華 厦 置 業 有 限 公 司
WAH HA REALTY COMPANY LIMITED

WAH HA REALTY COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 278)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2005

The Board of Directors of Wah Ha Realty Company Limited (the "Company") announces that the unaudited consolidated interim results of the Company and its subsidiary and associated companies (the "Group") for the six months ended 30th September 2005, with comparative figures of the previous period, are as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30th September 2005

		Six months ended 30th September	
			Restated
		2005	2004
	Note	***HK$***	*HK$*
Turnover	*2*	**5,421,907**	2,843,667
Cost of sales		**(187,409)**	(241,438)
Gross profit		**5,234,498**	2,602,229
Other revenues		**299,052**	708,410
Revaluation surplus on investment properties		**1,950,000**	–
General and administration expenses		**(2,337,267)**	(2,372,271)
Net other operating income		**2,631,183**	989,260
Operating profit	*3*	**7,777,466**	1,927,628
Share of profits of associated companies (Including share of revaluation surplus on investment properties net of related taxation of HK$8,353,125 (2004: Nil))		**14,577,848**	7,188,122
Profit before taxation		**22,355,314**	9,115,750
Taxation	*4*	**(458,549)**	(118,133)
Profit attributable to equity holders of the Company		**21,896,765**	8,997,617

	Note		
Earnings per share	*5*	**18.10 cents**	7.44 cents
Dividends	*6*	**–**	–

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September 2005

	Note	**30th September 2005** *HK$*	Restated 31st March 2005 *HK$*
ASSETS			
Non-current assets			
Investment properties		**28,100,000**	26,150,000
Associated companies		**287,521,286**	281,244,438
Available-for-sale financial assets		**250,448**	–
Long-term investments		**–**	250,448
Deferred tax assets		**175,947**	171,489
		316,047,681	307,816,375
Current assets			
Properties held for sale		**6,225,024**	6,250,498
Debtors and prepayments	*7*	**2,440,854**	3,481,398
Taxation recoverable		**–**	9,521
Short-term investments	*8*	**131,562,916**	130,010,613
Cash and bank balances		**107,383,422**	97,473,287
		247,612,216	237,225,317
Total assets		**563,659,897**	545,041,692
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**78,624,000**	78,624,000
Reserves		**476,066,859**	459,008,494
Total equity		**554,690,859**	537,632,494

LIABILITIES

Non-current liabilities			
Deferred tax liabilities		**3,990,400**	3,649,150
Current liabilities			
Creditors and accruals	*9*	**2,137,948**	1,599,511
Amounts due to related companies		**2,715,178**	2,135,089
Taxation payable		**125,512**	25,448
		4,978,638	3,760,048
Total liabilities		**8,969,038**	7,409,198
Total equity and liabilities		**563,659,897**	545,041,692
Net current assets		**242,633,578**	233,465,269
Total assets less current liabilities		**558,681,259**	541,281,644

NOTES TO THE INTERIM ACCOUNTS

1 Basis of Preparation and Accounting Policies

(a) Basis of preparation

These unaudited interim accounts ("interim accounts") have been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

These interim accounts should be read in conjunction with the annual accounts for the year ended 31st March 2005.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31st March 2005 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1st January 2005.

These interim accounts have been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparation. The HKFRS standards and interpretations that will be applicable at 31st December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

(b) Changes in accounting policies

With effect from 1st April 2005, the Group adopted the new/revised standards of HKFRS below, which are relevant to its operations. The comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statement
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS-Int 4	Leases-determination of the Length of Lease Term in respect of Hong Kong Land Leases
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets

The adoption of HKASs 1, 7, 8, 10, 21, 24, 27, 33, 36, HKAS-Ints 4 and 15 did not result in substantial changes to the Group's accounting policies and have no material effects on the accounts except for certain changes in presentation and disclosures as required by HKASs 1 and 24.

(i) The adoption of HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from properties held for sale, to operating leases. The up-front prepayments made for the leasehold land are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at cost and included in properties held for sale.

(ii) The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets.

Prior to 1st April 2005, the Group classified its investments in securities, other than subsidiaries and associated companies, as held-to-maturity investments, investment securities and other investments in accordance with the accounting policy set out in note 2(e) to the annual accounts for the year ended 31st March 2005.

From 1st April 2005 onwards, the Group classifies its investments in the following categories: held-to-maturity investments, financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition and re-evaluates this designation at every reporting date.

