
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, 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 circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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WANG ON GROUP LIMITED

(宏安集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1222)

DISCLOSEABLE AND POSSIBLE MAJOR TRANSACTION – DISPOSAL OF PROPERTIES

Financial adviser



KINGSTON CORPORATE FINANCE LIMITED

A notice convening a special general meeting of Wang On Group Limited to be held at 3503, 35/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong on 9 December 2005 at 9:30 a.m. is set out on pages 76 and 77 of this circular. A form of proxy for use in the special general meeting is enclosed. Whether or not you propose to attend the special general meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the special general meeting or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjourned meeting thereof should you so wish.

* *For identification purpose only*

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DEFINITIONS

In this circular, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Announcement”	the Company’s announcement dated 7 November 2005 in relation to the Disposals and a possible major transaction arising from the future disposals of the remaining units in Milan Place
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	Wang On Group Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Disposals”	the disposals of the properties pursuant to the Provisional Agreements
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Property Agent”	The property agency firm independent of and not connected with the Company, any of the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates, as defined in the Listing Rules
“Independent Third Party(ies)”	independent third party(ies) who, to the best of knowledge, information and belief having made all reasonable enquiry of the Directors, are not connected with any of the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates, as defined in the Listing Rules
“Latest Practicable Date”	21 November 2005, being the latest practicable date for ascertaining certain information for inclusion in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Milan Place”	a 18-storey building, amongst which 16 storeys comprising of 48 units are currently offered for sale for residential purpose and 2 storeys with 9 shop lots are currently offered for sale and rental for commercial purposes
“Properties”	the 48 residential units and 9 shop lots in Milan Place
“Provisional Agreements”	The provisional sale and purchase agreements entered into between Hanwin Investment Limited and Lica Parking Company Limited and the Independent Third Parties in relation to the disposals of 26 residential units and 3 shop lots in Milan Place respectively
“SGM”	special general meeting to be convened on 9 December 2005 by the Company to seek prior approval from the Shareholders in respect of such possible major transaction arising from the future disposal of the remaining units of Milan Place
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“WYT”	Wai Yuen Tong Medicine Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange (Stock Code: 897)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“sq.ft.”	square feet

LETTER FROM THE BOARD



WANG ON GROUP LIMITED

(宏安集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1222)

Executive Directors:

Mr. Tang Ching Ho (*Chairman*)

Ms. Yau Yuk Yin (*Deputy Chairman*)

Mr. Chan Chun Hong, Thomas (*Managing Director*)

Independent non-executive Directors:

Dr. Lee Peng Fei, Allen, CBE, JP

Mr. Wong Chun, Justein, MBE, JP

Dr. Siu Yim Kwan, Sidney, S.B.St.J.

Mr. Siu Kam Chau

Registered office:

Clarendon House

2 Church Street

41 Cedar Avenue

Hamilton HM 11

Bermuda

Head office and principal

place of business:

5th Floor

Wai Yuen Tong Medicine Building

9 Wang Kwong Road

Kowloon Bay

Kowloon

Hong Kong

23 November 2005

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND POSSIBLE MAJOR TRANSACTION – DISPOSAL OF PROPERTIES

INTRODUCTION

The Group is currently offering for sale of 48 residential units and 9 shop lots (having various tenancy agreements with monthly rental of approximately HK\$0.3 million) in Milan Place, which is a 18-storey building located at No. 58, Yen Chow Street, Kowloon, Hong Kong.

Since 21 September 2005, the Group has commenced sale of the Properties through the Independent Property Agent. Hanwin Investment Limited and Lica Parking Company Limited, each being an indirect wholly-owned subsidiary of the Company, have respectively since 21

* For identification purpose only

LETTER FROM THE BOARD

September 2005 and 5 October 2005, entered into various Provisional Agreements with purchasers who are Independent Third Parties for their purchases of 26 residential units and 3 shop lots in the Milan Place from the Group. The Disposals contemplated under the Provisional Agreements in aggregate constituted a discloseable transaction under Chapter 14 of the Listing Rules.

The Group intends to sell the remaining units of Milan Place to Independent Third Parties which, in aggregate with the Disposals, may constitute a major transaction under Chapter 14 of the Listing Rules.

A SGM will be convened by the Company to seek prior approval from the Shareholders for a period of 12 months from the date of SGM for the sale of the remaining units of Milan Place to the Independent Third Parties only to the extent that any further sale of the remaining units of Milan Place in aggregate with the Disposals constitutes major transaction under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide you with, among others, details of the Disposals, a valuation report of the Properties by an independent property valuer and a notice of the SGM proposing a resolution in respect of seeking prior approval from the Shareholders for the possible major transaction arising from the future disposal of the remaining units in Milan Place.

INFORMATION ON MILAN PLACE (PREVIOUSLY KNOWN AS WEALTHY TERRACE)

Milan Place, located at No. 58, Yen Chow Street, Kowloon, Hong Kong, is a 18-storey building, in which (i) 16 storeys comprising 48 units are currently offered for sale for residential purpose; and (ii) 2 storeys with 9 shop lots having various tenancy agreements with monthly rental of approximately HK\$0.3 million are currently offered for sale for commercial purposes. The aggregate site area and a total floor area of the Properties are approximately 3,300 sq.ft. and approximately 30,000 sq.ft. respectively.

The Properties were acquired by the Group and such acquisition was completed in July 2005 for a consideration of HK\$110 million, details of which were set out in the Company's announcement and circular dated 22 March 2005 and 13 April 2005 respectively.

The unaudited net book value of the Properties as at 30 September 2005 was approximately HK\$115.7 million.

In view of the improvement of the property market, the Group has commenced the sale of the Properties since 21 September 2005. Since then, 26 residential units and 3 shop lots in the Milan Place have been sold to Independent Third Parties. It is anticipated that the remaining units of the Properties will be sold in light of the sentiment of the property market.

LETTER FROM THE BOARD

To the best of the Director's knowledge, information and belief having made all reasonable enquiry, the purchasers of the 26 residential units and 3 shop lots in Milan Place and their respective ultimate beneficial owners are Independent Third Parties.

REASONS AND BENEFITS FOR THE DISPOSAL OF THE PROPERTIES

The Group is principally engaged in property development, property investment, management and sub-licensing of Chinese wet markets, shopping centres and car parks and retail business. It also has interests in the pharmaceutical business through its investments in WYT, a company listed on The Stock Exchange of Hong Kong Limited.

Having regard to the recent improvement in the Hong Kong economy and the property market, the Directors consider that (i) the terms of the Disposals; and (ii) the Disposals and the timing of the sale of the remaining units in Milan Place are fair and reasonable and are in the best interest of the Company and its shareholders as a whole.

It is expected that further renovation costs, marketing costs and professional fees amounting to approximately HK\$7.3 million will be incurred before completion of the sale of the Properties, resulting in a total cost of HK\$123 million. Assuming that the whole of the Properties is sold at the fair value of HK\$138 million, the possible potential gain before tax arising from the sale of the Properties is expected to be approximately HK\$15 million, representing the excess over the total costs of HK\$123 million. Such an expected gain to the Group from the sale of the Properties will be booked in the Group's financial year in which the Disposals are completed.

The Directors consider that the sale of the whole Properties will bring an increase in the earnings of the Group by the aforementioned possible potential gain on the disposals without significant influences to assets and liabilities of the Group.

USE OF PROCEEDS FROM THE SALE OF THE PROPERTIES

The estimated gross proceeds from the Disposals and the proposed disposal of the remaining units of the Properties of approximately HK\$138 million are intended to be applied (i) as to HK\$59.4 million for full repayment of the bank loans secured by the Properties; and (ii) as to the remaining balance of HK\$78.6 million for the Group's working capital. As at the Latest Practicable Date, the aggregate amount of the bank loan secured by the Properties was approximately HK\$59.4 million and the interest accrued thereto was approximately HK\$0.5 million.

LETTER FROM THE BOARD

IMPLICATIONS OF THE LISTING RULES

Discloseable transaction

Since September 2005, the Group has commenced sale of the Properties through the Independent Property Agent. Hanwin Investment Limited and Lica Parking Company Limited, each being an indirect wholly-owned subsidiary of the Company, have respectively since 21 September 2005 and 5 October 2005, entered into various Provisional Agreements with purchasers who are Independent Third Parties for their purchase of 26 residential units (one of which was entered into on 10 November 2005 after the date of the Announcement) and 3 shop lots in the Milan Place from the Group at the aggregate consideration of HK\$62,242,360, of which HK\$3,786,118 was received as deposit, the balance of HK\$58,456,242 shall be received on completion of each individual transaction.

