



## **Health Products Division**

In addition to continue operating the sole distributorship of the Lingzhi spores products, the Group has acquired a company carrying on a health products wholesale business and a health products retailing chain store business under the trade name of Health Plus.

This business is at its preliminary stage. The turnover during the period amounted to HK\$16.9 million.

## **Property Investment Division**

Total rental income was principally derived from the leasing of the Group's rental properties at Shatin Industrial Centre and Mei Wan Street. These properties were approximately 90% leased as at 30 September 2003.

During the period, the Group acquired the 5th floor and part of the 6th floor of Shatin Industrial Centre. The 5th floor was acquired with an ongoing tenancy agreement for one year, and part of the 6th floor was rented out subsequent to the period end. The Group also acquired a piece of land at Ping Che, a portion of which was acquired with an ongoing tenancy agreement for nine months. The remaining area was partially leased out.

## **Property Development Division**

The Group has commenced the development of the land situated at Lot No. 2574 in Demarcation District 92, Castle Peak Road, Kwu Tung, New Territories. This property is expected to be completed by early 2004.

## **Property Agency and Management Division**

The turnover for this division mainly came from the fees for project management, rental collection and leasing agency services.

Projects managed during the period included the renovation works for CDW Building in Tsuen Wan and the property development project for the land in Kwu Tung.

This Division provides rental collection, agency and leasing services for CDW Building and a building at Hart Avenue. It also undertakes property management services for CDW Building.

## **Outlook**

Hong Kong has regained much momentum as the threat of SARS has receded. The introduction of the Mainland Individual Visit Scheme, the establishment of the CEPA, and the agreement allowing local banks to offer Renminbi services by the Central Government have helped stimulate the Hong Kong economy further. The local tourism and retailing industries have already shown promising improvements.

Following the various housing policies of the Hong Kong Government to redress the issue of the over-supply of properties, the property prices in Hong Kong have stabilized and the Hong Kong property market has become more active. On the financial side, though the economy has not responded significantly so far, it should benefit from an extended period of low interest rates.

In the United States, the increase in GDP during the third quarter of 2003, and October's stronger-than-expected employment record suggest that business investment has been picking up.

With so many positive factors, there is growing hope that the worst is over for the Hong Kong economy. The greatest concern, as well as the greatest hope, is the restoration of investor and consumer confidence in Hong Kong.

While the Group is optimistic about Hong Kong's medium to long-term prospects, it will continue to maintain its competitiveness through tight control over costs, quality and efficiency, to be well prepared for the business opportunities ahead.

## **FINANCIAL REVIEW**

### **Group Liquidity and Financial Resources**

The financial position of the Group remains healthy. As at the close of business on 30 September 2003, the total cash and bank balances had decreased by HK\$1.6 million or 1.3%, compared with those as at 31 March 2003, and accounted for 31.2% of the current assets. As at the period end date, current assets had been maintained at 1.2 times the current liabilities.

For day-to-day liquidity management and the maintenance of flexibility in funding, the Group has also obtained banking facilities with aggregate amount of HK\$183.3 million (HK\$17.5 million was secured by first charges over certain land and buildings and investment properties of the Group), of which approximately HK\$88.2 million has been utilized mainly for the issuance of letters of credit and performance bonds. The Group's funding requirements for the coming year are expected to be met by available cash as at balance sheet date, cash generated by operations and the available banking facilities.

### **Treasury Policies**

In order to achieve better risk control and to minimize the cost of funds, the Group's treasury activities are centralised and scrutinised by the top management. The Group's treasury policies remain unchanged from those described in the latest annual report 2002-2003.

### **Capital Structure**

It is the intention of the Group to maintain an appropriate mix of equity and debt to ensure an efficient capital structure over time. During the period under review, the Group has taken out a Hong Kong dollars loan amounting to HK\$17.5 million from a bank (at 31 March 2003: HK\$ Nil). The borrowing has been used as general working capital and is long term in nature. Interest is based on HIBOR with a competitive margin.

As at 30 September 2003, the gearing ratio of the Group, calculated on the basis of the total bank borrowings over shareholders' funds, was 4.6% (at 31 March 2003: Nil).

### **Major Acquisition**

During the period, the Group purchased, from internally generated funds, the whole 5th floor and part of the 6th floor of Shatin Industrial Centre, and a piece of land at Ping Che, from independent third parties, at a total consideration of approximately HK\$38.0 million. These properties are located in Hong Kong, and are held for investment purposes.

In June 2003, the Group also acquired from an independent third party the entire issued share capital of Retailcorp Limited which carries on a health products wholesale business and operates a health products retailing chain store business under the trade name of "Health Plus", at a consideration of approximately HK\$3.1 million.

### **Collateral**

As at 30 September 2003, the Group's Hong Kong dollars loan of HK\$17.5 million was secured by first charges over certain land and buildings and investment properties of the Group, at the carrying value of approximately HK\$27.8 million (at 31 March 2003: HK\$ Nil).

### **Contingent Liabilities**

- (1) At 30 September 2003, the Group had given guarantees to a bank in respect of performance bonds granted to the jointly controlled entity amounting to approximately HK\$4.4 million (at 31 March 2003: HK\$4.4 million).
- (2) During the period, legal actions in respect of the allegations for copyright infringement and defamation have been taken against certain subsidiaries of the Company carrying on health products business. As the relevant actions are in the preliminary stage, the directors are of the opinion that it is impractical to assess their impacts to the Group.

### **Capital Commitments**

At 30 September 2003, the Group had no material outstanding capital commitments.

## **EMPLOYEES AND REMUNERATION POLICY**

As of 30 September 2003, the Group had over 470 employees. The Group offers competitive remuneration packages, including a discretionary bonus and share option scheme to its employees, commensurable to market level and their qualifications. The Group also provides retirement schemes, medical benefits and both in-house and external training courses for staff.

## **REVIEW OF INTERIM RESULTS**

The interim financial report of the Group for the six months ended 30 September 2003 has not been audited, but has been reviewed by the Audit Committee of the Board and the Group's auditors, Messrs Deloitte Touche Tohmatsu.

## **PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE**

All information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules on the Stock Exchange will be published on the website of the Stock Exchange in due course.

By order of the Board  
**Cha Mou Sing, Payson**  
*Chairman*