



華 厦 置 業 有 限 公 司

WAH HA REALTY COMPANY LIMITED

## **INTERIM REPORT**

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

	Note	Six months ended 30th September	
		2005 HK\$	Restated 2004 HK\$
Turnover	2	<b>5,421,907</b>	2,843,667
Cost of sales		<b>(187,409)</b>	(241,438)
Gross profit		<b>5,234,498</b>	2,602,229
Other revenues		<b>299,052</b>	708,410
Revaluation surplus on investment properties		<b>1,950,000</b>	–
General and administration expenses		<b>(2,337,267)</b>	(2,372,271)
Net other operating income		<b>2,631,183</b>	989,260
Operating profit	3	<b>7,777,466</b>	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))		<b>14,577,848</b>	7,188,122
Profit before taxation		<b>22,355,314</b>	9,115,750
Taxation	4	<b>(458,549)</b>	(118,133)
Profit attributable to equity holders of the Company		<b>21,896,765</b>	8,997,617
Earnings per share	5	<b>18.10 cents</b>	7.44 cents
Dividends	6	–	–

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September 2005

		30th September 2005 <i>HK\$</i>	Restated 31st March 2005 <i>HK\$</i>
	<i>Note</i>		
<b>ASSETS</b>			
Non-current assets			
Investment properties		<b>28,100,000</b>	26,150,000
Associated companies		<b>287,521,286</b>	281,244,438
Available-for-sale financial assets		<b>250,448</b>	–
Long-term investments		–	250,448
Deferred tax assets		<b>175,947</b>	171,489
		<u><b>316,047,681</b></u>	<u>307,816,375</u>
Current assets			
Properties held for sale		<b>6,225,024</b>	6,250,498
Debtors and prepayments	7	<b>2,440,854</b>	3,481,398
Taxation recoverable		–	9,521
Short-term investments	8	<b>131,562,916</b>	130,010,613
Cash and bank balances		<b>107,383,422</b>	97,473,287
		<u><b>247,612,216</b></u>	<u>237,225,317</u>
Total assets		<u><b>563,659,897</b></u>	<u>545,041,692</u>
<b>EQUITY</b>			
Capital and reserves attributable to the Company's equity holders			
Share capital	9	<b>78,624,000</b>	78,624,000
Reserves	10	<b>476,066,859</b>	459,008,494
Total equity		<u><b>554,690,859</b></u>	<u>537,632,494</u>

	<b>30th September 2005</b>	Restated 31st March 2005
<i>Note</i>	<b>HK\$</b>	<b>HK\$</b>
<b>LIABILITIES</b>		
Non-current liabilities		
Deferred tax liabilities	<b>3,990,400</b>	3,649,150
Current liabilities		
Creditors and accruals	<b>2,137,948</b>	1,599,511
Amounts due to related companies	<b>2,715,178</b>	2,135,089
Taxation payable	<b>125,512</b>	25,448
	<b>4,978,638</b>	3,760,048
Total liabilities	<b>8,969,038</b>	7,409,198
Total equity and liabilities	<b>563,659,897</b>	545,041,692
Net current assets	<b>242,633,578</b>	233,465,269
Total assets less current liabilities	<b>558,681,259</b>	541,281,644

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2005

	Six months ended 30th September	
	2005	2004
	<i>HK\$</i>	<i>HK\$</i>
Total equity at beginning of period, as previously reported	<b>555,942,653</b>	506,614,893
Effect of adopting		
HKAS 17	<b>(6,647,333)</b>	(6,096,869)
HKAS-Int 21	<b>(11,662,826)</b>	(5,943,109)
Total equity at beginning of period, as restated	<b>537,632,494</b>	494,574,915
Profit for the period	<b>21,896,765</b>	8,997,617
Dividends	<b>(4,838,400)</b>	(7,257,600)
Total equity at end of period	<b><u>554,690,859</u></b>	<b><u>496,314,932</u></b>

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September 2005

	<b>Six months ended 30th September</b>	
	<b>2005</b>	2004
	<b>HK\$</b>	HK\$
Net cash used in operating activities	<b>(2,711,330)</b>	(6,173,223)
Net cash generated from investing activities	<b>12,621,465</b>	19,439,547
Net increase in cash and cash equivalents	<b>9,910,135</b>	13,266,324
Cash and cash equivalents at beginning of period	<b>97,473,287</b>	80,881,471
Cash and cash equivalents at end of period	<b><u>107,383,422</u></b>	<u>94,147,795</u>
Analysis of cash and cash equivalents		
Cash and bank balances	<b><u>107,383,422</u></b>	<u>94,147,795</u>

## 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 28	Investments in Associates
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, 28, 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.