The Disposals contemplated under the Provisional Agreements in aggregate constitute a discloseable transaction under Chapter 14 of the Listing Rules.

Possible major transaction

The Group intends to sell the remaining units in Milan Place (i.e. 22 residential units and 6 shop lots) to Independent Third Parties with reference to the prevailing market price. The consideration will be determined on an arm's length basis. It is estimated that the gross proceeds arising from the sale of the remaining properties in Milan Place in aggregate with the Disposals will amount to approximately HK\$138 million, which may constitute a major transaction under Chapter 14 of the Listing Rules. Any major transaction of the Company must be made conditional on approval by the Shareholders under Rules 14.40 to 14.47 of the Listing Rules.

The Directors presently believe that it is unlikely that potential purchasers would be willing to commit to purchase part or whole of the remaining units in Milan Place from the Group conditional upon the Company having obtained the Shareholders' approval. The Board is also of the view that the disposal(s) of the remaining units in Milan Place conditional upon such Shareholders' approval will greatly reduce the interest of any potential purchasers and also undermine the bargaining power of the Group in terms of selling price, which is not in the best interests of the Company and the Shareholders as a whole. Therefore, the Company proposes to seek prior approval from the Shareholders for a period of 12 months from the date of SGM for the sale of the remaining units of Milan Place to the Independent Third Party(ies) only to the extent that any further sale of the remaining units of Milan Place in aggregate with the Disposals constitutes major transactions under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

In case that any further sale of the remaining units in Milan Place in aggregate with the Disposals have constituted major transaction under Chapter 14 of the Listing Rules, the sale of the remaining units in Milan Place (which consist of 22 residential units and 6 shop lots as at the Latest Practicable Date) to that extent will be conditional upon:

- (a) the passing of the ordinary resolution by the Shareholders at the SGM to be convened by the Company to seek prior approval from the Shareholders in respect of such possible major transaction arising from the future disposals of the remaining units of Milan Place;
- (b) the sale of the remaining units in Milan Place will be made to Independent Third Parties and such sale will be conducted by the Independent Property Agent;
- (c) the aggregate selling price of the remaining units in Milan Place will not be less than HK\$77 million (equivalent to the average gross floor price of approximately HK\$5,300 per sq.ft. (Note)) (which are by reference to recent sale of the properties in the nearby areas and are comparable to the relevant selling prices of the sold units in Milan Place under the Provisional Agreements); and
- (d) a valuation of the Properties performed by an independent property valuer (as set out in Appendix II of this circular for convening the SGM).

Note: The average floor price per sq.ft. represents the proceeds per sq.ft. to be received from the purchasers by the Company. Similar to the sold units in Milan Place, such average price per sq.ft. does not include any renovation cost and discount to be borne by the Company.

In the event that the sales of the remaining units in Milan Place in aggregate with the Disposals constitute a major transaction under Chapter 14 of the Listing Rules within the period of 12 months from the date of the SGM, a further announcement will be made by the Company regarding, among other things, the aggregate sale price of the units sold.

In the event that the sale of the remaining units in Milan Place has not yet constituted a major transaction under Chapter 14 of the Listing Rules after the expiration of 12-month period from the date of the SGM, and that the Group will thereafter continue with the sale of such remaining units in Milan Place, where any such further sale in aggregate with units sold within a 12-month period before the date of such further sales will constitute a notifiable transaction under Chapter 14 of the Listing Rules, the Company will comply with the requirements under the Listing Rules.

GENERAL

The sale of the remaining properties in Milan Place, in aggregate with the Disposals, may constitute a major transaction under Chapter 14 of the Listing Rules. A SGM will be convened by the Company to seek prior approval from the Shareholders in respect of such possible major transaction arising from the future disposal(s) of the remaining units of Milan Place to the Independent Third Party(ies). To the best knowledge of the Company, none of the Shareholders has material interest in the Disposals and therefore none of the Shareholders is required to abstain from voting in the SGM.

LETTER FROM THE BOARD

VOTING ON POLL

Pursuant to bye-law 66(C) of the existing bye-laws of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or after the declaration of the results of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (i) by the chairman of the meeting; or
- (ii) by at least 3 members present in person or by proxy (or in the case of a member being a corporation, by its representative duly authorised therefor) for the time being entitled to vote at the meeting; or
- (iii) by any member or members present in person or by proxy (or being a corporation, is present by a representative duly authorised therefor) and representing not less than one-tenth of the total voting rights of all the members having the right to attend and vote at the meeting; or
- (iv) by any member or members present in person or by proxy (or being a corporation, is present by a representative duly authorised therefor) and having the right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all the shares having that right.

RECOMMENDATION

For the reasons set out above, the Directors consider that the Disposal is fair and reasonable and in the interests of the Company and its shareholders as a whole, and therefore recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the possible major transaction arising from the future disposal of the remaining units in Milan Place.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Wang On Group Limited
Tang Ching Ho
Chairman

SUMMARY OF AUDITED FINANCIAL INFORMATION

The following is a summary of the results and financial position of the Group for the three years ended 31 March 2005, as extracted from the annual report of the Company for the year ended 31 March 2005. The figures for the year ended 31 March 2003 have been adjusted for the effects of the retrospective change in accounting policy affecting income tax.

Results

	Year ended 31 March		
	2005	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Restated)
TURNOVER	<u>364,123</u>	<u>296,565</u>	<u>292,156</u>
PROFIT FROM			
OPERATING ACTIVITIES			
AFTER FINANCE COSTS	91,071	51,671	80,004
Share of profits and losses of associates	(15,000)	(10,307)	(11,409)
Amortisation of goodwill of associates	–	(7,656)	(16,454)
Provision for impairment of goodwill of an associate	<u>–</u>	<u>–</u>	<u>(7,000)</u>
PROFIT BEFORE TAX	76,071	33,708	45,141
Tax	<u>(5,910)</u>	<u>(4,334)</u>	<u>(3,361)</u>
PROFIT BEFORE			
MINORITY INTERESTS	70,161	29,374	41,780
Minority interests	<u>(34)</u>	<u>(89)</u>	<u>(641)</u>
NET PROFIT FROM ORDINARY			
ACTIVITIES ATTRIBUTABLE TO			
SHAREHOLDERS	<u>70,127</u>	<u>29,285</u>	<u>41,139</u>

Assets, liabilities and minority interests

	31 March		
	2005	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Restated)
TOTAL ASSETS	1,148,296	857,583	781,578
TOTAL LIABILITIES	(411,484)	(176,600)	(157,766)
MINORITY INTERESTS	<u>(435)</u>	<u>(401)</u>	<u>(324)</u>
	<u>736,377</u>	<u>680,582</u>	<u>623,488</u>

EXTRACT OF THE FINANCIAL STATEMENTS

Set out below are the audited consolidated profit and loss account of the Group for the two years ended 31 March 2005, the audited consolidated balance sheet of the Group as at 31 March 2004 and 31 March 2005, the audited consolidated statement of changes in equity of the Group for the two years ended 31 March 2005 and the audited consolidated cash flow statement of the Group for the two years ended 31 March 2005, the balance sheet of the Company as at 31 March 2004 and 31 March 2005 together with the relevant notes in the accounts, as extracted from the annual report of the Company for the year ended 31 March 2005.

