)	228
<b>NET PROFIT FROM ORDINARY ACTIVITIES</b>			
ATTRIBUTABLE TO SHAREHOLDERS		<u>7,562</u>	<u>2,268</u>
<b>EARNINGS PER SHARE</b>	<b>6</b>		
Basic		<u>0.88 cent</u>	<u>0.31 cent</u>
Diluted		<u>0.85 cent</u>	<u>N/A</u>

**CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND  
LOSSES – UNAUDITED**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net loss not recognised in the consolidated income statement – goodwill on acquisition of associates	–	(2,290)
Net profit for the period attributable to shareholders	7,562	2,268
	<u>7,562</u>	<u>(22)</u>

**APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP****CONDENSED CONSOLIDATED BALANCE SHEET**

		<b>Unaudited 30 September 2001</b>	<b>Audited 31 March 2001</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Fixed assets		63,743	66,371
Goodwill	8	15,908	–
Interests in associates	9	26,885	729
Long term investments	10	32,633	7,437
Loans receivable		4,322	2,586
Rental deposits paid		22,803	21,650
		<hr/>	<hr/>
		166,294	98,773
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Properties held for re-sale		4,668	5,134
Short term investments	10	–	11,263
Inventories		6,002	4,359
Trade receivables	11	11,570	6,711
Prepayments, deposits and other debtors		19,855	19,237
Tax recoverable		182	182
Cash and cash equivalents		193,847	185,636
		<hr/>	<hr/>
		236,124	232,522
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Trade payables	12	5,552	5,440
Other payables and accruals		42,832	27,703
Deposits received and receipts in advance		54,851	49,881
Interest-bearing bank and other borrowings		20,765	14,676
Provision for onerous contracts		8,441	9,367
Tax payable		4,731	2,467
		<hr/>	<hr/>
		137,172	109,534
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>			
		98,952	122,988
		<hr/>	<hr/>

**APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP****CONDENSED CONSOLIDATED BALANCE SHEET (continued)**

		<b>Unaudited 30 September 2001</b>	<b>Audited 31 March 2001</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES		265,246	221,761
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank loans		35,688	29,526
Finance lease payables		139	168
Provision for onerous contracts		22,203	23,339
Deferred tax		983	983
		<u>59,013</u>	<u>54,016</u>
Minority Interests		<u>9,177</u>	<u>7,829</u>
		<u><u>197,056</u></u>	<u><u>159,916</u></u>
<b>CAPITAL AND RESERVES</b>			
Issued capital	13	9,821	8,221
Reserves	14	<u>187,235</u>	<u>151,695</u>
		<u><u>197,056</u></u>	<u><u>159,916</u></u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	26,605	1,307
Net cash inflow from returns on investments and servicing of finance	1,503	4,263
Tax refunded	–	47
Net cash outflow from investing activities	<u>(61,848)</u>	<u>(100,480)</u>
Net cash outflow before financing activities	(33,740)	(94,863)
NET CASH INFLOW FROM FINANCING ACTIVITIES	<u>42,774</u>	<u>37,089</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	9,034	(57,774)
Cash and cash equivalents at beginning of period	<u>184,813</u>	<u>230,547</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>193,847</u></u>	<u><u>172,773</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	16,332	9,321
Unpledged time deposits with original maturity of less than three months when acquired	<u>177,515</u>	<u>163,452</u>
	<u><u>193,847</u></u>	<u><u>172,773</u></u>

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****1. BASIS OF PREPARATION**

The unaudited condensed consolidated interim financial statements of the Group are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting”. Except as described in Note 2, the accounting policies adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 March 2001.

Figures for the year ended 31 March 2001 are extracted from the Group’s annual financial statements for that year.

**2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPS”)**

The following is a summary of new and revised SSAPs which have been adopted in the preparation of the current period’s financial statements.

SSAP 9 (revised)	:	Events after the Balance Sheet Date
SSAP 14 (revised)	:	Leases
SSAP 28	:	Provisions, Contingent Liabilities and Contingent Assets
SSAP 29	:	Intangible Assets
SSAP 30	:	Business Combinations
SSAP 31	:	Impairment of Assets
SSAP 32	:	Consolidated Financial Statements and Accounting for Investments in Subsidiaries

The Group has complied with SSAP 14 (revised) “Leases” for the first time in this interim reporting period. As a result, total future minimum operating lease commitments are disclosed instead of annual operating lease commitments under non-cancellable operating leases. Figures for the year ended 31 March 2001 are extracted from the Group’s audited financial statements for that year.

Goodwill represents the excess of the cost of an acquisition over the fair values of the Group’s share of the underlying net assets of the acquired subsidiary, associate or jointly controlled entity at the date of acquisition. In the previous years, goodwill was eliminated against reserves in the year in which it arose. Following the introduction of SSAP 30, goodwill arising on acquisitions on or after 1 April 2001 is capitalised as an intangible asset in the balance sheet and is amortised to the profit and loss account using the straight-line method over its estimated useful economic life not exceeding ten years. In accordance with the transitional provisions of SSAP 30, goodwill arising from earlier acquisitions before 1 April 2001 will continue to be held in reserves and no reinstatement has been made.

Apart from SSAP 14 and SSAP 30 as explained above, the implementation of the above SSAPs did not have a material impact on the Group’s financial statements.

**3. ANALYSIS OF TURNOVER AND CONTRIBUTION TO PROFIT**

By principal activities:

	<b>Unaudited</b>			
	<b>Six months ended 30 September</b>			
	<b>Turnover</b>		<b>Contribution to profit from operating activities</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Management and sub-licensing of Chinese wet markets	75,169	39,431	9,256	9,063
Management and sub-licensing of shopping centres and car parks	43,154	44,253	262	886
Sale of Chinese medicine, herbs and other medicinal products	23,721	–	6,252	–
Building related contracting business	1,010	171	(1,784)	(2,665)
Technology related business	–	–	–	(8,199)
Others	2,828	3,771	(1,013)	3,666
	<u>145,882</u>	<u>87,626</u>	<u>12,973</u>	<u>2,751</u>

By geographical area of markets:

	<b>Unaudited</b>			
	<b>Six months ended 30 September</b>			
	<b>Turnover</b>		<b>Contribution to profit from operating activities</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The People's Republic of China (the "PRC")				
Hong Kong SAR	143,838	87,626	11,928	2,751
Elsewhere	389	–	147	–
North America	1,065	–	577	–
South East Asia	590	–	321	–
	<u>145,882</u>	<u>87,626</u>	<u>12,973</u>	<u>2,751</u>

**4. PROFIT FROM OPERATING ACTIVITIES**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group's profit from operating activities is arrived at after charging/(crediting):		
Depreciation	7,479	4,524
Amortisation of goodwill	196	–
Amount released from onerous contracts	(2,062)	(2,485)
Gain on disposal of properties held for re-sale	(6)	(640)
Interest income	(3,179)	(5,075)
Investment income		
– Listed	(632)	(260)
– Unlisted	–	(702)
	<u>          </u>	<u>          </u>

**5. TAX**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Group:		
Hong Kong profits tax	2,074	–
Under provision in prior year	189	–
Share of tax attributable to:		
Associates	<u>          </u> 38	<u>          </u> 60
	<u>          </u> 2,301	<u>          </u> 60

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong for the period under review. The Group did not have any significant unprovided deferred tax in respect of the periods.

**6. EARNINGS PER SHARE**

The calculation of the basic earnings per share is based on the following data:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profit from ordinary activities attributable to shareholders	<u>7,562</u>	<u>2,268</u>
	<b>No. of shares</b>	
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	857,362	741,610
Effect of dilutive potential ordinary shares – share options & convertible bonds	<u>28,380</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>885,742</u>	<u>741,610</u>

**7. PLEDGE OF ASSETS**

As at 30 September 2001, certain of the Group's investment properties, all of its properties held for re-sale and rental income therefrom were pledged to secure certain banking facilities granted to the Group.

**8. GOODWILL**

Details and movements of goodwill arising on the acquisitions of two associates are summarised below:

	<b>Unaudited</b>
	<i>HK\$'000</i>
Cost	
Additions and balance at 30 September 2001	16,104
Accumulated amortisation	
Provided during the period and balance at 30 September 2001	<u>(196)</u>
Net carrying amount	
At 30 September 2001	<u>15,908</u>

**9. INTERESTS IN ASSOCIATES**

	<b>Unaudited 30 September 2001 HK\$'000</b>	<b>Audited 31 March 2001 HK\$'000</b>
Share of net assets	5,022	102
Due from associates	24,863	1,227
	<hr/>	<hr/>
	29,885	1,329
Provisions for impairment in values	(3,000)	(600)
	<hr/>	<hr/>
	<b>26,885</b>	<b>729</b>
	<hr/> <hr/>	<hr/> <hr/>

Except for the balances of HK\$21,000,000 and HK\$3,000,000 due from an associate which are unsecured, bear interest at Hong Kong dollar prime rate plus 2% per annum and are repayable in February and March 2003, respectively, the remaining balances due from associates are interest-free and have no fixed terms of repayment.

Particulars of the principal associates which were acquired by the Group during the period are as follows:

	<b>Business structure</b>	<b>Place of incorporation and operations</b>	<b>Percentage of ownership interest attributable to the Group %</b>	<b>Principal activities</b>
China Field Enterprises Limited	Corporate	Hong Kong	22	Investment holding
Dailywin Group Limited *	Corporate	Bermuda	29.19	Investment holding

\* Listed on The Stock Exchange of Hong Kong Limited

**10. INVESTMENTS**

*(a) Long term investments*

	<b>Unaudited 30 September 2001 HK\$'000</b>	<b>Audited 31 March 2001 HK\$'000</b>
Held-to-maturity securities		
Hong Kong listed dated debt securities, at amortised cost	12,467	7,437
Investment securities		
Investment in unlisted shares, at cost	32,687	12,521
Less: Provisions for impairment in values	<u>(12,521)</u>	<u>(12,521)</u>
	<u><u>32,633</u></u>	<u><u>7,437</u></u>

The aggregate market value of the Hong Kong listed dated debt securities totalled approximately HK\$12,800,000 at 30 September 2001 (31 March 2001: HK\$8,132,000).

*(b) Short term investments*

	<b>Unaudited 30 September 2001 HK\$'000</b>	<b>Audited 31 March 2001 HK\$'000</b>
Held-to-maturity securities		
Hong Kong listed dated debt securities, at amortised cost	–	4,906
Investment securities		
Hong Kong listed equity securities, at cost	–	13,531
Less: Provisions for impairment in values	–	(8,194)
Other investments		
Hong Kong listed equity securities, at fair value	<u>–</u>	<u>1,020</u>
	<u><u>–</u></u>	<u><u>11,263</u></u>

**11. TRADE RECEIVABLES**

The aging analysis of trade receivables is as follows:

	<b>Unaudited</b>		<b>Audited</b>	
	<b>30 September 2001</b>		<b>31 March 2001</b>	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Current to 90 days	10,702	89	6,460	92
91 days to 180 days	687	6	62	1
Over 180 days	599	5	504	7
	<u>11,988</u>	<u>100</u>	<u>7,026</u>	<u>100</u>
Less: Provision for doubtful debts	<u>(418)</u>		<u>(315)</u>	
	<u>11,570</u>		<u>6,711</u>	

The Group generally does not grant any credit to customers, except for the Group's pharmaceutical business which offers credit terms of 30 to 60 days.

**12. TRADE PAYABLES**

The aging analysis of trade payables is as follows:

	<b>Unaudited</b>		<b>Audited</b>	
	<b>30 September 2001</b>		<b>31 March 2001</b>	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Current to 90 days	1,251	23	1,191	22
91 days to 180 days	–	–	–	–
Over 180 days	4,301	77	4,249	78
	<u>5,552</u>	<u>100</u>	<u>5,440</u>	<u>100</u>

**13. SHARE CAPITAL**

	<b>Unaudited 30 September 2001 HK\$'000</b>	<b>Audited 31 March 2001 HK\$'000</b>
<i>Authorised:</i>		
10,000,000,000 ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
982,060,933 (31 March 2001: 822,060,933) ordinary shares of HK\$0.01 each	<u>9,821</u>	<u>8,221</u>

In August 2001, a total of 160,000,000 ordinary shares of HK\$0.01 each were issued at the subscription price of HK\$0.188 per share upon full exercise of the conversion rights of all convertible bonds in the principal amount of HK\$30,080,000 which had been issued by the Company on 3 August 2001. The net proceeds were mainly applied for acquisitions of associates and long term investments, and for the expansion of the Group's management and sub-licensing operations of Chinese wet markets, car parks and shopping centres.

