



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 2006

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 2006, together with the comparative figures for the corresponding period in 2005. The 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 2006

		For the six months ended 30 September	
		2006	2005
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000 (Restated)
REVENUE	3	298,384	137,273
Cost of sales		(230,087)	(115,937)
Gross profit		68,297	21,336
Other income and gains		16,822	12,259
Selling and distribution costs		(4,164)	(4,083)
Administrative expenses		(26,481)	(19,970)
Other expenses		(793)	(902)
Changes in fair value of investments		(3,177)	2,609
Gain on disposal of interests in subsidiaries		–	573
Fair value gains on revaluation of investment properties		753	24,276
Finance costs	4	(6,683)	(6,444)
Share of losses of associates		(2,502)	(10,000)
PROFIT BEFORE TAX	5	42,072	19,654
Tax	6	(8,064)	(8,385)
PROFIT FOR THE PERIOD		34,008	11,269
ATTRIBUTABLE TO:			
Equity holders of the parent		34,029	11,278
Minority interests		(21)	(9)
		34,008	11,269
EARNINGS PER SHARE	7		
Basic		HK13.74 cents	HK5.14 cents
Diluted		HK12.49 cents	HK4.82 cents
DIVIDEND PER SHARE	8	HK3.0 cents	HK3.0 cents

CONDENSED CONSOLIDATED BALANCE SHEET

30 September 2006

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
	<i>Notes</i>	
NON-CURRENT ASSETS		
Property, plant and equipment	5,676	8,762
Investment properties	285,281	297,500
Properties under development	440,705	276,286
Goodwill	4,987	4,987
Interests in associates	311,339	313,831
Loans receivable	14,782	15,087
Rental deposits paid	7,345	5,360
Other deposits	–	10,000
Deferred tax assets	562	562
Total non-current assets	<u>1,070,677</u>	<u>932,375</u>
CURRENT ASSETS		
Properties held for sale	17,217	135,634
Properties under development	18,971	16,936
Financial assets at fair value through profit or loss	77,718	70,815
Inventories	74	65
Trade receivables	3,959	6,811
Prepayments, deposits and other receivables	26,921	22,802
Tax recoverable	11	13
Pledged deposits	13,932	13,971
Cash and cash equivalents	184,941	297,902
Total current assets	<u>343,744</u>	<u>564,949</u>
CURRENT LIABILITIES		
Trade payables	187	110
Other payables and accruals	29,648	31,734
Deposits received and receipts in advance	44,935	56,619
Interest-bearing bank loans	170,943	305,034
Provisions for onerous contracts	345	345
Tax payable	13,711	6,193
Total current liabilities	<u>259,769</u>	<u>400,035</u>
NET CURRENT ASSETS	<u>83,975</u>	<u>164,914</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,154,652</u>	<u>1,097,289</u>
NON-CURRENT LIABILITIES		
Interest-bearing bank loans	243,949	205,494
Provisions for onerous contracts	2,017	1,590
Convertible notes	43,948	46,860
Deferred tax liabilities	3,225	3,172
Total non-current liabilities	<u>293,139</u>	<u>257,116</u>
Net assets	<u>861,513</u>	<u>840,173</u>

EQUITY

Equity attributable to equity holders of the parent

Issued capital	24,898	22,454
Equity component of convertible notes	5,653	6,077
Reserves	823,446	795,460
Proposed dividends	7,073	15,718
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	861,070	839,709
Minority interests	443	464
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Total equity	861,513	840,173
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

1. Basis of preparation

The unaudited condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. Principal accounting policies

The condensed financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at fair value.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2006.

In current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA, which are effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006 respectively. The adoption of the new standards, amendments and interpretations had no material effect on how the results for the current and/or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

Potential impact arising from the recently issued Accounting Standards

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) – INT 8	Scope of HKFRS 2 ²
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives ³
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment ⁴

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 May 2006.

³ Effective for annual periods beginning on or after 1 June 2006.

⁴ Effective for annual periods beginning on or after 1 November 2006.

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.

2006

	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	150,028	34,289	70,909	21,368	20,056	1,734	-	298,384
Intersegment sales	220	2,032	2,088	120	-	891	(5,351)	-
Other revenue	-	644	1,196	1,733	51	12,654	(1,058)	15,220
Total	150,248	36,965	74,193	23,221	20,107	15,279	(6,409)	313,604
Segment results	24,956	4,832	12,437	1,748	422	3,144	4,228	51,767
Unallocated expenses								(510)
Finance costs								(6,683)
Share of losses of associates								(2,502)
Profit before tax								42,072
Tax								(8,064)
Profit for the period								<u>34,008</u>

