Interim Report 2005

WO KEE HONG (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

Condensed Consolidated Income Statement

For the six months ended June 30, 2005

WO KEE HONG (HOLDINGS) LIMITED is a holding company with major subsidiaries engaged in the import, marketing, distribution and after-sales service of high quality, brand-name products serving customers in the Asian region and, in particular, the markets of mainland China, Hong Kong, Macau, Singapore and Malaysia. The products include principally air-conditioning; domestic appliances; audio-visual electrical items including car audio; motor vehicles and accessories; and other electronic products.

RESULTS

The Directors of Wo Kee Hong (Holdings) Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended June 30, 2005, along with the comparative figures for the corresponding period and selected explanatory notes, as follows:

Condensed Consolidated Income Statement

		Six months ended June 30	
		2005	2004
		(Unaudited)	(Unaudited)
	Notes	**HK$'000**	HK$'000
Turnover	*3*	**324,610**	278,562
Cost of sales		**(261,026)**	(214,684)
Gross profit		**63,584**	63,878
Other operating income		**4,487**	3,756
Investment income		**96**	43
Distribution costs		**(23,922)**	(23,727)
Administrative expenses		**(44,110)**	(43,471)
Fair value gains on investment properties	*7*	**6,707**	–
Gain on settlement of a loan	*18*	**88,178**	–
Profit from operations	*4*	**95,020**	479
Finance costs		**(2,258)**	(4,390)
Restructuring costs		**–**	(1,320)
Share of results of associates		**(3,975)**	(10,793)
Profit (loss) before taxation		**88,787**	(16,024)
Income tax (expense) credit	*5*	**(12,426)**	12,780
Profit (loss) for the period		**76,361**	(3,244)
Attributable to:			
Equity holders of the Company		**76,378**	(2,293)
Minority interests		**(17)**	(951)
		76,361	(3,244)
Earnings (Loss) per share for profit (loss) attributable to the equity holders of the Company – Basic	*6*	**3.45 cents**	(0.10) cents

Condensed Consolidated Balance Sheet

For the six months ended June 30, 2005

	Notes	June 30 2005 (Unaudited) HK$'000	December 31 2004 (Audited) HK$'000
Non-current assets			
Investment properties	*7*	**195,795**	172,305
Property, plant and equipment	*8*	**100,334**	117,528
Goodwill		**2,306**	2,306
Deferred tax assets	*13*	**6,300**	21,300
Interests in associates		**75,951**	79,926
Investments available-for-sale		**702**	702
		381,388	394,067
Current assets			
Inventories		**79,641**	85,023
Properties held for sale, at net realisable value		**34,000**	34,000
Trade and other receivables	*9*	**86,662**	73,587
Amounts due from associates		**7,041**	8,931
Investments held for trading		**101**	101
Bank balances and cash		**21,753**	15,952
		229,198	217,594
Current liabilities			
Trade and other payables	*10*	**121,211**	107,768
Bills payable		**36,209**	38,840
Tax payable		**–**	241
Amounts due to related companies		**9,926**	9,726
Obligations under finance leases – due within one year		**81**	84
Borrowings – due within one year	*11*	**60,775**	32,820
		228,202	189,479
Net current assets		**996**	28,115
Total assets less current liabilities		**382,384**	422,182
Non-current liabilities			
Obligations under finance leases – due after one year		**355**	408
Borrowings – due after one year	*11*	**17,622**	131,624
Loan advanced from a minority shareholder		**–**	128
Deferred tax liabilities	*13*	**22,514**	25,094
		40,491	157,254
Net assets		**341,893**	264,928
Capital and reserves			
Share capital	*12*	**221,615**	221,615
Reserves		**118,686**	41,704
Total equity attributable to equity holders of the Company		**340,301**	263,319
Minority interests		**1,592**	1,609
Total equity		**341,893**	264,928

Condensed Consolidated Cash Flow Statement

For the six months ended June 30, 2005

	Six months ended June 30	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash generated from operating activities	**11,607**	29,182
Net cash used in investing activities	**(857)**	(974)
Net cash used in financing activities	**(5,973)**	(15,372)
Net increase in cash and cash equivalents	**4,777**	12,836
Cash and cash equivalents at January 1	**13,695**	1,796
Effect of foreign currency exchange rate changes	**(413)**	(112)
Cash and cash equivalents at June 30	**18,059**	14,520
Analysis of the balances of cash and cash equivalents		
Being:		
Bank balances and cash	**21,753**	21,099
Bank overdrafts	**(3,694)**	(6,579)
	18,059	14,520

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2005

(Unaudited)

	Attributable to equity holders of the Company						
	Share capital	**Capital redemption reserve**	**Exchange reserve**	**Other reserves**	**Accumulated losses**	**Minority interests**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At January 1, 2005	221,615	916	(2,052)	151,236	(108,396)	1,609	264,928
Exchange difference on translation of financial statements of overseas operations	–	–	604	–	–	–	604
Profit (Loss) for the period	–	–	–	–	76,378	(17)	76,361
At June 30, 2005	**221,615**	**916**	**(1,448)**	**151,236**	**(32,018)**	**1,592**	**341,893**
At January 1, 2004	221,615	916	(1,733)	151,236	(110,118)	–	261,916
Increment due to increase of share capital of a subsidiary	–	–	–	–	–	2,430	2,430
Exchange difference on translation of financial statements of overseas operations	–	–	(159)	–	–	–	(159)
Loss for the period	–	–	–	–	(2,293)	(951)	(3,244)
At June 30, 2004	221,615	916	(1,892)	151,236	(112,411)	1,479	260,943

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2005

1. Basis of preparation and accounting policies

The unaudited condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", other relevant HKASs, Interpretations and the Hong Kong Financial Report Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies used in preparation of the condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended December 31, 2004, except that the Group has changed certain of its accounting policies following its adoption of the new/revised HKFRSs and HKASs which are effective for accounting periods commencing on or after January 1, 2005.

