

PROPERTY
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WANG ON GROUP LIMITED

宏安集團有限公司

(Incorporated in Bermuda with limited liability)

2005 INTERIM REPORT

PROPERTY
DEVELOPMENT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Tang Ching Ho, *Chairman*
Ms. Yau Yuk Yin, *Deputy Chairman*
Mr. Chan Chun Hong, Thomas
Managing Director
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*

* *Independent Non-Executive Director*

Executive Committee

Mr. Tang Ching Ho, *Chairman*
Ms. Yau Yuk Yin
Mr. Chan Chun Hong, Thomas

Audit Committee

Dr. Siu Yim Kwan, Sidney, S.B. St.J.
Chairman
Mr. Wong Chun, Justein, MBE, JP
Mr. Siu Kam Chau

Remuneration Committee

Mr. Wong Chun, Justein, MBE, JP
Chairman
Dr. Allen Lee Peng Fei, CBE, JP
Dr. Siu Yim Kwan, Sidney, S.B. St.J.
Mr. Siu Kam Chau
Mr. Tang Ching Ho
Ms. Yau Yuk Yin
Mr. Chan Chun Hong, Thomas

Nomination Committee

Dr. Allen Lee Peng Fei, CBE, JP
Chairman
Mr. Wong Chun, Justein, MBE, JP
Dr. Siu Yim Kwan, Sidney, S.B. St.J.
Mr. Siu Kam Chau
Mr. Tang Ching Ho
Ms. Yau Yuk Yin
Mr. Chan Chun Hong, Thomas

COMPANY SECRETARY

Mr. Chan Chun Hong, Thomas

QUALIFIED ACCOUNTANT

Mr. Leong Weng Kin

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
DBS Bank (Hong Kong) Limited
Dah Sing Bank, Limited
United Commercial Bank

AUDITORS

Ernst & Young

LEGAL ADVISORS

Preston Gates Ellis

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Kowloon
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SHARE REGISTRAR IN HONG KONG

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HOMEPAGE

<http://www.wangon.com>

STOCK CODE

1222

INTERIM RESULTS

The Board of Directors (the “Directors”) of Wang On Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2005, together with the comparative figures for the corresponding period in 2004. These condensed consolidated financial statements have not been audited, but have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2005

	Notes	For the six months ended 30 September	
		2005 (Unaudited) HK\$'000	2004 (Unaudited) (Restated) HK\$'000
TURNOVER	3	137,273	144,015
Cost of sales		(115,937)	(118,484)
Gross profit		21,336	25,531
Other income and gains	4	12,259	11,648
Selling and distribution costs		(4,083)	(3,759)
Administrative expenses		(19,970)	(12,999)
Other operating expenses		(902)	(310)
Changes in fair value of investments		2,609	(1,200)
Gain/(loss) on disposal of interests in subsidiaries		573	(372)
Surplus/(deficit) on revaluation of investment properties		24,276	(4,414)
Finance costs	5	(6,444)	(1,870)
Share of losses of an associate		(10,000)	(2,071)
PROFIT BEFORE TAX	6	19,654	10,184
Tax	7	(8,385)	(2,522)
PROFIT FOR THE PERIOD		11,269	7,662
ATTRIBUTABLE TO:			
Equity holders of the parent		11,278	7,663
Minority interests		(9)	(1)
		11,269	7,662
EARNINGS PER SHARE	8		
Basic		HK5.65 cents	HK4.46 cents
Diluted		HK5.31 cents	HK4.45 cents
DIVIDEND PER SHARE	9	HK3 cents	HK3 cents

CONDENSED CONSOLIDATED BALANCE SHEET

30 September 2005

	Notes	30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Restated) HK\$'000
NON-CURRENT ASSETS			
Fixed assets:			
Property, plant and equipment		21,437	25,641
Investment properties		322,700	219,550
Properties under development		318,505	208,412
Goodwill		4,987	4,987
Interests in associates	11	168,559	179,011
Held-to-maturity securities		36,448	42,234
Available-for-sale investments		—	12,000
Loan receivables		15,915	1,400
Rental deposits paid		6,011	5,465
Other deposits		13,910	30,603
Deferred tax assets		587	743
Total non-current assets		909,059	730,046
CURRENT ASSETS			
Properties held for sale		115,711	—
Properties under development		16,228	13,044
Held-to-maturity securities		14,194	20,424
Available-for-sale investments		—	15,520
Investments at fair value through profit or loss		18,966	23,361
Inventories		74	70
Trade receivables	12	8,755	10,027
Prepayments, deposits and other receivables		21,770	19,308
Tax recoverable		47	740
Pledged deposits		17,771	7,723
Cash and cash equivalents		265,003	304,940
Total current assets		478,519	415,157
CURRENT LIABILITIES			
Trade payables	13	210	157
Other payables and accruals		22,129	14,794
Deposits received and receipts in advance		44,971	42,470
Interest-bearing bank loans		112,265	28,072
Provisions for onerous contracts		667	6,749
Tax payable		5,315	3,269
Total current liabilities		185,557	95,511
NET CURRENT ASSETS		292,962	319,646
TOTAL ASSETS LESS CURRENT LIABILITIES		1,202,021	1,049,692