A summary of the movements in the Company's issued ordinary share capital during the period is as follows:

	<b>Nominal value of shares issued HK\$'000</b>	<b>Number of shares issued</b>
At 1 April 2001 (audited)	8,221	822,060,933
Conversion of convertible bonds into ordinary shares at a conversion price of HK\$0.188 per share	<u>1,600</u>	<u>160,000,000</u>
At 30 September 2001 (unaudited)	<u>9,821</u>	<u>982,060,933</u>

**14. RESERVES**

	<b>Share premium account</b>	<b>Investment properties revaluation reserve</b>	<b>Accumu- lated losses</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2001 (audited)	257,272	254	(105,831)	151,695
Issue of shares	28,480	–	–	28,480
Share issue expenses	(502)	–	–	(502)
Net profit for the period	–	–	7,562	7,562
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 30 September 2001 (unaudited)	<u>285,250</u>	<u>254</u>	<u>(98,269)</u>	<u>187,235</u>

**15. COMMITMENTS**

*(a) Capital commitments*

	<b>Unaudited 30 September 2001</b>	<b>Audited 31 March 2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital commitments:		
Contracted, but not provided for	<u>10,022</u>	<u>3,616</u>

*(b) Commitments under operating leases*

As at 30 September 2001, the Group had commitments under non-cancellable operating leases as follows:

	<b>Unaudited 30 September 2001</b>	<b>Audited 31 March 2001</b>
	<b>Total commitments</b>	<b>Annual commitments</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Land and buildings expiring:		
Within one year	128,383	13,395
In the second to fifth years, inclusive	236,915	101,465
After five years	15,158	8,640
	<u>          </u>	<u>          </u>
	<u>380,456</u>	<u>123,500</u>

Included in the total balance as at 30 September 2001 are approximately HK\$376,384,000 of total future minimum lease payments relating to the Group's management and sub-licensing operations of Chinese wet markets, shopping centres and car parks.

**16. CONTINGENT LIABILITIES**

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

(a) Guarantees

	<b>Unaudited 30 September 2001 HK\$'000</b>	<b>Audited 31 March 2001 HK\$'000</b>
Guarantees in respect of performance bonds given to third parties	24,581	24,458
Guarantees given in lieu of utility and property rental deposits	18,175	18,300
	<u>42,756</u>	<u>42,758</u>

- (b) As reported in the Group's 2001 annual report, in the prior year, a sub-contractor claimed against a wholly-owned subsidiary of the Group (the "Subsidiary") for recovery of approximately HK\$900,000 for works performed. In turn, the Subsidiary instigated litigation against the main contractor for recovery of approximately HK\$6,000,000 on works performed. The main contractor then made a counter claim against the Subsidiary for overpayment of approximately HK\$4,900,000.

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

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

**17. POST BALANCE SHEET EVENTS**

Subsequent to the balance sheet date, the following material transactions have occurred:

- (i) In October and November 2001, two top-up placements were made whereby an aggregate of 160,000,000 ordinary shares and 228,000,000 ordinary shares of HK\$0.01 each were issued at an issue price of HK\$0.08 and HK\$0.09 each, respectively. After completion of these two placements, the Company's issued share capital was increased to 1,370,060,933 ordinary shares.

- (ii) Pursuant to a special resolution passed on 9 November 2001, the Company's share premium account was reduced by an amount of HK\$129,269,955.53 which was applied to set off against the audited accumulated lossess of the Company as at 31 March 2001.
- (iii) On 16 November 2001, Macro Pacific Investment Limited ("Macro Pacific"), a wholly owned subsidiary of the Group, entered into an agreement with an independent third party to further acquire approximately 3.6% equity interest in Luxembourg Medicine Company Limited ("Luxembourg") at a consideration of approximately HK\$3.6 million which brought the Group's interest in Luxembourg to 22.6%. Luxembourg is principally engaged in the manufacturing and sale of medicinal products under the brand name of "Madam Pearl".

**18. RELATED PARTY TRANSACTIONS**

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

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2001</b>	<b>2000</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income received from Mr. Tang Ching Ho	<i>(a)</i>	540	540
Income from associates:	<i>(b)</i>		
Consultancy fee		–	300
Promotion fee		–	3,500
Repairs and maintenance		–	25
Management fee		128	624
Interest income		149	–
Rental		–	360
Cleaning expenses paid to an associate	<i>(b)</i>	<u>2,703</u>	<u>673</u>

(a) A property was leased to Mr. Tang Ching Ho for a period of two years from 20 December 1999 at a monthly rental of HK\$90,000, which was approved at the Company's special general meeting held on 17 December 1999. Details of the transaction were set out in the Company's announcement dated 6 November 1999.

(b) The transactions were based on terms as agreed between the Group and the associates.

**19. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The unaudited condensed consolidated financial statements were approved by the board of directors on 14 December 2001.

**4. PRO FORMA ADJUSTED UNAUDITED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

Set out below is the pro forma adjusted unaudited consolidated net tangible assets of the Group and the pro forma adjusted unaudited consolidated net tangible asset value per Share before and after the issue of the Rights Shares and the Bonus Shares:

	<i>HK'000</i>
Unaudited consolidated net assets of the Group as at 30th September, 2001	197,056
Less: Intangible assets as at 30th September, 2001	(15,908)
	<hr/>
	181,148
Add: Net proceeds from the top-up placing of the then existing Shares and placing of new Shares as announced by the Company on 25th September, 2001 (Shares were issued and allotted on 6th and 8th October, 2001)	12,300
Add: Net proceeds from the top-up placing of the then existing Shares and placing of new Shares as announced by the Company on 1st November, 2001 (Shares were issued and allotted on 9th and 12th November, 2001)	20,000
Add: Net proceeds from the top-up placing of the then existing Shares and placing of new Shares as announced by the Company on 19th December, 2001 (Shares were issued and allotted on 28th and 31st December, 2001)	24,000
Less: Estimated goodwill for acquisition of shares in Luxembourg Medicine and China Ocean Investments Limited	(56,200)
	<hr/>
Pro forma adjusted unaudited consolidated net tangible assets of the Group before the Rights Issue	181,248
Add: Estimated net proceeds of the Rights Issue	191,369
	<hr/>
Pro forma adjusted unaudited consolidated net tangible assets of the Group after the Rights Issue	<u>372,617</u>
Pro forma adjusted unaudited consolidated net tangible assets of the Group per Share:	
– before the issue of Rights Shares and Bonus Shares (based on 1,644,060,933 Shares in issue)	<u>11.02 cents</u>
– after the issue of Rights Shares and Bonus Shares (based on 9,864,365,598 Shares in issue)	<u>3.78 cents</u>

The above table has not taken into account the operating profit or loss of the Group for the period from 1st October, 2001 to the Latest Practicable Date. The Directors consider that the operating profit or loss is immaterial to the pro forma adjusted unaudited consolidated net tangible assets of the Group.

## **5. WORKING CAPITAL STATEMENT**

Taking into account the internal resources of the Group and the proceeds from the Rights Issue, the Directors are of the opinion that the Group has sufficient working capital for its present requirement.

## **6. INDEBTEDNESS STATEMENT**

### **Borrowings**

As at 31st December, 2001, the Group had outstanding borrowings of approximately HK\$51.3 million comprising secured bank loans of approximately HK\$16.3 million, unsecured bank loans of approximately HK\$34.8 million and obligation under finance leases of approximately HK\$0.2 million.

### **Securities**

As at 31st December, 2001, the Group's facilities were secured by certain of the Group's investment properties, rental income from certain of the Group's sub-licensing operations of Chinese wet markets and shopping centers and corporate guarantees given by the Company.

### **Contingent liabilities**

As at 31st December, 2001, the Group had the following outstanding litigations:

During 2000, a sub-contractor claimed against a wholly-owned subsidiary of the Group (the "Subsidiary") for recovery of approximately HK\$900,000 for works performed. In turn, the Subsidiary instigated litigation against the main contractor for recovery of approximately HK\$6,000,000 on works performed. The main contractor then made a counter claim against the Subsidiary for overpayment by the main contractor to the Subsidiary of approximately HK\$4,900,000.

During 2000, the Subsidiary also instigated litigation against another sub-contractor for an amount of approximately HK\$120,000 for delay in completion of works performed. The sub-contractor made a counter claim against the Subsidiary of approximately HK\$1,000,000 on works performed.

In addition, the Group had contingent liabilities of approximately HK\$44.6 million comprising guarantees in respect of performance bonds given to third parties of approximately HK\$24.6 million and guarantees given in lieu of utility and property rental deposits of approximately HK\$20.0 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have at the close of business on 31st December, 2001 any outstanding mortgages, charges, debentures or other loan capital or bank overdrafts, loans, debt securities or other similar indebtedness, or any obligations under hire purchase contracts or finance leases payable or any guarantees or other material contingent liabilities.

*For the purpose of this appendix only, the “Company” shall refer to Dailywin, and the “Group” shall refer to Dailywin and its subsidiaries.*

Wang On Group Limited acquired an approximate 29% equity interest in the Company after 31st March, 2001, being the date of its last published audited accounts, and its total relevant advance to the Company for the purpose of Practice Note 19 of the Listing Rules amounted to HK\$60.77 million as at the Latest Practicable Date. As such, for the purpose of giving general information of the Company to the shareholders of Wang On Group Limited, information for the last three financial years of the Company with respect to its profits and losses and its latest published audited balance sheet together with the notes on the annual accounts for the last financial year of the Company are set out below.

**1. THREE YEAR INCOME STATEMENT SUMMARY**

Set out below is a summary of the audited consolidated income statements of the Group for the three years ended 31st March, 2001 as extracted from the Company’s audited financial statements for the relevant years:

**CONSOLIDATED INCOME STATEMENT**

*For the year ended 31st March, 2001*

	<b>2001</b>	<b>2000</b>	<b>1999</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Turnover	240,358	238,112	228,905
Cost of sales	(176,677)	(158,514)	(187,122)
Gross profit	63,681	79,598	41,783
Distribution costs	(31,212)	(26,735)	(22,868)
Administrative expenses	(64,250)	(56,037)	(108,202)
Other operating income	6,411	3,207	1,887
Operating (loss) profit	(25,370)	33	(87,400)
Net interest payable	(5,890)	(6,831)	(5,573)
Loss before taxation	(31,260)	(6,798)	(92,973)
Taxation	231	127	(568)
Loss after taxation	(31,491)	(6,925)	(92,405)
Minority interest	–	–	141
Loss for the year	<u>(31,491)</u>	<u>(6,925)</u>	<u>(92,264)</u>
Loss per ordinary share	<u>(24.2 cents)</u>	<u>(6.5 cents)</u>	<u>(56.5 cents)</u>

**2. FINANCIAL INFORMATION FOR EACH OF THE TWO YEARS ENDED 31ST MARCH, 2001**

Set out below are the audited consolidated income statements, consolidated cash flow statements, consolidated statements of total recognised gains and losses and reconciliations of movements in consolidated shareholders' funds of the Group for each of the two years ended 31st March, 2001 and the audited consolidated balance sheets and balance sheets of the Company as at 31st March, 2001 and 31st March, 2000 together with the relevant notes thereto as extracted from the Company's audited financial statements set out in the Company's annual report for the year ended 31st March, 2001:

**CONSOLIDATED INCOME STATEMENT**

*For the year ended 31st March, 2001*

	<i>Notes</i>	<b>2001</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>
Turnover	4	240,358	238,112
Cost of sales		<u>(176,677)</u>	<u>(158,514)</u>
Gross profit		63,681	79,598
Distribution costs		(31,212)	(26,735)
Administrative expenses		(64,250)	(56,037)
Other operating income		<u>6,411</u>	<u>3,207</u>
Operating (loss) profit	5	(25,370)	33
Net interest payable	6	<u>(5,890)</u>	<u>(6,831)</u>
Loss before taxation		(31,260)	(6,798)
Taxation	9	<u>231</u>	<u>127</u>
Loss for the year	<i>10 &amp; 23</i>	<u><u>(31,491)</u></u>	<u><u>(6,925)</u></u>
Loss per ordinary share	<i>11</i>	<u><u>(24.2 cents)</u></u>	<u><u>(6.5 cents)</u></u>