The changes to the Group's accounting policies and the effect of adopting these new standards are set out in note 2 below.

2. Changes in accounting policies

In 2005, the Group adopted the new/revised standards and Interpretations of HKAS and HKFRS below, which are relevant to its operations.

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 16	Property, Plant and Equipment
HKAS 17	Leases
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: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2005

2. Changes in accounting policies *(continued)*

HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS-Int 15	Operating Leases – Incentives
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of new/revised HKASs, Interpretations and HKFRSs did not result in substantial changes to the Group's accounting policies except those further described below.

In summary:

– HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and other disclosures.

– HKASs 2, 7, 8, 10, 16, 21, 23, 27, 28, 33 and HKAS-Int 15 had no material effect on the Group's policies.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of HKAS 17 "Leases" has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment to operating leases. Where the land and building cannot be allocated reliably as at the date of acquisition, the land and building elements will continue to be treated as property, plant and equipment and carried at cost.

The adoption of HKAS 32 "Financial Instruments: Disclosures and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement" has resulted in a change in accounting policy relating to the classification of held for trading investments and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in fair value is recognised through income statement.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2005

2. Changes in accounting policies *(continued)*

In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the previous Statement of Standard Accounting Practice ("SSAP") No. 13 were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from January 1, 2005 onwards.

Following the adoption of HKFRS 3 "Business Combinations", HKAS 36 "Impairment of Assets" and HKAS 38 "Intangible Assets", goodwill on acquisition of subsidiary, jointly controlled and associated companies is no longer amortised but tested for impairment annually as opposed to being amortised over its estimated useful life in previous years. Any impairment loss recognised during the period is charged to the income statement. This change in accounting policy has been applied prospectively from January 1, 2005 and amortisation of goodwill ceased on December 31, 2004.

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 retrospective application other than:

– HKFRS 2 – only retrospective application for all equity instruments granted after November 7, 2002 and not vested at January 1, 2005.

– HKFRS 3 – prospectively after the adoption date.

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for Investments and Securities" to other investments in 2004 comparative information.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2005

3. Business and geographical segments

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and maintenance service income during the period. An analysis of the Group's unaudited segment revenues and results for business segments and geographical segments for the period is as follows:

Business segments

2005

	Air-conditioning products HK$'000	Audio-visual and other electrical products HK$'000	Cars and car accessories HK$'000	Direct marketing HK$'000	Property investment HK$'000	Eliminations HK$'000	Consolidated HK$'000
Turnover							
External sales	54,620	116,106	152,107	1,777	–	–	324,610
Inter-segment sales	31	45	–	31	–	(107)	–
Total turnover	54,651	116,151	152,107	1,808	–	(107)	324,610

Inter-segment sales are charged at prevailing market rates.

	Air-conditioning products HK$'000	Audio-visual and other electrical products HK$'000	Cars and car accessories HK$'000	Direct marketing HK$'000	Property investment HK$'000	Eliminations HK$'000	Consolidated HK$'000
Results							
Segment results	2,814	3,332	1,381	(979)	8,440	130	15,118
Gain on settlement of a loan							88,178
Unallocated corporate expenses							(8,276)
Profit from operations							95,020
Finance costs							(2,258)
Share of results of associates	–	(3,008)	(967)	–	–	–	(3,975)
Profit before taxation							88,787
Income tax expense							(12,426)
Profit for the period							76,361

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2005

3. Business and geographical segments *(continued)*

Business segments *(continued)*

2004

	Air-conditioning products HK$'000	Audio-visual and other electrical products HK$'000	Cars and car accessories HK$'000	Direct marketing HK$'000	Property investment HK$'000	Eliminations HK$'000	Consolidated HK$'000
Turnover							
External sales	64,824	62,355	121,113	30,270	–	–	278,562
Inter-segment sales	1,344	3,271	–	105	–	(4,720)	–
Total turnover	66,168	65,626	121,113	30,375	–	(4,720)	278,562

Inter-segment sales are charged at prevailing market rates.

	Air-conditioning products HK$'000	Audio-visual and other electrical products HK$'000	Cars and car accessories HK$'000	Direct marketing HK$'000	Property investment HK$'000	Eliminations HK$'000	Consolidated HK$'000
Results							
Segment results	346	(1,226)	6,389	(4,384)	(681)	403	847
Unallocated corporate expenses							(368)
Profit from operations							479
Finance costs							(4,390)
Restructuring cost							(1,320)
Share of result of an associate	–	(10,793)	–	–	–	–	(10,793)
Loss before taxation							(16,024)
Income tax credit							12,780
Loss for the period							(3,244)

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2005

3. Business and geographical segments *(continued)*

Geographical segments

	Turnover by geographical market		Contribution to operating results	
	Six months ended June 30		Six months ended June 30	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**260,480**	192,511	**10,676**	(3,519)
Singapore	**29,668**	26,431	**673**	(143)
Malaysia	**14,260**	11,610	**721**	519
The People's Republic of China	**7,198**	31,504	**(2,229)**	239
Macau	**12,447**	15,608	**679**	(17)
Others	**557**	898	**111**	12
	324,610	278,562	**10,631**	(2,909)
Other operating income			**4,487**	3,756
Gain on settlement of a loan			**88,178**	–
Unallocated corporate expenses			**(8,276)**	(368)
Profit from operations			**95,020**	479

4. Profit from operations

Profit from operations has been arrived at after charging:

	Six months ended June 30	
	2005	2004
	HK$'000	HK$'000
Depreciation of:		
Owned assets	**2,728**	3,629
Assets held under finance leases	**87**	12
Amortisation of goodwill	**–**	136

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2005

5. Income tax

	Six months ended June 30	
	2005	2004
	HK$'000	HK$'000
The tax (expense) credit comprises:		
Current tax for the period:		
Hong Kong Profits Tax	**–**	–
Overseas taxation	**(6)**	96
	(6)	96
Deferred tax:		
Current period	**(12,420)**	12,684
Income tax attributable to the Company and its subsidiaries	**(12,426)**	12,780
Share of income tax attributable to associates	**–**	–
	(12,426)	12,780

No provision for Hong Kong Profits Tax has been provided for the period ended June 30, 2005 as the Group had tax losses brought forward to set off the estimated assessable profit for the period.