Consolidated Profit and Loss Account

Year ended 31 March 2005

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
TURNOVER	5	364,123	296,565
Cost of sales		(284,160)	(227,559)
Gross profit		79,963	69,006
Other revenue and gains	5	55,650	35,839
Selling and distribution costs		(7,857)	(10,439)
Administrative expenses		(43,867)	(44,841)
Other operating expenses		(17,596)	(14,947)
Gain/(loss) on disposal of subsidiaries	34(d)	26,975	(1,020)
Gain/(loss) on disposal of interests in associates		(20,874)	13,048
Surplus on revaluation of investment properties	6, 14	23,003	7,066
PROFIT FROM OPERATING ACTIVITIES	6	95,397	53,712
Finance costs	7	(4,326)	(2,041)
Share of profits and losses of associates		(15,000)	(10,307)
Amortisation of goodwill of associates		–	(7,656)
PROFIT BEFORE TAX		76,071	33,708
Tax	10	(5,910)	(4,334)
PROFIT BEFORE MINORITY INTERESTS		70,161	29,374
Minority interests		(34)	(89)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	11	70,127	29,285
DIVIDENDS	12		
Interim		4,300	3,544
Proposed final		17,846	10,032
		22,146	13,576
EARNINGS PER SHARE	13		
Basic		HK\$0.489	HK\$0.241
Diluted		HK\$0.470	HK\$0.228

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****Consolidated Balance Sheet***31 March 2005*

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Fixed assets	<i>14</i>	245,191	292,779
Properties under development	<i>15</i>	208,412	–
Goodwill	<i>16</i>	4,987	5,459
Interests in associates	<i>18</i>	179,011	136,602
Long term investments	<i>19(a)</i>	54,234	34,843
Loans receivable		1,400	1,741
Rental deposits paid		5,465	7,556
Other deposits		30,603	30,630
Deferred tax assets	<i>30</i>	743	1,584
		<u>730,046</u>	<u>511,194</u>
CURRENT ASSETS			
Properties under development	<i>15</i>	13,044	–
Short term investments	<i>19(b)</i>	59,305	37,428
Inventories	<i>20</i>	70	73
Trade receivables	<i>21</i>	10,027	5,551
Prepayments, deposits and other receivables	<i>22</i>	22,401	13,972
Tax recoverable		740	–
Pledged deposits	<i>23</i>	7,723	–
Cash and cash equivalents	<i>23</i>	304,940	289,365
		<u>418,250</u>	<u>346,389</u>
CURRENT LIABILITIES			
Trade payables	<i>24</i>	157	188
Other payables and accruals	<i>25</i>	14,794	12,997
Deposits received and receipts in advance		42,470	40,299
Interest-bearing bank loans	<i>26, 28</i>	28,072	24,575
Provisions for onerous contracts	<i>27</i>	6,749	9,112
Tax payable		3,269	4,729
		<u>95,511</u>	<u>91,900</u>
NET CURRENT ASSETS		<u>322,739</u>	<u>254,489</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,052,785</u>	<u>765,683</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	<i>28</i>	214,496	80,073
Provisions for onerous contracts	<i>27</i>	1,420	4,461
Convertible notes	<i>29</i>	98,620	–
Deferred tax liabilities	<i>30</i>	1,437	166
		<u>315,973</u>	<u>84,700</u>
MINORITY INTERESTS		<u>435</u>	<u>401</u>
		<u>736,377</u>	<u>680,582</u>
CAPITAL AND RESERVES			
Issued capital	<i>31</i>	14,332	14,332
Reserves	<i>33(a)</i>	722,045	666,250
		<u>736,377</u>	<u>680,582</u>

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

Consolidated Statement of Changes in Equity

Year ended 31 March 2005

		Issued share capital	Share premium account	Contributed surplus	Warrant reserve	Capital reserve	Investment property revaluation reserve	Retained profits	Proposed final dividend	Total
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000'
At 1 April 2003		11,815	348,222	106,329	1,735	1,511	–	153,876	–	623,488
Placement of shares		2,360	23,600	–	–	–	–	–	–	25,960
Expiry of warrants		–	–	–	(1,735)	–	–	1,735	–	–
Share issue expenses		–	(810)	–	–	–	–	–	–	(810)
Surplus on revaluation of investment properties and net gain not recognised in the profit and loss account		–	–	–	–	–	4,696	–	–	4,696
Net profit for the year		–	–	–	–	–	–	29,285	–	29,285
Interim 2004 dividend	12, 33	157	1,350	–	–	–	–	(3,544)	–	(2,037)
Proposed final 2004 dividend	12	–	–	–	–	–	–	(10,032)	10,032	–
Transfer to retained profits		–	–	–	–	(1,511)	–	1,511	–	–
At 31 March 2004:										
As previously reported		14,332	372,362	106,329	–	–	4,696	172,831	10,032	680,582
Effect of adopting HKAS 40	2(b)	–	–	–	–	–	(4,696)	4,696	–	–
As restated		<u>14,332</u>	<u>372,362*</u>	<u>106,329*</u>	<u>–*</u>	<u>–*</u>	<u>–*</u>	<u>177,527*</u>	<u>10,032*</u>	<u>680,582</u>
At 1 April 2004:										
As previously reported		14,332	372,362	106,329	–	–	4,696	172,831	10,032	680,582
Effect of adopting HKAS 40	2(b)	–	–	–	–	–	(4,696)	4,696	–	–
As restated		<u>14,332</u>	<u>372,362</u>	<u>106,329</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>177,527</u>	<u>10,032</u>	<u>680,582</u>
Final 2004 dividend declared		–	–	–	–	–	–	–	(10,032)	(10,032)
Net profit for the year		–	–	–	–	–	–	70,127	–	70,127
Interim 2005 dividend	12, 33	–	–	–	–	–	–	(4,300)	–	(4,300)
Proposed final 2005 dividend	12	–	–	–	–	–	–	(17,846)	17,846	–
At 31 March 2005		<u>14,332</u>	<u>372,362*</u>	<u>106,329*</u>	<u>–*</u>	<u>–*</u>	<u>–*</u>	<u>225,508*</u>	<u>17,846*</u>	<u>736,377</u>

* These reserve accounts comprise the consolidated reserves of HK\$722,045,000 (2004: HK\$666,250,000) in the consolidated balance sheet.

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

	Issued share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Warrant reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Proposed final dividend <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reserves retained by:									
Company and subsidiaries	14,332	372,362	106,329	-	-	-	262,415	17,846	773,284
Associates	-	-	-	-	-	-	(36,907)	-	(36,907)
At 31 March 2005	<u>14,332</u>	<u>372,362</u>	<u>106,329</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>225,508</u>	<u>17,846</u>	<u>736,377</u>
Company and subsidiaries (as restated)	14,332	372,362	106,329	-	-	-	197,779	10,032	700,834
Associates	-	-	-	-	-	-	(20,252)	-	(20,252)
At 31 March 2004 (as restated)	<u>14,332</u>	<u>372,362</u>	<u>106,329</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>177,527</u>	<u>10,032</u>	<u>680,582</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****Consolidated Cash Flow Statement***Year ended 31 March 2005*

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		76,071	33,708
Adjustments for:			
Finance costs	7	4,326	2,041
Share of profits and losses of associates		15,000	10,307
Amortisation of goodwill of associates		–	7,656
Net holding gain on investments	6	(375)	(570)
Interest income from investments	5	(2,373)	(2,386)
Interest income	5	(2,916)	(8,428)
Dividend income from listed securities	5	(405)	(128)
Loss/(gain) on disposal of subsidiaries	34(d)	(26,975)	1,020
Loss/(gain) on disposal of interests in an associate		20,874	(13,048)
Gain on disposal of investments, net	5	(1,907)	(109)
Gain on disposal of investment properties	5	(7,335)	–
Gain on disposal of convertible notes due from an associate	5	–	(17,883)
Excess of the Group's interest in the net fair value of the investees' identifiable assets, liabilities and contingent liabilities over cost recognised as income	5	(35,024)	–
Provision for and write-off of bad and doubtful debts	6	656	6,821
Provision for impairment of long term investments	6	15,299	1,641
Depreciation	6, 14	12,109	12,595
Amortisation of goodwill of subsidiaries	6	–	6,246
Loss on disposal/write-off of fixed assets	6	29	200
Surplus on revaluation of investment properties	6, 14	(23,003)	(7,066)
Recognition of deferred gain on disposal of subsidiaries	5	–	(688)
Operating profit before working capital changes		44,051	31,929
Decrease/(increase) in trade receivables, prepayments, deposits and other receivables		682	(11,721)
Decrease/(increase) in inventories		3	(887)
Increase/(decrease) in trade payables, other payables and accruals		(5,557)	2,202
Increase/(decrease) in deposits received and receipts in advance		2,171	(1,420)
Decrease in provisions for onerous contracts	6, 27	(5,404)	(6,566)
Cash generated from operations		35,946	13,537
Hong Kong profits tax paid		(4,395)	(909)
Net cash inflow from operating activities		31,551	12,628
Net cash inflow from operating activities		31,551	12,628

