



WANG ON GROUP LIMITED

宏安集團有限公司

(incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

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**Interim
Report**

INTERIM RESULTS

The Board of Directors (the “Directors”) of Wang On Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2003, together with the comparative figures for the corresponding period in 2002. The condensed consolidated financial statements have not been audited, but have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2003

		For the six months ended 30 September	
		2003	2002
		(Unaudited)	(Unaudited and restated)
	Notes	HK\$'000	HK\$'000
TURNOVER	2	156,307	153,400
Cost of sales		(120,078)	(123,596)
Gross profit		36,229	29,804
Other revenue and gains		22,224	12,206
Selling and distribution costs		(8,207)	(14,819)
Administrative expenses		(20,942)	(27,563)
Other operating expenses		(5,781)	(3,413)
Provision for impairment of investments		(4,539)	(4,528)
Gain/(loss) on disposal of interests in subsidiaries		(1,020)	15,029
Gain on disposal of an associate		5,830	12,551
PROFIT FROM OPERATING ACTIVITIES	4	23,794	19,267
Finance costs		(1,053)	(1,238)
Share of profits and losses of associates		(6,697)	(5,686)
Amortisation of goodwill of associates		(5,308)	(4,995)
PROFIT BEFORE TAX		10,736	7,348
Tax	5	(3,486)	(1,369)
PROFIT BEFORE MINORITY INTERESTS		7,250	5,979
Minority interests		(12)	(566)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		7,238	5,413
PROPOSED DIVIDEND	6	3,544	–
EARNINGS PER SHARE	7		
Basic		6.13 cents	4.71 cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET*30 September 2003*

		30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited and restated) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Fixed assets		187,295	188,635
Goodwill	9	6,248	135,608
Interests in associates	10	245,395	187,454
Long term investments	11	30,779	14,700
Loans receivables		4,003	4,625
Long term deposits		15,441	–
Rental deposits paid		7,827	7,739
Deferred tax assets		1,351	2,227
		498,339	540,988
CURRENT ASSETS			
Short term investments	11	5,208	3,344
Inventories		82	2,563
Trade receivables	12	6,268	8,303
Prepayments, deposits and other debtors		15,016	12,134
Tax recoverable		3	55
Cash and cash equivalents		252,263	214,191
		278,840	240,590

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

30 September 2003

		30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited and restated) HK\$'000
	Notes		
CURRENT LIABILITIES			
Trade payables	13	762	1,600
Other payables and accruals		19,526	16,719
Deposits received and receipts in advance		38,359	39,914
Interest-bearing bank and other borrowings		17,828	25,182
Provisions for onerous contracts		8,119	7,709
Tax payable		4,940	3,324
		89,534	94,448
NET CURRENT ASSETS		189,306	146,142
TOTAL ASSETS LESS CURRENT LIABILITIES		687,645	687,130
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		49,204	50,836
Finance lease payables		–	52
Provisions for onerous contracts		7,391	12,430
		56,595	63,318
MINORITY INTERESTS		324	324
		630,726	623,488
CAPITAL AND RESERVES			
Issued capital	14	11,815	11,815
Reserves		615,367	611,673
Proposed interim dividend	6	3,544	–
		630,726	623,488

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Warrant reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Investment property revaluation reserve (Unaudited) HK\$'000	Retained profits (Unaudited and restated) HK\$'000	Proposed interim dividend (Unaudited) HK\$'000	Total (Unaudited and restated) HK\$'000
For the six months ended 30 September 2002									
At 1 April 2002									
As previously reported	98,644	331,114	-	-	-	2,243	35,998	-	467,999
Prior year adjustment: SSAP 12 – restatement of deferred tax	-	-	-	-	-	-	3,146	-	3,146
As restated	98,644	331,114	-	-	-	2,243	39,144	-	471,145
Placement of shares	19,500	19,500	-	-	-	-	-	-	39,000
Share issue expenses	-	(2,392)	-	-	-	-	-	-	(2,392)
Warrant issue	-	-	2,000	-	-	-	-	-	2,000
Warrant issue expenses	-	-	(237)	-	-	-	-	-	(237)
Release of goodwill on disposal of a subsidiary	-	-	-	-	-	-	75,104	-	75,104
Net profit for the period	-	-	-	-	-	-	5,413	-	5,413
At 30 September 2002	118,144	348,222	1,763	-	-	2,243	119,661	-	590,033
For the six months ended 30 September 2003									
At 1 April 2003									
As previously reported	11,815	348,222	1,735	106,329	1,511	-	150,884	-	620,496
Prior year adjustment: SSAP 12 – restatement of deferred tax	-	-	-	-	-	-	2,992	-	2,992
As restated	11,815	348,222	1,735	106,329	1,511	-	153,876	-	623,488
Expiry of warrants	-	-	(1,735)	-	-	-	1,735	-	-
Net profit for the period	-	-	-	-	-	-	7,238	-	7,238
Proposed dividend	-	-	-	-	-	-	(3,544)	3,544	-
Transfer from retained profits	-	-	-	-	5,830	-	(5,830)	-	-
At 30 September 2003	11,815	348,222 *	- *	106,329 *	7,341 *	- *	153,475 *	3,544	630,726