No provision for Hong Kong Profits Tax has been provided for the period ended June 30, 2004 as the Group did not derive any assessable profit.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

6. Earnings (loss) per share

The calculation of the basic earnings (loss) per share is based on the profit attributable to shareholders of approximately HK$76,378,000 (2004: loss of approximately HK$2,293,000) and on the weighted average number of 2,216,154,331 (2004: 2,216,154,331) ordinary shares in issue during the period.

No diluted earnings (loss) per share has been presented because the exercise price of the Company's outstanding share options was higher than the average market price for share for both periods.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2005

7. Investment properties

During the period, the Group had transferred certain of its properties from land and building to investment properties at approximately HK$16,783,000 (during the year ended December 31, 2004: approximately HK$57,202,000).

The investment properties of the Group were revalued as at June 30, 2005 by an independent firm of surveyors on an open market basis. The fair value gains of approximately HK$6,707,000 had been credited to the income statement for the period ended June 30, 2005 (2004: Nil).

8. Property, plant and equipment

	June 30 2005 HK$'000	December 31 2004 HK$'000
Opening net book value	**117,528**	180,019
Exchange difference	**(26)**	7
Additions	**3,063**	2,584
Disposals	**(633)**	(1,107)
Transfer to investment properties	**(16,783)**	(57,202)
Depreciation charge	**(2,815)**	(6,773)
Closing net book value	**100,334**	117,528

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2005

9. Trade and other receivables

The Group allows an average credit period of 30 to 90 days to its customers. The aged analysis of trade receivables is as follows:

	June 30 2005 HK$'000	December 31 2004 HK$'000
Within 30 days	**41,929**	29,218
31 to 60 days	**8,613**	10,609
61 to 90 days	**3,288**	2,398
91 days to 1 year	**1,442**	8,469
Over 1 year	**3,399**	1,986
Total trade receivables	**58,671**	52,680
Deposits, prepayments and other receivables	**27,991**	20,907
	86,662	73,587

10. Trade and other payables

The aged analysis of trade payables is as follows:

	June 30 2005 HK$'000	December 31 2004 HK$'000
Within 30 days	**8,765**	5,070
31 to 60 days	**2,672**	2,191
61 to 90 days	**2,640**	3,337
91 days to 1 year	**449**	988
Over 1 year	**824**	1,329
Total trade payables	**15,350**	12,915
Customers' deposits, accruals and other payables	**105,576**	94,853
Fair value derivatives	**285**	–
	121,211	107,768

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2005

11. Borrowings

	June 30 2005 HK$'000	December 31 2004 HK$'000
Bank overdrafts	**3,694**	2,257
Bank loans	**74,703**	31,865
	78,397	34,122
Secured	**69,862**	25,318
Unsecured	**8,535**	8,804
	78,397	34,122
Secured loan advanced from a supplier	**–**	130,322
	78,397	164,444
The maturity of the above loans is as follows:		
Within one year	**60,775**	32,820
More than one year, but not exceeding two years	**5,857**	477
More than two years, but not exceeding five years	**11,765**	825
More than five years	**–**	130,322
	78,397	164,444
Less: Amounts due within one year shown under current liabilities	**(60,775)**	(32,820)
Amounts due after one year	**17,622**	131,624

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2005

12. Share capital

	Number of shares	Nominal value HK$'000
Authorised:		
At January 1, 2004, December 31, 2004, January 1, 2005 and June 30, 2005 of HK$0.10 each	3,500,000,000	350,000
Issued and fully paid:		
At January 1, 2004, December 31, 2004, January 1, 2005 and June 30, 2005 of HK$0.10 each	2,216,154,331	221,615

13. Deferred taxation

The movement on the deferred tax liabilities (assets) account is as follows:

	Tax loss HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At January 1, 2004	–	33,709	33,709
Credit for the year	(21,300)	(8,615)	(29,915)
At December 31, 2004 and January 1, 2005	(21,300)	25,094	3,794
Charge (Credit) for the period	15,000	(2,580)	12,420
At June 30, 2005	(6,300)	22,514	16,214

Represented by:	
Deferred tax assets	(6,300)
Deferred tax liabilities	22,514
	16,214

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2005

14. Related party transactions

During the period, the Group entered into the following transactions with related parties:

	Six months ended June 30	
	2005	2004
	HK$'000	HK$'000
Interest income received from a related party	**–**	30
Management and agency fee paid to:		
a related company	**44**	9
a related company which received on behalf of a building management fund	**2,099**	2,107
Sales of goods to a director	**–**	900
Acquisition of further interest in a subsidiary from a related party	**–**	2,287

15. Contingent liabilities

At June 30, 2005, the Group had contingent liabilities of approximately HK$29.9 million (December 31, 2004: approximately HK$29.2 million) arising out of a law suit against a subsidiary of the Company in the People's Republic of China (the "PRC") and of approximately HK$1.3 million (December 31, 2004: approximately HK$1.3 million) in respect of proceedings involving another subsidiary of the Company in India. Regarding the law suit in the PRC, the court has declared and reaffirmed its final ruling against the subsidiary in July 2005 and ruled a total compensation of approximately HK$29.9 million would need to be paid to the plaintiffs. The subsidiary has appealed to the Provincial High Court of Guangdong. As at the date of this report, the appeal is still in progress.

