

Wang On Group Limited announced on 14/07/2006:
 (stock code: 01222)
 Year end date: 31/03/2006
 Currency: HKD
 Auditors' Report: Unqualified

| | (Audited) Current Period from 01/04/2005 to 31/03/2006 Note ('000) | (Audited) Last Corresponding Period from 01/04/2004 to 31/03/2005 ('000) (restated) |
|--|---|--|
| Turnover | : 395,557 | 364,123 |
| Profit/(Loss) from Operations | : 136,916 | 95,397 |
| Finance cost | : (15,252) | (4,956) |
| Share of Profit/(Loss) of Associates | : (39,601) | (16,655) |
| Share of Profit/(Loss) of Jointly Controlled Entities | : N/A | N/A |
| Profit/(Loss) after Tax & MI | : 72,554 | 69,497 |
| % Change over Last Period | : +4.4 % | |
| EPS/(LPS)-Basic (in dollars) | : 0.342 | 0.404 |
| -Diluted (in dollars) | : 0.328 | 0.387 |
| Extraordinary (ETD) Gain/(Loss) | : N/A | N/A |
| Profit/(Loss) after ETD Items | : 72,554 | 69,497 |
| Final Dividend per Share | : 7.0 cents | 12.0 cents |
| (Specify if with other options) | : N/A | N/A |
| B/C Dates for | | |
| Final Dividend | : 14/08/2006 | to 17/08/2006 bdi. |
| Payable Date | : 25/08/2006 | |
| B/C Dates for Annual | | |
| General Meeting | : 14/08/2006 | to 17/08/2006 bdi. |
| Other Distribution for Current Period | : One bonus share for every ten shares | |
| B/C Dates for Other | | |
| Distribution | : 14/08/2006 | to 17/08/2006 bdi. |

Remarks:

1. **BASIS OF PREPARATION**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also includes Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”),

accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the investment properties, certain derivative financial instruments and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

2.1 **IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

HKICPA has issued a number of new and revised HKFRSs and HKASs 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 following new and revised HKFRSs not yet previously early adopted by the Group are adopted for the first time for the current year'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 11 | Construction Contracts |
| HKAS 12 | Income Taxes |
| HKAS 14 | Segment Reporting |
| HKAS 16 | Property, Plant and Equipment |
| HKAS 17 | Leases |
| HKAS 18 | Revenue |
| HKAS 19 | Employee Benefits |
| HKAS 20 | Accounting for Government Grants and Disclosure of Government Assistance |
| 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 31 | Interests in Joint Ventures |
| 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 |
| HKAS 39 | Transition and Initial Recognition of Financial Assets and Financial Liabilities Amendment |
| HKFRS 2 | Share-based Payment |
| HKFRS 5 | Non-current Assets Held for Sale and Discontinued Operations |
| 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, 11, 12, 14, 16, 17, 18, 19, 20, 21, 23, 27, 28, 31, 33, 37 and

HKFRS 5 and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's financial statements.

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. In addition, in prior periods, the Group's share of tax attributable to associates was presented as a component of the Group's total tax charge in the consolidated income statement. Upon the adoption of HKAS 1, the Group's share of the post-acquisition results of associates is presented net of the Group's share of tax attributable to associates.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 32 and HKAS 39 – Financial Instruments

(i) Equity securities

In prior years, the Group classified its investments in unlisted equity securities as long term investments, which were held for non-trading purposes and were stated at cost less any impairment losses on an individual basis. Upon the adoption of HKAS 39, these investments held by the Group at 1 April 2005 in the amount of HK\$12,000,000 are designated as available-for-sale investments under the transitional provisions of HKAS 39.

In prior years, the Group classified its investments in equity securities for trading purposes as short term investments, and were stated at their fair values on an individual basis with gains and losses recognised in the income statement. Upon the adoption of HKAS 39, these securities held by the Group at 1 April 2005 in the amount of HK\$23,361,000 are designated as financial assets at fair value through profit or loss under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised in the income statement.

The adoption of HKAS 39 has not resulted in any change in the measurement of these equity securities. Comparative amounts have been reclassified for presentation purposes.

(ii) Convertible notes

In prior years, convertible notes were stated at amortised cost. Upon the adoption of HKAS 32, convertible notes are split into liability and equity components. The effects of the above changes are summarised in note 2.3 to the financial statements. In accordance with HKAS 32, comparative amounts have been restated.