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

30 September 2005

		30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Restated) HK\$'000
	Notes		
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		362,049	214,496
Provisions for onerous contracts		2,856	1,420
Convertible notes	14	45,472	85,254
Deferred tax liabilities		6,049	1,437
Total non-current liabilities		416,426	302,607
		785,595	747,085
CAPITAL AND RESERVES			
Equity attributable to equity holders of the parent			
Issued capital	15	22,454	14,332
Reserves	16	534,697	489,594
Retained profits	16	221,282	224,878
Proposed dividends	16	6,736	17,846
		785,169	746,650
Minority interests		426	435
		785,595	747,085

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 September 2005*

		For the six months ended 30 September	
		2005	2004
		(Unaudited)	(Unaudited)
			(Restated)
	Notes	HK\$'000	HK\$'000
Total equity at 1 April:			
As previously reported as equity		736,377	680,582
As previously reported separately as minority interests		435	401
		736,812	680,983
Prior period adjustment	1, 2	10,273	—
		747,085	680,983
As restated, before opening adjustment		(3,530)	—
Opening adjustment	1, 2		
		743,555	680,983
As restated, after opening adjustment			
Changes in equity during the period:			
Profit for the period (as restated)		11,269	7,662
Dividend declared		(22,454)	(10,032)
Exercise of share options		11,528	—
Conversion of convertible notes		41,697	—
		785,595	678,613
Total equity at 30 September			
Total recognised income and expense for the period attributable to:			
Equity holders of the parent		11,278	7,663
Minority interests		(9)	(1)
		11,269	7,662
Effect of prior period and opening adjustments attributable to:			
Equity holders of the parent		6,743	—
Minority interests		—	—
		6,743	—

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 September 2005*

	Six months ended	
	30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	12,202	8,216
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(250,770)	(174,542)
NET CASH INFLOW FROM FINANCING ACTIVITIES	198,631	175,017
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(39,937)	8,691
Cash and cash equivalents at beginning of period	304,940	289,365
CASH AND CASH EQUIVALENTS AT END OF PERIOD	265,003	298,056
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	67,216	33,126
Non-pledged time deposits with original maturity of less than three months when acquired	197,787	264,930
	265,003	298,056

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2005

1. Accounting policies

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
HK – Int 3	Revenue – Pre-completion Contracts for the Sale of Development Properties

The condensed consolidated interim financial statements are prepared in accordance with HKAS 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 March 2005, except in relation to the following new and revised HKFRSs not yet previously early adopted by the Group and are adopted for the first time for the current period's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

1. Accounting policies (Continued)

The adoption of HKASs 2, 7, 8, 10, 12, 16, 17, 18, 19, 21, 23, 24, 27, 28, 33, 37 and HK-Int 4 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements. The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 32 and HKAS 39 – Financial Instruments

(i) Financial assets

Upon the adoption of HKASs 32 and 39, the Group classified financial assets in the following categories:

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. It is carried at fair value, with changes in fair value through profit or loss.

In prior periods, the Group's other investments were measured at fair value, with unrealised gains or losses included in the income statement, while the Group's convertible notes due from an associate were stated at cost less any impairment losses.

On 1 April 2005, other investments were reclassified to investments at fair value through profit or loss with the same accounting treatment as before. In accordance with HKAS 32, comparative amounts have been reclassified for presentation purpose.

On 1 April 2005, convertible notes due from an associate were measured at fair values with changes in fair value recognised in the income statement for the period in which they arose. The effect of this change in accounting policy is summarised in note 2 to the condensed consolidated financial statements. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

1. Accounting policies *(Continued)*

(a) HKAS 32 and HKAS 39 – Financial Instruments *(Continued)*

(i) Financial assets (Continued)

Loan receivables

Loan receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Assets in this category are measured at amortised cost using effective interest method.

Held-to-maturity securities

Held-to-maturity securities are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost using effective interest method, the same accounting treatment as before.

Available-for-sale investments

Available-for-sale investments are those non-derivative investments in unlisted equity securities that are designated as available-for-sale or are not classified in any of the other categories of financial assets as defined in HKAS 39. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same and discounted cash flow analysis.

When the fair value of unlisted equity securities cannot be reliably measured because (1) the variability in the range of reasonable fair value estimates is significant for that investment, or (2) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Accounting policies (Continued)

(a) HKAS 32 and HKAS 39 – Financial Instruments (Continued)

(i) Financial assets (Continued)

Available-for-sale investments (Continued)

The Group assesses at each balance sheet date whether there is any objective evidence that an available-for-sale investment is impaired as a result of one or more events that occurred after the initial recognition of the assets ("loss events"), and that the loss event has an impact on the estimated future cash flows that can be reliably estimated.

If there is objective evidence of impairment, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the income statement. The amount of the loss recognised in the income statement shall be the difference between the acquisition cost and current fair value, less any impairment loss on that available-for-sale investment previously recognised in the income statement.

This change in accounting policy has had no effect on the condensed consolidated income statement and retained profits. In accordance with HKAS 32, comparative amounts have been reclassified for presentation purpose.

(ii) Convertible notes

In prior periods, convertible notes were stated at amortised cost. Upon the adoption of HKASs 32 and 39, convertible notes issued are split into liability and equity components.

On the issue of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

1. Accounting policies *(Continued)*

(a) HKAS 32 and HKAS 39 – Financial Instruments *(Continued)*

(ii) Convertible notes (Continued)

The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements. In accordance with HKAS 32, comparative amounts have been restated.