At June 30, 2005, the Group had a contingent liability of approximately HK$999,000 (December 31, 2004: approximately HK$1,000,000) arising out of the grant of option to a connected person. Further details of which are set out in the announcement of the Company dated May 5, 2004.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2005

16. Commitments

Capital commitments

Capital commitments as at the balance sheet date are as follows:

	June 30 2005 HK$'000	December 31 2004 HK$'000
Contracted but not provided for	**3,604**	–
Authorised but not contracted for	**3,400**	–

Financial commitments

At June 30, 2005, the Group had outstanding commitment in respect of forward contracts against the Group's exposure in foreign currencies from its operations as follows:

	June 30 2005 HK$'000	December 31 2004 HK$'000
Sell Hong Kong dollars for Japanese Yen	**4,718**	11,590
Sell Singapore dollars for Japanese Yen	**1,677**	2,896

Operating lease commitments

At June 30, 2005 the Group had commitments under non-cancellable operating leases, which fall due as follows:

	June 30 2005 HK$'000	December 31 2004 HK$'000
Within one year	**7,961**	5,317
In the second to fifth year inclusive	**9,183**	3,527
	17,144	8,844

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2005

17. Pledge of assets

At the balance sheet date, certain of the Group's land and buildings, investment properties and properties held for sale with an aggregate net book value of approximately HK$310.8 million (December 31, 2004: approximately HK$305.7 million); inventories stated at lower of cost or net realisable value amounting HK$2.1 million (December 31, 2004: Nil); deposits in a bank of approximately HK$38,000 (December 31, 2004: approximately HK$1.2 million) and all assets of a subsidiary of approximately HK$19.3 million (December 31, 2004: approximately HK$18.5 million) have been pledged to secure facilities granted by banks and a supplier to the Group.

18. Gain on settlement of a loan

On February 24, 2005, the Group and a supplier, Mitsubishi Heavy Industries, Ltd ("MHI"), have entered into a deed of settlement in relation to the settlement of the debt due from the Group to MHI under the loan agreement dated June 28, 2002. In accordance with the deed of settlement, the debt, being the aggregate of the principal plus accrued interest thereon of approximately HK$135.0 million as at December 31, 2004, have been settled in full with the amount of approximately HK$46.8 million, resulting in a gain of approximately HK$88.2 million by the Group. The settlement has been fulfilled by a new long term bank loan borrowed by the Group and the Group's internal resources. Further details of which are set out in the announcement of the Company dated February 24, 2005.

19. Post balance sheet events

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

(a) On July 12, 2005, the Group entered into a termination agreement with LG Electronics Inc. ("LG") and LG Electronics HK Limited ("LG HK") terminating the two distributorship agreements dated January 1, 2004 between the Group and LG with effect from July 1, 2005. Upon termination of the distributorship agreements, the Group will become a non-exclusive wholesaler of LG HK in respect of the LG products in the territory. Further details of which are set out in the announcement of the Company dated July 12, 2005.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2005

19. Post balance sheet events *(continued)*

(b) On July 13, 2005, the Group entered into the sale & purchase agreements with the purchasers for the disposal of the three properties situated at Room 1908, 1909 and 1910 of Beijing Bright China Chang An Building, No.7 Jianguomennei Da Jie, Doncheng District, Beijing, the PRC, for cash consideration of approximately HK$4.3 million, HK$3.3 million and HK$1.8 million respectively. The aggregate consideration for the disposal is approximately HK$9.4 million and will realise an aggregate loss of approximately HK$3.1 million over the aggregate audited book value of the properties of HK$12.5 million as at December 31, 2004. The consideration for the properties was arrived at pursuant to arm's length negotiations between the parties having regard to the book value of the properties as well as the property market in Beijing. Taking into account the abovementioned factors, the directors are of the view that the terms of the disposal are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole. Further details of which are set out in the announcement of the Company dated July 15, 2005.

(c) On August 18, 2005, the Company entered into a subscription agreement with Hanny Holdings Limited ("HHL"), in relation to the subscription of a 7.25% coupon convertible note due 2008 of the Company by HHL in the principal amount of HK$30 million. Upon full conversion of the convertible note at the initial conversion price of HK$0.10 per share, 300,000,000 conversion shares will be issued and represent approximately 13.54% of the existing issued share capital of the Company as at August 18, 2005 and approximately 11.92% of the issued share capital of the Company as enlarged by the conversion shares. The net proceeds from the issue of the convertible note will be approximately HK$28 million which will be used by the Company as additional general working capital. Further details of which are set out in the announcement of the Company dated August 18, 2005.

INTERIM DIVIDEND

The Directors have resolved not to declare the payment of an interim dividend (2004: nil).

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results

For the first six months of 2005 the Group reported a total turnover of HK$324.6 million, a marked increase of HK$46.0 million (+16.5%) over HK$278.6 million of last period. This robust upsurge was mainly attributable to the remarkable sales performance of our Audio-visual and Car divisions as detailed in the business review section below. Against the backdrop of persistent economic recovery in Hong Kong, consumer market of our products continued to be buoyant and prosperous.

Gross profit slightly declined by HK$0.3 million (-0.5%) to HK$63.6 million when compared with last period's HK$63.9 million. To combat the unrelenting price competition in the consumer market we need to adjust strategically our margins in order to maintain and enlarge our market share.

Distribution costs slightly increased by HK$0.2 million or 0.8% while administrative expenses also slightly increased by HK$0.6 million or 1.4%. The fact that the significant growth of HK$46.0 million or 16.5% in turnover had only carried with it a less-than-proportionate increase in distribution costs and administrative expenses clearly demonstrated effective measure in cost saving across the Group.

The HK$6.7 million "Fair value gains on investment properties" represented the upward fair value changes of the portion of Wo Kee Hong Building that was being put to use as investment properties. For details, please refer to note 7 to the condensed consolidated financial statements.

Details of the HK$88.2 million "Gain on settlement of a loan" had already been reported as "Events after the balance sheet date" in our 2004 Annual Report. In brief, it was the result of the settlement agreement in relation to a loan due to Mitsubishi Heavy Industries, Ltd.

Finance costs dropped by HK$2.1 million (-47.7%) from last period's HK$4.4 million to HK$2.3 million. This saving reflected the improving status of our cash flow position, which was mainly attributable to the settlement of loan as above-mentioned.