(iii) Unlisted debt securities with embedded derivatives

In prior years, the Group accounted for its investments in unlisted debt securities with embedded derivatives at cost. Upon the adoption of HKAS 39, these investments held by the Group at 1 April 2005 are designated as financial assets at fair value through profit or loss under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised in the income statement.

The effects of the above changes are summarised in note 2.3 to the financial statements. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(b) HKFRS 2 – Share based Payment

In prior years, no recognition and measurement of share-based payment transactions in which employees (including directors) were granted share options over shares in the Company were 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 main impact of HKFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options.

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to (i) options granted to employees on or before 7 November 2002; and (ii) options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

As the Group did not have any employee share options which were granted during the period from 7 November 2002 to 31 March 2005 but had not yet vested as at 1 April 2005, the adoption of HKFRS 2 has had no impact on the retained profits as at 31 March 2004 and at 31 March 2005.

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

In prior years, 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 consolidated financial statements.

2.2 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheet

| At 1 April 2005 | Effect of adopting | | | | Total HK\$'000 |
|--|-------------------------------------|---|--|---|-------------------|
| | HKAS 1# Presentation HK\$'000 | HKASs 32# and 39* Change in classification of financial assets HK\$'000 | HKAS 32# Convertible notes HK\$'000 | HKAS 39* Convertible notes due from an associate HK\$'000 | |
| <u>Assets</u> | | | | | |
| Property, plant and equipment | (219,550) | - | - | - | (219,550) |
| Investment properties | 219,550 | - | - | - | 219,550 |
| Interests in associates | - | - | - | (3,530) | (3,530) |
| Available-for-sale investments | - | 19,751 | - | - | 19,751 |
| Prepayments, deposits and other receivables | - | - | (3,093) | - | (3,093) |
| Financial assets at fair value through profit or loss | - | 93,788 | - | - | 93,788 |
| Long term investments | - | (54,234) | - | - | (54,234) |
| Short term investments | - | (59,305) | - | - | (59,305) |
| | - | - | - | - | (6,623) |
| <u>Liabilities/equity</u> | | | | | |
| Convertible notes | - | - | (13,366) | - | (13,366) |
| Equity component of convertible notes | - | - | 10,903 | - | 10,903 |
| Retained profits | - | - | (630) | (3,530) | (4,160) |
| | | | (3,093) | (3,530) | (6,623) |

(a) Effect on the consolidated balance sheet (continued)

| At 31 March 2006 | Effect of adopting | | | | Total HK\$'000 |
|--|-------------------------------------|---|--|---|-------------------|
| | HKAS 1# Presentation HK\$'000 | HKASs 32# and 39* Change in classification of financial assets HK\$'000 | HKAS 32# Convertible notes HK\$'000 | HKAS 39* Convertible notes due from an associate HK\$'000 | |
| <u>Assets</u> | | | | | |
| Property, plant and equipment | (297,500) | - | - | - | (297,500) |
| Investment properties | 297,500 | - | - | - | 297,500 |
| Prepayments, deposits and other receivables | - | - | - | (1,006) | (1,006) |
| Financial assets at fair value through profit or loss | - | 70,815 | - | - | 70,815 |
| Long term investments | - | (27,906) | - | - | (27,906) |
| Short term investments | - | (42,909) | - | - | (42,909) |
| | - | - | - | (1,006) | (1,006) |
| <u>Liabilities/equity</u> | | | | | |
| Convertible notes | - | - | (4,740) | - | (4,740) |
| Equity component of convertible notes | - | - | 6,077 | - | 6,077 |
| Retained profits | - | - | (2,343) | - | (2,343) |
| | - | - | (1,006) | - | (1,006) |

* Adjustment taken effect prospectively from 1 April 2005

Adjustment / presentation taken effect retrospectively

(b) Effect on the balance of equity at 1 April 2005

| | Effect of adopting | | Total HK\$'000 |
|---|---|---|-------------------|
| | HKAS 32 Convertible notes HK\$'000 | HKAS 39 Convertible notes due from an associate HK\$'000 | |
| Effect of new policy (Increase/(decrease)) | | | |
| Equity component of convertible notes | 10,903 | - | 10,903 |
| Retained profits | (630) | (3,530) | (4,160) |
| | <u>10,273</u> | <u>3,530</u> | <u>6,743</u> |

The changes in accounting policies had no impact on the balance of equity at 1 April 2004.