* These reserve accounts comprise the consolidated reserves of HK\$615,367,000 (31 March 2003 (restated): HK\$611,673,000) in the condensed consolidated balance sheet.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30 September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	(9,599)	1,477
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	53,040	(118,426)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	(5,369)	78,462
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	38,072	(38,487)
Cash and cash equivalents at beginning of period	214,191	313,806
CASH AND CASH EQUIVALENTS AT END OF PERIOD	252,263	275,319
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	42,523	63,094
Time deposits	209,740	212,225
	252,263	275,319

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and significant accounting policies

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants. The accounting policies and basis of preparation used in the interim financial statements are the same as those used in the preparation of the audited financial statements for the year ended 31 March 2003 except for the first time adoption of SSAP 12 (Revised) "Income Taxes".

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

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

Measurement and recognition:

- deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future; and
- a deferred tax asset has been recognised for tax losses arising in the current/ prior periods to the extent that it is probable that there will be sufficient future taxable profits against which such losses can be utilised.

Deferred tax assets and liabilities are presented separately on the balance sheet, whereas previously they were presented on a net basis.

This change in accounting policy has resulted in an increase in the Group's deferred tax assets as at 30 September 2003 and 31 March 2003 by HK\$1,351,000 and HK\$2,227,000, respectively, and a decrease in the Group's deferred tax liabilities as at 30 September 2003 and 31 March 2003 by HK\$765,000, respectively. As a consequence, the consolidated net profits attributable to shareholders for the periods ended 30 September 2003 and 2002 have been decreased by HK\$876,000 and HK\$77,000, respectively, and the consolidated retained profits at 1 April 2003 and 2002 have been increased by HK\$2,992,000 and HK\$3,146,000, respectively, as detailed in the condensed consolidated statement of changes in equity.

2. Segment information

The Company is an investment holding company and the Group principally operates in six business segments as described below.

The following tables present revenue and profit information for the Group's business segments for the six months ended 30 September.

	Chinese wet markets (Unaudited) HK\$'000	Shopping centres and car parks (Unaudited) HK\$'000	Pharma- ceutical business (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Retail business (Unaudited) HK\$'000	Corporate and other (Unaudited) HK\$'000	Eliminations (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Group								
Segment revenue								
Sales to external customers	66,378	44,516	18,556	5,580	18,629	2,648	–	156,307
Intersegment sales	1,479	481	–	346	–	1,322	(3,628)	–
Other revenue	<u>376</u>	<u>1,126</u>	<u>45</u>	<u>–</u>	<u>41</u>	<u>20,002</u>	<u>–</u>	<u>21,590</u>
Total	<u>68,233</u>	<u>46,123</u>	<u>18,601</u>	<u>5,926</u>	<u>18,670</u>	<u>23,972</u>	<u>(3,628)</u>	<u>177,897</u>
Segment results	<u>6,841</u>	<u>2,677</u>	<u>6,023</u>	<u>1,502</u>	<u>2,190</u>	<u>3,927</u>	<u>(3,282)</u>	19,878
Unallocated expenses								(2,548)
Interest income								<u>6,464</u>
Profit from operating activities								23,794
Finance costs								(1,053)
Share of profits and losses of associates (including amortisation of goodwill)								<u>(12,005)</u>
Profit before tax								10,736
Tax								<u>(3,486)</u>
Profit before minority interests								7,250
Minority interests								<u>(12)</u>
Net profit from ordinary activities attributable to shareholders								7,238

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Segment information (continued)

Business segments (continued)