Share of results of associates mainly reflected the share of loss of our associated company in Jiangmen amounting to HK$3.0 million. The perpetual upsurge in the costs of plastic materials and thin steel plate impaired the financial performance of this factory.

Results *(continued)*

The Board is pleased to announce a high profit from operations of the Group at HK$95.0 million in the first six months of 2005, representing a rise of HK$94.5 million against the profit of HK$0.5 million in last period. After deducting finance costs of HK$2.3 million, share of results of associates of HK$3.9 million and the income tax of HK$12.4 million, a profit attributable to equity holders of the Company of HK$76.4 million was reported, resulting in a great step forward in financial performance against last period (loss of HK$2.3 million). This further manifested the fact of a continuous turnaround of the Group to profitability.

Cash flow, liquidity and financial resources

The Group was basically financed by a combination of equity capital base, cash flow generated from operations as well as bank borrowings. As usual, bank and other liabilities were being met upon their maturities in the normal course of business.

In the first six months of 2005 cash generated from operations amounted to HK$11.6 million, enabling the Group to repay the bank and other debts and to fund the investing activities to the extent of HK$6.8 million. As a result, net positive cashflow of HK$4.8 million was achieved which helped to further strengthen our cash position, resulting in cash and cash equivalents amounting to HK$18.1 million at June 30, 2005.

The Group had total borrowings at June 30, 2005 amounting to HK$78.4 million (December 31, 2004: HK$164.4 million). As at the end of the period, the Group's gearing ratio stood at 5.3%, based on long term liabilities (excluding deferred tax) of HK$18.0 million and shareholders' equity of HK$340.3 million. The current ratio was 1.0, based on current assets of HK$229.2 million and current liabilities of HK$228.2 million.

At June 30, 2005, debtor collections period was 33 days (December 31, 2004: 31 days) and inventory turnover managed at 54 days (December 31, 2004: 64 days). These two prime indicators reflected the sound stewardship of working capital.

It is the Group's management practice to hedge foreign currency transactions with the objective to stabilize the cost via the pegging of the exchange rates with bankers. At June 30, 2005 the total outstanding foreign exchange contracts with banks amounted to HK$6.4 million (December 31, 2004: HK$14.5 million).

At the balance sheet date, the Group had capital commitments in respect of the setup of a new 3S-centre (Sales, Services and Spare parts) of our Car division contracted but not provided for amounting to HK$3.6 million and authorized but not contracted for amounting to HK$3.4 million. The Group had no capital commitment at December 31, 2004.

Cash flow, liquidity and financial resources *(continued)*

At June 30, 2005 the Group had trading facilities amounting to HK$157.6 million (December 31, 2004: HK$128.2 million) of which HK$127.2 million (December 31, 2004: HK$91.8 million) was utilized. Certain of the Group's properties, inventories, bank deposits and all assets of a subsidiary in an aggregate amount of HK$332.2 million (December 31, 2004: HK$325.4 million) were pledged to secure facilities granted by bankers and a supplier to the Group.

At the balance sheet date, the Group had contingent liabilities of approximately HK$32.2 million (December 31, 2004: approximately HK$31.5 million). For details, please refer to note 15 to the condensed consolidated financial statements.

BUSINESS REVIEW

Air-conditioning products

The business consists of marketing and distribution of a wide range of consumer and commercial air-conditioning products of five major brands, namely, "MHI" (Mitsubishi Heavy Industries of Japan); "LG" (LG Electronics Inc. of Korea), "GREE" and "TCL" from mainland China and our own "Bodysonic".

Turnover of air-conditioning for the first six months was down by 15.7% over the same period last year at HK$54.6 million (2004: HK$64.8 million). This was partly due to the shifting of the "LG" business from exclusive distributorship to wholesaling effective July 1, 2005; this transaction had impact on the steady supplies of LG products during the transitional period. Moreover, "MHI" ceased production of its range of commercial water-cooled packaged units and caused a decrease in sales. Competition in mainland China was still tough.

The Group was able to maintain a reasonable gross margin level, due to rationalisation of various costs. This business will continue to be managed profitably, by increasing efficiency and focusing on higher margin commercial products. Apart from maintaining the present dealers and contractors channel, we shall continue to develop direct sales and project business.

Audio-visual and other electrical products

The main business consists of marketing and distribution of our own “Rogers” and “Bodysonic” audio-visual products, “Marantz” high-end audio-visual products of Japan, “Alpine” car electronics of Japan and “LG” electrical appliances of Korea.

As the economy in the major markets in Hong Kong, Singapore and Malaysia continued to improve, driven by our successful products and marketing developments, we achieved excellent growth of 86.1% in the first half over the same period of last year at HK$116.1 million (2004: HK$ 62.4 million).

The development of our own “Rogers” brand from the United Kingdom was especially successful with the launch of new LCD TV, MP3 and DVD-RW players; and a new range of quality speaker systems. The 30-inch LCD TV of “Rogers” was ranked the “best seller” in Hong Kong for January 2005. “Rogers” also participated in the Consumer Electronics Show in Las Vegas in January this year with very good responses. The brand continued to add new international markets in its export drive.

The sales of “LG” home appliances for the first six months were about the same level as compared with the same period last year. However, due to the change of exclusive distributorship to wholesaling with effect from July 1, 2005, such products will contribute less margins to this business segment in the second half of the year. We are actively looking for potential replacement products and are confident that we can reduce the impact of the change in distributorship to minimal.

The car electronics of “Alpine” made good sales and profit growth in Singapore and Malaysia in OEM business.

Strong growth in the audio-visual segment is expected with continuous expansion of the “Rogers” and “Alpine” business, improvement in profit margin, development of more international markets, new product launches and increasing operational efficiency.

Direct marketing

The business is the operation under “Mega Warehouse” branded outlets in Hong Kong market. Sales to customers for the six months 2005 were much lower than same period last year. In view of the intensive competition of the retail market, the operation of Mega Warehouse was scaled down substantially in the first half of 2005. New strategies are being formulated to reposition the direct marketing business in a profitable manner.