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		3,323	8,295
Dividend income from listed securities		405	128
Interest income from investments		2,373	2,386
Decrease in amounts due from associates		74	208
Increase in amounts due to associates		15	19
Acquisition of subsidiaries	34(b)	(943)	–
Acquisitions of additional shares in a subsidiary	34(c)	–	(1,929)
Acquisitions of additional shares in an associate		(85,872)	–
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	34(d)	96,133	(3,904)
Increase in other deposits		(30,603)	(30,630)
Purchases of investment properties		(197,802)	(95,807)
Purchases of other fixed assets		(5,565)	(11,678)
Purchases of properties under development		(190,000)	–
Proceeds from disposal of investment properties		115,135	1,925
Proceeds from disposal of fixed assets		62	217
Proceeds from disposal of short term investments		17,343	4,784
Proceeds from disposal of convertible notes		–	102,383
New loans to an associate		–	(9,000)
Settlement of loans to an associate		7,000	87,750
Settlement of convertible notes due from an associate		56,500	13,000
Purchases of long term investments		(35,690)	(21,784)
Purchases of short term investments		(35,938)	(38,189)
Increase in pledged deposits		(7,723)	–
Net cash inflow/(outflow) from investing activities		(291,773)	8,174
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(5,198)	(2,041)
Dividends paid		(14,332)	(2,037)
Proceeds from issue of shares		–	25,960
Share issue expenses		–	(810)
Proceeds from issue of convertible notes		98,620	–
Convertible note issue expenses		(3,143)	–
Repayment of bank loans		(75,322)	(27,065)
New bank loans		275,172	60,475
Capital element of finance lease rental payments		–	(110)
Net cash inflow from financing activities		275,797	54,372

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

		2005	2004
	Notes	HK\$'000	HK\$'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		15,575	75,174
Cash and cash equivalents at beginning of year		289,365	214,191
CASH AND CASH EQUIVALENTS AT END OF YEAR		304,940	289,365
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	43,300	25,931
Non-pledged time deposits with original maturity of less than three months when acquired	23	261,640	263,434
		304,940	289,365

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****Balance Sheet***31 March 2005*

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Fixed assets	<i>14</i>	2	5
Interests in subsidiaries	<i>17</i>	450,569	356,632
Interests in associates	<i>18</i>	219	219
Long term investments	<i>19(a)</i>	42,234	15,534
		<u>493,024</u>	<u>372,390</u>
CURRENT ASSETS			
Short term investments	<i>19(b)</i>	43,947	12,105
Prepayments, deposits and other receivables	<i>22</i>	4,867	1,088
Pledged deposits	<i>23</i>	7,723	–
Cash and cash equivalents	<i>23</i>	256,883	238,389
		<u>313,420</u>	<u>251,582</u>
CURRENT LIABILITIES			
Other payables and accruals	<i>25</i>	2,599	241
Interest-bearing bank loans	<i>26, 28</i>	20,000	–
		<u>22,599</u>	<u>241</u>
NET CURRENT ASSETS			
		<u>290,821</u>	<u>251,341</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		783,845	623,731
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	<i>28</i>	45,000	–
Convertible notes	<i>29</i>	98,620	–
		<u>143,620</u>	<u>–</u>
		<u>640,225</u>	<u>623,731</u>
CAPITAL AND RESERVES			
Issued capital	<i>31</i>	14,332	14,332
Reserves	<i>33(b)</i>	625,893	609,399
		<u>640,225</u>	<u>623,731</u>

Notes to Financial Statements*31 March 2005***1. CORPORATE INFORMATION**

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

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

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

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

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

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

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

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

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

In accordance with the provisions of HKFRS 3:

- the Group ceased amortisation of goodwill from 1 April 2004;
- accumulated amortisation of goodwill arising on the acquisition of subsidiaries and associates as at 1 April 2004 has been eliminated with a corresponding decrease in the respective cost of goodwill at that date;
- from the year ended 31 March 2005 onwards, goodwill is tested annually for impairment, as well as when there are indications of impairment;

- any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired as at the date of acquisition over the cost of the business combination is recognised immediately in the consolidated profit and loss account; and
- on disposal of subsidiaries or associates, any attributable goodwill previously eliminated against the consolidated reserves at the time of acquisition is transferred to consolidated retained profits as a movement in reserves and not included in the calculation of the gain or loss on disposal.

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

- accumulated amortisation of goodwill arising on the acquisition of subsidiaries and associates as at 1 April 2004 of HK\$1,637,000 and HK\$23,999,000, respectively, have been eliminated with a corresponding decrease in the respective cost of goodwill at that date;
 - the excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of those companies acquired by the Group during the year over cost of acquisitions in an aggregate amount of HK\$35,024,000 was fully recognised as income for the year ended 31 March 2005; and
 - in respect of disposal of a subsidiary during the year, the attributable goodwill previously eliminated against the consolidated reserves at the respective time of its acquisition of HK\$926,000 is not included in the calculation of the gain or loss on disposal.
- (b) The adoption of HKAS 40 has resulted in a change in accounting policy for the Group's investment properties.

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

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

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

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

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

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

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

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

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

Basis of consolidation

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

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

Subsidiaries

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

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

Associates

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

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

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

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

Business combinations*Goodwill*

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

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

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

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

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

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

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

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

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

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

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

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

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

Related parties

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

Impairment of assets

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

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

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

Fixed assets and depreciation

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

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

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

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

Investment properties

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

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

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

Properties under development

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

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

Borrowing costs

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

Investments

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

Held-to-maturity securities

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

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

Investment securities

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

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

Other investments

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

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

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

Provisions for onerous contracts

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

Income tax

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

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

Deferred tax liabilities are recognised for all taxable temporary differences:

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

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

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

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

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

Revenue recognition

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

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

Employee benefits

Employment Ordinance long service payments

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

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

Retirement benefits scheme

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

Share option schemes

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

Dividends

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

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

Foreign currencies

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

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

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

4. SEGMENT INFORMATION

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

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

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

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

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

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Business segments

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

Group

	Property development		Property investment		Chinese wet markets		Shopping centres and car parks		Retail business		Corporate and others		Pharmaceutical*		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:																		
Sales to external customers	-	-	85,062	8,138	146,242	137,858	89,340	89,334	38,213	36,950	5,266	5,730	-	18,555	-	-	364,123	296,365
Intersegment sales	-	-	-	346	3,837	3,189	933	967	-	-	12,684	9,029	-	-	(17,454)	(13,531)	-	-
Other revenue	-	-	31,314	7,308	811	641	1,632	2,361	994	81	65,588	34,703	-	45	-	-	100,339	45,139
Total	-	-	116,376	15,792	150,890	141,688	91,905	92,662	39,207	37,031	83,538	49,462	-	18,600	(17,454)	(13,531)	464,462	341,704
Segment results	(3,104)	-	59,702	11,923	15,425	15,840	6,904	5,411	947	761	12,697	10,336	-	6,023	(416)	-	92,155	50,294
Unallocated expenses																		
Interest income																	(2,047)	(7,396)
																	5,289	10,814
Profit from operating activities																	95,397	53,712
Finance costs																	(4,326)	(2,041)
Share of profits and losses of associates (including amortisation of goodwill)																	(15,000)	(17,963)
Profit before tax																	76,071	33,708
Tax																	(5,910)	(4,334)
Profit before minority interests																	70,161	29,374
Minority interests																	(34)	(89)
Net profit from ordinary activities attributable to shareholders																	70,127	29,285

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

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	Property development		Property investment		Chinese wet markets		Shopping centres and car parks		Retail business		Corporate and others		Pharmaceutical*		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	238,215	-	271,203	264,457	68,658	62,601	40,822	40,460	3,739	3,484	822,558	647,885	-	-	(477,393)	(299,490)	967,802	719,397
Interests in associates	-	-	-	-	-	-	-	-	-	-	179,011	136,602	-	-	-	-	179,011	136,602
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,483	1,584
Total assets	238,215	-	271,203	264,457	68,658	62,601	40,822	40,460	3,739	3,484	1,001,569	784,487	-	-	(477,393)	(299,490)	1,148,296	857,583
Segment liabilities	(162,467)	-	(190,979)	(224,452)	(68,938)	(62,662)	(35,601)	(47,586)	(2,551)	(2,877)	(82,447)	(28,970)	-	-	477,393	299,490	(65,590)	(67,057)
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(345,894)	(109,543)
Total liabilities	(162,467)	-	(190,979)	(224,452)	(68,938)	(62,662)	(35,601)	(47,586)	(2,551)	(2,877)	(82,447)	(28,970)	-	-	477,393	299,490	(411,484)	(176,600)
Other segment information:																		
Depreciation	-	-	10	-	7,574	6,830	1,908	2,973	179	134	2,438	2,570	-	88	-	-	12,109	12,595
Amortisation of goodwill	-	-	-	-	-	-	-	-	-	-	-	6,246	-	-	-	-	-	6,246
Other non-cash expenses	-	-	-	-	656	-	-	21	-	-	15,299	8,462	-	-	-	-	15,955	8,483
Capital expenditure	252,059	-	197,802	102,266	3,706	748	626	3,545	118	163	1,115	706	-	57	-	-	455,426	107,485