## NOTES TO THE INTERIM ACCOUNTS (Continued)

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

#### (b) *Changes in accounting policies* (Continued)

(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.

## NOTES TO THE INTERIM ACCOUNTS (Continued)

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

#### (b) *Changes in accounting policies* (Continued)

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.

## NOTES TO THE INTERIM ACCOUNTS (Continued)

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

#### (c) Summary of effect of changes in accounting policies

##### (i) Consolidated income statement

	Effect of adopting new HKFRSs				Total HK\$
	HKAS 1 HK\$	HKAS 17 HK\$	HKAS 40 HK\$	HKAS- Int 21 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 HK\$	HKAS 40 HK\$	HKAS- Int 21 HK\$	Total HK\$
As at 30th September 2005:				
Increase/(decrease) in:				
<b>ASSETS</b>				
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	<u>(6,922,565)</u>	<u>12,075,000</u>	<u>(9,785,551)</u>	<u>(4,633,116)</u>
<b>EQUITY</b>				
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	<u>(6,922,565)</u>	<u>12,075,000</u>	<u>(13,775,951)</u>	<u>(8,623,516)</u>
<b>LIABILITIES</b>				
Deferred tax liabilities	-	-	3,990,400	3,990,400
Total liabilities	<u>-</u>	<u>-</u>	<u>3,990,400</u>	<u>3,990,400</u>
Total equity and liabilities	<u>(6,922,565)</u>	<u>12,075,000</u>	<u>(9,785,551)</u>	<u>(4,633,116)</u>
As at 31st March 2005:				
Increase/(decrease) in:				
<b>ASSETS</b>				
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)
Total assets	<u>(6,647,333)</u>	<u>-</u>	<u>(8,013,676)</u>	<u>(14,661,009)</u>
<b>EQUITY</b>				
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	<u>(6,647,333)</u>	<u>-</u>	<u>(11,662,826)</u>	<u>(18,310,159)</u>
<b>LIABILITIES</b>				
Deferred tax liabilities	-	-	3,649,150	3,649,150
Total liabilities	<u>-</u>	<u>-</u>	<u>3,649,150</u>	<u>3,649,150</u>
Total equity and liabilities	<u>(6,647,333)</u>	<u>-</u>	<u>(8,013,676)</u>	<u>(14,661,009)</u>

## NOTES TO THE INTERIM ACCOUNTS (Continued)

### 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:

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

#### ***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:

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

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

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



## NOTES TO THE INTERIM ACCOUNTS (Continued)

### 2. TURNOVER AND SEGMENTAL INFORMATION (Continued)

#### *Primary reporting format – business segments* (Continued)

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

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

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

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

### 3. OPERATING PROFIT

	<b>Six months ended 30th September</b>	
	<b>2005</b>	2004
	<b>HK\$</b>	HK\$
Operating profit is stated after crediting:		
Net unrealised gain on short-term investments	<b>2,346,413</b>	1,259,632
Dividend income from listed investments and unlisted quoted investment funds	<b>290,143</b>	649,894
Profit on sales of short-term investments	<b>289,474</b>	–
	<u><b>2,925,030</b></u>	<u>1,909,526</u>
and after charging:		
Staff costs (including directors' remuneration)	<b>1,672,849</b>	1,591,138
Loss on sales of short-term investments	–	270,372
Amortisation on leasehold land included in properties held for sale	<b>25,474</b>	25,474
	<u><b>1,723,723</b></u>	<u>1,887,000</u>

### 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.

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

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.