(b) HKFRS 2 – Share-based Payment

In prior periods, no recognition and measurement of share-based transactions in which employees (including directors) were granted share options over shares in the Company was required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments (“equity-settled transactions”), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted. The fair value is determined by an external valuer using a binomial model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company, if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the “vesting date”). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

1. Accounting policies *(Continued)*

(b) HKFRS 2 – Share-based Payment (Continued)

In accordance with the transitional provision of HKFRS 2, the Group applies HKFRS 2 to share options granted after 7 November 2002 and not yet vested at 1 April 2005. The adoption of HKFRS 2 has had no effect on the condensed consolidated financial statements.

(c) HK(SIC)-Int 21 – Income Taxes – Recovery of Revalued Non-depreciable Assets

In prior periods, deferred tax arising on the revaluation of investment properties was recognised based on the tax rate that would be applicable upon the sale of the investment properties.

Upon the adoption of HK(SIC)-Int 21, deferred tax arising on the revaluation of the Group's investment properties is determined depending on whether the properties will be recovered through use or through sale. The adoption of HK(SIC)-Int 21 has no significant effect on the condensed consolidated financial statements.

(d) HKAS 1 – Presentation of Financial Statements and HKAS 27 – Consolidated and Separate Financial Statements

In prior periods, minority interests at the balance sheet date were presented in the condensed consolidated balance sheet separately from liabilities and as a deduction from the net assets. Minority interests in the results of the Group for the period were also separately presented in the condensed consolidated income statement as a reduction before arriving at the profit attributable to the equity holders of the parent.

Upon the adoption of HKASs 1 and 27, minority interests at the balance sheet date are presented in the condensed consolidated balance sheet as an element of capital and reserves, separately from the equity attributable to the equity holders of the parent, and the minority interests in the results of the Group for the period are presented on the face of the condensed consolidated income statement as an allocation of the total profit or loss for the period between the minority interests and the equity holders of the parent.

The presentation of minority interests in the condensed consolidated balance sheet, income statement and statement of changes in equity for the comparative period has been restated.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2. Summary of the impact of changes in accounting policies

Effect on opening balance of total equity at 1 April:

Following the adoption of the HKFRSs, the opening balances of the following accounts were adjusted. The details of the prior period adjustment and opening adjustment are summarised as follows:

Effect of new policy (Increase/(decrease))	Notes	2005			2004		
		Equity component of convertible notes	Retained profits	Total	Equity component of convertible notes	Retained profits	Total
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Prior period adjustment:							
HKAS 32							
– Convertible notes	1(a)(ii)	10,903	(630)	10,273	–	–	–
Opening adjustment:							
HKAS 39							
– Convertible notes due from an associate	1(a)(i)	–	(3,530)	(3,530)	–	–	–
Total effect at 1 April		10,903	(4,160)	6,743	–	–	–

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2. Summary of the impact of changes in accounting policies (Continued)

Effect on profit after tax for the six months ended 30 September:

The following table summarises the impact on profit after tax for the six months ended 30 September 2005 and 2004 upon the adoption of the new HKFRSs. As no retrospective adjustments have been made for the adoption of HKAS 39, the amounts shown for the six months ended 30 September 2004 may not be comparable to the amount shown for the current interim period.

Effect of new policy (Increase/(decrease))	Notes	2005			2004		
		Equity holders of the parent	Minority interests	Total	Equity holders of the parent	Minority interests	Total
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
HKAS 32							
– Convertible notes	1(a)(ii)	(1,966)	–	(1,966)	–	–	–
HKAS 39							
– Convertible notes due from an associate	1(a)(i)	620	–	620	–	–	–
Total effect for the period		<u>(1,346)</u>	<u>–</u>	<u>(1,346)</u>	<u>–</u>	<u>–</u>	<u>–</u>

Effect on earnings per share:

Basic	<u>(HK0.67 cents)</u>	<u>–</u>
Diluted	<u>(HK0.63 cents)</u>	<u>–</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

3. Segment information

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

The following table presents revenue and result information for the Group's business segments for the six months ended 30 September.

2005

	Property development (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Chinese wet market (Unaudited) HK\$'000	Shopping centres and car parks (Unaudited) HK\$'000	Retail business (Unaudited) HK\$'000	Corporate and other (Unaudited) HK\$'000	Eliminations (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Group								
Segment revenue								
Sales to external customers	-	3,781	72,199	41,115	18,495	1,683	-	137,273
Intersegment sales	-	-	2,025	1,180	-	1,028	(4,233)	-
Other revenue	-	24,684	730	832	47	14,756	(1,332)	39,717
Total	-	28,465	74,954	43,127	18,542	17,467	(5,565)	176,990
Segment results	(2,339)	26,450	7,781	1,003	183	4,614	(1,403)	36,289
Unallocated expenses								(191)
Finance costs								(6,444)
Share of losses of an associate								(10,000)
Profit before tax								19,654
Tax								(8,385)
Profit for the period								11,269

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

3. Segment information (Continued)

2004

	Property development (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Chinese wet market (Unaudited) HK\$'000	Shopping centres and car parks (Unaudited) HK\$'000	Retail business (Unaudited) HK\$'000	Corporate and other (Unaudited) HK\$'000	Eliminations (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Group								
Segment revenue								
Sales to external customers	-	5,794	72,129	44,377	18,921	2,794	-	144,015
Intersegment sales	-	-	1,821	462	-	5,181	(7,464)	-
Other revenue	-	4,730	436	960	27	5,495	-	11,648
Total	-	10,524	74,386	45,799	18,948	13,470	(7,464)	155,663
Segment results	(1,556)	4,691	7,055	2,906	491	3,367	-	16,954
Unallocated expenses								(2,829)
Finance costs								(1,870)
Share of losses of an associate								(2,071)
Profit before tax								10,184
Tax								(2,522)
Profit for the period								7,662