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

5. TURNOVER, REVENUE AND GAINS

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

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

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

6. PROFIT FROM OPERATING ACTIVITIES

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

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

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

7. FINANCE COSTS

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

8. DIRECTORS’ REMUNERATION

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

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

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

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

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

9. FIVE HIGHEST PAID EMPLOYEES

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

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

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

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

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

10. TAX

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

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

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

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

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

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

12. DIVIDENDS

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

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

13. EARNINGS PER SHARE

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

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

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14. FIXED ASSETS

Group

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

Company

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

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

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

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

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

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

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

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

15. PROPERTIES UNDER DEVELOPMENT

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

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

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

16. GOODWILL

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

Group

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

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

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

17. INTERESTS IN SUBSIDIARIES

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

Notes:

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

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

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

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Name	Place of incorporation/ operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Greatest Wealth Limited	Hong Kong	Ordinary HK\$100	–	100	Management of pork stalls and butcher shops
Join China Investment Limited	Hong Kong	Ordinary HK\$2	–	100	Investment holding
Lead Fortune Limited	Hong Kong	Ordinary HK\$1,000	–	100	Property investment
Kartix Investment Limited	Hong Kong	Ordinary HK\$1	–	100	Property development
Lica Parking Company Limited	Hong Kong	Ordinary HK\$25,500,000	–	99	Management and sub-licensing of car parks
Majorluck Limited	Hong Kong	Ordinary HK\$10,000	–	100	Management and sub-licensing of Chinese wet markets
Poly Talent Investment Limited	Hong Kong	Ordinary HK\$1	–	100	Property development
Profit Million Investment Limited	Hong Kong	Ordinary HK\$1	–	100	Property development
Parking Lot Management Limited	Hong Kong	Ordinary HK\$700,002	–	100	Property investment
Rich Time Strategy Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	–	100	Investment holding
WOB Investments Limited	Hong Kong	Ordinary HK\$2	–	100	Property investment
Wang On Commercial Management Limited	British Virgin Islands/ Hong Kong	Ordinary US\$2	–	100	Investment holding
WEH Investments Limited	Hong Kong	Ordinary HK\$477 Non-voting deferred (<i>Note 3</i>) HK\$1,262,523	–	100	Property investment
Wang On Enterprises (BVI) Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100	–	Investment holding
Wang On Majorluck Limited	Hong Kong	Ordinary HK\$1,000	–	100	Management and sub-licensing of Chinese wet markets
Wang On Shopping Centre Management Limited	Hong Kong	Ordinary HK\$2	–	100	Management and sub-licensing of shopping centres
Willing Dental Consultants Limited	Hong Kong	Ordinary HK\$100	–	100	Provision of dental consultation services

Notes:

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

18. INTERESTS IN ASSOCIATES

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

Notes:

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

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

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

Notes:

- (1)

The above table lists the associate of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.
- (2)

During the year, the interest in WYTH was increased as a result of subscription of rights shares, placements of shares and the exercise of convertible notes in the investee company.
- (3)

The financial statements of the company are not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

* Listed on The Stock Exchange of Hong Kong Limited.

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

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

19. INVESTMENTS

(a) Long term investments

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

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(b) Short term investments

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

20. INVENTORIES

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

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

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21. TRADE RECEIVABLES

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

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

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

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

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

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

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	157	188

25. OTHER PAYABLES AND ACCRUALS

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

26. INTEREST-BEARING BANK LOANS

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

27. PROVISIONS FOR ONEROUS CONTRACTS

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

28. INTEREST-BEARING BANK LOANS

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

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

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

29. CONVERTIBLE NOTES

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

Notes:

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

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

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

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

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

30. DEFERRED TAX

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

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

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

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

Group

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

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

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

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

31. SHARE CAPITAL

Shares

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

Share options

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

32. SHARE OPTION SCHEMES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

33. RESERVES

(a) Group

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

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

(b) Company

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

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

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Major non-cash transactions

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

(b) Acquisition of subsidiaries

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

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

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

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

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

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

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

(d) Disposal of subsidiaries

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

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

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

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

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

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

35. CONTINGENT LIABILITIES

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

(a)

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

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

36. OPERATING LEASE ARRANGEMENTS**(a) As lessor**

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

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

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

(b) As lessee

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

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

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

37. COMMITMENTS

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

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

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

38. POST BALANCE SHEET EVENTS

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

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

39. RELATED PARTY TRANSACTIONS

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

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

Notes:

- (a) An investment property of the Group was leased to Mr. Tang for a period of one year from 20 December 2003 at an agreed monthly rental of HK\$45,000. The lease was renewed and extended for a further one year at an agreed monthly rental of HK\$50,000. The rental was determined with reference to the prevailing market rates.

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

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

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

40. COMPARATIVE AMOUNTS

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

41. APPROVAL OF THE FINANCIAL STATEMENTS

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

BUSINESS REVIEW

The Group achieved a historical high net profit of approximately HK\$70.1 million and net assets of approximately HK\$736.4 million for the year ended 31 March 2005 since its listing in 1995.

Turnover increased by approximately 23% to HK\$364.1 million (2004: HK\$296.6 million) in the year ended 31 March 2005 despite the disposal of the effective 99.79% interest in Luxemburg Medicine Company Limited to WYT which had contributed a turnover of HK\$18.6 million for the year ended 31 March 2004. This was mainly attributable to the good performance of the Group’s property investment division. The net profit attributable to shareholders for the year grew significantly to HK\$70.1 million from HK\$29.3 million in the year ended 31 March 2004, representing a significant increase of approximately 139% over the same period last year.

The Group’s financial position remained strong, with cash in hand and short term investments of approximately HK\$372.0 million. This provides the Group with a strong cash backing to support expansion in the areas of property development and investment properties in the near future.

Property Development

With the anticipated continuing buoyancy in the Hong Kong property market, the Group has allocated additional resources to expand this area of business. During the year ended 31 March 2005 and up to the date of the annual report of the Company for the year ended 31 March 2005, the Group made the following acquisitions:

Property Name	Location	Consideration (HK\$)	Approximate Site Area (sq ft)	Estimated Approximate Gross Floor Area (sq ft)	Development Plan	Anticipated Completion
Shatin Heights Road	Lot No. 1476 in D.D. 189	103,800,000	49,100	27,900	Low density residential area with 11 luxury houses	End of 2006
Fairview Park Boulevard	Lot No. 4781 in D.D. 104, Lot No. 3254 RP in D.D. 104, Lot No. 3265 S.A RP in D.D. 104, Lot No. 3251 S.B RP, Lot No. 3257 RP, Lot No. 3258 S.B SS.1, Lot No. 3641 S.A, Lot No. 3258 S.B RP, Lot No. 3641 RP all in D.D. 104	82,600,000	154,800	39,000	Low density residential and commercial area with 16 luxury houses, 6 shops and club house	End of 2006

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Property Name	Location	Consideration (HK\$)	Approximate Site Area (sq ft)	Estimated Approximate Gross Floor Area (sq ft)	Development Plan	Anticipated Completion
Cheung Sha Wan	270-274 Cheung Sha Wan Road Kowloon	75,000,000	4,200	36,800	24 storey residential and commercial building	Early 2008
Kennedy Town	29 residential and commercial units of Nos. 12, 14, 16, 18, 20 and 22, Davis Street, Kennedy Town, Hong Kong	77,600,000	5,000	37,000	26 storey residential and commercial building	Early 2008
Ho Chung	Various lots in D.D. 210 and D.D. 244 Sai Kung, New Territories	13,800,000	68,000	20,500	Low density residential development	Early 2009
		<u>352,800,000</u>	<u>281,100</u>	<u>161,200</u>		

The Directors expect that, with the Hong Kong property market expected to show continuing strength, these property development projects should bring handsome returns to the Group in the coming years.