(a) *Held-to-maturity investments*

Held-to-maturity investments 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 under this category are classified as current assets if the maturity dates are within 12 months of the balance sheet date.

(b) *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. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(c) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

(d) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus, in the case of financial assets or liabilities not carried at fair value through profit or loss, transaction costs. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(iii) The adoption of HKAS 40 has resulted in a change in the accounting policy by which changes in fair values are recorded in the income statement. The Group adopts the following policy for investment properties with effect from 1st April 2005.

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, alternative valuation methods such as recent prices on less active markets or discounted cash flow projections are used. These valuations are performed at least annually by external valuers.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others including contingent rent payments, are not recognised in the accounts.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement.

As a result of the adoption of HKAS 40, professional valuation of the Group's investment properties was performed as at 30th September 2005 by C S Surveyors Limited on an open market basis. No such valuation was carried out as at 30th September 2004.

(iv) The adoption of HKAS-Int 21 has resulted in a change in the accounting policy related to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that assets through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards adopted by the Group require or permit retrospective application other than HKASs 32 and 39 which do not permit retrospective application. The Group applied the previous Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for investments in securities" to investments in securities for 2004 comparative information.

(c) Summary of effect of changes in accounting policies

(i) Consolidated income statement

	Effect of adopting new HKFRSs				
	HKAS 1	**HKAS 17**	**HKAS 40**	**HKAS-Int 21**	**Total**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Six months ended 30th September 2005:					
Increase/(decrease) in:					
Operating profit	–	(25,474)	1,950,000	–	1,924,526
Share of profits of associated companies	(1,246,376)	(254,216)	10,125,000	(1,771,875)	6,852,533
Profit before taxation	(1,246,376)	(279,690)	12,075,000	(1,771,875)	8,777,059
Taxation	(1,246,376)	(4,458)	–	341,250	(909,584)
Profit for the period	–	(275,232)	12,075,000	(2,113,125)	9,686,643
Earnings per share (cents)	–	(0.23)	9.98	(1.75)	8.00
Six months ended 30th September 2004:					
Decrease in:					
Operating profit	–	(25,474)	–	–	(25,474)
Share of profits of associated companies	(913,654)	(254,216)	–	–	(1,167,870)
Profit before taxation	(913,654)	(279,690)	–	–	(1,193,344)
Taxation	(913,654)	(4,458)	–	–	(918,112)
Profit for the period	–	(275,232)	–	–	(275,232)
Earnings per share (cents)	–	(0.23)	–	–	(0.23)

(ii) Consolidated balance sheet

	Effect of adopting new HKFRSs			
	HKAS 17	**HKAS 40**	**HKAS-Int 21**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
As at 30th September 2005:				
Increase/(decrease) in:				
ASSETS				
Investment properties	–	1,950,000	–	1,950,000
Associated companies	(6,093,102)	10,125,000	(9,785,551)	(5,753,653)
Deferred tax assets	175,947	–	–	175,947
Properties held for sale	(1,005,410)	–	–	(1,005,410)
Total assets	(6,922,565)	12,075,000	(9,785,551)	(4,633,116)
EQUITY				
Retained profits	(6,922,565)	77,568,002	(13,775,951)	56,869,486
Investment properties revaluation reserve	–	(65,493,002)	–	(65,493,002)
Total equity	(6,922,565)	12,075,000	(13,775,951)	(8,623,516)
LIABILITIES				
Deferred tax liabilities	–	–	3,990,400	3,990,400
Total liabilities	–	–	3,990,400	3,990,400
Total equity and liabilities	(6,922,565)	12,075,000	(9,785,551)	(4,633,116)

As at 31st March 2005:

Increase/(decrease) in:

ASSETS				
Associated companies	(5,838,886)	–	(8,013,676)	(13,852,562)
Deferred tax assets	171,489	–	–	171,489
Properties held for sale	(979,936)	–	–	(979,936)
	(6,647,333)	–	(8,013,676)	(14,661,009)
EQUITY				
Retained profits	(6,647,333)	65,493,002	(11,662,826)	47,182,843
Investment properties revaluation reserve	–	(65,493,002)	–	(65,493,002)
Total equity	(6,647,333)	–	(11,662,826)	(18,310,159)
LIABILITIES				
Deferred tax liabilities	–	–	3,649,150	3,649,150
Total liabilities	–	–	3,649,150	3,649,150
Total equity and liabilities	(6,647,333)	–	(8,013,676)	(14,661,009)

2 Turnover and Segmental Information

The principal activities of the Group include those relating to investment holding, property development and investment, property management and building contractor. There are no other significant identifiable separate business. In accordance with the Group's internal financial reporting and operating activities, the primary reporting is by business segments and the secondary reporting is by geographical segments. All of the Group's operation is located in Hong Kong.