2002

	Chinese wet markets (Unaudited) HK\$'000	Shopping centres and car parks (Unaudited) HK\$'000	Pharma- ceutical business (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Retail business (Unaudited and restated) HK\$'000	Corporate and other (Unaudited and restated) HK\$'000	Eliminations (Unaudited and restated) HK\$'000	Consolidated (Unaudited and restated) HK\$'000
Group								
Segment revenue								
Sales to external customers	71,644	39,853	25,972	2,680	11,175	2,076	-	153,400
Intersegment sales	1,737	435	-	-	-	-	(2,172)	-
Other revenue	421	2,043	333	8	29	31,700	-	34,534
Total	<u>73,802</u>	<u>42,331</u>	<u>26,305</u>	<u>2,688</u>	<u>11,204</u>	<u>33,776</u>	<u>(2,172)</u>	<u>187,934</u>
Segment results	<u>4,342</u>	<u>392</u>	<u>6,150</u>	<u>765</u>	<u>374</u>	<u>7,154</u>	<u>(1,326)</u>	<u>17,851</u>
Unallocated expenses								(3,836)
Interest income								<u>5,252</u>
Profit from operating activities								19,267
Finance costs								(1,238)
Share of profits and losses of associates (including amortisation of goodwill)								<u>(10,681)</u>
Profit before tax								7,348
Tax								<u>(1,369)</u>
Profit before minority interests								5,979
Minority interests								<u>(566)</u>
Net profit from ordinary activities attributable to shareholders								<u>5,413</u>

No geographical segment information is presented as over 90% of the Group's turnover was derived from customers in Hong Kong during the period.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Changes in composition of the Group

On 8 July 2003, the Group entered into an agreement with Wai Yuen Tong Medicine Holdings Limited ("WYT Holdings"), an associate of the Company, to dispose of the Group's entire interest of approximately 99.79% in Luxembourg Medicine Company Limited ("LMC") to WYT Holdings for an aggregate consideration of approximately HK\$129.7 million (the "Consideration"). The Consideration comprised approximately HK\$59.7 million in new ordinary shares of WYT Holdings, with the remainder comprising HK\$70 million convertible notes due from WYT Holdings convertible into ordinary shares of WYT Holdings on or before 19 August 2006.

As a result of the WYT Holdings' ordinary shares issued to the Group as part of the Consideration, the Group's interests in WYT Holdings increased from 30.87% to 49.84%. Completion of the above transaction took place on 20 August, 2003. On 29 August 2003, the Group announced that it had placed down an aggregate amount of HK\$33 million convertible notes due from WYT Holdings to third parties (the "Placement") with option rights to purchase a further aggregate amount of HK\$99 million convertible notes of WYT Holdings (the "Options"). Up to the balance sheet date, a further aggregate amount of HK\$34.5 million convertible notes of WYT Holdings was disposed of by the Group upon exercise of the Options. All convertible notes disposed were converted by the third parties into ordinary shares of WYT Holdings. The Group's interests in WYT Holdings decreased from 49.84% to 38.04% as at 30 September 2003.

4. Profit from operating activities

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

	For the six months ended 30 September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	12,241	7,541
Depreciation	8,179	7,873
Amortisation of goodwill	5,457	65
Amount released from onerous contracts, net	(4,629)	(41)
Loss on disposals of investment properties	15	-
Gain on disposal of properties held for re-sale	-	(493)
Loss/(gain) on disposal of interests in subsidiaries	1,020	(15,029)
Gain on disposal of an associate	(5,830)	(12,551)
Provision for impairment of investments	4,539	4,528
Interest income	(6,464)	(5,252)
Unlisted investment income	(258)	(200)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Tax

	For the six months ended 30 September	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) and restated HK\$'000
Group:		
Current tax – Hong Kong		
Charge for the period	2,560	1,050
Overprovision in prior year	(183)	–
Deferred tax	876	77
	<u>3,253</u>	<u>1,127</u>
Share of tax attributable to:		
Associates	233	242
	<u>3,486</u>	<u>1,369</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the period under review. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and is applicable to the assessable profits arising in Hong Kong for the whole of the period ended 30 September 2003.

6. Proposed dividend

	For the six months ended 30 September	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
2003 Interim of HK 3 cents per share (2002 Interim: Nil)	<u>3,544</u>	<u>–</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
*(continued)***7. Earnings per share**

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of HK\$7,238,000 (2002 (restated): HK\$5,413,000), and the weighted average of 118,143,655 (2002: 114,840,377) ordinary shares in issue during the period, as adjusted to reflect the capital reorganisation in October 2002.