## NOTES TO THE INTERIM ACCOUNTS (Continued)

### 5. EARNINGS PER SHARE

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

### 6. DIVIDENDS

	<b>Six months ended 30th September</b>	
	<b>2005</b>	2004
	<b>HK\$</b>	HK\$
2005 final dividend paid of HK4 cents (2004: HK3 cents) per share	<b>4,838,400</b>	3,628,800
2004 special dividend paid of HK3 cents per share	—	3,628,800
	<u><b>4,838,400</b></u>	<u>7,257,600</u>

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

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

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

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

## 9. SHARE CAPITAL

	<b>30th September 2005 HK\$</b>	31st March 2005 HK\$
<i>Authorised:</i>		
150,000,000 shares of HK\$0.65 each	<u><b>97,500,000</b></u>	<u>97,500,000</u>
<i>Issued and fully paid:</i>		
120,960,000 shares of HK\$0.65 each	<u><b>78,624,000</b></u>	<u>78,624,000</u>

## NOTES TO THE INTERIM ACCOUNTS (Continued)

### 10. RESERVES

	Asset revaluation reserve HK\$	Investment properties revaluation reserve HK\$	Retained profits HK\$	Total HK\$
At 1st April 2005, as previously reported	20,180,230	65,493,002	391,645,421	477,318,653
Adjustments for the adoption of				
HKAS 17	-	-	(6,647,333)	(6,647,333)
HKAS 40	-	(65,493,002)	65,493,002	-
HKAS-Int 21	-	-	(11,662,826)	(11,662,826)
	<hr/>	<hr/>	<hr/>	<hr/>
At 1st April 2005, as restated	20,180,230	-	438,828,264	459,008,494
Profit for the period	-	-	21,896,765	21,896,765
Dividends	-	-	(4,838,400)	(4,838,400)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 30th September 2005</b>	<b><u>20,180,230</u></b>	<b><u>-</u></b>	<b><u>455,886,629</u></b>	<b><u>476,066,859</u></b>
At 1st April 2004, as previously reported	20,180,230	33,960,622	373,850,041	427,990,893
Adjustments for the adoption of				
HKAS 17	-	-	(6,096,869)	(6,096,869)
HKAS 40	-	(33,960,622)	33,960,622	-
HKAS-Int 21	-	-	(5,943,109)	(5,943,109)
	<hr/>	<hr/>	<hr/>	<hr/>
At 1st April 2004, as restated	20,180,230	-	395,770,685	415,950,915
Profit for the period (as restated)	-	-	8,997,617	8,997,617
Dividends	-	-	(7,257,600)	(7,257,600)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30th September 2004	20,180,230	-	397,510,702	417,690,932
Profit for the period (as restated)	-	-	41,317,562	41,317,562
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March 2005 (as restated)	<u>20,180,230</u>	<u>-</u>	<u>438,828,264</u>	<u>459,008,494</u>

## 11. CREDITORS AND ACCRUALS

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

## 12. SIGNIFICANT RELATED PARTY TRANSACTIONS

The following is a summary of the related party transactions, which also constitute connected transactions, carried out in the normal course of the Group's business activities during the period:

		<b>Six months ended 30th September 2005 HK\$</b>	2004 HK\$
Related companies			
Management fee income	1	–	140,000
Estate agency fee income	2	<b>75,000</b>	120,000
Key management compensation			
Directors' emoluments		<b><u>75,000</u></b>	<b><u>75,000</u></b>

Notes:

- (1) The Group provided management services to a related company in 2004. Fees were charged based on a percentage of annual rental income of the related company.
- (2) The Group provided estate agency services to a related company at a fixed annual fee.

## **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.

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## 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.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th September 2005, the interests and short positions of the Directors and Chief Executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

### Long Positions in Ordinary Shares of the Company

Name of Director	Personal Interests	Corporate Interests	Other Interests	Total	% of issued share capital
Cheung Kee Wee	–	1,705,360 (Note 1)	87,391,440 (Note 2)	89,096,800	73.66
Cheung Lin Wee	572,000	–	87,391,440 (Note 2)	87,963,440	72.72
Cheung Ying Wai, Eric	396,000	–	13,444,837 (Note 3)	13,840,837	11.44

Notes:

- (1) These shares were held by a company of which Mr. Cheung Kee Wee ("CKW") and his spouse in aggregate owned 50% interest. Therefore, CKW was deemed to be interested in these shares under the SFO.