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

4. Other income and gains

	For the six months ended 30 September	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Gain on disposal of investment properties	210	4,223
Interest income from:		
Investments	120	175
Others	4,102	2,256
Gain on disposal of investments	920	1,501
Dividend income from listed equity securities	173	202
Recognition of deferred gain	2,703	457
Others	4,031	2,834
	12,259	11,648

5. Finance costs

	For the six months ended 30 September	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Interest on convertible notes	2,353	—
Interest on bank loans and overdrafts	4,091	1,870
	6,444	1,870

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

6. Profit before tax

	For the six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	5,194	6,048
Amount released from onerous contracts, net	(4,646)	(5,387)
Gain on disposal of investment properties	(210)	(4,223)
(Gain)/loss on disposal of interests in subsidiaries	(573)	372
Provision for impairment of investments	—	1,200

7. Tax

	For the six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Group:		
Current tax – Hong Kong		
Charge for the period	2,208	2,156
Under/(over)provision in prior year	610	(538)
Deferred	5,567	904
Tax charge for the period	8,385	2,522

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 period.

Share of tax attributable to an associate amounting to nil (2004: HK\$417,000) is included in "Share of losses of an associate" on the face of the condensed consolidated income statement.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

8. Earnings per share

The calculation of basic earnings per share for the period is based on the net profit attributable to equity holders of the parent of HK\$11,278,000 (2004: HK\$7,663,000 as restated), and the weighted average of 199,467,390 (2004: 171,984,439 as adjusted for the bonus issue during the period) ordinary shares in issue during the period, as adjusted to reflect the bonus issue during the period.

The calculation of diluted earnings per share is based on the net profit attributable to equity holders of the parent of HK\$11,278,000 (2004: HK\$7,663,000 as restated). The weighted average number of ordinary shares used in the calculation is 199,467,390 (2004: 171,984,439 as adjusted for the bonus issue during the period) ordinary shares in issue during the period, as used in the basic earnings per share calculation; and the weighted average of 13,104,234 (2004: 309,311 as adjusted for the bonus issue during the period) ordinary shares assumed to have been issued at no consideration on deemed exercise of all the share options during the period.

The basic and diluted earnings per share for the period ended 30 September 2004 has been adjusted to take into account of the effect of bonus issue of shares during the period ended 30 September 2005.

9. Dividend

	For the six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend of HK3 cents		
(2004: HK3 cents) per share	<u>6,736</u>	<u>4,300</u>

At a meeting of the board of directors held on 16 December 2005, the director resolved to pay an interim dividend to shareholders of HK3 cents (2004: HK3 cents).

10. Pledge of assets

As at 30 September 2005, the Group's properties under development and held for sale, investment properties and certain rental income generated therefrom were pledged to secure certain of the Group's general banking facilities.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

11. Interests in associates

	30 September 2005 (Unaudited) HK\$'000	31 March 2005 HK\$'000
Share of net assets	157,557	167,557
Deferred gain	(11,989)	(14,692)
Goodwill on acquisition	9,718	9,718
	155,286	162,583
Due from associates – Note (i)	329	465
Due to associates – Note (i)	(143)	(34)
Convertible notes due from an associate – Note (ii)	13,090	16,000
	168,562	179,014
Provisions for impairment	(3)	(3)
	168,559	179,011

Notes:

- (i) The balances with associates are unsecured, interest-free and have no fixed terms of repayment.
- (ii) The convertible notes carried 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. Subsequent to 30 September 2005, the conversion price of HK\$0.80 per share had been adjusted to HK\$0.50 per share as a result of a right issue on 6 December 2005. The convertible notes have been fully repaid by WYTH on 9 December 2005.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

11. Interests in associates (Continued)

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

Name	Business structure	Place of incorporation/ operation	Percentage of ownership interest attributable to the Group		Principal activities
			30 September 2005	31 March 2005	
WYTH*	Corporate	Bermuda/ Hong Kong	28.57	28.57	Production and sales of traditional Chinese and Western Pharmaceutical, health food products and property holding

* Listed on The Stock Exchange of Hong Kong Limited

12. Trade receivables

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

	30 September 2005 (Unaudited) HK\$'000	31 March 2005 HK\$'000
Within 90 days	7,697	9,073
91 days to 180 days	749	1,154
Over 180 days	1,300	636
	9,746	10,863
Less: Provision for doubtful debts	(991)	(836)
	8,755	10,027

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

13. Trade payables

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

	30 September 2005 (Unaudited) HK\$'000	31 March 2005 HK\$'000
Within 90 days	<u>210</u>	<u>157</u>

14. Convertible notes

	30 September 2005 (Unaudited) HK\$'000	31 March 2005 HK\$'000
2007 convertible notes – note (i)	–	32,585
2008 convertible notes – note (ii)	<u>45,472</u>	<u>52,669</u>
	<u>45,472</u>	<u>85,254</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 an initial conversion price of HK\$1.30 per share.

The principal amounts of the convertible notes bore interest at 1% per annum and the convertible notes were fully converted into the Company's shares during the period.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

14. Convertible notes (Continued)

Notes: (Continued)

- (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\$2.00 per share (as adjusted after the bonus issue.)

The principal amounts of the convertible notes bore 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. Part of the convertible notes with face value of HK\$9,840,000 were converted into the Company's share during the period.