Diluted earnings per share amounts for the periods ended 30 September 2003 and 2002 have not been disclosed as no diluting events existed during these periods.

8. Pledge of assets

As at 30 September 2003, the Group's investment properties and certain rental income generated therefrom were pledged to secure certain of the Group's general banking facilities.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

9. Goodwill

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

	Goodwill arising on acquisition of subsidiaries (Unaudited) HK\$'000	Goodwill arising on acquisition of associates (Note 10) (Unaudited) HK\$'000
Cost:		
At beginning of period	144,839	41,785
Acquisitions during the period	2,191	17,204
Disposals of interests in subsidiaries/an associate	(139,934)	(9,111)
At 30 September 2003	7,096	49,878
Accumulated amortisation and impairment:		
At beginning of period	(9,231)	(19,498)
Amortisation provided during the period	(5,457)	(5,308)
Disposals of interests in subsidiaries/an associate	13,840	925
At 30 September 2003	(848)	(23,881)
Net book value:		
At 30 September 2003	6,248	25,997
At 31 March 2003	135,608	22,287

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Interests in associates

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Share of net assets	78,016	32,259
Deferred gains and losses, net	(11,171)	(16,058)
Goodwill on acquisition – Note 9	25,997	22,287
	92,842	38,488
Due from associates – Note (i)	10,265	7,874
Loans to associates – Note (ii)	79,191	80,495
Convertible notes due from an associate – Note (iii)	66,500	64,000
	248,798	190,857
Provisions for impairment	(3,403)	(3,403)
	245,395	187,454

Notes:

- (i) The amounts due from associates are unsecured and interest-free.
- (ii) An amount of HK\$88,000 loan to an associate is unsecured, interest-free and has no fixed terms of repayment. An amount of HK\$353,000 loan to an associate is unsecured, bears interests at 4% per annum and is repayable in January 2005. The remaining loans of HK\$78,750,000 to an associate are unsecured and bear interest at Hong Kong dollar prime rate plus 2% per annum, an aggregate amount of HK\$64,850,000 is repayable in July 2005 and the remaining balance of HK\$13,900,000 has no fixed terms of repayment. Subsequent to the period end, the loan repayable in July 2005 was repaid by HK\$1,100,000 and the loan with no fixed terms of repayment was fully repaid.
- (iii) The convertible notes of HK\$64 million and HK\$2.5 million carry interest at 3.8% and 2% per annum, respectively, with a right to convert into ordinary shares of WYT Holdings at an initial conversion price of HK\$0.01 per share (subject to adjustment) during the period from 9 July 2002 to 8 July 2005 and 20 August 2003 to 19 August 2006, respectively. As a result of the capital reorganisation of WYT Holdings effective on 20 October 2003, the conversion price was adjusted from HK\$0.01 each to HK\$1.00 each.

During the period, the Group granted 198 options to sell an aggregate of HK\$99 million of the convertible notes due from WYT Holdings, at an aggregate consideration of HK\$123,750,000. 69 options had been exercised by the option holders during the period and a further 30 options had been exercised subsequent to the period end. The remaining options are exercisable by the option holders at any time during the period from 3 September 2003 to 2 June 2004.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Interests in associates (continued)

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

Name	Business structure	Place of incorporation/ operations	Percentage of ownership interest attributable to the Group		Principal activities
			30 September	31 March	
			2003 %	2003 %	
WYT Holdings*	Corporate	Bermuda/ Hong Kong	38.04	30.87	Manufacture and trading of pharmaceutical products, watches and components
China Field Enterprises Limited	Corporate	Hong Kong	49.00	49.00	Investment holding

* Listed on The Stock Exchange of Hong Kong Limited

11. Investments

(a) Long term investments

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Held-to-maturity securities:		
Hong Kong unlisted debt securities, at cost	15,327	—
Investment securities:		
Hong Kong unlisted certificates of deposit, at cost	11,581	11,700
Hong Kong unlisted unit trusts, at cost	4,014	3,000
Hong Kong unlisted equity shares, at cost	13,158	13,158
Less: Provisions for impairment	(13,301)	(13,158)
	15,452	14,700
	30,779	14,700

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Investments (continued)

(b) Short term investments

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Hong Kong listed equity securities, at fair value	<u>5,208</u>	<u>3,344</u>