Property Investment

Gross rental income for the year under review increased by approximately 38% to HK\$11.3 million. Retail sales continued to improve as a result of broad recovery in the local economy. The Group has seen strong demand for retail space and will put more emphasis particularly on retail shops. During the year ended 31 March 2005 and up to the date of the annual report of the Company for the year ended 31 March 2005, the Group has made the following acquisitions/disposals:

Disposals

Location	Consideration (HK\$)	Anticipated/ Actual Completion
Shop 6 (including Cockloft) on the G/F., Cheuk Ming Street, Nos. 10-22 Tsuen Wan Market Street, Tsuen Wan, New Territories	33,800,000	June 2004

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Location	Consideration (HK\$)	Anticipated/ Actual Completion
Whole block located at No. 32 Argyle Street, Kowloon	73,800,000	January 2005
Flat D on the Ground Floor and Flat D on Mezzanine Floor, Nam Yeung Mansion, Nos. 31-34 Mut Wah Street, Kwun Tong, Kowloon	29,100,000	March 2005
Ground Floor and Cockloft, Nos. 581 and 581A, Nathan Road, Kowloon	105,000,000	March 2005
1 residential unit at Parc Palais, 18 Wylie Road, King's Park, Kowloon	13,100,000	October 2005

Acquisitions

Location	Consideration (HK\$)	Anticipated/ Actual Completion
Ground Floor and Cockloft, No. 203 Tung Choi Street, Mongkok, Kowloon	19,800,000	July 2004
4 residential units at Parc Palais, 18 Wylie Road, King's Park, Kowloon	30,900,000	March 2005
Shop 6 on G/F., Grandeur Garden, Nos. 14-18 Chik Fai Street, Nos. 55-65 Tai Wai Road, Shatin, New Territories	16,300,000	March 2005
G/F., 170 Castle Peak Road, Yuen Long, New Territories	35,000,000	May 2005
Shop B on G/F., 106-108, Shaukeiwan Road, Hong Kong	13,000,000	May 2005

Location	Consideration (HK\$)	Anticipated/ Actual Completion
G/F., 1/F., 2/F., and Rooftop, No. 68 San Hong Street, Sheung Shui, New Territories	15,750,000	June 2005
Shop B on G/F., Kwong Sen Mansion, Nos. 23-33 Shui Wo Street, Kowloon	17,200,000	June 2005
Whole block located at No. 58 Yen Chow Street, Sham Shui Po, Kowloon	110,000,000	July 2005
Shop 5 on G/F., Tak Lee Building, No. 993 King Road, Hong Kong	15,000,000	July 2005
Shop B on G/F., 336-338 Tung Chau Street, Kowloon	10,800,000	October 2005

As at 30 June 2005, the Group held a retail property portfolio with a net book value of approximately HK\$303.9 million, generating a projected annual rental income of approximately HK\$11.3 million. The Directors believe that this area of business will continue to provide a steady income stream for the Group in the years to come.

Management and Sub-licensing of Chinese Wet Markets

The Group continues to be the leader in this business section in Hong Kong. This division remained profitable during the year under review, recording a net profit of HK\$15.4 million and generated a fairly stable profit for the Group. The Group is looking to strengthen its market share.

Management and Sub-licensing of Shopping Centres and Car Parks

These two areas of business remained fairly stable compared with their performance and contribution achieved in the previous financial year.

Investment in Pharmaceutical and Health Products related Business

The booming economy, coupled with the Individual Visit Scheme which allows travelers from Mainland China to visit Hong Kong on an individual basis, contributed to the continual growth of WYT. The Directors are confident that the Group's indirect investment in pharmaceutical and health products business via WYT will bring satisfactory returns to the Group in the long term.

LIQUIDITY AND FINANCIAL RESOURCES

With a view to enlarging the Company's shareholder base and strengthening the financial position of the Company, the following capital raising exercises were undertaken during the year ended 31 March 2005:

- a. Issue of convertible notes in an aggregate principal amount of HK\$37,180,000 through a placing agent to several independent third parties in December 2004; and
- b. Issue of convertible notes in an aggregate principal amount of HK\$61,440,000 through a placing agent to several independent third parties in February 2005.

The Group currently has cash resources and short term investments of approximately HK\$372.0 million (2004: HK\$326.8 million), of which approximately HK\$59.3 million (2004: HK\$37.4 million) is invested in certificates of deposits, callable deposits, bank commercial papers and listed securities, and HK\$54.2 million (2004: HK\$34.8 million) is invested in long-term guaranteed return funds, callable deposits and bonds.

As at 31 March 2005, the Group's gearing ratio was approximately 3.9% (calculated with reference to the Group's total borrowings net of cash and cash equivalent and capital and reserves of approximately HK\$28.5 million and HK\$736.4 million, respectively, as at 31 March 2005). As at 31 March 2004, the Group had a net cash position of HK\$184.8 million (calculated with reference to the Group's cash and cash equivalent and total borrowings of HK\$289.4 million and HK\$104.6 million, respectively, as at 31 March 2004).

As at 31 March 2005, the Group's investment properties with a book value of approximately HK\$196.7 million (2004: HK\$260.4 million) and certain rental income generated therefrom were pledged to secure the Group's general banking facilities, approximately HK\$92.3 million (2004: HK\$140.7 million) of which was utilised as at 31 March 2005.

The Group's contingent liabilities and capital commitment as at 31 March 2005 amounted to approximately HK\$121.4 million (2004: HK\$149.6 million).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2005, the Group had over 500 full time employees, over 96% 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.

STATEMENT OF INDEBTEDNESS

As at 30 September 2005, the Group has utilised unsecured bank borrowings of approximately HK\$55 million and secured bank borrowings of approximately HK\$419.2 million. Such secured bank borrowings were secured by certain of the Group's investment properties, properties under development, rental income from certain of the Group's investment properties and corporate guarantees given by the Company. In addition, as at the same date, the Group had outstanding convertible notes with a principal sum of approximately HK\$51.6 million.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any outstanding mortgages, charges, debentures, loan capital, debt securities, loans, bank overdraft or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptance or acceptance credits or guarantees or other contingent liabilities as at 30 September 2005.

Save as disclosed above, the Directors confirm that there has been no material change in the indebtedness and contingent liabilities of the Group since 30 September 2005.

WORKING CAPITAL

After due and careful enquiry, the Directors are satisfied that the Group will have available sufficient working capital for the Group's present requirements, that is for at least the next 12 months from the date of publication of this circular.

MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since the date to which the latest published audited financial statements of the Group were made up.

FOREIGN EXCHANGE EXPOSURE

As the Group's sales are mostly based on United States dollar ("USD") and HK\$, having considered the exchange rates of USD and HK\$ are fairly stable, no foreign exchange and interest rate risk management or related hedges were made at present. Proper policy will be in place when the Board considers appropriate.

FINANCIAL AND TRADING PROSPECTS

Along with the property market in Hong Kong having rebounded since 2003, the Group has capitalised on its own expertise and past experience in building construction and focused on allocation of its resources allocation to property development and property investment in Hong Kong. For the year ended 31 March 2005, the Group had acquired several sites and properties in Fairview Park Boulevard, Kennedy Town and Ho Chung. The Group's property

investment portfolio includes shops and residential apartments providing recurrent rental income and is expected to bring in capital appreciation in the long run. The Group is confident that the land property acquisitions will help boost future growth potential and profitability of the Group which will in turn provide higher returns to the Shareholders.

The Group's investment in the Chinese wet market sub-licensing business, which is the leader in the industry, together with shopping centre and car park management and retail business, continue to provide steady income.

In addition, in view of the increasing health awareness of the public and in particular the increasing popularity of Chinese medical and health related products, the Directors believe that there is likely a continuous demand for health care products and is confident its indirect investment in pharmaceutical and health product business through WYT will bring satisfactory returns to the Group in the long run.

The Directors consider that upon completion of the sale of the Properties, the Group's financial and cash position can be further strengthened and, together with the funding from, among other things, bank financing and operational profits, will enable the Group to make suitable investments promptly when opportunities arise although no specific investment has been identified in present.

The Group will leverage on its strength in its existing business and strong financial resources and will also continue to explore new areas of business to enhance Shareholders' returns.



Valuation & Consultancy

T: (852) 2842 4400

F: (852) 2501 5590

23/F Two Exchange Square
Central, Hong Kong

23 November 2005

The Directors
Wang On Group Limited
5th Floor, Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

Dear Sirs

**Re: Valuation of The Whole Block of Milan Place, 58 Yen Chow Street, Sham Shui Po,
Kowloon**

In accordance with your instructions for us to value the captioned property held by Wang On Group Limited (the “Company”) or its subsidiary (collectively the “Group”), we confirm that we have caused land searches at the Land Registry and made relevant enquiries and investigations as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 30th September, 2005 for circular purposes.

Our valuation is our opinion of the market value of the property concerned which we would define as intended to mean “the estimated amount for which a Property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances

such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

According to your specific instructions, our valuation is the aggregate of the market values of all units within the property. We have valued each unit of the property with reference to sales evidence as available on the market and where appropriate on the basis of capitalization of the net income shown on schedules handed to us. We have allowed for outgoings and, in appropriate cases, made provisions for reversionary income potential.

We have not been provided with any title document relating to the property but we have caused searches to be made at the Land Registry. We have not, however, inspected the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies obtained by us.