Fair value of the liability component of the convertible note was determined, upon issuance, using the prevailing market interest rate for similar debt without a conversion option of 5.5% and is carried as a long-term liability. The remainder of the proceeds was allocated to the conversion option that is recognised and included in shareholders' equity.

15. Share capital

Shares

	30 September 2005 (Unaudited) HK\$'000	31 March 2005 HK\$'000
<i>Authorised:</i>		
2,000,000,000 ordinary shares of HK\$0.10 each	<u>200,000</u>	<u>200,000</u>
<i>Issued and fully paid:</i>		
224,544,439 (31 March 2005: 143,320,366) ordinary shares of HK\$0.10 each	<u>22,454</u>	<u>14,332</u>

Share options

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

16. Reserves

	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Equity component of convertible notes (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Proposed interim dividend (Unaudited) HK\$'000	Proposed final dividend (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000
At 1 April 2004	372,362	106,329	-	177,527	-	10,032	666,250	401
Final 2004 dividend declared	-	-	-	-	-	(10,032)	(10,032)	-
Profit for the period (as restated)	-	-	-	7,663	-	-	7,663	(1)
Interim 2005 dividend	-	-	-	(4,300)	4,300	-	-	-
At 30 September 2004 and 1 October 2004 (as restated)	372,362	106,329	-	180,890	4,300	-	663,881	400
Interim 2005 dividend declared	-	-	-	-	(4,300)	-	(4,300)	-
Equity component of convertible notes (as restated)	-	-	10,903	-	-	-	10,903	-
Profit for the period (as restated)	-	-	-	61,834	-	-	61,834	35
Proposed final 2005 dividend	-	-	-	(17,846)	-	17,846	-	-
At 31 March 2005 (as restated)	372,362	106,329	10,903	224,878	-	17,846	732,318	435

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

16. Reserves (Continued)

	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Equity component of convertible notes (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Proposed interim dividend (Unaudited) HK\$'000	Proposed final dividend (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000
At 1 April 2005								
As previously reported	372,362	106,329	-	225,508	-	17,846	722,045	435
Prior period adjustments:								
(notes 1 & 2)	-	-	10,903	(4,160)	-	-	6,743	-
As restated	372,362	106,329	10,903	221,348	-	17,846	728,788	435
Final 2005 dividend declared	-	-	-	-	-	(17,846)	(17,846)	-
Additional 2005 dividend declared	-	-	-	(4,608)	-	-	(4,608)	-
Exercise of share options	10,418	-	-	-	-	-	10,418	-
Conversion of convertible notes	43,253	-	(4,826)	-	-	-	38,427	-
Bonus issue	(3,742)	-	-	-	-	-	(3,742)	-
Profit for the period	-	-	-	11,278	-	-	11,278	(9)
Proposed 2006 interim dividend	-	-	-	(6,736)	6,736	-	-	-
At 30 September 2005	422,291	106,329	6,077	221,282	6,736	-	762,715	426

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

17. Contingent liabilities

At the balance sheet date, the Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employee Ordinance, with a maximum possible amount of HK\$532,000 (31 March 2005: HK\$1,366,000). The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service of the Group in order to be eligible for long service payments under the Employment Ordinance if their employment was to be 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.

18. Operating lease arrangements

(a) As lessor

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

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

	30 September 2005 (Unaudited) HK\$'000	31 March 2005 HK\$'000
Within one year	79,984	140,509
In the second to fifth years, inclusive	68,684	137,077
	148,668	277,586

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

18. Operating lease arrangements (Continued)

(b) As lessee

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

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

	30 September 2005 (Unaudited) HK\$'000	31 March 2005 HK\$'000
Within one year	125,104	124,371
In the second to fifth years, inclusive	108,559	188,373
After five years	1,824	2,495
	<u>235,487</u>	<u>315,239</u>

19. Commitments

In addition to the operating lease commitments detailed in note 18(b) above, the Group had the following commitments at the balance sheet date:

	30 September 2005 (Unaudited) HK\$'000	31 March 2005 HK\$'000
Capital commitments contracted, but not provided for	<u>238,097</u>	<u>121,350</u>

20. Post balance sheet events

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

- (a) Since 21 September 2005, the Group entered into various provisional agreements with purchasers who are independent third parties for their purchase of 27 residential units and 9 shop lots in Milan Place from the Group at the aggregate consideration of HK\$108.2 million.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

20. Post balance sheet event (Continued)

- (b) On 10 October 2005, WYTH proposed to raise approximately HK\$157.1 million, before expenses, by issuing not less than 1,047,260,766 and not more than 1,047,260,892 of new shares at a price of HK\$0.15 each by way of the rights issue on the basis of three rights share for every the then share held on 16 November 2005. The Group had irrevocably undertaken to procure that Rich Time Strategy Ltd ("Rich Time"), an indirect wholly-owned subsidiary of the Company, would, and Rich Time had irrevocably undertaken to, among other things, (i) take up all the provisional entitlements of 299,196,993 rights shares; and (ii) make an excess application for 285,280,000 rights shares. On 9 November 2005, the Securities and Futures Commission had granted the whitewash waiver to exempt the Group from general offer in subscription of the rights shares. On 6 December 2005, a total of 584,476,993 rights shares were allotted to Rich Time and the Group's percentage of equity interest in WYTH had been increased from 28.57% to 49% accordingly.