12. Trade receivables

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

	30 September 2003 (Unaudited) HK\$'000	%	31 March 2003 (Audited) HK\$'000	%
Within 90 days	6,003	94	7,546	89
91 days to 180 days	246	4	720	8
Over 180 days	<u>110</u>	<u>2</u>	<u>251</u>	<u>3</u>
	6,359	100	8,517	100
Less: Provision for doubtful debts	<u>(91)</u>		<u>(214)</u>	
	<u>6,268</u>		<u>8,303</u>	

The Group's businesses generally do not grant any credit to customers, except for the Group's pharmaceutical business, included in balance as at 31 March 2003, which provided credit terms of 30 to 180 days.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

13. Trade payables

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

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Within 90 days	433	1,140
Over 180 days	329	460
	<u>762</u>	<u>1,600</u>

14. Share capital

Shares

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
<i>Authorised:</i>		
2,000,000,000 ordinary shares of HK\$0.10 each	<u>200,000</u>	<u>200,000</u>
<i>Issued and fully paid:</i>		
118,143,655 ordinary shares of HK\$0.10 each	<u>11,815</u>	<u>11,815</u>

Share Options

Details of the Company's share option scheme are set out in the section "Share Option Scheme" of the interim report.

Warrants

On 3 July 2002, 2,000,000,000 warrants were issued at HK\$0.001 each for a total proceed, before expenses, of HK\$2,000,000. The warrant-holders are entitled to subscribe for one ordinary share of the Company of HK\$0.01 each at a subscription price of HK\$0.017 per share (subject to adjustment) at any time during the period from the date of issue to 31 July 2003. As a result of the capital reorganisation of the Company effective on 4 October 2002, the number of warrants and the subscription price were adjusted to 20,000,000 and HK\$1.7 each, respectively. No warrant was exercised during the period and all warrants were expired on 31 July 2003.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Contingent liabilities

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

(a)	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Bills discounted with recourse	—	1,628
(b) The Group has a contingent liability in respect of possible future long service payments to employees pursuant to the Hong Kong Employee Ordinance, with a maximum possible amount of HK\$1,534,000 as at 30 September 2003 (31 March 2003: HK\$1,534,000). The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service of the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.		

16. Operating Lease Arrangements

(a) As lessor

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

As at 30 September 2003, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Within one year	100,576	108,730
In the second to fifth years, inclusive	54,035	57,853
	<u>154,611</u>	<u>166,583</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Operating Lease Arrangements (continued)

(b) As lessee

The Group leases Chinese wet markets, shopping centres and car parks under operating lease arrangements. Leases are negotiated for terms ranging from one to nine years.

As at 30 September 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Within one year	111,266	130,353
In the second to fifth years, inclusive	236,114	288,040
After five years	—	7,321
	<u>347,380</u>	<u>425,714</u>

17. Commitments

In addition to the operating lease commitments detailed in note 16(b) above, the Group had the following commitments at the balance sheet date:

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Capital commitments contracted, but not provided for	<u>4,180</u>	<u>7,460</u>

18. Post Balance Sheet Events

Subsequent to the balance sheet date, the Group entered into three sale and purchase agreements with independent third parties to acquire two investment properties and one residential property situated in Hong Kong with cash consideration, in aggregate, of HK\$91,700,000. One of these transactions was completed on 8 December 2003 and the others are expected to be completed on 5 January 2004 and 1 February 2004, respectively.

On 7 October 2003, 6,100,000 share options were granted to certain employees of the Group. Further details are separately disclosed in the section "Share Option Scheme" of the interim report.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Related party transactions

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

		Six months ended 30 September 2003 (Unaudited) Notes HK\$'000	2002 (Unaudited) HK\$'000
Rental income received from Mr. Tang Ching Ho	(a)	300	360
Proceeds from disposal of subsidiaries to an associate	(b)	129,725	167,089
Income from associates:	(c)		
– Management fee		35	528
– Interest income		4,164	2,978
– Rental		2,386	103
Cleaning expenses paid to an associate	(c)	1,716	3,195

- (a) An investment property of the Group was leased to Mr. Tang Ching Ho for a period of one year from 20 December 2001 at an agreed monthly rental of HK\$60,000. The lease was renewed and extended for further one year at an agreed monthly rental of HK\$50,000. The rentals were determined with reference to the prevailing market rates.
- (b) The entire interests of LMC were disposed of to WYT Holdings at a consideration of HK\$129.7 million. The consideration was based on terms mutually agreed between the Group and the associate.