We have relied to a very considerable extent on information given by you and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, occupancy, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations.

We have inspected the exterior of the property and where possible, we have also inspected the interior of the premises. However, no structural survey has been made but in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the property is free of rot, infestation or any other structural defect. No test was carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions, and outgoings of an onerous nature which could affect its value.

We enclose herewith our valuation certificate for your attention.

Yours faithfully
For and on behalf of
Savills (Hong Kong) Limited
Charles C K Chan
MSc FRICS FHKIS MCIArb RPS (GP)
Executive Director
Valuation and Professional Services

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30th September, 2005															
The Whole Block of Milan Place, 58 Yen Chow Street, Sham Shui Po, Kowloon	Milan Place is a 16-storey residential tower over a 2-storey commercial podium erected on a rectangular site with a development site area of approximately 311.05 sq.m. (3,348 sq.ft.) and was completed in 2003. 4th and 14th Floors are omitted from floor numbering.	3,880 sq.ft. of the commercial portion of the property are subject to various tenancies mostly for terms of 2 to 3 years with the latest expiring in September 2008 at a total monthly rent of approximately \$238,000 exclusive of rates and management fees.	HK\$137,613,000															
Sections A, B, C and the Remaining Portion of New Kowloon Inland Lot No. 1062.	The property comprises 48 residential flats and 9 shops and the total gross floor area of the property is as follows: <table><tr><td></td><td>sq.m.</td><td>(sq.ft.)</td></tr><tr><td>G/F</td><td>222.78</td><td>(2,398)</td></tr><tr><td>1/F</td><td>201.88</td><td>(2,173)</td></tr><tr><td>2-19/F</td><td>2,164.07</td><td>(23,294)</td></tr><tr><td>Total</td><td>2,588.73</td><td>(27,865)</td></tr></table> The property also comprises Flat Roofs on the 2nd Floor and Roofs of the building with total areas of approximately 140.56 sq.m. (1,513 sq.ft.) and 31.03 sq.m. (334 sq.ft.) respectively. New Kowloon Inland Lot No. 1062 is held under a government lease for a term expiring on 30th June, 2047 at an annual Government rent at 3% of the rateable value for the time being of the lot.		sq.m.	(sq.ft.)	G/F	222.78	(2,398)	1/F	201.88	(2,173)	2-19/F	2,164.07	(23,294)	Total	2,588.73	(27,865)	Each of the tenancies contains an option to renew each for a further term of one to two years. The remaining portion of the commercial portion of the property is occupied by the Group. The residential portion of the property is vacant.	
	sq.m.	(sq.ft.)																
G/F	222.78	(2,398)																
1/F	201.88	(2,173)																
2-19/F	2,164.07	(23,294)																
Total	2,588.73	(27,865)																

Notes:

- (1)

The registered owner of the property is Hanwin Investment Limited, in which the Group has a 100% interest.
- (2)

The property is subject to a mortgage and an Assignment of Rental both in favour of The Hongkong and Shanghai Banking Corporation Limited.
- (3)

The property is subject to a Memorandum to Change the Name of the Building.
- (4)

As per your specific instructions, our valuation is the aggregate of the market values of all units within the property.
- (5)

As at the current date, 26 residential units and 3 shops on Ground Floor were sold. The remaining unsold units are as follows:

Shop units:

Shops A, B, D, E, F on G/F and the whole of 1/F

Flat units:

Flats A on 3/F and 5-7/F

Flats B on 2/F including Flat Roof, 3/F, 5-7/F, 9-13/F, 15/F and 18/F

Flats C on 3/F, 5/F, 7/F, 17/F, 18/F and 19/F including the roof
- (6)

The market value of the unsold units as at 30th September, 2005 was in the sum of HK\$77,290,000.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company and the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors’ interests and short position in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long position in Shares

Name of Director	Number of Shares held, capacity and nature of interest					Total	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date
	Personal interest	Family interest	Corporate interest	Other interest			
Mr. Tang Ching Ho	737,226	737,224 (Note (a))	2,696,672 (Note (b))	31,192,155 (Note (c))	35,363,277		15.74%
Ms. Yau Yuk Yin	737,224	3,433,898 (Note (d))	–	31,192,155 (Note (e))	35,363,277		15.74%

Notes:

- (a) Mr. Tang Ching Ho was taken to be interested in those Shares in which his spouse, Ms. Yau Yuk Yin, was interested.
- (b) Mr. Tang Ching Ho was taken to be interested in those Shares in which Caister Limited, a company which is wholly and beneficially owned by him, was interested.

- (c) Mr. Tang Ching Ho was taken to be interested in those Shares by virtue of being the founder of a discretionary trust, namely Tang's Family Trust.
- (d) Ms. Yau Yuk Yin was taken to be interested in those Shares in which her spouse, Mr. Tang Ching Ho, was interested.
- (e) Ms. Yau Yuk Yin was taken to be interested in those Shares by virtue of being a beneficiary of Tang's Family Trust.

The interests of Mr. Tang Ching Ho and Ms. Yau Yuk Yin in the Shares mentioned above also fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Persons who have an interest or short position in the shares or underlying shares of the Company which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, 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 other member of the Group or had any option in respect of such capital:

Name	Number of Shares held	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date
Accord Power Limited	31,192,155	13.89%
Trustcorp Limited (<i>Note</i>)	31,192,155	13.89%

Note: Accord Power Limited is wholly owned by Trustcorp Limited in its capacity as the trustee of Tang's Family Trust; accordingly, Trustcorp Limited was taken to be interested in those Shares held by Accord Power Limited.

Save as disclosed above, so far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, no other person (not being a Director or chief executive of the Company) had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who 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 other member of the Group or held any option in respect of such capital.

(c) Miscellaneous

On 18 March 2005, Suitbest Investment Limited, a wholly-owned subsidiary of the Company, has entered into a sale and purchase agreement with Mr. Tang Ching Ho, the chairman of the Company, to acquire the entire issued share capital and shareholder's loan of Hanwin Investment Limited at a consideration of HK\$110,000,000 from Mr. Tang who, at the request of the Company, had stepped in, through Hanwin Investment Limited, to acquire the Properties from an Independent Third Party at the same consideration on 17 March 2005. The acquisition of the Properties was completed in July 2005. Details of the above transaction were set out in the Company's announcement and circular dated 22 March 2005 and 13 April 2005 respectively.

Save as disclosed above and as at the Latest Practicable Date,

- (i) none of the Directors and Savills (Hong Kong) Limited had any direct or indirect interest in any assets which, since 31 March 2005, the date to which the latest published audited consolidated accounts of the Group were made up, have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (ii) none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group; and
- (iii) Savills (Hong Kong) Limited had not had any shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

3. 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 employing company within one year without payment of compensation other than statutory compensation).

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

5. DIRECTORS’ INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business, apart from the Group’s business, which competes or is likely to compete, either directly or indirectly, with the Group’s business.

6. EXPERT’S QUALIFICATION AND CONSENT

The qualification of the expert who has provided its advice, opinion or report contained in this circular is set out as follows:

Name	Qualification
Savills (Hong Kong) Limited	Professional surveyors and valuer

Savills (Hong Kong) Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and report and the reference to its name in the form and context in which they respectively appear.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within the two years immediately preceding the date of this circular and are, or may be, material:

- (a) a conditional sale and purchase agreement dated 19 February 2004 entered into between the Company and Bright Leading Limited (a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of WYT) and Advance Century Limited (a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company) in respect of the acquisition by Bright Leading Limited of a 49% interest in the issued share capital of China Field Enterprises Limited (a company incorporated in Hong Kong with limited liability) from Advance Century Limited at a consideration of HK\$20 million and the transfer of loan due from Advance Century Limited to Bright Leading Limited at a consideration of HK\$7 million;
- (b) a conditional sale and purchase agreement dated 8 April 2004 entered into between, among others, Wang On Enterprises (B.V.I.) Limited and Source Millennium Limited in respect of the disposal by Wang On Enterprises (B.V.I.) Limited of the entire issued share capital of WOD Investments Limited and a related shareholder's loan at a total consideration of approximately HK\$64 million (subject to adjustment);
- (c) a conditional agreement dated 27 September 2004 entered into between Suitbest Investments Limited (a wholly owned subsidiary of the Company), Mr. Tang Ching Ho, being the chairman of the Company ("Mr. Tang"), and Dragon Richly Investment Limited, in respect of the acquisition of the entire issued share capital and shareholder's loan of Dragon Richly Investment Limited at a consideration of HK\$720,001;
- (d) the provisional sale and purchase agreement dated 24 September 2004 and entered into between WOB Investments Limited, a wholly-owned subsidiary of the Company, and Modern Win (Hong Kong) Limited in relation to the sale of the property known as the whole block of No. 32 Argyle Street, Kowloon, Hong Kong by WOB Investments Limited to Modern Win (Hong Kong) Limited at a consideration of HK\$73.8 million;
- (e) a conditional agreement dated 12 October 2004 entered into between Suitbest Investments Limited (a wholly owned subsidiary of the Company), Mr. Tang, Poly Talent Investment Limited and Profit Million Investment Limited in respect of the acquisition of the entire issued share capital and shareholders' loan of each of Poly Talent Investment Limited and Profit Million Investment Limited at a consideration of HK\$1,800,001 and HK\$300,001 respectively;