2005

	Property development (Unaudited) <i>HK\$'000</i>	Property investment (Unaudited) <i>HK\$'000</i>	Chinese wet market (Unaudited) <i>HK\$'000</i>	Shopping centres and car parks (Unaudited) <i>HK\$'000</i>	Retail business (Unaudited) <i>HK\$'000</i>	Corporate and other (Unaudited) <i>HK\$'000</i>	Eliminations (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
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 associates								(10,000)
Profit before tax								19,654
Tax								(8,385)
Profit for the period								<u>11,269</u>

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. Finance costs

	For the six months ended 30 September	
	2006 (Unaudited) <i>HK\$'000</i>	2005 (Unaudited) <i>HK\$'000</i>
Interest on convertible notes	1,382	2,353
Interest on bank loans and overdrafts	5,301	4,091
	<u>6,683</u>	<u>6,444</u>

5. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 September	
	2006 (Unaudited) <i>HK\$'000</i>	2005 (Unaudited) <i>HK\$'000</i>
Depreciation	2,667	5,194
Amount released from onerous contracts, net	(375)	(4,646)

6. 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 period.

	For the six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Group		
Current tax – Hong Kong		
Charge for the period	8,011	2,208
Underprovision in prior year	–	610
Deferred	53	5,567
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Tax charge for the period	8,064	8,385
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Share of tax attributable to associates amounting to HK\$96,000 (2005: nil) is included in “Share of losses of associates” on the face of the condensed consolidated income statement.

7. 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\$34,029,000 (2005: HK\$11,278,000), and the weighted average of 247,658,883 (2005: 219,414,129 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\$35,411,000, after adjustment for interest saved upon deemed conversion of all convertible notes during the period (2005: HK\$11,278,000). The weighted average number of ordinary shares used in the calculation is 247,658,883 (2005: 219,414,129 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 35,888,304 (2005: 14,414,657 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 and conversion of all convertible notes outstanding during the period.

The basic and diluted earnings per share for the period ended 30 September 2005 has been adjusted to take into account of the effect of bonus issue of shares during the period ended 30 September 2006.

8. Dividend

	For the six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend of HK3.0 cents (2005: HK3.0 cents) per share	7,073	6,736
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At a meeting of the board of directors held on 21 December 2006, the directors resolved to pay an interim dividend to the shareholders of HK3.0 cents (2005: HK3.0 cents).

9. Trade receivables

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

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Within 90 days	3,158	6,478
91 days to 180 days	307	427
Over 180 days	948	542
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	4,413	7,447
Less: Provision for doubtful debts	(454)	(636)
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	3,959	6,811
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The Group's businesses generally do not grant any credit to customers.

10. Trade payables

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

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Within 90 days	187	110
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INTERIM DIVIDEND AND BOOK CLOSE

The Directors have resolved to declare an interim dividend of HK3.0 cents (2005: HK3.0 cents) per share for the six months ended 30 September 2006. The interim dividend will be payable on 19 January 2007 to those shareholders whose names appear on the register of members of the Company on 12 January 2007 (the "Record Date"). The register of members of the Company will be closed from 10 January 2007 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on 9 January 2007.

BUSINESS REVIEW

The Group's turnover for the period ended 30 September 2006 was approximately HK\$298.4 million (2005: HK\$137.3 million), representing an increase of 117% over the corresponding period last year. This was mainly attributable to an increase in turnover in property development and property investment in light of the improved economy in Hong Kong during the period under review. Profit attributable to shareholders amounted to approximately HK\$34.0 million (2005: HK\$11.3 million), an increase of 201% over the corresponding period last year. Basic earnings per share for the period under review were HK13.74 cents, representing a 167% increase from HK5.14 cents per share for the corresponding period last year.

The performance of the Group's businesses during the period under review and other information related to the Group are set out as follows:

Property Development

During the period under review, the construction work for both the Shatin Heights Road and Meister House projects was on schedule. The pre-sale consent for Meister House has been obtained and our sale campaign has begun.

As at 30 September 2006, the Group's property development portfolio was as follows:

Property Name	Location	Approximate Site Area (sq. ft.)	Development Plan	Anticipated Completion
8 Shatin Heights Road	Shatin Town Lot No. 465	49,100	Low density residential area with 11 luxury houses	Early 2007
Meister House	1 Fairview Park Boulevard, Yuen Long	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 2008
	Total	<u>208,100</u>		

Property Investment

The Group has built up a portfolio which consists mainly of retail properties with an aggregate market value of approximately HK\$285.3 million. The Group recorded total rental income of HK\$5.1 million during the period under review, representing a 34% increase over the corresponding period last year of HK\$3.8 million. This portfolio is maintained by the Group for capital appreciation and for steady income.

The Directors believe that the property market in Hong Kong has been developing at a healthy pace and demand has been seen to be gradually returning. The Group's property development and investment business progressed steadily and orderly according to plan, and the expected results were achieved for the period under review.