Turnover recognised during the period comprises the following:

	Six months ended 30th September	
	2005	2004
	HK$	*HK$*
Rental income	**1,842,859**	1,812,300
Management fee income	**627,693**	873,414
Interest income	**2,951,355**	157,953
	5,421,907	2,843,667

Primary reporting format – business segments

The Group is organised into two main business segments:

Property	–	Property investment, development and management and building contractor
Investment	–	Investments and corporate services

The segment results for the six months ended 30th September 2005 are as follows:

	Property *HK$*	**Investment** *HK$*	**Group** *HK$*
Turnover	**2,395,552**	**3,026,355**	**5,421,907**
Segment results	**3,536,116**	**4,241,350**	**7,777,466**
Share of profits of associated companies	**14,577,848**	**–**	**14,577,848**
Profit before taxation			**22,355,314**
Taxation			**(458,549)**
Profit for the period			**21,896,765**

The restated segment results for the six months ended 30th September 2004 are as follows:

	Property *HK$*	**Investment** *HK$*	**Group** *HK$*
Turnover	2,390,714	452,953	2,843,667
Segment results	1,517,016	410,612	1,927,628
Share of profits of associated companies	7,188,122	–	7,188,122
Profit before taxation			9,115,750
Taxation			(118,133)
Profit for the period			8,997,617

The segment assets and liabilities at 30th September 2005 are as follows:

	Property *HK$*	**Investment** *HK$*	**Group** *HK$*
Segment assets	**324,006,282**	**132,270,193**	**456,276,475**
Common assets			**107,383,422**
Total assets			**563,659,897**
Segment liabilities	**8,653,890**	**189,636**	**8,843,526**
Common liabilities			**125,512**
Total liabilities			**8,969,038**

The restated segment assets and liabilities at 31st March 2005 are as follows:

	Property *HK$*	**Investment** *HK$*	**Group** *HK$*
Segment assets	317,199,306	130,359,578	447,558,884
Common assets			97,482,808
Total assets			545,041,692
Segment liabilities	7,234,795	148,955	7,383,750
Common liabilities			25,448
Total liabilities			7,409,198

3 Operating Profit

	Six months ended 30th September	
	2005	2004
	HK$	*HK$*
Operating profit is stated after crediting:		
Net unrealised gain on short-term investments	**2,346,413**	1,259,632
Dividend income from listed investments and unlisted investment funds	**290,143**	649,894
Profit on sales of short-term investments	**289,474**	–
and after charging:		
Staff costs (including directors' remuneration)	**1,672,849**	1,591,138
Loss on sales of short-term investments	**–**	270,372
Amortisation on leasehold land included in properties held for sale	**25,474**	25,474

4 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the period.

	Six months ended 30th September	
	2005	2004
	HK$	*HK$*
Company and subsidiary companies		
Hong Kong profits tax	**121,757**	122,591
Deferred tax	**336,792**	(4,458)
	458,549	118,133

Share of taxation attributable to associated companies for the six months ended 30th September 2005 of HK$2,964,326 (2004: HK$859,730) is included in the income statement as share of profits of associated companies.

5 Earnings Per Share

The calculation of earnings per share is based on the profit attributable to shareholders of HK$21,896,765 (2004: HK$8,997,617) and on 120,960,000 shares in issue during the period.

6 Dividends

	Six months ended 30th September **2005** *HK$*	2004 *HK$*
2005 final dividend paid of HK4 cents (2004: HK3 cents) per share	**4,838,400**	3,628,800
2004 special dividend paid of HK3 cents per share	**–**	3,628,800
	4,838,400	7,257,600

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30th September 2005 (2004: nil).

7 Debtors and Prepayments

	30th September 2005 *HK$*	Restated 31st March 2005 *HK$*
Trade debtors		
Below 60 days	**133,730**	341,567
Over 60 days	**46,254**	4,754
	179,984	346,321
Other receivables	**2,219,452**	3,000,323
Prepayments and utility deposits	**41,418**	134,754
	2,440,854	3,481,398

Trade debtors represent rental receivable which is normally due for payment upon presentation of debit note at the beginning of each rental period.