21. Related party transactions

In addition to the transactions set out elsewhere in the financial statements, the Group had the following transactions with related parties during the period:

(a) Transactions with related parties

		For the six months ended 30 September	
		2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
	Notes		
Purchase of a subsidiary and its shareholder's loan from a director	(i)	3,000	—
Rental income received from a director	(ii)	300	270
Proceeds from disposal of subsidiaries to an associate	(iii)	—	65,354
Income from associates:	(iv)		
– Management fee		438	504
– Interest income		240	519
– Rental		—	2,355
Expenses paid to associates:	(iv)		
– Rental		993	588

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

21. Related party transactions (Continued)

(a) Transactions with related parties (Continued)

- (i) During the period, the Group acquired from a director of the Company, Mr. Tang Ching Ho ("Mr. Tang") the entire interests in Hanwin Investment Limited, a company wholly and beneficially owned by Mr. Tang, at a consideration equivalent to the face value of the entire issued share capital and shareholder's loan of Hanwin Investment Limited. Prior to the completion of the agreement in respect of the acquisition of Hanwin Investment Limited from Mr. Tang, Hanwin Investment Limited had entered into agreements with independent third parties to acquire an investment property at a consideration of approximately HK\$110.0 million.
- (ii) 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 further one year at an agreed monthly rental of HK\$50,000. The rentals were determined with reference to the prevailing market rates.
- (iii) One of the subsidiaries of the Company was disposed of to WYTH at a consideration of HK\$65.4 million. The consideration was based on terms mutually agreed between both parties.
- (iv) The transactions were based on terms mutually agreed between both parties.

(b) Compensation of key management personnel of the Group

	For the six months ended 30 September	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Short term employment benefits	7,518	5,730
Post-employment benefits	84	72
	<u>7,602</u>	<u>5,802</u>

22. Approval of the unaudited condensed consolidated financial statements

The unaudited condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 16 December 2005.

INTERIM DIVIDEND AND BOOK CLOSE

The Directors have resolved to declare an interim dividend of HK3.0 cents (2004: HK3.0 cents) per share for the six months ended 30 September 2005. The interim dividend will be payable on 16 January 2006 to those shareholders whose names appear on the register of members of the Company on 6 January 2006 (the "Record Date"). The register of members of the Company will be closed from 4 January 2006 to the Record Date, both days inclusive. During this period, no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tengis Limited of G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong (which will be relocated to 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong with effect from 3 January 2006) for registration no later than 4:00 p.m. on 3 January 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period ended 30 September 2005, the Group's turnover amounted to approximately HK\$137.3 million (2004: HK\$144.0 million) showing a slight decrease of approximately 5% when compared to that recorded in the same period last year. This was mainly attributed to a reduction in turnover from the shopping centres and car parks under the Group's management and from property investment. The Group's net profit attributable to shareholders improved by approximately 47% and amounted to approximately HK\$11.3 million in the current period under review (2004: HK\$7.7 million).

Property Development

During the period under review, the Group commenced the foundation work for the Shatin Heights Road and Fairview Park Boulevard projects and the progress of these 2 projects is on schedule. In October 2005, the Group completed the purchase of the two remaining units at the Kennedy Town project. Preliminary works such as design and submissions have started. The Group plans to demolish the existing building structures for redevelopment in the next few months.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review (Continued)

Property Development (Continued)

As at 30 November 2005, the Group's property development portfolio is as follows:

Property Name	Location	Approximate Site Area (sq ft)	Development Plan	Anticipated Completion
Shatin Heights Road	Lot No. 1476 in DD 189	49,100	Low density residential area with 11 luxury houses	Early 2007
Fairview Park Boulevard	Lot No. 4781 in D.D. No. 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	154,800	Low density residential and commercial area with 16 luxury houses, 6 shops and club house	Early 2007
Cheung Sha Wan [#]	270-274 Cheung Sha Wan Road Kowloon	4,200	24 storey residential and commercial building	Early 2009
Kennedy Town	Nos. 12, 14, 16, 18, 20 and 22, Davis Street, Kennedy Town, Hong Kong	5,000	26 storey residential and commercial building	Early 2008
Ho Chung	Various lots in D.D. 210 and D.D. 244 Sai Kung, New Territories	40,000	Low density residential development	Early 2009
		<u>253,100</u>		

[#] The acquisition of the property is expected to be completed in the second half of 2006.

The Directors expect the Hong Kong property market will enjoy sustained healthy growth accompanied by steady rises in property and land prices. The Group's current landbank is expected to be sufficient to accommodate its development plans and generate handsome returns to the Group for the next two to three years.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)***Business Review** *(Continued)****Property Investment***

In the current period under review, gross rental income amounted to approximately HK\$3.8 million (2004: HK\$5.8 million). The decrease in gross rental income was caused by the sale of a number of investment properties in the second half of last financial year. The Group's retail property portfolio was replenished during the period under review upon completion of the purchase of 5 shops with a total consideration of approximately HK\$100.4 million.

During the period under review and up to the date of this report, the Group has sold 27 residential units and 9 shop lots at Milan Place which had been acquired by the Group earlier during the period under review, generating a turnover of approximately HK\$108.2 million. Such turnover will be reflected in the Group's financial statements for the year ended 31 March 2006. The Group will continue to sell the remaining 21 residential units.

Due to the adoption of HKAS 40, the Group recorded an amount of approximately HK\$24.3 million in respect of increase in the fair value of investment properties in the period under review.

As at 30 September 2005, the Group held a retail property portfolio with a net book value of approximately HK\$322.7 million, generating a projected annual rental income of approximately HK\$10.4 million. The Directors believe that the existing strategy of keeping a balanced portfolio will continue to provide stable recurrent rental income for the Group.