**CONSOLIDATED BALANCE SHEET**

*At 31st March, 2001*

	<i>Notes</i>	<b>2001</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties	<i>12</i>	4,600	5,400
Property, plant and equipment	<i>13</i>	34,169	38,273
Intangible assets	<i>14</i>	42	56
		<hr/>	<hr/>
		38,811	43,729
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories	<i>16</i>	37,208	49,551
Trade receivables	<i>17</i>	27,345	19,171
Other receivables		3,223	5,288
Taxation recoverable		36	60
Bank balances and cash		4,559	5,023
		<hr/>	<hr/>
		72,371	79,093
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade payables	<i>18</i>	41,055	41,023
Other payables		26,526	15,358
Other loans	<i>19</i>	3,640	–
Tax liabilities		422	220
Obligations under finance leases and hire purchase contracts – due within one year	<i>25</i>	144	110
Secured bank loan – due within one year	<i>25</i>	134	121
Secured bank overdrafts		4,405	–
Bills payable – secured		20,355	19,012
		<hr/>	<hr/>
		96,681	75,844
		<hr/>	<hr/>
<b>Net current (liabilities) assets</b>		(24,310)	3,249
		<hr/>	<hr/>
		14,501	46,978
		<hr/> <hr/>	<hr/> <hr/>

**APPENDIX II FINANCIAL INFORMATION RELATING TO DAILYWIN**

	<i>Notes</i>	<b>2001</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>
<b>Capital and reserves</b>			
Share capital	20	13,190	11,164
Reserves	23	<u>(26,460)</u>	<u>(6,353)</u>
		<u>(13,270)</u>	<u>4,811</u>
<b>Non-current liabilities</b>			
Convertible loan stock	24	27,069	41,433
Secured bank loan – due after one year	25	519	652
Obligations under finance leases and hire purchase contracts – due after one year	25	<u>183</u>	<u>82</u>
		<u>27,771</u>	<u>42,167</u>
		<u><u>14,501</u></u>	<u><u>46,978</u></u>

**PARENT COMPANY BALANCE SHEET**

*At 31st March, 2001*

	<i>Notes</i>	<b>2001</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Interest in subsidiaries	<i>15</i>	—	—
<b>Current assets</b>			
Amounts due from subsidiaries		13,046	47,982
Other receivables		57	42
		13,103	48,024
<b>Current liability</b>			
Other payables		405	—
<b>Net current assets</b>			
		12,698	48,024
		<u>12,698</u>	<u>48,024</u>
<b>Capital and reserves</b>			
Share capital	<i>20</i>	13,190	11,164
Reserves	<i>23</i>	(27,561)	(4,573)
		(14,371)	6,591
<b>Non-current liability</b>			
Convertible loan stock	<i>24</i>	27,069	41,433
		<u>12,698</u>	<u>48,024</u>

**CONSOLIDATED CASH FLOW STATEMENT**

*For the year ended 31st March, 2001*

	<i>Notes</i>	<b>2001</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>
<b>Net cash inflow from operating activities</b>	27	<u>5,669</u>	<u>18,406</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		50	78
Interest paid		<u>(5,940)</u>	<u>(6,909)</u>
<b>Net cash outflow from returns on investments and servicing of finance</b>		<u>(5,890)</u>	<u>(6,831)</u>
<b>Taxation</b>			
Hong Kong Profits Tax paid		(5)	(92)
Hong Kong Profits Tax refunded		<u>–</u>	<u>253</u>
<b>Tax (paid) recovered</b>		<u>(5)</u>	<u>161</u>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(6,470)	(6,624)
Proceeds from disposal of property, plant and equipment		<u>1,055</u>	<u>204</u>
<b>Net cash outflow from investing activities</b>		<u>(5,415)</u>	<u>(6,420)</u>
<b>Net cash (outflow) inflow before financing</b>		<u>(5,641)</u>	<u>5,316</u>
<b>Financing</b>	28		
Proceeds from issue of new shares		15,200	–
Proceeds from exercise of share options		–	2,216
Redemption of convertible loan stock		(12,400)	–
Expenses incurred in connection with the issue of new shares		(1,743)	–
Principal payments of obligations under finance leases and hire purchase contracts		(165)	(218)
Repayment of bank loans		<u>(120)</u>	<u>(115)</u>
<b>Net cash inflow from financing</b>		<u>772</u>	<u>1,883</u>
<b>(Decrease) increase in cash and cash equivalents</b>	30	<u><u>(4,869)</u></u>	<u><u>7,199</u></u>

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

*For the year ended 31st March, 2001*

	<b>2001</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>
Revaluation (decrease) increase on investment properties not recognised in the income statement	(160)	160
Loss for the year	<u>(31,491)</u>	<u>(6,925)</u>
<b>Total recognised losses for the year</b>	<b><u><u>(31,651)</u></u></b>	<b><u><u>(6,765)</u></u></b>

**RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS**

*For the year ended 31st March, 2001*

	<b>2001</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>
Loss for the year	(31,491)	(6,925)
Issue of ordinary shares on exercise of share options	–	2,216
Issue of ordinary shares on redemption of convertible loan stock	15,200	–
Issue of ordinary shares on conversion of convertible loan stock	113	507
Expenses incurred on issue of new shares	<u>(1,743)</u>	<u>–</u>
	(17,921)	(4,202)
Other recognised (losses) gain relating to the year	<u>(160)</u>	<u>160</u>
Net deduction from shareholders' funds	(18,081)	(4,042)
Consolidated shareholders' funds at 1st April	<u>4,811</u>	<u>8,853</u>
Consolidated (deficiency) surplus of shareholders' funds at 31st March	<b><u><u>(13,270)</u></u></b>	<b><u><u>4,811</u></u></b>

No note of historical cost profits and losses has been presented as there is no material difference between the Group's results as disclosed in the consolidated income statement and the results on an unmodified historical cost basis.

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31st March, 2001*

**1 GENERAL**

The Company was incorporated in Bermuda on 12th August, 1994 under the Companies Act 1981 of Bermuda as an exempted company and its shares are listed on the London Stock Exchange and The Stock Exchange of Hong Kong Limited.

The Company is the holding company for a group which is principally engaged in the design, manufacture, assembly and sale of watches and watch components.

**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

In preparing the financial statements, the directors have given careful consideration to the going concern status of the Group in the context of the Group's current working capital difficulties.

Against this background, the directors are taking active steps to improve the Group's liquidity position. Since the year end, the Group has obtained a credit facility of HK\$13,000,000 from an independent third party. At the same time, the directors are currently in discussion with potential new equity investors. Provided that existing credit facilities continue to be made available to the Group and provided that sufficient additional equity funding can be obtained, the directors consider that the Group will be able to meet in full its financial obligations as they fall due in the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. United Kingdom accounting requirements that are applicable to the Group do not differ materially from those accounting principles adopted by the Group except that:

- the revision of FRS1 “Cash Flow Statements” in 1996 would result in a different format for presentation of the cash flow statement;
- the turnover and operating (loss) profit have been analysed between continuing operations and discontinued operations in notes 4 and 7 and not on the face of the income statement as required by FRS 3 “Reporting financial performance”;
- the treatment of Goodwill as required by FRS10 “Goodwill and intangible assets” differs from the Group's policy of writing goodwill off to reserves. However, no goodwill has arisen in the current year and the transitional provisions of FRS10 allow that goodwill previously eliminated against reserves need not be reinstated;
- the disclosures as required by FRS 13 “Derivatives and other financial instruments : disclosures”; and
- the treatment of deficit on revaluation of investment properties as required by UK SSAP 19 “Investment properties” for which the effect of non-adoption has been to increase the loss for the year by HK\$640,000.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

#### **Goodwill and capital reserve**

Goodwill or capital reserve, representing respectively the excess or shortfall of the purchase consideration over the fair value ascribed to the separable net assets at the date of acquisition of a subsidiary, is written off or credited directly to reserves respectively in the year of acquisition.

On disposal of a subsidiary, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit and loss on disposal of the subsidiary.

#### **Investment in subsidiaries**

A subsidiary is an enterprise in which the Company, directly or indirectly, controls more than half of the voting power or issued capital or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any impairment losses recognised.

#### **Revenue recognition**

Sales of goods are recognised when goods are delivered and title has passed.

Rental income, including rental invoiced in advance, from properties under operating leases is recognised on a straight line basis over the terms of the relevant leases.

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the Company's rights to receive payment have been established.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****Property, plant and equipment**

Property, plant and equipment are stated at cost less depreciation or amortisation at the balance sheet date. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement 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 asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Depreciation and amortisation are provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Land held on medium-term leases	Over twenty five years or the terms of the leases, if shorter
Buildings	Over twenty five years or the terms of the leases, if shorter
Leasehold improvements	20%
Plant and machinery	20%
Furniture and equipment	20% – 25%
Motor vehicles	20%
Computer system	20%

Assets held under finance leases and hire purchase contracts are depreciated over their expected useful lives, on the same basis as assets owned by the Group, or, where shorter, the terms of the finance leases.

**Trademarks**

Trademarks are stated at cost less amortisation. Amortisation is provided to write off the cost over 10 years, using the straight line method.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuation at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance on the revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

This policy represents a departure from the United Kingdom Companies Act 1985, which require depreciation to be provided on all property, plant and equipment. The directors consider that this policy is necessary in order that the financial statements may give a true and fair view, because current values and changes in current values are of prime importance rather than the calculation of systematic annual depreciation. Depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

#### Assets held under finance leases and hire purchase contracts

A lease is classified as a finance lease whenever the term of the lease transfers substantially all the risks and rewards of ownership of the asset concerned to the Group.

Assets held under finance leases and hire purchase contracts are capitalised at their fair values at the date of acquisition. The corresponding principal portion of finance lease and hire purchase commitments is shown as obligations of the Group. The finance charges, which represent the difference between the total commitments and the fair values of the assets acquired, are charged to the income statement using the sum-of-the-digits method over the period of the respective leases and contracts.

All other leases are classified as operating leases and the rental expenses and income are charged and credited respectively to the income statement on a straight line basis over the lease terms.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the expected selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### **Convertible loan stock**

Convertible loan stock are separately disclosed and regarded as liabilities unless conversion actually occurs. The cost incurred in connection with the issue of convertible loan stock are deferred and amortised on a straight line basis over the lives of the convertible loan stock from the date of issue of the loan stock to their final redemption date. If any of the loan stock are purchased and cancelled, redeemed or converted prior to the final redemption date, an appropriate portion of any remaining unamortised costs will be charged immediately to the income statement.

#### **Foreign currencies**

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Profits and losses arising on translation are dealt with in the income statement.

#### **Taxation**

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

#### **Provident fund**

The Group operates a defined contribution provident fund. The assets of the fund are held separately from those of the Group in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the financial year.

#### **Cash equivalents**

Cash equivalents are defined as short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

**4. ANALYSIS OF TURNOVER, OPERATING (LOSS) PROFIT AND NET ASSETS**

The Group's turnover, operating (loss) profit and net assets are analysed as follows:

Class of business	Turnover		Operating (loss) profit		Net assets			
	2001	2000	2001	2000	2001	2000		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Continuing operations:								
Assembly of watches and manufacture of cases	160,655	169,294	(12,937)	3,041	(8,245)	(1,559)		
Retail of complete watches and bags	77,940	60,279	(11,767)	(2,922)	(13,457)	(2,817)		
Property investments and property holding	193	167	(729)	(87)	958	1,713		
	<u>238,788</u>	<u>229,740</u>	<u>(25,433)</u>	<u>32</u>	<u>(20,744)</u>	<u>(2,663)</u>		
Discontinued operation:								
Trading of watch movements	<u>1,570</u>	<u>8,372</u>	<u>63</u>	<u>1</u>	<u>7,474</u>	<u>7,474</u>		
	<u><u>240,358</u></u>	<u><u>238,112</u></u>	<u><u>(25,370)</u></u>	<u><u>33</u></u>	<u><u>(13,270)</u></u>	<u><u>4,811</u></u>		
Geographical segments	Turnover by destination		Turnover by origin		Operating (loss) profit by origin		Net assets by origin	
	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
United States of America	112,660	97,806	-	-	-	-	-	-
People's Republic of China ("PRC")	77,959	60,312	238,592	229,441	(26,312)	856	(61,235)	(31,915)
Hong Kong	13,497	12,168	1,766	8,671	942	(823)	47,965	36,726
Switzerland	11,715	16,878	-	-	-	-	-	-
India	7,687	20,542	-	-	-	-	-	-
France	4,816	17,524	-	-	-	-	-	-
United Kingdom	2,976	2,625	-	-	-	-	-	-
Others	9,048	10,257	-	-	-	-	-	-
	<u><u>240,358</u></u>	<u><u>238,112</u></u>	<u><u>240,358</u></u>	<u><u>238,112</u></u>	<u><u>(25,370)</u></u>	<u><u>33</u></u>	<u><u>(13,270)</u></u>	<u><u>4,811</u></u>

**5. OPERATING (LOSS) PROFIT**

	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating (loss) profit has been arrived at after charging:		
Amortisation on issue cost of convertible loan stock	443	603
Release of issue cost of convertible loan stock		
– on redemption	1,401	–
– on conversion	13	–
Amortisation of trademarks	14	14
Auditors' remuneration	400	376
Depreciation and amortisation		
– assets owned by the Group	9,536	10,373
– assets held under finance leases and hire purchase contracts	143	192
Loss on disposal of property, plant and equipment	140	184
Operating leases charges in respect of premises	696	1,019
Staff costs	39,237	34,986
and after crediting:		
Net foreign exchange profits	3,875	225
Rental income, net of outgoings of HK\$33,000 (2000: HK\$31,000)	447	273

Non audit fees paid to the Company's auditors amounted to HK\$777,000 in connection with professional services on taxation matters, the review of cashflow projection and advisory services on business structure (2000: HK\$59,000 in connection with professional services on taxation matters).

