WANG ON GROUP LIMITED
（宏安集團有限公司）*

(incorporated in Bermuda with limited liability)

(Stock Code: 1222)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

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

		For the six months ended 30 September	
		2005	2004
		(Unaudited)	(Unaudited) (Restated)
	Notes	***HK$'000***	*HK$'000*
TURNOVER	3	**137,273**	144,015
Cost of sales		**(115,937)**	(118,484)
Gross profit		**21,336**	25,531
Other income and gains		**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		**(6,444)**	(1,870)
Share of losses of an associate		**(10,000)**	(2,071)
PROFIT BEFORE TAX	4	**19,654**	10,184
Tax	5	**(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	6		
Basic		**HK5.65 cents**	HK4.46 cents
Diluted		**HK5.31 cents**	HK4.45 cents
DIVIDEND PER SHARE	7	**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		**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	*8*	**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	*9*	**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
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		**362,049**	214,496
Provisions for onerous contracts		**2,856**	1,420
Convertible notes		**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		**22,454**	14,332
Reserves		**534,697**	489,594
Retained profits		**221,282**	224,878
Proposed dividends		**6,736**	17,846
		785,169	746,650
Minority interests		**426**	435
		785,595	747,085

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

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:

<u>Financial assets at fair value through profit or loss</u>

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 condensed consolidated financial statements. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

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.

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.

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.

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.

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:

		2005			2004		
Effect of new policy (Increase/(decrease))	*Notes*	**Equity component of convertible notes (Unaudited)** ***HK$'000***	**Retained profits (Unaudited)** ***HK$'000***	**Total (Unaudited)** ***HK$'000***	Equity component of convertible notes (Unaudited) *HK$'000*	Retained profits (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
HKAS 32							
– Convertible notes	*1(a)(ii)*	**10,903**	**(630)**	**10,273**	–	–	–
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**	–	–	–

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.

		2005			2004		
Effect of new policy (Increase/(decrease))	*Notes*	**Equity holders of the parent (Unaudited)** ***HK$'000***	**Minority interests (Unaudited)** ***HK$'000***	**Total (Unaudited)** ***HK$'000***	Equity holders of the parent (Unaudited) *HK$'000*	Minority interests (Unaudited) *HK$'000*	Total (Unaudited) *HK$'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		**(1,346)**	**–**	**(1,346)**	–	–	–

Effect on earnings per share:

Basic		**(HK0.67 cents)**			–
Diluted		**(HK0.63 cents)**			–

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**

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.

4. 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

5. 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 associates" on the face of the condensed consolidated income statement.

6. Earnings per share

The calculation of basic earnings per share for the period is based on the 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.

7. 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	**6,736**	4,300

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).

8. **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)	31 March 2005
	HK$'000	*HK$'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.

9. **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)	31 March 2005
	HK$'000	*HK$'000*
Within 90 days	**210**	157

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.

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.

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
		253,100		

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 substained 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.

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.

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 49% of WYTH's enlarged issued share capital.

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.

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 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 92% 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.

CODE OF CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2005, except for the following deviations. The major areas of deviation are as follows:

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 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. 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 Provisions B.1.1 and B3.3

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 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.

In September 2005, a Remuneration Committee with specific written terms of reference was established and the terms of reference of the Audit Committee have been revised in order to comply with the above code provisions.

Further details of the Company's deviations from certain code provisions of the CG Code for the period under review will be set out in the Company's 2005 Interim Report to be sent to the shareholders at the end of December 2005.

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

As at the date hereof, the Directors of the Company comprises of 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.

* *For identification purpose only*

"Please also refer to the published version of this announcement in The Standard"