Cars and car accessories

The business consists mainly of the import, distribution and after-sale service of Italian “Ferrari” and “Maserati” cars and spare parts in Hong Kong and Macau.

Sales in this category increased by 25.6% to HK$152.1 million (2004: HK$121.1 million) caused by strong “Maserati” growth in Hong Kong. Workshop service income also increased substantially and contributed nicely to operating profit. Since September last year, the selling of cars to mainland China was transferred to the equity joint-venture, Ferrari Maserati Cars International Trading (Shanghai) Co., Ltd; so left-hand drive (LHD) car sales to China was phased out during the period.

During the period, the new “Ferrari” 8-cylinder sports car, F430, was introduced and we received the highest record of orders for a new model. Delivery of the F430 started in July and would generate high growth in sales and profit in the second half.

It is expected very strong performance would be achieved by this segment as we would start to deliver to the customers F430s that they had ordered and growing popularity of “Maserati” Quattroporte and GranSport.

A new 3S-centre on the Hong Kong Island will be inaugurated in October, so in addition to our two other service workshops on the Kowloon side, we would provide even a higher level of technical services to our customers. There would also be a new exclusive “Maserati” showroom to be opened in October to further strengthen the promotion of “Maserati” cars.

HUMAN RESOURCES

As of June 30, 2005, the total number of employees of the Group, excluding associates, was 281 (2004: 343), a substantial reduction of 18%, reflecting the curtailment from direct marketing and our continuous effort to staff cost reduction and productivity increase. As the Group’s business is on a healthy upward trend, the management is committed to motivating and training our staff to be even more competitive, and providing opportunities for career development.

PROSPECTS

Healthy economic growth in our key markets will continue into the second half year and 2006. We expect particularly strong performance to be achieved by the car business, with the extreme popularity of the new models and incoming shipments for deliveries to our customers.

The air-conditioning business is steady and profitable and further cultivation of our already good network will bring in more business opportunities.

Strong growth of our own “Rogers” brand of audio-visual products is planned and it will be increasingly important in profit contribution. We also plan for development of “Bodysonic”, the other brand owned by us, in new life style products.

In the direction of securing more luxurious brands for distribution, a new subsidiary was set up to act as the exclusive distributor for Italian “Ferretti” luxurious motor yachts in Southern China, covering the provinces of Guangdong, Fujian, Hainan and Guangxi. Luxurious motor yachts business will be an interesting business line to expect good growth in Southern China. We shall continue to secure more luxurious brands for distribution to attain better profit margins.

Income from our property investments is expected to improve as the property market gradually recovers.

The management is confident that all our major business segments will be profitable for the year and expect a trend of profit and sales growth to sustain.

Other Information

Disclosure of directors' interests

As at June 30, 2005, the interests and short positions of each Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO; or are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange are as follows:

(a) Beneficial interest and short position in Shares as at June 30, 2005:

	Number of ordinary shares of HK$0.10 each ("Share")			
Directors	**Personal Interests**	**Family Interests**	**Corporate Interests**	**Total Interests**
Mr. Richard Man Fai LEE	33,564,388	6,738,732 (Note 1)	1,171,335,706 (Note 2)	1,211,638,826
Mr. Jeff Man Bun LEE	4,719,000	–	1,185,792,896 (Notes 2 & 3)	1,190,511,896
Ms. Kam Har YUE	52,097,162	–	1,171,335,706 (Note 2)	1,223,432,868
Mr. Sammy Chi Chung SUEN	471,900	–	–	471,900
Mr. Raymond Cho Min LEE	–	–	19,202,000 (Note 4)	19,202,000

Notes:

1. The 6,738,732 Shares are owned by Ms. Siew Yit HOH, the spouse of Mr. Richard Man Fai LEE.

2. The 1,171,335,706 Shares are held by Modern Orbit Limited, which is wholly owned by Cyber Tower Inc. as trustee of The WS Lee Unit Trust. 99% of the units of The WS Lee Unit Trust are held by a discretionary trust of which Mr. Wing Sum LEE's family members including Ms. Kam Har YUE, Mr. Richard Man Fai LEE and Mr. Jeff Man Bun LEE are the beneficiaries. The remaining 1% of the units of The WS Lee Unit Trust are held by Skylink International Asset Corporation, a company incorporated in the British Virgin Islands and owned by Ms. Kam Har YUE, Mr. Richard Man Fai LEE and Mr. Jeff Man Bun LEE.

3. Out of the 1,185,792,896 Shares, 14,457,190 Shares are held by Fisherman Enterprises Inc., a company incorporated in the British Virgin Islands and wholly owned by Mr. Jeff Man Bun LEE.

4. The 19,202,000 Shares are beneficially owned by ODE Asia Limited, 100% owned by M.W. Lee & Sons Enterprises Limited which is controlled by Mr. Raymond Cho Min LEE.

5. All interests in the Shares are long positions. None of the Directors held any short position in the Shares.

Other Information

Disclosure of directors' interests *(continued)*

(b) Beneficial interests and short positions in underlying shares of equity derivatives of the Company as at June 30, 2005 are disclosed in the section headed "Movement of share options" of this report.