8 Short Term Investments

	30th September 2005 *HK$*	Restated 31st March 2005 *HK$*
Unlisted held-to-maturity securities	**104,299,832**	105,134,311
Financial assets at fair value through profit or loss		
Listed shares – Hong Kong	**16,144,854**	12,815,023
Listed shares – Overseas	**4,276,285**	4,604,565
Unlisted quoted investment fund	**6,841,945**	7,456,714
	131,562,916	130,010,613

9 Creditors and Accruals

	30th September 2005 HK$	Restated 31st March 2005 HK$
Trade creditors		
Below 90 days	**15,680**	35,533
Over 90 days	**10**	10
	15,690	35,543
Other payables	**1,008,771**	604,063
Rental and utility deposits received	**598,491**	739,595
Accrued expenses	**514,996**	220,310
	2,137,948	1,599,511

INTERIM DIVIDEND

The Board of Directors has resolved not to declare the payment of an interim dividend for the six months ended 30th September 2005 (2004: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

In preparing the Group's unaudited Interim Accounts, the Company has adopted a number of new HKFRS and relevant comparative figures for 2004 have correspondingly been restated. The impact on the Group's Interim Accounts arising from the adoption of these new standards are set out in Note(1) to the Interim Accounts. Amongst the various new HKFRS adopted in the period under review, the impact from HKAS 40 Investment Property alone was an increase of HK$12.1 million in profit. The aggregate impact of adopting new HKFRS was an increase in the Group's profit for the current period by HK$9.7 million.

For the six months ended 30th September 2005, the Group attained an unaudited consolidated profit attributable to shareholders of HK$21.9 million, representing an increase of about 143.4% as compared with the HK$9.0 million (as restated) recorded for the corresponding period in 2004. Excluding the aforesaid impact from the adoption of new HKFRS, the Group's profit was HK$2.9 million higher than that of the last year. This significant improvement in profit was attributable to the increase in interest income on the back of rising interest rates and better results from Investment Business. Interest income and profit from Investment Business increased by HK$2.8 million and HK$1.6 million respectively. However, the lack of investment property sales during the period under review had an adverse effect on the Group's net profit. Last year, the Group's share of profit in this respect was HK$2.1 million.

BUSINESS REVIEW

Property Investment, Development, Management and Building Contractor

During the period, the Group continued to engage in property related businesses and derived steady income stream from Rental Business. Excluding the increase in profit resulting from the adoption of new HKFRS, the net profit from this segment was comparable to that of the last year.

For Rental Business, a slight improvement of about 1.7% in rental income was recorded. Given the sustainable economic recovery since 2004, improvements were seen in the context of both rental rates and occupancy. It is anticipated that these favourable market conditions will continue to have a positive impact on the Group's profit.

In contrast to the last year, there was no disposal of investment property during the period under review. Consequently, no share of profit in this respect was reported. The Group's profit was adversely affected by approximately HK$2.1 million. Since the period under review, the Group has not acquired or disposed of any property.

During the period under review, the performance of the Group's Property Management and Building Contractor Businesses were comparable to 2004. Turnover and operating results were similar to those of the corresponding period in 2004.

Investment and Corporate Service

During the period under review, the Group's Investment Business out-performed that of the last year. The main contributions came from the increase in interest income and the better results from investment activities.

The Group is virtually debt-free and therefore the general interest rate hike since early 2004 only had positive effect on the Group in increasing the level of interest income. The profitability of the Group was then enhanced. For the period under review, the Group had reported an increase in interest income for HK$2.8 million.

The positive market sentiment prevailing at the last reporting date was maintained throughout the period under review. The value of the Group's investment portfolio had recorded further increase of HK$1.1 million as compared with the decrease of HK$3.4 million of the corresponding period last year. Moreover, the sales of the Group's short-term investments had brought about net profit of about HK$0.3 million whereas a loss of HK$0.3 million was recorded last year.

Other Disclosures

Other than as disclosed above, the Directors are not aware of any other material changes to the information in relation to the Group's performance and the material factors underlying its results and financial position published in the annual report for the year ended 31st March 2005.