**6. NET INTEREST PAYABLE**

	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	50	78
Interest expense on:		
Bank loans and overdrafts		
– wholly repayable within five years	(2,705)	(2,300)
– not wholly repayable within five years	–	(79)
Obligations under finance leases and hire purchase contracts	(46)	(35)
Convertible loan stock	(3,189)	(4,495)
	(5,940)	(6,909)
	(5,890)	(6,831)

**7. DISCONTINUED OPERATION**

During the year, the Group ceased trading in watch movements. The results of the trading of watch movements for the year ended 31st March, 2001, which have been included in the consolidated income statement, were as follows:

	<b>2001</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>
Turnover	1,570	8,372
Cost of sales	<u>(1,504)</u>	<u>(8,280)</u>
Gross profit	66	92
Distribution costs	(1)	(27)
Administrative expenses	(50)	(90)
Other operating income	<u>48</u>	<u>26</u>
Operating profit	63	1
Net interest payable	<u>(53)</u>	<u>(309)</u>
Profit (loss) before taxation	10	(308)
Taxation	<u>–</u>	<u>–</u>
Profit (loss) for the year	<u><u>10</u></u>	<u><u>(308)</u></u>

**8. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

The aggregate cost of persons employed by the Group were as follows:

	<b>2001</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>
Wages and salaries	37,482	33,561
Other pension costs	<u>1,483</u>	<u>1,161</u>
	<u><u>38,965</u></u>	<u><u>34,722</u></u>

The average weekly number of persons employed was as follows:

	<b>2001</b> <i>Number</i>	<b>2000</b> <i>Number</i>
Office and management	351	352
Manufacturing and distribution	<u>823</u>	<u>831</u>
	<u><u>1,174</u></u>	<u><u>1,183</u></u>

**8. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)**

Particulars of the directors' and the five highest paid employees' emoluments are as follows:

**(a) Directors' emoluments**

	<b>2001</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>
Directors' fees:		
Executive	–	–
Non-executive	259	264
Other emoluments:		
Executive directors:		
Salaries and allowances	5,111	4,974
Contributions to provident funds	181	179
	<u>5,551</u>	<u>5,417</u>

No emoluments were paid to the independent non-executive directors.

None of the directors participate in the Group's provident fund.

The highest remuneration paid to a director who is also the Chairman was as follows:

	<b>2001</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>
Salary and allowances	2,404	2,343
Contributions to provident funds	93	90
	<u>2,497</u>	<u>2,433</u>

Directors' emoluments include the use of rent free accommodation with an estimated rateable value of HK\$234,000 (2000: HK\$243,000) per annum provided by the Group to one of the directors.

The directors' emoluments were within the following bands:

	<b>2001</b> <i>Number of directors</i>	<b>2000</b> <i>Number of directors</i>
Nil to HK\$1,000,000	5	7
HK\$1,000,001 to HK\$1,500,000	<u>2</u>	<u>2</u>

**8. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)**

**(b) Employees' emoluments**

Of the five highest paid individuals in the Group, three (2000: three) were directors of the Company whose emoluments are set out in note 8(a) above. The emoluments of the remaining two (2000: two) individuals were as follows:

	<b>2001</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>
Salaries and allowances	1,732	1,903
Contributions to provident funds	65	39
	<u>1,797</u>	<u>1,942</u>

Their emoluments were within the following bands:

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

Save as disclosed above, during each of the two years ended 31st March, 2001, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during each of the two years ended 31st March, 2001, no directors waived any emoluments.

**9. TAXATION**

	<b>2001</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax calculated at 16% (2000: 16%) of the estimated assessable profits		
– current year (see note (a) below)	34	6
– overprovision in respect of prior years	28	–
PRC Income Tax (see note (b) below)	<u>169</u>	<u>121</u>
	<u>231</u>	<u>127</u>

*Notes:*

- (a) A portion of the Group's profit neither arose in, nor was derived from, Hong Kong. Accordingly, that portion of the Group's profit is not subject to Hong Kong Profits Tax.
- (b) PRC Income Tax is calculated at the rate prevailing in the relevant jurisdiction.

**10. LOSS FOR THE YEAR**

Of the Group's loss for the year of HK\$31,491,000 (2000: HK\$6,925,000), a loss of HK\$34,532,000 (2000: HK\$4,985,000) has been dealt with in the financial statements of the Company.

As permitted by Section 230 of the United Kingdom Companies Act 1985, no income statement is presented for the Company.

**11. LOSS PER ORDINARY SHARE**

The calculation of basic loss per ordinary share is based on the Group's loss for the year of HK\$31,491,000 (2000: HK\$6,925,000) and on the weighted average of 130,305,613 (2000: 106,908,722) ordinary shares in issue during the year.

No diluted loss per ordinary share has been presented as the exercise of dilutive potential ordinary shares would result in a reduction in the loss per ordinary share in both years.

**12. INVESTMENT PROPERTIES**

	<i>HK\$'000</i>
At 1st April, 2000	5,400
Revaluation decrease	(800)
	<hr/>
At 31st March, 2001	<u>4,600</u>

The investment properties were held under medium-term leases and were revalued on 31st March, 2001 by Chesterton Petty Limited, a firm of independent professional valuers, on an open market, existing use basis, resulting in a deficit on revaluation of HK\$800,000 of which an amount of HK\$640,000 was charged to the income statement and the balance of HK\$160,000 was charged to the revaluation reserve.

**13. PROPERTY, PLANT AND EQUIPMENT**

	<b>Leasehold land and buildings</b>	<b>Leasehold improve- ments</b>	<b>Plant and machinery</b>	<b>Furniture and equipment</b>	<b>Motor vehicles</b>	<b>Computer system</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>THE GROUP</b>							
<b>COST</b>							
At 1st April, 2000	31,628	20,567	16,102	14,410	2,886	5,149	90,742
Additions	–	1,723	248	3,447	459	893	6,770
Disposals	–	(463)	–	(1,408)	(269)	(16)	(2,156)
At 31st March, 2001	<u>31,628</u>	<u>21,827</u>	<u>16,350</u>	<u>16,449</u>	<u>3,076</u>	<u>6,026</u>	<u>95,356</u>
<b>DEPRECIATION AND AMORTISATION</b>							
At 1st April, 2000	9,257	14,837	11,492	10,110	2,886	3,887	52,469
Provided for the year	1,899	3,105	1,636	2,301	186	552	9,679
Disposals	–	(174)	–	(506)	(269)	(12)	(961)
At 31st March, 2001	<u>11,156</u>	<u>17,768</u>	<u>13,128</u>	<u>11,905</u>	<u>2,803</u>	<u>4,427</u>	<u>61,187</u>
<b>NET BOOK VALUE</b>							
At 31st March, 2001	<u>20,472</u>	<u>4,059</u>	<u>3,222</u>	<u>4,544</u>	<u>273</u>	<u>1,599</u>	<u>34,169</u>
At 31st March, 2000	<u>22,371</u>	<u>5,730</u>	<u>4,610</u>	<u>4,300</u>	<u>–</u>	<u>1,262</u>	<u>38,273</u>

The net book value of leasehold land and buildings shown above comprises:

	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Medium-term leases:		
In Hong Kong	10,867	11,285
In PRC	9,605	11,086
	<u>20,472</u>	<u>22,371</u>

At 31st March, 2001, the net book value of property, plant and equipment included assets held under finance leases and hire purchase contracts amounted to HK\$322,000 (2000: HK\$278,000).

**14. INTANGIBLE ASSETS**

	<b>Trademarks</b> <i>HK\$'000</i>
THE GROUP	
COST	
At 1st April, 2000 and 31st March, 2001	139
AMORTISATION	
At 1st April, 2000	83
Provided for the year	14
At 31st March, 2001	97
NET BOOK VALUE	
At 31st March, 2001	42
At 31st March, 2000	56

**15. INTEREST IN SUBSIDIARIES**

	<b>THE COMPANY</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	54,780	54,780
Less: Impairment losses recognised	(54,780)	(54,780)
	—	—

The cost of the investment in the unlisted shares of the subsidiaries is based on the value of the underlying net assets of the subsidiaries acquired under a group reorganisation in 1995.

Particulars of the Company's subsidiaries at 31st March, 2001 are set out in note 37 to the financial statements.

**16. INVENTORIES**

	<b>THE GROUP</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials and consumables	8,594	24,467
Work-in-progress	5,588	5,539
Finished goods	23,026	19,545
	37,208	49,551

**17. TRADE RECEIVABLES**

The Group allows an average credit period of 60 days to its trade customers.

The following is an aged analysis of trade receivables at the reporting date:

	<b>THE GROUP</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	18,837	14,013
31 – 60 days	6,247	3,622
61 – 120 days	2,174	1,235
Over 120 days	87	301
	<u>27,345</u>	<u>19,171</u>

**18. TRADE PAYABLES**

The following is an aged analysis of trade payables at the reporting date:

	<b>THE GROUP</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	14,582	12,272
31 – 60 days	6,714	11,466
61 – 120 days	13,997	14,136
Over 120 days	5,762	3,149
	<u>41,055</u>	<u>41,023</u>

**19. OTHER LOANS**

The other loans are unsecured, interest-bearing and are repayable on demand.

**20. SHARE CAPITAL**

	<b>Number of shares</b>	<b>Amount HK\$ '000</b>
Ordinary shares of HK\$0.10 (2000: HK\$0.10) each		
<i>Authorised:</i>		
At 31st March, 2001 and 31st March, 2000	<u>800,000,000</u>	<u>80,000</u>
Issued and fully paid:		
At 1st April, 1999	106,611,464	10,661
Exercise of share options	4,020,000	402
Conversion of convertible loan stock	<u>1,014,450</u>	<u>101</u>
At 31st March, 2000	111,645,914	11,164
Issued by private placement	20,000,000	2,000
Conversion of convertible loan stock	<u>253,950</u>	<u>26</u>
At 31st March, 2001	<u>131,899,864</u>	<u>13,190</u>

**21. SHARE OPTION SCHEME**

Pursuant to the share option scheme approved and adopted by the Company on 16th October, 1997 (the “1997 Scheme”), the Board of Directors of the Company may, at their discretion, grant options to directors or employees of the Company or any of its subsidiaries to subscribe for shares in the Company in accordance with the terms of the 1997 Scheme.

Options may be granted at a nominal consideration and will entitle the holder to subscribe for shares during a period of ten years from the date the option is granted and accepted or from a later date as determined by the Board at a price (subject to adjustments as provided therein) equal to the higher of the nominal value of the shares and 80 per cent. of the average of the closing prices of the shares on the Hong Kong Stock Exchange on the five trading days immediately preceding the date of the grant of the options.

The maximum number of shares in respect of which options may be granted under the 1997 Scheme shall not exceed 10 per cent. of the share capital of the Company in issue from time to time (except shares issued pursuant to the 1997 Scheme) and the maximum number of shares in respect of which options may be granted to any one employee shall not exceed 25 per cent. of the maximum number of shares in respect of which options may be granted under the 1997 Scheme.

**21. SHARE OPTION SCHEME (continued)**

During the year, no options were granted or exercised and the outstanding share options are as follows:

<b>Exercise price</b>	<b>At 31.3.2000 and 31.3.2001</b>
	<i>Number of shares</i>
HK\$0.285 per share	3,980,000
HK\$0.820 per share	2,000,000
	<u>5,980,000</u>

**22. PROVISIONS FOR LIABILITIES AND CHARGES****THE GROUP**

At 31st March, 2001, the Group had an unrecognised potential deferred taxation asset principally in respect of estimated tax losses carried forward amounting to approximately HK\$47,064,000 (2000: HK\$31,880,000). The potential deferred taxation asset has not been recognised in the financial statements as it is not certain that the benefit will be realised in the foreseeable future.

**THE COMPANY**

The Company had no material unprovided deferred taxation arising during the year or at the balance sheet date.