(c) Effect on the consolidated income statement for the years ended 31 March 2006 and 2005

| | Effect of adopting | | | | Total HK\$'000 |
|--|--|---|---|---|-------------------|
| | HKAS 1 Share of post-tax losses of associates HK\$'000 | HKAS 32 Convertible notes HK\$'000 | HKAS 39 Convertible notes due from an associate HK\$'000 | HKAS 39 Financial assets at fair value through profit or loss HK\$'000 | |
| Effect of new policies | | | | | |
| <u>Year ended 31 March 2006</u> | | | | | |
| Increase in share of losses of associates | - | - | - | - | - |
| Decrease in tax | - | - | - | - | - |
| Increase in finance costs | - | (2,343) | - | - | (2,343) |
| Increase in other income and gains | - | - | 3,530 | (521) | 3,009 |
| | <u>-</u> | <u>(2,343)</u> | <u>3,530</u> | <u>(521)</u> | <u>666</u> |
| Total increase/(decrease) in profit | - | (2,343) | 3,530 | (521) | 666 |
| Increase/(decrease) in basic earnings per share | - | (HK1 cents) | HK2 cents | - | - |
| Increase/(decrease) in diluted earnings per share | - | (HK1 cents) | HK2 cents | - | - |

| | Effect of adopting | | Total HK\$'000 |
|--|--|---|-------------------|
| | HKAS 1 Share of post-tax losses of associates HK\$'000 | HKAS 32 Convertible notes HK\$'000 | |
| Effect of new policies | | | |
| <u>Year ended 31 March 2005</u> | | | |
| Increase in share of losses of associates | (1,655) | - | (1,655) |
| Decrease in tax | 1,655 | - | 1,655 |
| Increase in finance costs | - | (630) | (630) |
| | <u>-</u> | <u>(630)</u> | <u>(630)</u> |
| Total increase/(decrease) in profit | - | (630) | (630) |
| Increase/(decrease) in basic earnings per share | - | - | - |
| Increase/(decrease) in diluted earnings per share | - | - | - |

3. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

| | 2006 HK\$'000 | 2005 HK\$'000 |
|---|-----------------------|-----------------------|
| Group: | | |
| Current – Hong Kong | | |
| Charge for the year | 6,736 | 2,284 |
| Underprovision/(overprovision) in prior years | 30 | (141) |
| Deferred | 2,714 | 2,112 |
| Total tax charge for the year | <u>9,480</u> ===== | <u>4,255</u> ===== |

4. EARNINGS PER SHARE

The calculation of basic earnings per share amounts is based on the net profit for the year attributable to ordinary equity holders of the parent and the weighted average number of, as adjusted for the bonus issue during the year, ordinary shares in issue during the year.

The calculation of diluted earnings per share amounts is based on the net profit for the year attributable to ordinary equity holders of the parent after adjustment for interest saved upon deemed exercise of all convertible notes during the year. The weighted average number of ordinary shares used in the calculation is the number of, as adjusted for the bonus issue during the year, ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average number of, as adjusted for the bonus issue during the year, ordinary shares assumed to have been issued at no consideration on the deemed exercise of all the share options and convertible notes during the year.

The calculations of basic and diluted earnings per share are based on:

| | 2006 HK\$'000 | 2005 HK\$'000 (Restated) |
|--|------------------|--------------------------------|
| <u>Earnings</u> | | |
| Net profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation | 72,554 | 69,497 |
| Interest on convertible notes | 2,749* | 800 |
| | ----- | ----- |
| Net profit attributable to ordinary equity holders of the parent before interest on convertible notes | 75,303 | 70,297 |
| | ===== | ===== |
| | Number of shares | |
| | 2006 | 2005 (Restated) |
| <u>Shares</u> | | |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation | 211,971,562 | 171,984,439 |
| Effect of dilution – weighted average number of ordinary shares: | | |
| Share options | 9,501,230 | 4,953,600 |
| Convertible notes | 6,322,103* | 2,558,400 |
| | ----- | ----- |
| | 227,794,895 | 179,496,439 |
| | ===== | ===== |

* Because the diluted earnings per share amount is increased when taking convertible notes into account, the convertible notes had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. Therefore, diluted earnings per share amounts are based on the net profit for the year of HK\$72,554,000 and the weighted average of 221,472,279 ordinary shares in issue during the year.