(c) Beneficial interests and short position in shares in associated corporations as at June 30, 2005:

Directors	Name of associated corporation	Number of shares or equity interests held or interested in	Class and/or description of shares/interests
Mr. Wing Sum LEE	Stoneycroft Estates Limited	15,750,000	non-voting deferred shares
	Wo Kee Hong Limited	8,500	non-voting deferred shares
	Wo Kee Services Limited	1	non-voting deferred shares
Ms. Kam Har YUE	Forward International Corporation, Limited	34,335	non-voting deferred shares
	Shinwa Engineering Company, Limited	3,850,000	non-voting deferred shares
	Stoneycroft Estates Limited	340,000	non-voting deferred shares
	Wo Kee Hong Limited	400	non-voting deferred shares

Substantial shareholders' interests

Save as disclosed below and in the section headed "Disclosure of directors' interests", as at June 30, 2005, so far as is known to the Directors, no other person had, or was deemed or taken to have an interest or short position of 5% or more of the interests in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 as the SFO:

Company Name	Number of Shares	Approximate % of the total issued Shares
Modern Orbit Limited	1,171,335,706	52.85%

Other Information

Substantial shareholders' interests *(continued)*

Note: The 1,171,335,706 Shares are held by Modern Orbit Limited, which is wholly owned by Cyber Tower Inc. as trustee of The WS Lee Unit Trust. 99% of the units of The WS Lee Unit Trust are held by a discretionary trust of which Mr. Wing Sum LEE's family members including Ms. Kam Har YUE, Mr. Richard Man Fai LEE and Mr. Jeff Man Bun LEE are the beneficiaries. The remaining 1% of the units of The WS Lee Unit Trust are held by Skylink International Asset Corporation, a company incorporated in the British Virgin Islands and owned by Ms. Kam Har YUE, Mr. Richard Man Fai LEE and Mr. Jeff Man Bun LEE.

Share options

1991 Scheme

The Company's share option scheme was adopted on June 22, 1991 ("1991 Scheme") for the primary purpose of providing incentives to Directors and eligible employees and expired on June 21, 2001. The Directors may, at their discretion, grant options to all eligible employees, including executive Directors of the Company and its subsidiaries.

The total number of shares in respect of which options may be granted under the 1991 Scheme is not permitted to exceed 10% of the issued share capital of the Company at any point in time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 25% of the maximum aggregate number of shares of the Company for the time being issued and issuable under the 1991 Scheme.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per grant. Options are exercisable within a period of 6 years commencing one month from the date of acceptance of options.

The subscription price is determined by the Directors, and will not be less than the higher of a price being not less than 80% of the average of the closing prices of the shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the five trading days immediately preceding the date of grant, and the nominal value of a share of the Company.

2001 Scheme

Another share option scheme ("2001 Scheme") was subsequently adopted pursuant to a resolution passed on June 28, 2001 for the primary purpose of providing incentives to Directors and eligible employees, and was terminated on May 30, 2002 pursuant to a resolution passed on that date.

Under the 2001 Scheme, the Directors may grant options to any full-time employees, including executive and non-executive Directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Other Information

2001 Scheme *(continued)*

The total number of shares in respect of which options may be granted under the 2001 Scheme is not permitted to exceed 10% of the issued share capital of the Company at any point in time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 25% of the maximum aggregate number of shares of the Company for the time being issued and issuable under the 2001 Scheme.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per grant. Options are exercisable within a period of 6 years commencing one month from the date of acceptance of options.

The subscription price is determined by the Directors, and will not be less than the higher of a price being not less than 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant, and the nominal value of a share of the Company.

Upon termination of the 2001 Scheme, no further options will be granted but in all other respects, the provisions of the 2001 Scheme shall remain in force and all granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

2002 Scheme

On August 23, 2001, the Stock Exchange has announced amendments to Chapter 17 of the Listing Rules, which has come into effect on September 1, 2001. In compliance with the amendments to the Listing Rules and the announcement of the Stock Exchange, the Company adopted a new share option scheme ("2002 Scheme") and terminated the 2001 Scheme on May 30, 2002 pursuant to a resolution passed on that date. The purpose of the 2002 Scheme is to provide incentives or rewards to participants for their contribution to the Group and enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any companies in which the Group holds any equity interest. The 2002 Scheme will expire on the 10th anniversary of date of adoption.

Under the 2002 Scheme, the Board of Directors of the Company may at their discretion grant options to the following participants of the Company, its subsidiaries and any companies in which the Group holds any equity interest, to subscribe for shares in the Company:

1. eligible employees, including Directors; or

2. suppliers or customers; or

3. any person or entity that provides research, development or other technological support; or

Other Information

2002 Scheme *(continued)*

4. shareholders; or

5. employees, partners or Directors of any business partners, joint venture partners, financial advisers and legal advisers.

Options granted to a Director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the Independent Non-executive Directors of the Company (excluding any Independent Non-executive Director who is the grantee).

The total number of shares in respect of which options may be granted under the 2002 Scheme and any other schemes is not permitted to exceed 30% of the issued share capital of the Company from time to time. Subject to the above rule, the total number of shares in respect of which options may be granted under the 2002 Scheme and any other schemes must not in aggregate, exceed 10% of the issued share capital of the Company at the adoption date of the 2002 Scheme without prior approval from the Company's shareholders.

The number of shares in respect of which options may be granted to any participant in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to a substantial shareholder, or an Independent Non-executive Director of the Company, or any of their respective associates under the 2002 Scheme and any other schemes in any one year in excess of 0.1% of the Company's issued share capital or with a value, based on the closing price of the shares of the Company at the date of each grant, in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days of the date of grant upon payment of HK$1 per each grant of options. The exercise period of the share options granted under the 2002 Scheme shall be determined by the Board of Directors when such options are granted, provided that such period shall not end later than 6 years from the date of grant. The subscription price is determined by the Board of Directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, or the average closing price of the shares for the five trading days immediately preceding the date of grant, or the nominal value of a share of the Company.

No Share Options were exercised or granted for the six months ended June 30, 2005.

At June 30, 2005, the number of shares in respect of which options had been granted and remained outstanding under the 1991, 2001 and 2002 Scheme were 45,843,275, 118,930,658 and 91,226,162 representing 2.1%, 5.4% and 4.1% of the issued share capital of the Company at that date respectively.