## 23. RESERVES

Movements in reserves were as follows:

	Share premium <i>HK\$'000</i>	Contri- buted surplus <i>HK\$'000</i>	Revalu- ation reserve <i>HK\$'000</i>	Other reserves			Accumu- lated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	
				Special reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	General reserve <i>HK\$'000</i>			Total <i>HK\$'000</i>
<b>THE GROUP</b>									
At 1st April, 1999	1,979	–	–	(27,500)	609	54,589	27,698	(31,485)	(1,808)
Transfer ( <i>note</i> )	(350)	–	–	350	–	–	350	–	–
Exercise of share options	1,814	–	–	–	–	–	–	–	1,814
Conversion of convertible loan stock	406	–	–	–	–	–	–	–	406
Surplus arising on revaluation of investment properties	–	–	160	–	–	–	–	–	160
Loss for the year	–	–	–	–	–	–	–	(6,925)	(6,925)
At 31st March, 2000	3,849	–	160	(27,150)	609	54,589	28,048	(38,410)	(6,353)
Share issue at premium	13,200	–	–	–	–	–	–	–	13,200
Share issue expenses	(1,743)	–	–	–	–	–	–	–	(1,743)
Conversion of convertible loan stock	87	–	–	–	–	–	–	–	87
Deficit arising on revaluation of investment properties	–	–	(160)	–	–	–	–	–	(160)
Loss for the year	–	–	–	–	–	–	–	(31,491)	(31,491)
At 31st March, 2001	<u>15,393</u>	<u>–</u>	<u>–</u>	<u>(27,150)</u>	<u>609</u>	<u>54,589</u>	<u>28,048</u>	<u>(69,901)</u>	<u>(26,460)</u>
<b>THE COMPANY</b>									
At 1st April, 1999	1,629	18,494	–	–	–	54,589	54,589	(76,520)	(1,808)
Exercise of share options	1,814	–	–	–	–	–	–	–	1,814
Conversion of convertible loan stock	406	–	–	–	–	–	–	–	406
Loss for the year	–	–	–	–	–	–	–	(4,985)	(4,985)
At 31st March, 2000	3,849	18,494	–	–	–	54,589	54,589	(81,505)	(4,573)
Share issue at premium	13,200	–	–	–	–	–	–	–	13,200
Share issue expenses	(1,743)	–	–	–	–	–	–	–	(1,743)
Conversion of convertible loan stock	87	–	–	–	–	–	–	–	87
Loss for the year	–	–	–	–	–	–	–	(34,532)	(34,532)
At 31st March, 2001	<u>15,393</u>	<u>18,494</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>54,589</u>	<u>54,589</u>	<u>(116,037)</u>	<u>(27,561)</u>

*Note:* The amount disclosed as share premium in the previous year's financial statements has been re-analysed between share premium attributable to the holding company and share premium attributable to subsidiaries. The portion attributable to subsidiaries has been transferred to special reserve.

**23. RESERVES (continued)**

*Notes:*

- (a) The special reserve of the Group represents the difference between the nominal value of ordinary shares issued by the Company and the aggregate nominal value of the issued ordinary share capital of the subsidiaries acquired pursuant to a group reorganisation in 1995.
- (b) The contributed surplus of the Company represents the difference between the value of the underlying net assets of the subsidiaries acquired by the Company and the nominal amount of the ordinary share capital issued by the Company under a group reorganisation in 1995, less capitalisation on bonus issue of shares.

Under the Companies Act 1981 of Bermuda (as amended), the Company shall not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

- a. it is, or would after the payment be, unable to pay its liabilities as they become due; or
- b. the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, at 31st March, 2001 and 2000, the Company had no reserves available for distribution to its shareholders.

**24. CONVERTIBLE LOAN STOCK**

	<b>THE GROUP AND THE COMPANY</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
£2,756,816 (2000: £3,766,974) 9.5% convertible unsecured loan stock 2008 ("CL Stock")	30,490	46,711
Less: Issue cost	6,032	6,032
Release on redemption	(1,401)	–
Release on conversion	(13)	–
Accumulated amortisation of issue cost	(1,197)	(754)
	3,421	5,278
	27,069	41,433

On 12th January, 1999, the Company issued CL Stock with a nominal value of £3,807,552 divided into 3,807,552 stock units. The CL Stock bear interest at the rate of 9.5% per annum, payable every half year on 31st March and 30th September of each year, and are redeemable at par on 30th September, 2008 or, if later, the date falling 30 days after the final conversion date in respect of the year 2008.

**24. CONVERTIBLE LOAN STOCK (continued)**

Holders of the CL Stock are entitled to convert their stock units biannually at any time within 30 calendar days after the despatch of the interim report or final report of the Company up to and including 29th September, 2008 on the following bases, subject to adjustment:

- (a) in respect of any conversion in any of the years 1999 to 2001 (both years inclusive), 25 ordinary shares for every stock unit (i.e. a theoretical conversion price of HK\$0.50 for each ordinary share (taking an exchange rate of £1 = HK\$12.5)); or
- (b) in respect of any conversion in any of the years 2002 to 2008 (both years inclusive), 14.286 ordinary shares for every stock unit (i.e. a theoretical conversion price of HK\$0.87 for each ordinary share (taking an exchange rate of £1 = HK\$12.5)).

During the year, the Company placed 20 million new ordinary shares of HK\$0.10 each with third parties, the net proceed of approximately HK\$13.5 million was used as to approximately HK\$12.4 million to redeem £1 million of convertible loan stock units and, as to the balance of net proceeds, for general working capital purposes.

In addition, 253,950 (2000: 1,014,450) ordinary shares of the Company were issued in respect of the conversion of an aggregate sum of 10,158 (2000: 40,578) stock units during the year.

**25. BORROWINGS**

	<b>THE GROUP</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Secured bank loans	653	773
Obligations under finance leases and hire purchase contracts	327	192
	<u>980</u>	<u>965</u>
Due within one year	278	231
Due after more than one year	702	734
	<u>980</u>	<u>965</u>
Analysis of loan repayments:		
Secured bank loans		
– within one year or on demand	134	121
– between one and two years	147	621
– between two and five years	372	31
Obligations under finance leases and hire purchase contracts		
– within one year	144	110
– between one and two years	87	82
– between two and five years	96	–
	<u>980</u>	<u>965</u>

**25. BORROWINGS (continued)**

The bank loans, which carry interest at market rates in Hong Kong, are secured by fixed and floating charges on the property, plant and equipment of the Group (see note 32). Obligations under finance leases and hire purchase contracts are secured over the related assets.

**26. PENSION SCHEME**

The Group operates a defined contribution pension scheme for its qualifying employees. The scheme assets are held separately under a provident fund managed by an independent trustee. The Group and its employees are each required to make contributions to the scheme calculated at 5% of the employees' basic salaries on a monthly basis. The employees are entitled to 100% of the Group contribution and the accrued interest after 10 years' of complete service, or at a reduced scale of between 50% to 90% after completion of 3 to 9 years' service. The forfeited contributions and related accrued interest are to be used to reduce the Group's future contribution.

At 31st March, 2001, there were forfeited contributions of approximately HK\$15,000 (2000: HK\$1,000) which arose upon employees leaving the pension scheme prior to vesting fully in the Group's contributions. The forfeited contributions are available to reduce the contributions payable in future years.

On 10th July, 2000, the above provident fund scheme was granted an exemption of the Mandatory Provident Fund Schemes. The principal deed and the rules of the above provident fund scheme were amended accordingly to comply with the rules of the Mandatory Provident Fund Schemes Ordinance.

With effect from 1st December, 2000, the Group also participated in a mandatory provident fund scheme. The scheme assets are held under a mandatory provident fund operated by HSBC Provident Fund Trustee (Hong Kong) Limited. Under the scheme, the Group is required to make contributions to the scheme calculated at 5% of the employees' relevant income (as defined in the Mandatory Provident Fund Schemes Ordinance) on a monthly basis.

The employees entitled to the defined contribution provident fund scheme before 1st December, 2000 are granted options to join the mandatory provident fund or to continue making contributions to the defined contribution provident fund scheme. All other existing or newly employed employees are required to join the mandatory provident fund scheme compulsorily. The Group is required to make contributions to either of the two schemes according to the employees' options.

The Group's aggregate contributions, net of forfeited contributions, which have been dealt with in the income statement are as follows:

	<b>2001</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>
Gross contributions	853	791
Less: Forfeited contributions utilised to offset Group contributions for the year	(168)	(100)
Net contributions charged to the income statement	<u>685</u>	<u>691</u>

**27. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation	(31,260)	(6,798)
Provision for bad and doubtful debts	494	299
Interest income	(50)	(78)
Interest expenses	5,894	6,874
Interest on obligations under finance leases and hire purchase contracts	46	35
Depreciation and amortisation	9,679	10,565
Amortisation of issue cost of convertible loan stock	443	603
Release of issue cost on redemption of convertible loan stock	1,401	–
Amortisation of trademarks	14	14
Exchange differences on translation of convertible loan stock	(3,695)	(500)
Deficit (surplus) arising on revaluation of investment properties	640	(40)
Loss on disposal of property, plant and equipment	140	184
Decrease (increase) in inventories	12,343	(6,542)
Increase in trade and other receivables	(6,603)	(6,637)
Increase in trade and other payables	14,840	17,066
Increase in bills payable – secured	1,343	3,361
	<hr/>	<hr/>
Net cash inflow from operating activities	<u>5,669</u>	<u>18,406</u>

**28. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR**

	<b>Share capital and premium <i>HK\$'000</i></b>	<b>Convertible loan stock <i>HK\$'000</i></b>	<b>Bank loans <i>HK\$'000</i></b>	<b>Obligations under finance leases and hire purchase contracts <i>HK\$'000</i></b>
At 1st April, 1999	12,640	41,837	888	410
Exercise of share options	2,216	–	–	–
Conversion of convertible loan stock	507	(507)	–	–
Transfer to special reserve	(350)	–	–	–
Amortisation of issue cost	–	603	–	–
Exchange differences on translation	–	(500)	–	–
Repayment during the year	–	–	(115)	(218)
	<u>15,013</u>	<u>41,433</u>	<u>773</u>	<u>192</u>
At 31st March, 2000	15,013	41,433	773	192
Proceeds from issue of new shares	15,200	–	–	–
Redemption of convertible loan stock	–	(12,400)	–	–
Conversion of convertible loan stock	113	(126)	–	–
Expenses incurred on issue of new shares	(1,743)	–	–	–
Amortisation of issue cost	–	443	–	–
Release of issue cost on redemption of convertible loan stock	–	1,401	–	–
Release of issue cost on conversion of convertible loan stock	–	13	–	–
Exchange differences on translation	–	(3,695)	–	–
Inception of finance lease contracts	–	–	–	300
Repayment during the year	–	–	(120)	(165)
	<u>28,583</u>	<u>27,069</u>	<u>653</u>	<u>327</u>
At 31st March, 2001	<u>28,583</u>	<u>27,069</u>	<u>653</u>	<u>327</u>

**29. MAJOR NON-CASH TRANSACTIONS**

During the year, the Group entered into finance lease and hire purchases arrangements in respect of assets with a total capital value at the inception of leases contracts of HK\$300,000 (2000: nil).

In addition, 253,950 (2000: 1,014,450) ordinary shares of the Company were issued in respect of the conversion of an aggregate sum of 10,158 (2000: 40,578) stock units during the year.

**30. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR**

	<b>2001</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>
Balance brought forward	5,023	(2,176)
Net cash (outflow) inflow	(4,869)	7,199
	<u>154</u>	<u>5,023</u>

**31. ANALYSIS OF CASH AND CASH EQUIVALENT BALANCES**

	<b>2001</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>
Bank balances and cash	4,559	5,023
Secured bank overdrafts	(4,405)	–
	<u>154</u>	<u>5,023</u>

**32. PLEDGE OF ASSETS**

At 31st March, 2001, the Group had pledged its land and buildings, investment properties and plant and machinery with an aggregate net book value of approximately HK\$15,467,000 (2000: HK\$16,684,000) to a bank to secure general banking facilities granted to the Group.

In addition, the Company has created a debenture in favour of a bank by way of fixed and floating charges over all its assets to secure general banking facilities granted to the Group.

**33. CAPITAL COMMITMENTS**

At the balance sheet date, neither the Group nor the Company had any significant capital commitments.

**34. CONTINGENT LIABILITIES**

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2001</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>	<b>2001</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>
Bills discounted with recourse	<u>2,093</u>	<u>2,564</u>	<u>–</u>	<u>–</u>
Guarantees given to bankers in respect of banking facilities granted to subsidiaries	<u>–</u>	<u>–</u>	<u>3,500</u> <i>(note)</i>	<u>5,300</u>

*Note:* The Company has also given an unlimited corporate guarantee to a bank in respect of banking facilities granted to its subsidiaries.

The extent of banking facilities utilised by the subsidiaries as at 31st March, 2001 amounted to approximately HK\$25.4 million (2000: HK\$19.8 million).