- (f) an agreement dated 10 November 2004 entered into between Ventix Investment Limited (a wholly owned subsidiary of the Company) and Citigold Development Limited in respect of an acquisition of a property site in Sai Kung from Citigold Development Limited by Ventix Investment Limited at a consideration of HK\$6,600,000;
- (g) an agreement dated 10 November 2004 entered into between Ventix Investment Limited (a wholly owned subsidiary of the Company) and Score Million Investment Limited in respect of an acquisition of a property site in Sai Kung from Score Million Investment Limited by Ventix Investment Limited at a consideration of HK\$7,200,000;
- (h) a placing and underwriting agreement dated 19 November 2004 entered into between the Company and Kingston Securities Limited in relation to a private placing of convertible notes in the aggregate principal amount of HK\$37,180,000 to independent professional, corporate or individual investors;
- (i) an agreement dated 30 December 2004 entered into between Century Fortune Limited (a wholly owned subsidiary of the Company) and Time Pioneer Investments Limited in respect of the disposal of a property by Century Fortune Limited to Time Pioneer Investments Limited at a consideration of HK\$29,080,000;
- (j) a provisional agreement dated 25 January 2005 entered into between Longable Limited (a wholly owned subsidiary of the Company), and Yield Land Limited in relation to the acquisition of a property at a consideration of HK\$16,300,000;
- (k) a conditional sale and purchase agreement dated 28 January 2005 entered into between WYT, Suitbest Investments Limited (a wholly owned subsidiary of the Company), Source Millennium Limited and the Company in respect of the disposal by Suitbest Investments Limited of the entire issued share capital of Geswin Limited at a total consideration of HK\$63,232,857;
- (l) a placing agreement dated 4 February 2005 entered into between the Company and Kingsway Financial Services Group Limited in relation to a private placing of the convertible notes in the aggregate principal amount of HK\$68,640,000 to independent professional, corporate or individual investors;
- (m) the provisional agreement for sale and purchase entered into between the Champford Investment Limited (a wholly-owned subsidiary of the Company) and Mr. Or Wing Ming on 16 March 2005 relating to the acquisition of a property at a consideration of HK\$35,000,000;
- (n) the conditional agreement dated 18 March 2005 entered into between Suitbest Investments Limited, Mr. Tang and Hanwin Investment Limited in relation to the acquisition of the entire issued share capital and shareholder's loan of Hanwin Investment Limited;

- (o) an agreement dated 7 May 2005 entered between Shiny World Investment Limited (a wholly owned subsidiary of the Company) and Fou Hop Man Kee Investment Company Limited in relation to an acquisition of a property from Fou Hop Man Kee Investment Company Limited by Shiny World Investment Limited at a consideration of HK\$13,000,000;
- (p) the provisional agreement entered into between Smart First Investment Limited (a wholly-owned subsidiary of the Company) and Ms. Au For Mui on 15 April 2005 in relation to the acquisition of a property at a consideration of HK\$15,750,000;
- (q) an agreement dated 9 May 2005 entered into between Info World Investment Limited (a wholly-owned subsidiary of the Company) and CTMA Investment Limited in relation to the acquisition of a property at a consideration of HK\$17,200,000;
- (r) the provisional agreement dated 5 July 2005 entered into between Faithful World Investment Limited (a wholly-owned subsidiary of the Company) and Mr. Yau Chun Shun as surviving Administrator of the estate of Yau Chung Hing deceased in relation to the acquisition of a property at a consideration of HK\$75,000,000;
- (s) the provisional agreement dated 8 August 2005 entered into between Dragon Richly Investment Limited (a wholly-owned subsidiary of the Company) and Yu Fung Company Limited in relation to the acquisition of a property at a consideration of HK\$12,500,000;
- (t) the provisional agreement dated 8 August 2005 entered into between Dragon Richly Investment Limited (a wholly-owned subsidiary of the Company) and Sunny Era Limited in relation to the acquisition of a property at a consideration of HK\$5,000,000; and
- (u) the Provisional Agreements.

8. GENERAL

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, 41 Cedar Avenue, Hamilton HM 11, Bermuda. The head office and principal place of business of the Company is at 5th Floor, Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.
- (b) The qualified accountant of the Company appointed pursuant to Rule 3.24 of the Listing Rules is Mr. Leong Weng Kin, CPA.
- (c) The company secretary of the Company is Mr. Chan Chun Hong, Thomas. He is a fellow member of The Association of Chartered Certified Accountants and a Certified Public Accountant of The Hong Kong Institute of Certified Public Accountants.

- (d) The branch share registrar of the Company in Hong Kong is Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the head office and principal place of business of the Company at 5th Floor, Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong during normal business hours on any weekday (public holidays excepted) from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company containing financial information of the Company in respect of the years ended 31 March 2004 and 31 March 2005;
- (c) the letter and valuation certificate prepared by Savills (Hong Kong) Limited as set out in Appendix II to this circular;
- (d) the written consent referred to in the paragraph headed “6. Expert’s qualification and consent” in this appendix;
- (e) the material contracts referred to in the paragraph headed “7. Material contracts” in this appendix;
- (f) the circular dated 13 April 2005 issued by the Company in relation to the acquisition of Hanwin Investment Limited and acquisition of property;
- (g) the circular dated 5 May 2005 issued by the Company in relation to the acquisition of property;
- (h) the circular dated 10 May 2005 issued by the Company in relation to acquisition of property;
- (i) the circular dated 22 July 2005 issued by the Company in relation to acquisition of property;
- (j) the circular dated 31 October 2005 issued by the Company in relation to the subscription of right shares and application of excess right shares allotted by WYT; and
- (k) this circular.

NOTICE OF SGM



WANG ON GROUP LIMITED

(宏安集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1222)

NOTICE is hereby given that a special general meeting of Wang On Group Limited (the “Company”) will be held at 3503, 35/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong on 9 December 2005 at 9:30 a.m. (Hong Kong time) for the purposes of considering and, if thought fit, passing the following resolution, which will be proposed as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** the possible disposal of all or any part of the remaining units of the Milan Place (details of which as referred to in the circular of the Company dated 23 November 2005) located at No. 58 Yen Chow Street, Kowloon, Hong Kong held by the subsidiaries of the Company from time to time to independent third parties not connected with the Company, the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates be and are hereby approved and that the directors of the Company be and are hereby authorized to carry out and effect such disposals in such manner and on such terms and conditions as they may in their absolute discretion determine and to do or execute for and on behalf of the Company all acts, deeds and things, which in their opinion are necessary or desirable to effect such disposals.”

By order of the Board
Wang On Group Limited
Chan Chun Hong, Thomas
Managing Director

Hong Kong, 23 November 2005

Head office and principal place of business:

5th Floor

Wai Yuen Tong Medicine Building

9 Wang Kwong Road

Kowloon Bay

Kowloon

Hong Kong

* *For identification purpose only*

NOTICE OF SGM

Notes:

1. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more than one proxy to attend and to vote in his stead. A proxy need not be a member of the Company.
2. A form of proxy for use at the meeting is enclosed herewith. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing. If the appointer is a corporation, the form of a proxy must be under its common seal or under the hand of an officer, attorney or other person authorised to sign the proxy.
3. To be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power of authority, must be deposited at the Company's registrar, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. Completion and return of the form of proxy shall not preclude members from attending and voting in person at the meeting or at any adjourned meeting (as the case may be) should they wish, and in such event, the form of proxy shall be deemed to be revoked.

As at the date of this notice, the Board comprises three executive Directors, namely Mr. Tang Ching Ho, Ms. Yau Yuk Yin and Mr. Chan Chun Hong, Thomas, and four independent non-executive Directors, namely Dr. Lee Peng Fei, Allen, Mr. Wong Chun, Justein, Dr. Siu Yim Kwan, Sidney and Mr. Siu Kam Chau.