The Company agreed to warrant, guarantee and undertake to WYT Holdings that the audited consolidated net profit after tax of LMC for the year ending 31 March 2004 shall not be less than HK\$11.5 million. In the event that the profit is less than the guaranteed profit, the Company will pay to WYT Holdings a prescribed cash sum.

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

20. Comparative Amounts

As further explained in Note 1 to the condensed consolidated financial statements, due to the adoption of the revised SSAP during the current period, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been restated to conform with the current period's presentation.

21. Approval of the unaudited condensed consolidated financial statements

The unaudited condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 19 December 2003.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of 3.0 HK cents (2002: Nil) per share for the six months ended 30 September 2003. The interim dividend will be payable on 3 February 2004 to those shareholders whose names appear on the register of members of the Company on 9 January 2004 (the "Record Date"). The register of members of the Company will be closed from 7 January 2004 to the Record Date, both days inclusive, during that period, no transfer of shares will be effected.

The Directors have also resolved that shareholders be given the option to elect to receive an allotment and issue of shares of the Company credited as fully paid in lieu of cash in respect of part or all of the proposed interim dividend ("Scrip Dividend Scheme"). The market value of the new shares to be issued under the Scrip Dividend Scheme will be fixed by reference to the average of the closing prices of the Company's shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange") for the five consecutive trading days up to and including the Record Date less a discount of ten per cent., or the par value of the shares, whichever is the higher. The Scrip Dividend Scheme is conditional upon the Stock Exchange granting listing of, and permission to deal in, the new shares to be issued.

Shareholders whose registered addresses are outside Hong Kong as shown in the register of members of the Company on the Record Date will not be permitted to participate in the Scrip Dividend Scheme and accordingly they will receive the interim dividend wholly in cash.

A circular giving full details of the Scrip Dividend Scheme and a form of election will be sent to shareholders on or before 14 January 2004.

BUSINESS REVIEW

The Group posted a satisfactory performance for the six months ended 30 September 2003 amidst the challenges caused by the Iraq war and the outbreak of Severe Acute Respiratory Syndrome (“SARS”) to the Hong Kong economy.

Turnover and net profit attributable to shareholders for the six months ended 30 September 2003 increased to HK\$156.3 million (2002: HK\$153.4 million) and HK\$7.2 million (2002 (restated): HK\$5.4 million), respectively, representing increases of approximately 1.9% and 33.3%, respectively.

Management and Sub-licensing of Chinese Wet Markets

Profit contribution to the Group was increased as compared to the corresponding period last year, mainly due to more stringent cost control. However, due to the effects of the rental concessions during the SARS period, turnover during the period recorded a slight drop.

We are also pleased to announce that the Group has recently been granted the lease for the Chinese wet market at Tseung Kwan O Plaza by a private property developer, with a floor area of approximately 11,840 sq.ft. The market is expected to commence business in April 2004.

Management and Sub-licensing of Shopping Centres and Car Parks

With the commencement of the new car park management contract in April 2003, both the turnover and profit contribution in these two areas of business improved.

WYT Holdings

As detailed in the circular to shareholders dated 30 July 2003, with a view to consolidate its pharmaceutical business under WYT Holdings, the Group disposed of its entire effective interest of approximately 99.79% in LMC, which is principally engaged in the pharmaceutical business under the brand name “Madame Pearl’s”, to WYT Holdings at a consideration of approximately HK\$129.7 million.

BUSINESS REVIEW (Continued)**WYT Holdings (Continued)**

As detailed in the circular to shareholders dated 22 September 2003, the Group placed out its interests in WYT Holdings' convertible notes ("WYTH CN") in an aggregate nominal amount of HK\$33 million and granted certain call options to the relevant placees entitling them to purchase from the Group further WYTH CN in an aggregate nominal amount of up to HK\$99 million. Up till now, a total of HK\$49.5 million WYTH CN have been purchased by the relevant option holders under the call options. All the WYTH CN purchased by the placees have been converted into ordinary shares of WYT Holdings which has resulted in an enlargement of the capital base of WYT Holdings. The Group currently holds an approximately 29.9% shareholdings in WYT Holdings and HK\$49.5 million WYTH CN and remains its single largest shareholder.