PROSPECTS

It is observed that the upturn of the Hong Kong economy is likely to be sustainable. Improvements were seen in various sectors such as retailing, tourism and servicing industry. Recently, the deflation period has come to an end and the broad-based economic expansion led to job creation. Unemployment rate has also dropped gradually. The opening of the Hong Kong Disneyland adds further momentum to the recovery of the economy. It is anticipated that higher rental and occupancy rates will be resulted which will benefit the Group's property-related businesses.

While it is expected that the interest rate hike in the United States will stop in the first half of 2006, the local property market is inevitably undergoing consolidation in light of the much increased mortgage instalments. Adjustments on both prices and rental rates are unavoidable. Globally, the persistent high crude oil prices have adverse impact on the worldwide operating environment and hence the overall economic growth. Also, it is unlikely that an agreement can be reached in the WTO meeting to be held in Hong Kong in mid-December. Increasing concern over the spread of avian flu in the region has also dampened investment sentiment. We are wary of these unfavourable signs and shall continue to adopt prudent financial management and closely monitor uncertainties in the market while remaining committed to the objective of delivering satisfactory returns to shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

The Group is virtually debt-free and generally finances its operations with internally generated cash funds. The Group's cash and bank balances amounted to HK$107.38 million at 30th September 2005. The Board believes that the Group has sufficient financial resources for its operations. The Group has no material exposure to foreign exchange rate fluctuation and material contingent liabilities.

EMPLOYEE INFORMATION

The Group has less than twenty employees and their remuneration are maintained at competitive levels. Employees' salaries are determined on performance basis with reference to the market trend. In addition, discretionary bonuses are granted to eligible employees by reference to the Group's results and individual performance. Other benefits include education subsidies, medical and retirement benefits.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code Provision(s)") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") ("the Listing Rules") throughout the six months ended 30th September 2005, except for the following deviations:–

1. Under the Code Provision A.2.1, the roles of the Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. Mr. Cheung Kee Wee is the Chairman of the Board and there is not a post of CEO in the Company. The roles of the CEO are performed by all the Executive Directors with clear division of responsibilities under the leadership of the Chairman. The Board considers that this arrangement allows contributions from all Executive Directors with

different expertise and can ensure the balance of power and authority between the Board and the management of the Group. The Board therefore believes that this structure can enable the Group to make and implement decisions promptly and efficiently and is beneficial to the business prospect of the Group.

2. Under the Code Provision A.4.1, Non-executive Directors should be appointed for a specific term and subject to re-election. All the five Non-executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with Article 103(A) of the Company's Articles of Association, so that each of them shall retire at least once every three years.

REMUNERATION COMMITTEE

To comply with the Code Provision B.1.1, a Remuneration Committee was established on 20th May 2005 with specific written terms of reference which deal clearly with its authority and duties. The Remuneration Committee consists of the three Independent Non-executive Directors, namely Messrs. Soo Hung Leung, Lincoln (Chairman), Lam Hon Keung, Keith and Chan Woon Kong and the two Non-executive Directors, namely Messrs. John Ho and Ng Kwok Tung.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") set out in Appendix 10 to the Listing Rules as its Code of Conduct for dealing in securities of the Company by the Directors. All Directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the six months ended 30th September, 2005.

AUDIT COMMITTEE

The Audit Committee of the Company has been established in December 1998 and its written terms of reference has been revised and adopted on 1 January 2005 to comply with the Listing Rules. The Audit Committee consists of the three Independent Non-executive Directors, namely Messrs. Lam Hon Keung, Keith (Chairman), Chan Woon Kong and Soo Hung Leung, Lincoln and the two Non-executive Directors, namely Messrs. John Ho and Ng Kwok Tung.

The Audit Committee has reviewed the unaudited consolidated interim results of the Company for the six months ended 30th September 2005 and has no reservation on the accounting treatments adopted by the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's issued shares during the period.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The Company's Interim Report for the six months ended 30th September 2005 which set out all the information required to be disclosed under Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

DIRECTORS

As at the date of this announcement, the Board comprises Messrs Cheung Kee Wee, Cheung Lin Wee and Cheung Ying Wai, Eric as Executive Directors, Messrs John Ho and Ng Kwok Tung as Non-executive Directors and Messrs Lam Hon Keung, Keith, Chan Woon Kong and Soo Hung Leung, Lincoln as Independent Non-executive Directors.

By Order of the Board
Raymond W M Chu
Company Secretary

Hong Kong, 9th December 2005

Please also refer to the published version of this announcement in China Daily.