**35. OPERATING LEASE COMMITMENTS**

At the balance sheet date, the Group had annual commitments under non-cancellable operating leases for land and buildings, which are payable in the following year, as follows:

	<b>THE GROUP</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating leases which expire:		
– within one year	280	104
– in the second to fifth year inclusive	29	309
	<u>309</u>	<u>413</u>

At the balance sheet date, the Company did not have any operating lease commitments.

**36. RELATED PARTY TRANSACTION**

During the year, Mr. Leung Wai Ho provided an unlimited personal guarantee and a guarantee to the extent of HK\$3,500,000 (2000: HK\$5,300,000), without charge, to two banks in respect of general banking facilities granted to the Group.

**37. ADDITIONAL INFORMATION ON SUBSIDIARIES**

Particulars of the subsidiaries at 31st March, 2001 are as follows:

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued and paid up share capital	Proportion of issued share capital held by the Company		Principal activity
			Directly	Indirectly	
Always Prosperous Limited	Hong Kong	HK\$500,000	–	100%	Property investment
Dailywin Time Limited	Hong Kong	HK\$400,000	–	100%	Inactive
Dailywin Watch Products Mfg. Limited (“Dailywin Watch”)	Hong Kong	HK\$2,500,000 non-voting deferred ( <i>note 1</i> ) HK\$1,000 ordinary	–	– 100%	Manufacture of watch cases, assembly of watches and trading in watches
Dongguan Dailywin Watch Company Limited (“Dongguan Dailywin”)	PRC	HK\$55,800,000 registered capital ( <i>note 2</i> )	–	95%	Manufacture of watch cases, assembly of watches and trading in watches

**37. ADDITIONAL INFORMATION ON SUBSIDIARIES (continued)**

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued and paid up share capital	Proportion of issued share capital held by the Company		Principal activity
			Directly	Indirectly	
D & S Concepts (HK) Limited	Hong Kong	HK\$2	–	100%	Investment holding
Ever Precision Corporation	British Virgin Islands	US\$1	–	100%	Investment holding
Great Prime International Holdings Limited	British Virgin Islands	US\$25,001	100%	–	Investment holding
Tensfine Investments Limited	Hong Kong	HK\$10,000	–	100%	Property holding
World Light Technology Limited	Hong Kong	HK\$10,000	–	100%	Trading in watch movements
東莞市時尚風采貿易有限公司 (“Trendi Image”)	PRC	RMB500,000 registered capital	–	note 3	Trading in watches

*Notes:*

- (1) The deferred shares in Dailywin Watch, which are not held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the company or to participate in any distribution on winding up. The company has been granted an option by the holders of the deferred shares to acquire these shares at a nominal amount.
- (2) Dongguan Dailywin is a joint venture limited liability company established in the PRC for a term of 15 years starting 15th January, 1992, subject to extension. The registered capital of Dongguan Dailywin is owned as to 95% by the Group and 5% by an independent PRC third party.
- (3) Trendi Image is a private limited liability company established in the PRC on 29th December, 1999. The registered capital of Trendi Image was previously owned as to 90% by Mr. Leung Wai Ho (“Mr. Leung”); 5% by Mr. Tsang Pui Sing, Aloysius (“Mr. Tsang”) and 5% by an independent third party. Pursuant to a deed entered into between Mr. Leung, Mr. Tsang and D & S Concepts (HK) Limited (“D&S”), a wholly owned subsidiary of the Company, Mr. Leung and Mr. Tsang has each agreed, inter alia, (a) to assign to D&S all past, present and future benefits received by them as owners of the registered capital of Trendi Image; (b) to vote at board meetings, general meetings or otherwise of Trendi Image in accordance with instructions of D&S; and (c) not to dispose of his interest in Trendi Image unless authorized by D&S. In return, D&S has agreed to (a) provide all funding and financing for Trendi Image as and when requested by Mr. Leung and Mr. Tsang; and (b) indemnify Mr. Leung and Mr. Tsang for any costs, expenses or losses incurred by them by reason of their carrying on Trendi Image’s business. By virtue of this deed, Mr. Leung and Mr. Tsang have effectively transferred their entire economic interests in Trendi Image to D&S. During the year, the shareholders of Trendi Image have been changed and the shares held by Mr. Leung and Mr. Tsang were transferred to Mr. 陳偉力 and Mr. 陳富堯. The registered capital is now owned as to 48% held by Mr. 陳偉力, 47% held by Mr. 陳富堯 and 5% by an independent third party. Pursuant to a deed entered into between Mr. 陳偉力 and Mr. 陳富堯 and D&S on the same terms as above, Mr. 陳偉力 and Mr. 陳富堯 have effectively transferred their entire economic interests in Trendi Image to D&S. Accordingly, Trendi Image is continued to be regarded as a subsidiary of the Company.

### 3. FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2001 AND 30TH SEPTEMBER, 2000

Set out below are the unaudited consolidated income statements and consolidated cash flow statements of the Group for the six months ended 30th September, 2000 and 30th September, 2001, the unaudited consolidated balance sheet as at 30th September, 2001 and the audited consolidated balance sheet of the Group as at 31st March, 2001 together with the relevant notes thereto as extracted from the Company's financial statements set out in the Company's interim report for the six months ended 30th September, 2001:

#### CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

*For the six months ended 30 September*

	<i>Notes</i>	<b>2001</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>
Turnover	3	129,661	123,746
Cost of sales		<u>(92,400)</u>	<u>(82,100)</u>
Gross profit		37,261	41,646
Distribution costs		(14,655)	(15,482)
Administrative expenses		(37,232)	(29,806)
Other operating income		<u>1,807</u>	<u>953</u>
Operating loss	3 & 4	(12,819)	(2,689)
Net interest payable		<u>(2,654)</u>	<u>(2,995)</u>
Loss before taxation		(15,473)	(5,684)
Taxation	5	<u>(6)</u>	<u>(4)</u>
Loss for the period		<u><u>(15,479)</u></u>	<u><u>(5,688)</u></u>
Loss per ordinary share	7		
– Basic		<u><u>(11.7 cents)</u></u>	<u><u>(4.4 cents)</u></u>
– Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>

There were no recognised gains or losses other than the loss for both periods.

**CONDENSED CONSOLIDATED BALANCE SHEET**

		<b>30 September 2001</b>	<b>31 March 2001</b>
		<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties	8	4,200	4,600
Property, plant and equipment	9	30,742	34,169
Intangible assets		35	42
		<u>34,977</u>	<u>38,811</u>
<b>Current assets</b>			
Inventories		33,578	37,208
Trade receivables	10	40,251	26,851
Other receivables		5,243	3,717
Taxation recoverable		36	36
Bank balances and cash		5,446	4,559
		<u>84,554</u>	<u>72,371</u>
<b>Current liabilities</b>			
Trade payables	11	43,045	41,055
Other payables		31,910	26,526
Convertible loan stock	12	28,404	–
Loan from a director	13	8,774	–
Trust receipt loans – secured		7,996	20,355
Other loans		2,612	3,640
Tax liabilities		428	422
Obligations under finance leases and hire purchase contracts – due within one year		402	144
Secured bank loan – due within one year		–	134
Secured bank overdrafts		–	4,405
		<u>123,571</u>	<u>96,681</u>
<b>Net current liabilities</b>		<u>(39,017)</u>	<u>(24,310)</u>
		<u>(4,040)</u>	<u>14,501</u>

		<b>30 September 2001</b>	<b>31 March 2001</b>
		<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Capital and reserves</b>			
Share capital		13,190	13,190
Reserves		<u>(41,939)</u>	<u>(26,460)</u>
		<u>(28,749)</u>	<u>(13,270)</u>
<b>Non-current liabilities</b>			
Loans from a shareholder	<i>14</i>	24,000	–
Obligations under finance leases and hire purchase contracts – due after one year		709	183
Convertible loan stock	<i>12</i>	–	27,069
Secured bank loan – due after one year		<u>–</u>	<u>519</u>
		<u>24,709</u>	<u>27,771</u>
		<u>(4,040)</u>	<u>14,501</u>

**CONDENSED CONSOLIDATED CASHFLOW STATEMENT (UNAUDITED)**

*For the six months ended 30 September*

	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (outflow)/inflow from operating activities	(21,551)	398
Net cash outflow from returns on investments and servicing of finance	(2,654)	(2,995)
Net cash outflow from investing activities	<u>(2,476)</u>	<u>(3,968)</u>
Net cash outflow before financing	(26,681)	(6,565)
Net cash inflow from financing	<u>31,973</u>	<u>907</u>
Increase/(decrease) in cash and cash equivalents	5,292	(5,658)
Cash and cash equivalents at beginning of the period	<u>154</u>	<u>5,023</u>
Cash and cash equivalents at end of the period	<u><u>5,446</u></u>	<u><u>(635)</u></u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	5,446	3,695
Secured bank overdrafts	<u>–</u>	<u>(4,330)</u>
	<u><u>5,446</u></u>	<u><u>(635)</u></u>

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS****(1) BASIS OF PREPARATION**

- (a) In preparing the condensed financial statements, the directors have given careful consideration to the going concern status of the Group in light of the Group's net current liabilities of approximately HK\$39,017,000 and the Group's continuing losses. Also, as explained in note 15, the Company has received a winding up petition from the holders of convertible unsecured loan stock 2008 ("CB Loan") demanding immediate repayment of the Group's outstanding CB Loan which together with accrual interest totalled approximately HK\$33,065,000 as at 30 September 2001.

Against this background, the directors are currently in negotiation with the CB Loan holders for the restructuring of the CB Loan. At the same time, the directors are actively pursuing opportunities for introducing new funding, including equity funding, into the Group. Provided that agreement with the CB Loan holders for the restructuring of the CB Loan can be reached and provided that sufficient additional funding can be obtained, the directors consider that the Group will be able to meet in full its financial obligations as they fall due in the foreseeable future. Accordingly, the condensed financial statements have been prepared on a going concern basis.

- (b) The condensed financial statements have been prepared in accordance with the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting".

**(2) PRINCIPAL ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention as modified for revaluation of investment properties.

The condensed financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. United Kingdom accounting requirements that are applicable to the Group do not differ materially from those accounting principles adopted by the Group except that:

- the revision of FRS1 "Cash Flow Statements" in 1996 would result in a different format for presentation of the condensed cash flow statement;
- the turnover and operating loss have been analysed between continuing operations and discontinued operation in notes 3 and 6 and not on the face of the condensed income statement as required by FRS 3 "Reporting financial performance";
- the disclosures as required by FRS 13 "Derivatives and other financial instruments: disclosures"; and
- the treatment of deficit on revaluation of investment properties as required by UK SSAP 19 "Investment properties" for which the effect of non-adoption has been to increase the loss for the period ended 30 September 2001 by HK\$400,000.

The accounting policies adopted are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 March 2001, except that in the current period, the Group has adopted SSAP 30 "Business Combinations" and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1 April 2001 is held in reserves and will be charged to income statement at the time of disposal of the relevant subsidiary or associate. Negative goodwill arising on acquisitions prior to 1 April 2001 will be credited to income at the time of disposal of the relevant subsidiary or associate. Any goodwill arising on acquisitions of subsidiaries or associates after 1 April 2001 is capitalised and amortised over its estimated useful life. Any negative goodwill arising on acquisitions after 1 April 2001 will be presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

The other new or revised SSAPs adopted during the period have not had any significant impact on the Group.

### (3) ANALYSIS OF TURNOVER AND SEGMENT INFORMATION

The Group's turnover and operating loss are analysed as follows:

Class of business	Turnover		Operating loss	
	Six months ended		Six months ended	
	30 September		30 September	
	2001	2000	2001	2000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Continuing operations:</i>				
Assembly of watches and manufacture of cases	91,979	82,576	(448)	(1,175)
Retail of watches and bags	37,613	39,505	(11,858)	(1,559)
Property investment and property holding	69	96	(513)	(43)
	<u>129,661</u>	<u>122,177</u>	<u>(12,819)</u>	<u>(2,777)</u>
<i>Discontinued operation:</i>				
Trading of watch movements	–	1,569	–	88
	<u>–</u>	<u>1,569</u>	<u>–</u>	<u>88</u>
	<u>129,661</u>	<u>123,746</u>	<u>(12,819)</u>	<u>(2,689)</u>

Geographical markets	Turnover by destination		Operating loss by destination	
	Six months ended		Six months ended	
	30 September		30 September	
	2001	2000	2001	2000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
United States of America	69,663	58,024	(339)	(825)
People's Republic of China ("PRC")	37,701	39,505	(11,858)	(1,559)
Hong Kong Special Administrative Region	6,477	6,449	(544)	(23)
Switzerland	5,984	6,099	(29)	(87)
India	2,375	3,635	(12)	(52)
France	1,830	3,493	(9)	(50)
United Kingdom	1,199	1,834	(6)	(26)
Others	4,432	4,707	(22)	(67)
	<u>129,661</u>	<u>123,746</u>	<u>(12,819)</u>	<u>(2,689)</u>

**(4) OPERATING LOSS**

	Six months ended	
	30 September	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Operating loss has been arrived at after charging:		
Amortisation of issue cost of convertible loan stock	<u>221</u>	<u>1,622</u>
Depreciation and amortisation of property, plant and equipment	<u>7,069</u>	<u>5,520</u>

**(5) TAXATION**

The charge represents Hong Kong Profits Tax which is calculated at 16% on the estimated assessable profit for the period.