Despite the loss recorded by WYT Holdings for the six months under review, the Directors are still confident of its long term prospects because of the improvement in the worldwide economy and the increasing contribution from its pharmaceutical business.

Retail Business

Taking advantage of the Group's retail network in Chinese wet markets, the Group has diversified into the retail fresh meat selling business with satisfactory return.

Property Investment

With the gradual recovery of the Hong Kong economy and the property market, the Group recently purchased a retail property at a consideration of HK\$16.5 million and entered into agreements for the purchase of another retail property and a house for residential use at considerations of HK\$48 million and HK\$27.2 million, respectively. Together with the Group's existing properties portfolio, the Group's total book value of properties will increase to approximately HK\$219 million. The Directors believe that the Group's investment property portfolio will secure the Group's long term stable return. With the gradual recovery of the Hong Kong economy, in particular in the retail sector, a long term capital appreciation is also expected.

LIQUIDITY AND FINANCIAL RESOURCES

The Group currently has cash resources of around HK\$250 million. In order to enhance its returns on the Group's financial resources in the current low interest rate environment, the Group has also invested, in aggregate, approximately HK\$30 million in certain long-term guaranteed returns, certificates of deposits and bank commercial papers.

The Group's gearing ratio as at 30 September 2003 was approximately 0.11 (calculated with reference to the Group's total borrowings and capital and reserves of HK\$67.0 million and HK\$630.7 million, respectively, as at 30 September 2003).

At 30 September 2003, the Group's investment properties with a book value of approximately HK\$127 million and certain rental income generated therefrom were pledged to secure the Group's banking facilities, approximately HK\$111.6 million of which was utilised at 30 September 2003.

The Group's contingent liabilities and capital commitment as at 30 September 2003 amounted to approximately HK\$5.7 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2003, the Group had over 600 full time employees, over 90% of whom were located in Hong Kong.

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

PROSPECTS

The efforts contributed by all staff of the Group in the past few years, under the direction of the Directors, have proved to be fruitful. With the gradual recovery of the Hong Kong economic environment and the Group's strong liquid financial resources, the Directors will continue to expand the Group's business horizon to enhance shareholders' long term returns.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2003, the interests and short positions of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO were as follows:

Long positions in ordinary shares of the Company

Name of director	Number of shares held, capacity and nature of interest					Percentage of the Company's issued share capital
	Direct beneficially owned	Through spouse	Through controlled corporation	Other	Total	
Mr. Tang Ching Ho ("Mr. Tang")	1,249,658	1,249,658 (a)	2,178,840 (b)	21,490,372 (c)	26,168,528	22.14
Ms. Yau Yuk Yin ("Ms. Yau")	1,249,658	24,918,870 (d)	–	–	26,168,528	22.14
	<u>2,499,316</u>	<u>26,168,528</u>	<u>2,178,840</u>	<u>21,490,372</u>	<u>52,337,056</u>	<u>44.28</u>

The interests of the directors in the share options of the Company are separately disclosed in the section "Share Option Scheme".

Notes:

- (a) Mr. Tang was taken to be interested under the SFO in those shares in which his spouse, Ms. Yau, was interested.
- (b) Mr. Tang was interested in these shares through Caister Limited, a company which is wholly and beneficially owned by him.
- (c) Agreements (the "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 Mui Fun and (iii) Mr. Yau Yuk Tong, all being the relatives of Mr. Tang, as a result of which, for the purpose of Sections 317(1)(a) and 318 of the SFO, Mr. Tang was taken (for the purpose of the duty of disclosure only) to be interested in the shares owned by them.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

- (d) Ms. Yau was taken to be interested under the SFO in those shares in which her spouse, Mr. Tang, was interested.

Save as disclosed above, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Eligible participants include any director or proposed director (whether executive or non-executive, including independent non-executive director), employee or proposed employee (whether full-time or part-time), secondee, any holder of securities issued by any member of the Group, any business or joint venture partner, contractor, agent or representative, any person or entity that provides research, development or other technology support or advisory, consultancy, professional or other services to the Group, any supplier, producer or licensor of goods or services to the Group, any customer, licensee (including any sub-licensee) or distributor of goods or services of the Group, or any landlord or tenant (including any sub-tenant) of the Group or any substantial shareholder or company controlled by a substantial shareholder, or any company controlled by one or more persons belonging to any of the above classes of participants.