Management and Sub-licensing of Chinese Wet Markets

The Group is currently the largest operator of Chinese wet markets in Hong Kong, managing a portfolio totalling approximately 250,000 sq. ft.. During the period under review, this business stayed in line with the trend established in 2005. Turnover reached HK\$70.9 million (2005: HK\$72.2 million), representing a slight decrease of 2% compared with the same period last year as a result of minor adjustments in the portfolio.

Given the Group's extensive expertise and experience in the management of Chinese wet markets, the Directors are optimistic that it will be in a strong position to secure more business opportunities with the Link Real Estate Investment Trust and from other business sources as well.

As announced by the Group, on 22 November, 2006, the Group signed a Formal Sale and Purchase Agreement with Shenzhen Agricultural Products Company Limited to acquire 50% of the equity interest in the registered capital of Shenzhen Jimao Market Company Limited at a consideration of RMB65.5 million. Shenzhen Jimao Market is principally engaged in the operation and management of 20 traditional wet markets in various districts in Shenzhen, the PRC, which occupy a total gross floor area of approximately 340,000 sq. ft. This acquisition represented a strategic move and a milestone in the Group's expansion into the PRC wet market management sector.

Agricultural Products Wholesale Market

During the period, the Group actively explored the development of agricultural products wholesale distribution centres in the PRC. The PRC government has been supportive to agricultural development. To capture this opportunity, the Group on 8 December 2006 signed a joint venture agreement with Yulin Market Development Service Centre, the PRC to set up a sino-foreign co-operative joint venture company in the PRC. The joint venture company will be principally engaged in the development, operation and management of the agricultural by-products wholesaling marketplace and related facilities, and sales and rental of properties, at Yulin City of Guangxi Zhuang Autonomous Region of the PRC. The site area is about 3.3 million sq. ft. and it has a total gross floor area of about 2.3 million sq. ft. The Group will contribute approximately HK\$59 million of capital to the joint venture company and be entitled to share 65% of the profit of the joint venture.

The new investment signifies not only our enhanced involvement in the “Vegetable Basket Project”, but also a further integration of our agricultural products distribution operations, which include wholesale centres, logistic services and wet markets.

Management and Sub-licensing of Shopping Centres and Car Parks

Turnover of the management and sub-licensing of shopping centres and car parks was HK\$21.4 million (2005:HK\$41.1 million), a decrease of 48% over the same period last year. During the period, the Group closed down certain car parks and concentrate our resources on high-yielding business areas.

Investment in Pharmaceutical and Health Products Related Business

The results for our pharmaceutical and health products related business have improved during the period with a total turnover of HK\$172.5 million, representing a 6% increase over the corresponding period last year of HK\$163.4 million. Loss for the period was also reduced from HK\$34.8 million to HK\$5.3 million.

As at 30 September 2006, there were 53 retail shops and 18 concession counters in operation in Hong Kong and in the PRC respectively, selling pharmaceutical and health products under the name of “Wai Yuen Tong”. 40 out of the 53 retail shops in Hong Kong also provide consultation services by registered Chinese medical practitioners.

The Group expects that the performance of our pharmaceutical and health products related business will further improve in light of the healthy economy in both the PRC and Hong Kong.

Liquidity and Financial Resources

The Group’s liquidity position remains sound. Cash resources amounted to HK\$198.9 million as at 30 September 2006 (31 March 2006: HK\$311.9 million). The aggregate borrowings as at 30 September 2006 amounted to HK\$458.8 million (31 March 2006: HK\$557.4 million).

The gearing ratio was 30% (31 March 2006: 29%) with equity attributable to equity holders of the Company of approximately HK\$861.1 million (31 March 2006: HK\$839.7 million).

As at 30 September 2006, the Group’s investment properties, with a book value of HK\$285.3 million (31 March 2006: HK\$297.5 million), and certain rental income generated therefrom were pledged to secure the Group’s general banking facilities, HK\$104.2 million (31 March 2006: HK\$217.1 million) of which was utilized as at 30 September 2006.

The Group’s capital commitment as at 30 September 2006 amounted to HK\$117.7 million (31 March 2006: HK\$239.0 million).

Management is of the opinion that existing financial resources will be sufficient for future expansion plans.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2006, the Group had 247 full time employees, around 94% 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

In conclusion, our business recorded encouraging results for the period under review. We will strengthen our management to facilitate our further development in every aspect of our business to maximize value for our shareholders. We will put additional resources into the exploration and development of agricultural products wholesale markets and traditional wet markets in the PRC.

CORPORATE GOVERNANCE

The Company has complied with the code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the period.

The Company will continue to seek to improve its management and raise its control level to enhance the Company's competitiveness and operating efficiency, to ensure its sustainable development and to generate greater returns for shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Subsequent to 30 September 2006, the Company has on various occasions repurchased a total of 13,200,000 shares on the Stock Exchange for the aggregate price of HK\$30,133,500. The highest and lowest price per share paid for such repurchases were HK\$2.33 and HK\$2.25 respectively. Other than that, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2006.

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 2006 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, 21 December 2006

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"