No provision for PRC income tax has been made as there was no assessable profit subject to PRC income tax for the period.

**(6) DISCONTINUED OPERATION**

During the period ended 30 September 2000, the Group ceased trading in watch movements.

The results of the trading of watch movements for the period ended 30 September 2000, which have been included in the unaudited consolidated income statement, were as follows:

	<b>30 September</b>	
	<b>2001</b> <i>(Unaudited)</i> <i>HK\$'000</i>	<b>2000</b> <i>(Unaudited)</i> <i>HK\$'000</i>
Turnover	–	1,569
Cost of sales	–	(1,503)
	<hr/>	<hr/>
Gross profit	–	66
Distribution costs	–	23
Administrative expenses	–	(1)
	<hr/>	<hr/>
Operating profit	–	88
Net interest payable	–	(52)
	<hr/>	<hr/>
Profit before taxation	–	36
Taxation	–	–
	<hr/>	<hr/>
Profit for the period	<hr/> <b>–</b> <hr/>	<hr/> <b>36</b> <hr/>

**(7) LOSS PER ORDINARY SHARE**

The calculation of basic loss per ordinary share is based on the loss for the period of HK\$15,479,000 (2000: HK\$5,688,000) and on the weighted average of 131,899,864 (2000: 128,720,073) ordinary shares in issue during the period.

The computation of diluted loss per ordinary share has not assumed the exercise of conversion rights under the convertible loan stock which would result in the issue of dilutive potential ordinary shares because the exercise of them would result in a reduction in the loss per ordinary share in both periods.

**(8) INVESTMENT PROPERTIES**

	<i>HK\$ '000</i>
At 1 April 2001	4,600
Deficit arising on revaluation	(400)
	<hr/>
At 30 September 2001	4,200
	<hr/> <hr/>

The investment properties were held under medium-term leases and were revalued on 30 September 2001 by Chesterton Petty Limited, a firm of independent professional valuers, on an open market, existing use basis. The deficit arising on revaluation has been charged to the income statement.

**(9) PROPERTY, PLANT AND EQUIPMENT**

During the period, the Group acquired property, plant and equipment amounting to approximately HK\$3,642,000.

In previous years, leasehold improvement, furniture and equipment and computer system were depreciated at 20% per annum. The directors have re-assessed the useful lives of these fixed assets and have decided to that with effect from 1 April 2001, these assets are to be depreciated at 33 $\frac{1}{3}$ % per annum. The change in depreciation rate has increased the depreciation charged for the period by approximately HK\$3,301,000.

**(10) TRADE RECEIVABLES**

The Group allows an average credit period of 60 days to its trade customers. An aging analysis of trade receivables is as follows:

	<b>30 September 2001</b>	<b>31 March 2001</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
0 – 30 days	22,572	18,837
31 – 60 days	14,113	6,247
61 – 120 days	2,645	2,174
Over 120 days	1,765	87
	<hr/>	<hr/>
Less: Provision	41,095	27,345
	(844)	(494)
	<hr/>	<hr/>
	<b>40,251</b>	<b>26,851</b>
	<hr/> <hr/>	<hr/> <hr/>

**(11) TRADE PAYABLES**

An aging analysis of trade payables is as follows:

	<b>30 September 2001</b> <i>(Unaudited)</i> <i>HK\$'000</i>	<b>31 March 2001</b> <i>(Audited)</i> <i>HK\$'000</i>
0 – 30 days	12,317	14,582
31 – 60 days	11,139	6,714
61 – 120 days	15,676	13,997
Over 120 days	3,913	5,762
	<u>43,045</u>	<u>41,055</u>

**(12) CONVERTIBLE LOAN STOCK**

As explained in note 15, following a non-payment of interest, the Group has received a winding up petition from the CB Loan holders demanding immediate repayment of the outstanding CB Loan liabilities. Whilst the validity of the demand for immediate payment is being contested in legal proceedings before the Court, these CB Loan liabilities have been reclassified as current liabilities for prudence.

**(13) LOAN FROM A DIRECTOR**

The amount is unsecured, carries interest at prevailing market rate and is repayable within one year.

**(14) LOANS FROM A SHAREHOLDER**

The amounts are unsecured, carry interest at prevailing market rate and are not repayable within one year.

**(15) LITIGATION**

As a result of the non-payment of the relevant interest to the CB Loan holders in September 2001, statutory demands were made by a trustee of the stockholders (the “Trustee”) for the full payment of principal and interest outstanding. In November 2001, an application for a petition for winding up of the Company was issued by the Trustee.

The directors have been advised by legal counsel that the statutory demands made were defective and an originating summons was issued against the Trustee whereby a court declaration as to the invalidity of the demands was sought.

## 1. RESPONSIBILITY STATEMENT

This prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained in this prospectus, the omission of which would make any statement herein misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company following completion of the Rights Issue (assuming the Rights Issue becoming unconditional) will be as follows:

<i>Authorised:</i>		<i>HK\$</i>
<u>10,000,000,000</u>	Shares as at the Latest Practicable Date	<u>100,000,000</u>
<u>20,000,000,000</u>	Shares following completion of the Rights Issue ( <i>Note</i> )	<u>200,000,000</u>
<i>Shares issued and to be issued as fully-paid or credited as fully-paid:</i>		
1,644,060,933	Shares as at the Latest Practicable Date	16,440,609
6,576,243,732	Rights Shares	65,762,437
1,644,060,933	Shares to be issued by way of bonus with the Rights Shares	16,440,609
<u>9,864,365,598</u>	Shares in issue immediately following the completion of the Rights Issue	<u>98,643,655</u>

*Note:* Assuming the Shareholders have approved the resolution to increase the authorised share capital of the Company proposed at the special general meeting of the Company held on 28th February, 2002.

As at the Latest Practicable Date, save for the outstanding options granted under the Share Option Scheme carrying the rights to subscribe up to an aggregate of 43,800,000 Shares, no capital of any member of the Group is under option or agreed conditionally or unconditionally to be put under option.

## 3. PARTICULARS OF DIRECTORS

Name	Address
Tang Ching Ho	House No. 15, Greenery Villas, Phase II, Ma Lok Path, Kau To, Shatin, New Territories
Yau Yuk Yin	House No. 15, Greenery Villas, Phase II, Ma Lok Path, Kau, To, Shatin, New Territories
Chan Chun Hong, Thomas	Flat F, 5/F, Block 3, Whampoa Garden Site 4, Hungghom Kowloon, Hong Kong
Lee Peng Fei, Allen	11 Windsor Park, Ma Ling Path, Kau To, Shatin, New Territories
Wong Chun, Justein	18D, Laurel Court, Worldwide Garden, Shatin, New Territories
Siu Yim Kwan, Sidney	Flat D3, Lung Tang Court, 88 Castle Peak Road, Tsing Lung Tau, New Territories

The qualifications and experience of the Directors are set out below:

**Executive Directors**

**Mr. Tang Ching Ho**, aged 39, is a co-founder of the Group (which was established in 1987), and the chairman and managing director of the Company. Mr. Tang is responsible for the strategic planning, policy making and business development of the Group. He has over 15 years' experience in the decoration and building industry and also has extensive experience in business management. Mr. Tang is also a director of Caister Limited, one of the Substantial Shareholders.

**Ms. Yau Yuk Yin**, aged 39, is a co-founder of the Group, and deputy chairman and deputy managing director of the Company. She is responsible for the overall human resources and administration of the Group. She has over 10 years' experience in the decoration and building industry. She is the wife of Mr. Tang.

**Mr. Chan Chun Hong, Thomas**, aged 37, joined the Group in March 1997 as a finance Director and a company secretary of the Group. He is responsible for managing the finance, accounting, company secretarial functions and legal matters of the Group. He graduated from the Hong Kong Polytechnic University with a degree in accountancy and is a fellow of The Association of Chartered Certified Accountants and an associate of The Hong Kong Society of Accountants. He is also a certified public accountant.

**Independent non-executive Directors**

**Dr. Lee Peng Fei, Allen** CBE, JP, aged 61, joined the Group in November 1993 as a non-executive Director. He is a Deputy, HKSAR, the 9th National People's Congress and a Member of Commission on Strategic Development, HKSAR. He was a member of the Executive Council of Hong Kong from 1985 to 1992 and a member of the Legislative Council of Hong Kong from 1978 to 1997.

**Mr. Wong Chun, Justein**, MBE, JP, aged 48, joined the Group in November 1993 as a non-executive Director. He holds a bachelor's degree in commerce and computing science from Simon Fraser University, Canada. He was a member of the Fight Crime Committee, the Independent Police Complaints Council and is currently a member of the Shatin District Council, the Advisory Committee Against Narcotics and other government advisory bodies.

**Dr. Siu Yim Kwan, Sidney**, S.B.ST.J., aged 55, joined the Group in November 1993 as a non-executive Director. He holds a doctorate degree in management from Pacific Southern University in the United States. He is also an executive member of a number of charitable organizations and sports associations.

#### 4. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

<b>Registered office</b>	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
<b>Head office and principal place of business</b>	12th Floor, Tower 1 South Seas Centre No. 75 Mody Road Tsimshatsui East Kowloon Hong Kong
<b>Auditors</b>	Ernst & Young <i>Certified Public Accountants</i> 15th Floor Hutchison House 10 Harcourt Road Central Hong Kong

<b>Financial adviser to the Company</b>	Kingsway Capital Limited 5th Floor Hutchison House 10 Harcourt Road Central Hong Kong
<b>Underwriters</b>	Kingsway SW Securities Limited 5th Floor Hutchison House 10 Harcourt Road Central Hong Kong
	Kingston Securities Limited 28th Floor One International Finance Centre 1 Harbour View Street Central Hong Kong
	Great China Brokerage Limited 6/F & 15/F Crocodile House 1 50 Connaught Road Central Hong Kong
	GC Capital (Asia) Limited Unit 6501-06, The Center 99 Queen's Road Central Hong Kong
	Luen Fat Securities Co. Ltd. 23/F, Euro Trade Centre 21-23 Des Voeux Road Central Hong Kong
	Ms. Tang 12th Floor, Tower 1 South Seas Centre No.75 Mody Road Tsimshatsui East Kowloon Hong Kong

<b>Hong Kong legal adviser to the Company and the Rights Issue</b>	Chao and Chung 26/F, Asia Pacific Finance Tower Citibank Plaza 3 Garden Road Hong Kong
<b>Bermuda legal adviser to the Company</b>	Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central Hong Kong
<b>Principal bankers</b>	The Hongkong and Shanghai Banking Corporation Limited 10/F., HSBC Building Tsim Sha Tsui 82-84 Nathan Road Tsim Sha Tsui Kowloon
	Dah Sing Bank, Limited 35/F., Dah Sing Financial Centre 108 Gloucester Road Hong Kong
	First Pacific Bank Limited G/F., 60 Percival Street Causeway Bay Hong Kong
	Fortis Bank Asia H.K. 27/F., Fortis Bank Tower 77-79 Gloucester Road Hong Kong
	International Bank of Asia Limited G/F., Shop No. 1 President Commercial Centre 602-608 Nathan Road Kowloon

Société Générale  
38/F., Edinburgh Tower  
15 Queen's Road Central  
Hong Kong

**Hong Kong branch share registrar  
and transfer office** Tengis Limited  
4th Floor  
Hutchison House  
10 Harcourt Road  
Central  
Hong Kong

**Authorised representatives  
to the Stock Exchange** Mr. Tang Ching Ho  
Mr. Chan Chun Hong, Thomas

## 5. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests of the Directors and their associates in the share capital of the Company and its associated corporations (within the meaning of the SDI Ordinance) which were recorded in the register kept by the Company pursuant to section 29 of the SDI Ordinance were as follows:

### (i) Interests in Shares

Name of Director	Nature of interest	Number of Shares held	% of the issued share capital
Mr. Tang	Corporate ( <i>Note 1</i> )	36,314,000	2.21%
	Personal	9,927,645	0.60%
	Family ( <i>Note 2</i> )	9,927,645	0.60%
	Other ( <i>Note 3</i> )	144,447,827	8.78%
Ms. Yau	Personal	9,927,645	0.60%
	Family ( <i>Note 4</i> )	46,241,645	2.81%
	Other ( <i>Note 4</i> )	144,447,827	8.78%
Dr. Siu Yim Kwan, Sidney	Personal	100,000	0.01%

*Notes:*

1. Mr. Tang was interested in these Shares through Caister Limited, a company which is wholly and beneficially owned by Mr. Tang.
2. Mr. Tang was taken to be interested under the SDI Ordinance in those Shares in which his spouse, Ms. Yau, was interested.
3. Agreements were entered into between Middlemore Limited, a company wholly and beneficially owned by Mr. Tang, and (i) Ms. Tang Mui Fong; (ii) Ms. Tang and (iii) Mr. Yau Yuk Tong, all being the relatives of Mr. Tang, as a result of which, and for the purpose of Sections 9 and 10 of the SDI Ordinance, Mr. Tang was taken (for purpose of the duty of disclosure only) to be interested in the Shares owned by them.
4. Ms. Yau was taken to be interested under the SDI Ordinance in those Shares in which her spouse, Mr. Tang, was interested.