SHARE OPTION SCHEME (continued)

The following share options were outstanding under the Scheme during the period:

Name or category of participant	1 April and 30 September 2003	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$
<i>Directors</i>				
Mr. Tang	654,000	6-3-2001	6-3-2001 to 5-2-2005	2.17
Ms. Yau	654,000	6-3-2001	6-3-2001 to 5-2-2005	2.17
<i>Other employees</i>				
In aggregate	1,320,000		6-3-2001 to 5-2-2005	2.17
	<u>2,628,000</u>			

At the balance sheet date, the Company had 2,628,000 share options outstanding under the Scheme which represented approximately 2.2% of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 2,628,000 additional ordinary shares of the Company and additional share capital of HK\$262,000 and share premium of HK\$5,440,000 (before issue expenses).

Subsequent to the balance sheet date, on 7 October 2003, a total of 6,100,000 share options were granted to certain employees of the Group. These share options vested on 7 October 2003 and have an exercise price of HK\$0.968 per share and an exercise period ranging from 7 October 2003 to 6 October 2013. The closing price of the Company's share at the date of grant was HK\$0.96.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 2003, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Notes	Number of ordinary shares held	Percentage of the Company's issued share capital	Number of share options held
Caister Limited	(a)	26,168,528	22.14%	2,628,000
Ms. Tang Mui Fong	(a)	26,168,528	22.14%	2,628,000
Mr. Yau Yuk Tong ("Mr. Yau")	(a)	26,168,528	22.14%	2,628,000
Ms. Tang Mui Fun	(a)	26,168,528	22.14%	2,628,000
Ms. Chan Yuk Kuen ("Ms. Chan")	(b)	26,168,528	22.14%	2,628,000

Notes:

- (a) The ordinary shares and share options are directly beneficially owned by respective shareholders and the Agreements entered.
- (b) Ms. Chan was taken to be interested under the SFO in those shares in which her spouse, Mr. Yau, was interested.
- (c) The details of the share options outstanding during the period are separately disclosed in the section "Share Option Scheme".

There is a duplication of interests of 26,168,528 shares in the Company amongst all substantial shareholders.

Save as disclosed above, no person, other than the directors of the Company whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DISCLOSURE PURSUANT TO PRACTICE NOTE 19 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “LISTING RULES”)

As at 30 September 2003, the Group had provided the following financial assistance to affiliated companies, which, in aggregate, exceeded 25% of the consolidated net assets of the Group as at 30 September 2003:

Name of affiliated companies	% attributable interest held by the Company	Advances to affiliated company HK\$'000	Interest rate per annum %
WYT Holdings	38.04	78,750	Hong Kong dollar prime rate + 2%
		64,000	3.8%
		2,500	2%
		6,312	Interest-free
Hunan Xiangya Pharmaceutical Company Limited	39.2	353	4%
		94	Interest-free
China Field Enterprises Limited	49.0	324	Interest-free
		<u>152,333</u>	

All of the advances are unsecured, of which HK\$14,295,000 has no fixed terms of repayment, HK\$560,000 is repayable by January 2004, HK\$70,000 is repayable by February 2004, HK\$447,000 is repayable by January 2005, HK\$134,461,000 is repayable in July 2005 and the remaining HK\$2,500,000 is repayable in August 2006.

The source of funding for such advances was by way of the Group's internal fundings.

DISCLOSURE PURSUANT TO PRACTICE NOTE 19 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “LISTING RULES”) (continued)

The information extracted from the balance sheets as at 30 September 2003 of the abovenamed affiliated companies to which the Company has granted advances is as follows:

Name of affiliated companies	Total assets HK\$'000	Total liabilities HK\$'000	Minority interests HK\$'000	Net Asset value HK\$'000
WYT Holdings	470,421	(275,060)	(98)	195,263
Hunan Xiangya Pharmaceutical Company Limited	32,365	(21,546)	–	10,819
China Field Enterprises Limited	9,605	(610)	–	8,995
	<u>512,391</u>	<u>(297,216)</u>	<u>(98)</u>	<u>215,077</u>

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company or any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares during the period under review.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Listing Rules, comprises two independent non-executive directors of the Company. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the unaudited condensed financial statements.

COMPLIANCE WITH CODE OF BEST PRACTICE

In the opinion of the Directors, the Company complied with the Code throughout the accounting period covered by the interim report, save that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's bye-laws.

By Order of the Board

Tang Ching Ho

Chairman and Managing Director

Hong Kong, 19 December 2003