Other Information

Movement of share options

The following table discloses movement in the Company's share options for the six months ended June 30, 2005:

Eligible person	Scheme type	Date of grant	Outstanding at January 1, 2005 and June 30, 2005	Exercisable period	Exercise price HK$
Mr. Wing Sum LEE	1991	December 21, 1999	10,225,519	February 11, 2000 – February 10, 2006	0.2325
(Director)	1991	February 11, 2000	4,719,470	March 21, 2000 – March 20, 2006	0.5422
	2001	August 10, 2001	55,060,504	September 16, 2001 – September 15, 2007	0.1661
	2002	September 24, 2002	640,640	September 24, 2002 – September 23, 2008	0.1000
			70,646,133		
Mr. Richard Man Fai LEE	1991	December 21, 1999	10,540,150*	February 7, 2000 – February 6, 2006	0.2325
(Director)	1991	February 11, 2000	5,506,048	March 18, 2000 – March 17, 2006	0.5422
	1991	May 28, 2001	6,292,629	June 29, 2001 – June 28, 2007	0.1661
	2001	August 10, 2001	55,060,504	September 16, 2001 – September 15, 2007	0.1661
	2001	August 29, 2001	786,575*	September 30, 2001 – September 29, 2007	0.1661
	2002	September 24, 2002	22,159,280	September 24, 2002 – September 23, 2008	0.1000
			100,345,186*		
Mr. Jeff Man Bun LEE	2002	June 4, 2002	3,146,314	June 4, 2002 – June 3, 2008	0.1000
(Director)	2002	September 24, 2002	1,430,000	September 24, 2002 – September 23, 2008	0.1000
			4,576,314		
Ms. Kam Har YUE (Director)	2001	August 29, 2001	786,575	September 30, 2001 – September 29, 2007	0.1661
Mr. Sammy Chi Chung SUEN	1991	December 21, 1999	471,944	February 6, 2000 – February 5, 2006	0.2325
(Director)	1991	February 11, 2000	786,575	March 22, 2000 – March 21, 2006	0.5422
	1991	January 18, 2001	409,019	March 6, 2001 – March 5, 2007	0.1661
	2001	August 10, 2001	1,573,156	September 19, 2001 – September 18, 2007	0.1661
	2002	June 4, 2002	6,292,629	June 4, 2002 – June 3, 2008	0.1000
	2002	September 24, 2002	2,002,000	September 24, 2002 – September 23, 2008	0.1000
			11,535,323		

* Share options granted to Mr. Richard Man Fai LEE's spouse were included.

Other Information

Movement of share options *(continued)*

Eligible person	Scheme type	Date of grant	Outstanding at January 1, 2005 and June 30, 2005	Exercisable period	Exercise price HK$
Mr. Raymond Cho Min LEE	2002	June 4, 2002	2,202,418	June 4, 2002 – June 3, 2008	0.1000
(Director)	2002	September 24, 2002	11,440	September 24, 2002 – September 23, 2008	0.1000
			2,213,858		
Mr. Boon Seng TAN	2002	June 4, 2002	2,202,418	June 4, 2002 – June 3, 2008	0.1000
(Director)	2002	September 24, 2002	11,440	September 24, 2002 – September 23, 2008	0.1000
			2,213,858		
Continuous contract	1991	December 21, 1999	1,653,315	February 1, 2000 – March 21, 2006	0.2325
employees	1991	February 11, 2000	519,136	March 18, 2000 – March 21, 2006	0.5422
	1991	September 8, 2000	4,719,470	November 5, 2000 – November 4, 2006	0.2347
	2001	August 29, 2001	4,090,188	September 30, 2001 – September 30, 2007	0.1661
	2001	November 23, 2001	1,573,156	December 23, 2001 – December 22, 2007	0.1661
	2002	June 4, 2002	51,127,583	June 4, 2002 – June 3, 2008	0.1000
			63,682,848		
			256,000,095		

Other Information

Purchase, sale or redemption of securities

During the six months ended June 30, 2005, the Company and its subsidiaries have not repurchased, sold or redeemed any of the Company's securities.

Corporate governance

In the opinion of the Directors, the Company has complied with the code provisions of 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 ("Listing Rules") during the six months ended June 30, 2005 except in relation to the separation of the role of chairman and chief executive officer and rotation of directors under the code provisions A.2.1 and A.4.2 respectively.

Under the code provisions A.2.1 and A.4.2 of the Listing Rules, (a) the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, and (b) every director should be subject to retirement by rotation at least once every three years.

According to the Wo Kee Hong (Holdings) Limited Company Act, 1991 (the "Act"), no Director holding the office of chairman or managing director shall be subject to retirement by rotation as provided in the Bye-Laws of the Company. As the Company is bound by the provisions of the Act at this time, the Bye-Laws of the Company cannot be amended to fully reflect the requirements of the Code on Corporate Governance Practices. The Board has sought legal advice on the change of the Act or other possible steps to address the issue.

The Board will review its current corporate governance practices and propose any amendment, if necessary, to ensure compliance with the Code on Corporate Practices as set out in the Listing Rules.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code")

The Company has adopted a code of conduct for transactions in the Company's securities by the Directors that complies with the Model Code as set out in Appendix 10 of the Listing Rules. Followed specific enquiry by the Company, all Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the six months ended June 30, 2005.

Other Information

Change of auditors

On August 29, 2005, RSM Nelson Wheeler resigned as auditors of the Group. On August 30, 2005, HLB Hodgson Impey Cheng were appointed as auditors of the Group to fill the casual vacancy following the resignation of former auditors to hold office until the conclusion of the forthcoming annual general meeting of the Company.

Audit committee

The Company sets up an Audit Committee comprising Mr. Raymond Cho Min LEE (Chairman), Mr. Boon Seng TAN and Mr. Kenji Tak Hing CHAN, all of whom are Independent Non-executive Directors of the Company. In establishing the terms of reference for this Committee, the Directors have had regard to "A Guide for Effective Audit Committee" issued by the Hong Kong Society of Accountants (now known as the Hong Kong Institute of Certified Public Accountants) in February 2002 and the Code on Corporate Governance Practices.

The Audit Committee of the Company has reviewed the interim results, and was content that the accounting policies of the Group are in accordance with the current best practice in Hong Kong.

The interim results has been reviewed by the Audit Committee and HLB Hodgson Impey Cheng, auditors of the Company.

By Order of the Board of Directors
Richard Man Fai LEE
Executive Chairman & CEO

Hong Kong, September 22, 2005