Apart from the 56,169,290 issued Shares held by Mr. Tang and Ms. Yau pursuant to Sections 4 and 8 of the SDI Ordinance, they were taken (for purpose of the duty of disclosure only) to be interested in all the Shares referred to in Note 3 above pursuant to Sections 9 and 10 of the SDI Ordinance.

**(ii) Interests in share options granted under the Share Option Scheme**

<b>Name of Director</b>	<b>Number of share options</b>	<b>Exercise price per Share</b>	<b>Exercise period</b>
Mr. Tang	10,900,000	HK\$0.13	6th March, 2001 to 5th February, 2005
Ms. Yau	10,900,000	HK\$0.13	6th March, 2001 to 5th February, 2005

Save as disclosed herein and other than certain nominee shares in subsidiaries held by the Directors in trust for the Company or its subsidiaries, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest in the equity or debt securities of the Company or any associated corporations (within the meaning of the SDI Ordinance) which have to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including the interests which they were deemed or taken to have under Section 31 or Part I of the Schedule to the SDI Ordinance) or which are required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which are required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to have been notified to the Company and the Stock Exchange.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group since 31st March, 2001 (the date to which the latest published audited consolidated accounts of the Company were made up) or proposed to be so acquired, disposed of or leased.

There is no contract or arrangement subsisting at the Latest Practicable Date in which any of the Directors was materially interested and which was significant in relation to the business of the Group taken as a whole.

## 6. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the following interests of 10% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name of Shareholder	Number of Shares	Approximate % of the issued share capital
Caister Limited	36,314,000	2.21%
Mr. Tang	9,927,645	0.60%
Ms. Yau	9,927,645	0.60%
Ms. Tang Mui Fong	65,904,095	4.01%
Mr. Yau Yuk Tong	41,506,825	2.52%
Ms. Tang	37,036,907	2.25%
	<u>200,617,117</u>	<u>12.20%</u>

The shareholdings of Caister Limited, Ms. Tang Mui Fong, Mr. Yau Yuk Tong and Ms. Tang are also disclosed above as corporate and other interests of Mr. Tang under the heading “Disclosure of Directors’ interests” in this appendix.

Pursuant to Sections 9 and 10 of the SDI Ordinance, Caister Limited, Mr. Tang, Ms. Yau, Ms. Tang Mui Fong, Mr. Yau Yuk Tong and Ms. Tang were taken (for purpose of the duty of disclosure only) to be interested in a total of 200,617,117 Shares.

Save as disclosed above, no persons had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance as at the Latest Practicable Date.

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors or chief executive of the Company, no person (not being a Director or the chief executive of the Company) was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or held any options in respect of any such capital.

## 7. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, have been entered into by the Group within 2 years preceding the date of this prospectus and are or may be material:

- (a) (i) a placing agreement dated 14th March, 2000 entered into by Mr. Yau Yuk Tong, Ms. Tang, Ms. Tang Mui Fong, Middlemore Limited, Caister Limited and Kingsway SW Securities Limited for the placement of a total of 100,000,000 Shares at a price of HK\$0.72 per Share to certain independent third parties; and (ii) a subscription agreement dated 14th March, 2000 entered into by Mr. Yau Yuk Tong, Ms. Tang, Ms. Tang Mui Fong and the Company for the subscription of a total of 90,000,000 Shares at a price of HK\$0.72 per Share;
- (b) (i) a placing agreement dated 29th June, 2000 entered into by Mr. Yau Yuk Tong, Ms. Tang, Ms. Tang Mui Fong, Caister Limited and Kingsway SW Securities Limited for the placement of a total of 135,000,000 Shares at a price of HK\$0.29 per Share to certain independent third parties; and (ii) a subscription agreement dated 29th June, 2000 entered into by Mr. Yau Yuk Tong, Ms. Tang, Ms. Tang Mui Fong, Caister Limited and the Company for the subscription of a total of 135,000,000 Shares at a price of HK\$0.29 per Share;
- (c) a sale and purchase agreement dated 19th December, 2000 between Bio-Project Limited, Royal Focus Limited (an indirect wholly-owned subsidiary of the Company) and the sole shareholder of Bio-Project Limited in respect of the conditional sale and purchase of a 99.79% shareholding in Wai Yuen Tong;

- (d) an agreement dated 12th April, 2001 made between Macro Pacific Investment Limited (an indirect wholly-owned subsidiary of the Company, “Macro Pacific”) and a company which is a third party independent of, and not connected with the directors, chief executives or substantial shareholders of the Company and any of its subsidiaries or any of their associates, relating to the sale and purchase of an approximate 19% shareholding in Luxembourg Medicine;
- (e) an agreement dated 10th July, 2001 made between Advance Century Limited (an indirect wholly-owned subsidiary of the Company) and certain independent third parties who are independent of and not connected with the directors, chief executives or substantial shareholders of the Company and any of its subsidiaries or any of their respective associates, in relation to an investment in a sino-foreign equity joint venture pharmaceutical enterprise in Changsha, Hunan Province known as 湖南湘雅製藥有限公司 (Hunan Xiangya Pharmaceutical Co., Ltd.);
- (f) a conditional agreement dated 24th July, 2001 entered into between the Company and Kingsway SW Securities Limited in respect of the placing of convertible bonds in the aggregate principal amount of HK\$30,080,000 issued by the Company to certain independent third parties;
- (g) a conditional share purchase agreement dated 15th August, 2001 made between Rich Time and Mr. Leung Wai Ho for the sale and purchase of a total of 38,500,000 shares of HK\$0.10 each in the capital of Dailywin together with the heads of agreement dated 13th August, 2001 signed by the same parties;
- (h) (i) a placing agreement dated 25th September, 2001 entered into by the Company, Mr. Yau Yuk Tong, Ms. Tang, Ms. Tang Mui Fong and Kingsway SW Securities Limited for the placement of a total of 148,500,000 Shares at a price of HK\$0.08 per Share to certain independent third parties; and (ii) a subscription agreement dated 25th September, 2001 entered into by Mr. Yau Yuk Tong, Ms. Tang, Ms. Tang Mui Fong and the Company for the subscription of a total of 116,500,000 Shares at a price of HK\$0.08 per Share;
- (i) (i) a placing agreement dated 1st November, 2001 entered into by the Company, Mr. Yau Yuk Tong, Ms. Tang, Ms. Tang Mui Fong and Kingsway SW Securities Limited for the placement of a total of 214,700,000 Shares at a price of HK\$0.09 per Share to certain independent third parties; and (ii) a subscription agreement dated 1st November, 2001 entered into by Mr. Yau Yuk Tong, Ms. Tang, Ms. Tang Mui Fong and the Company for the subscription of a total of 131,100,000 Shares at a price of HK\$0.09 per Share;

- (j) an agreement dated 16th November, 2001 made between Macro Pacific and an independent third party not connected with the directors, chief executive or substantial shareholders of the Company and any of its subsidiaries or any of their respective associates relating to the sale and purchase of an approximate 3.6% shareholding in Luxembourg Medicine;
- (k) an acquisition agreement dated 18th December, 2001 made between Wang On Design & Contracting Limited (an indirect wholly-owned subsidiary of the Company) and a company incorporated in Hong Kong which is a third party independent of, and not connected with the directors, chief executive or substantial shareholders of the Company and any of its subsidiaries or any of their respective associates, in respect of the acquisition of the industrial building located at No.9 Wang Kwong Road, Kowloon, Hong Kong comprising the Ground Floor, the Upper Ground Floor, the First Floor, the Second Floor, the Third Floor, the Fourth Floor, the Fifth Floor and the Roof of such industrial building;
- (l) an agreement dated 19th December, 2001 made between Macro Pacific and a company incorporated in Hong Kong which is a third party independent of, and not connected with the directors, chief executive or substantial shareholders of the Company and any of its subsidiaries or any of their respective associates, relating to the sale and purchase of an approximate 19% shareholding in Luxembourg Medicine;
- (m) (i) a placing agreement dated 19th December, 2001 entered into by the Company, Mr. Yau Yuk Tong, Ms. Tang, Ms. Tang Mui Fong and Kingsway SW Securities Limited for the placement of a total of 260,700,000 Shares at a price of HK\$0.09 per Share to certain independent third parties; and (ii) a subscription agreement dated 19th December, 2001 entered into by Mr. Yau Yuk Tong, Ms. Tang, Ms. Tang Mui Fong and the Company for the subscription of a total of 144,400,000 Shares at a price of HK\$0.09 per Share; and
- (n) the Underwriting Agreement.

## 8. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31st March, 2001, being the date to which the latest published audited accounts of the Group were made up of.

**9. LITIGATION**

As reported in the Group's 2001/2002 interim report, during 2000, a sub-contractor claimed against a wholly-owned subsidiary of the Group (the "Subsidiary") for recovery of approximately HK\$900,000 for works performed. In turn, the Subsidiary instigated litigation against the main contractor for recovery of approximately HK\$6,000,000 on works performed. The main contractor then made a counter claim against the Subsidiary for overpayment by the main contractor to the Subsidiary of approximately HK\$4,900,000.

As also reported in the Group's 2001/2002 interim report, during 2000, the Subsidiary also instigated litigation against another sub-contractor for an amount of approximately HK\$120,000 for delay in completion of works performed. The sub-contractor made a counter claim against the Subsidiary of approximately HK\$1,000,000 on works performed.

The Directors, having reviewed the claims and obtained legal advices, consider that the alleged claims and counter claims from the main contractor and sub-contractors referred to above are without grounds. Therefore, no provision had been made for the alleged claims or counter claims in the financial statements.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

**10. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation other than statutory compensation).

**11. LEGAL EFFECT**

This prospectus and the enclosed PAL and EAF and all acceptances of any offer or application contained in such documents are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of Sections 44A and 44B of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), insofar as it is applicable.

**12. DOCUMENTS DELIVERED TO THE REGISTRARS OF COMPANIES**

A copy of this prospectus, together with copies of the PAL and the EAF, have been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and has been filed with the Registrar of Companies in Bermuda pursuant to the Companies Act 1981 of Bermuda.

**13. EXPENSES**

The expenses in connection with the Rights Issue, including the financial advisory fee, underwriting commission, printing, registration, translation, legal and accounting charges, are estimated to amount to approximately HK\$5.9 million and will be payable by the Company.

**14. MISCELLANEOUS**

1. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
2. The head office and principal place of business of the Company in Hong Kong is at 12th Floor, Tower 1, South Seas Centre, No. 75 Mody Road, Tsimshatsui East, Kowloon, Hong Kong.
3. The company secretary of the Company is Mr. Chan Chun Hong, Thomas. He graduated from the Hong Kong Polytechnic University with a degree in accountancy and is a fellow of The Association of Chartered Certified Accountants and an associate of The Hong Kong Society of Accountants. He is a certified public accountant.
4. The branch share registrar of the Company in Hong Kong is Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong.
5. The English text of the Prospectus Documents shall prevail over the Chinese text in the case of inconsistency.

**15. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the principal place of business of the Company, at 12th Floor, Tower 1, South Seas Centre, No. 75 Mody Road, Tsimshatsui East, Kowloon, Hong Kong during normal business hours on any weekday (public holidays excepted) up to and including 14th March, 2002:

- (i) the memorandum of association and bye-laws of the Company;
- (ii) the annual reports of the Company and Dailywin for each of the two financial years ended 31st March, 2001;
- (iii) the material contracts referred to in the section headed “Material contracts” of this appendix; and
- (iv) the circular addressed to the Shareholders dated 9th January, 2002.