Management and Sub-licensing of Chinese Wet Markets

The Group continues to be the market leader in this business sector in Hong Kong. The Group will explore potential opportunities to further expand this business segment and enhance our market share in Hong Kong.

During the period under review, this business sector generated a profit of HK\$7.8 million and provided a steady recurrent income for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review (Continued)

Management and Sub-licensing of Chinese Wet Markets (Continued)

Given the Group's extensive expertise and experience in the management of Chinese wet markets and with the recent privatization of Hong Kong Housing Authority's commercial properties via the launching of the The Link Real Estate Investment Trust, the Directors are optimistic of securing more business opportunities in the management and sub-licensing of Chinese wet markets.

Management and Sub-licensing of Shopping Centres and Car Parks

These two areas of business remained stable during the period.

Investment in Pharmaceutical and Health Products Retail Business

The retail environment remains highly competitive and challenging under pressure of rising rental and labour costs and keen competition amongst various competitors. These have dampened retail sales and led to the loss of Wai Yuen Tong Medicine Holdings Limited ("WYTH") during the period under review. However, with the increasing health awareness of the public and the increasing popularity of Chinese medicinal and health related products, the Directors believe that the future of the pharmaceutical industry is promising and are confident that the performance of WYTH will improve.

On 10 October 2005, it was announced that the Group would undertake to take up all its entitlement of a rights issue announced by WYTH on the same date and to make an excess application for 285.28 million rights shares under the rights issue.

This rights issue of WYTH was completed in December 2005. As a result of the rights issue, the Group has taken up all its rights shares allocation and the excess application for 285.28 million shares was also fully allotted to the Group. After the completion of the rights issue, the Group holds approximately 49% of WYTH's enlarged issued share capital.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)***Liquidity and Financial Resources**

As at 30 September 2005 the Group had cash resources and short term investment of approximately HK\$315.9 million (31 March 2005: HK\$372.0 million), of which approximately HK\$33.2 million (31 March 2005: HK\$59.3 million) was invested in certificates of deposits, callable deposits, bank commercial papers and listed securities, and HK\$36.4 million (31 March 2005: HK\$54.2 million) was invested in long term guaranteed return funds, callable deposit and bonds.

As at 30 September 2005, equity attributable to equity holders of the parent amounted to approximately HK\$785.2 million, representing an increase of approximately 5% compared to that as at 31 March 2005. The Group is in a strong financial position whilst the net debt position remains at a relatively low level. As at 30 September 2005, the Group's gearing ratio was approximately 30% (calculated by reference to the Group's total borrowings net of cash and cash equivalent, and shareholders funds of HK\$237.0 million and HK\$785.2 million, respectively, as at 30 September 2005). As at 31 March 2005, the Group had a net debt position of HK\$15.1 million (calculated with reference to the Group's cash and cash equivalent and total borrowings of HK\$312.7 million and HK\$327.8 million, respectively, as at 31 March 2005).

As at 30 September 2005, the Group's investment properties with a net book value of approximately HK\$293.7 million (31 March 2005: HK\$196.7 million) and certain rental income generated therefrom were pledged to secure the Group's banking facilities, approximately HK\$139.3 million of which was utilised at 30 September 2005.

The Group's contingent liabilities and capital commitment as at 30 September 2005 amounted to approximately HK\$238.6 million.

With cash and marketable short term investments in hand as well as available banking facilities, the Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Liquidity and Financial Resources *(Continued)*

For the period under review, the share capital of the Company increased by HK\$8.1 million due to the following:

- a. the conversion of convertible notes in an aggregate principal amount of HK\$37.18 million into 28.6 million new shares of HK\$0.10 each of the Company;
- b. the conversion of convertible notes in an aggregate principal amount of HK\$9.84 million into 4.1 million new shares of HK\$0.10 each of the Company;
- c. the exercise of 11.1 million employee share options resulting in the issue of 11.1 million new shares of HK\$0.10 each of the Company; and
- d. the bonus issue of shares, on the basis of one bonus share for every five existing shares, in August 2005 creating approximately 37.42 million new shares of HK\$0.10 each of the Company.

Employees and Remuneration Policies

As at 30 September 2005, the Group had nearly 600 full time employees, around 98% of whom were located in Hong Kong.

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

Prospects

The recovering Hong Kong economy provides ample optimism for the future performance of the Group. With employment rate improving, the Directors expect the economy and the property market in Hong Kong should perform well in the near future. The Company's management will continue to strengthen the Group's existing businesses whilst making every effort to explore new business opportunities to maximize returns for all shareholders.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

At 30 September 2005, the interests and short positions of the directors in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interest				Total	Percentage of the Company's issued share capital
	Direct beneficially owned	Through spouse	Through controlled corporation	Other		
Mr. Tang Ching Ho	737,226	737,224 (Note (a))	2,696,672 (Note (b))	29,792,155 (Note (c))	33,963,277	15.12%
Ms. Yau Yuk Yin	737,224	3,433,898 (Note (d))	–	29,792,155 (Note (e))	33,963,277	15.12%

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 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 the Tang's Family Trust.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES *(Continued)*

Save as disclosed above, as at 30 September 2005, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. On 3 May 2002, the Company approved a share option scheme (the "Scheme") under which 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), seconded, 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 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.

SHARE OPTION SCHEME *(Continued)*

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

Name or category of participant	At 1 April 2005	Exercise during the period	Adjustment for Bonus Issue during the period	At 30 September 2005	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$
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Employees

In aggregate	22,790,000	11,100,000	2,338,000	14,028,000	*	*	*
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- * 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 exercise price of those share options granted at the price of HK\$1.28 per share had been adjusted to HK\$1.067 per share for the effect of the Bonus Issue. The weight average price of the Company's share at exercise date of options is HK\$1.05.

At the balance sheet date, the Company had 14,028,000 share options outstanding under the Scheme. The exercise in full of the share options would, under the present capital structure of the Company, result in the issue of 14,028,000 additional ordinary shares of the Company and additional share capital of HK\$1,402,800 and share premium of HK\$13,565,076 (before issue expenses).

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2005, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Notes	Number of shares held	Percentage of the Company's issued share capital
Accord Power Limited		29,792,155	13.26%
Trustcorp Limited	(a)	29,792,155	13.26%

Notes:

- (a) Accord Power Limited is wholly owned by Trustcorp Limited in its capacity as the trustee of the Tang's Family Trust; accordingly, Trustcorp Limited was taken to be interested in those shares held by Accord Power Limited.

Save as disclosed above, as at 30 September 2005, no persons, other than the directors of the Company whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares and debentures" above, had registered an interest or short positions in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2005, except for the following deviations:

Code Provision A.1.7

This code provision stipulates that there should be a procedure agreed by the board to enable directors, upon reasonable requests, to seek independent professional advice in appropriate circumstances at the issuer's expense.

To comply with this provision, the board of the Company has established in September 2005 a procedure to enable its directors, in the discharge of their duties, to seek independent professional advice in appropriate circumstances at a reasonable cost to be borne by the Company.

Code Provision A.2.1

This code provision stipulates that the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing.

The Chairman of the Company is Mr. Tang Ching Ho who is primary responsible for the leadership of the board, while the functions of a CEO are performed by the Managing Director, Mr. Chan Chun Hong, Thomas, who is also an executive director of the Company. Their respective responsibilities are clearly segregated and have been set out in writing and approved by the board in September 2005.

CODE ON CORPORATE GOVERNANCE PRACTICES *(Continued)*

Code Provisions A.4.1 and A.4.2

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Code provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Certain non-executive directors of the Company had no fixed term of office prior to 12 August 2005, but retired from office on a rotational basis in accordance with the relevant provision of the Company's Bye-laws. According to the Bye-laws of the Company in effect before 12 August 2005, at each annual general meeting of the Company, one-third of the directors for the time being (or, if their number was not three or a multiple of three, then the number nearest to but not greater than one-third) should retire from office by rotation, provided that no director holding the office as the Chairman and/or as the Managing Director should be subject to retirement by rotation. Further, any director appointed to fill a casual vacancy or as an addition to the board should hold office only until the next following annual general meeting of the Company and should then be eligible for re-election at the meeting.

To fully comply with the code provision A.4.1, those non-executive directors of the Company who did not have a fixed term of office were appointed for a specific term on 12 August 2005 but subject to the relevant provisions of the Bye-laws of the Company or any other applicable laws whereby the directors shall vacate or retire from their office. In addition, to ensure full compliance with the code provision A.4.2, relevant amendments to the Bye-laws of the Company were proposed and approved by the shareholders at the annual general meeting of the Company held on 12 August 2005.

CODE ON CORPORATE GOVERNANCE PRACTICES *(Continued)***Code Provision A.5.4**

This code provision stipulates that the board should establish written guidelines on no less exacting terms than the Model Code as set out in Appendix 10 of the Listing Rules for the relevant employees, who are likely to be in possession of the unpublished price sensitive information in relation to the issuer or its securities, in respect of their dealings in the securities of the issuer.

To comply with this code provision, in September 2005 the Company adopted the Model Code for securities transactions by certain employees of the Group who are considered likely to be in possession of unpublished price sensitive information in relation to the Company or its securities.

Code Provisions B.1.1 and B.1.4

Code provision B.1.1 stipulates the establishment of a remuneration committee with specific written terms of reference as set out in the provision, and code provision B.1.4 stipulates that the remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.

In September 2005, a remuneration committee (the “Remuneration Committee”) with specific written terms of reference was established in order to comply with code provision B.1.1. The terms of reference of the Remuneration Committee have also been placed on the Company’s website in September 2005 to ensure full compliance with the code provision B.1.4.

Code Provisions C.3.3 and C.3.4

Code provision C.3.3 stipulates that the terms of reference of the audit committee should include at least those duties as set out in the provision, and code provision C.3.4 stipulates that the audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.

The terms of reference of the audit committee of the Company (the “Audit Committee”) were revised in September 2005 to comply with the code provision C.3.3. The revised terms of reference of the Audit Committee have been placed on the Company’s website in September 2005 to ensure full compliance with the code provision C.3.4.

CODE ON CORPORATE GOVERNANCE PRACTICES *(Continued)*

Code Provision D.1.2

This code provision stipulates that an issuer should formalize the functions reserved to the board and those delegated to the management and should review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the issuer.

The respective functions of the board and the management of the Company have been formalized and set out in writing which was approved by the board in September 2005. The board will review the same once a year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors. All directors have confirmed, following a specific enquiry by the Company, that they have fully complied with the required standard as set out in the Model Code throughout the period under review.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee has reviewed the unaudited financial statements for the period ended 30 September 2005 of the Group. The audit committee comprises three independent non-executive directors of the Company.

By Order of the Board
Tang Ching Ho
Chairman

Hong Kong, 16 December 2005