## **DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES** (Continued)

### **Long Positions in Ordinary Shares of the Company** (Continued)

- (2)\* The 87,391,440 shares of CKW and Mr. Cheung Lin Wee ("CLW") related to the same block of shares in the Company. CKW and CLW are two of the three executors (the "Executors") under the Will of Mr. Cheung Kung Hai, deceased ("CKH") who held 87,391,440 shares before his death. Under the Will of CKH in which CKW and CLW are also two of the beneficiaries, the assets are to be held on trust for sale. The Executors however have right of appropriation of the assets to the beneficiaries in specie and there is hence a possibility that shares will be distributed to beneficiaries. To avoid double counting, the number of shares that may contingently be allocated to CKW and CLW respectively have not been added to these numbers of shares.
- (3)\* CKH held 87,391,440 shares before his death. Under the Will of CKH in which Cheung Ying Wai, Eric ("CYW") is one of the beneficiaries, there is a possibility that these 13,444,837 shares will be allocated to CYW.
- \* Since probate has not been granted and the Executors are not yet registered as holders of the shares in question, strictly speaking, a trust of the shares has not yet been legally constituted.

Save as disclosed above, as at 30th September 2005, none of the Directors or Chief Executives of the Company or any of their associates had or were deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

So far as is known to the Directors or Chief Executives of the Company, as at 30th September 2005, the following Shareholders (other than Directors or Chief Executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company were as follows:

### Long Positions in Ordinary Shares of the Company

	Number of shares	% of issued share capital
<b>Substantial Shareholders:</b>		
Cheung Kung Hai, deceased	87,391,440	72.25
Chin Lan Hong	99,387,040 (Note 1)	82.17
Kung So Ha, Anne	89,096,800 (Note 2)	73.66
Wu Suet Yi, Rita	87,963,440 (Note 3)	72.72
Hoh Kwok Hing, Corinne	13,840,837 (Note 4)	11.44
<b>Person other than Substantial Shareholders:</b>		
Megabest Securities Ltd.	11,295,600 (Note 5)	9.34

#### Notes:

- (1)\* Out of the 99,387,040 shares, 11,295,600 shares were held by Megabest Securities Limited ("Megabest") of which Madam Chin Lan Hong ("CLH") was interested in the entire issued share capital, through the chain of ownership being described in Note (5) below; 700,000 shares were held under her personal interests; and 87,391,440 shares related to the same block of shares as described in "Other Interests" of CKW and CLW respectively under the heading of "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures", as CLH together with CKW and CLW are the Executors under the Will of CKH who held 87,391,440 shares before his death. Under the Will of CKH, CLH is also one of the beneficiaries. To avoid double counting, the number of shares which may contingently be allocated to CLH has not been added to this number of shares.
- (2) Ms. Kung So Ha, Anne is the wife of CKW and was taken to be interested in these shares in which her spouse was interested under the SFO.

## **SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS**

(Continued)

### **Long Positions in Ordinary Shares of the Company** (Continued)

- (3) Ms. Wu Suet Yi, Rita is the wife of CLW and was taken to be interested in these shares in which her spouse was interested under the SFO.
  - (4) Ms. Hoh Kwok Hing, Corinne is the wife of CYW and was taken to be interested in these shares in which her spouse was interested under the SFO.
  - (5) These 11,295,600 shares held by Megabest related to the same block of shares as described in Note (1). These shares were held by Megabest through its wholly owned subsidiary Profit-taking Company Inc., which in turn held the entire issued share capital of Pullfield Company Limited, the registered owner of the said 11,295,600 shares of the Company.
- \* Since probate has not been granted and the Executors are not yet registered as holders of the shares in question, strictly speaking, a trust of the shares has not yet been legally constituted.

Save as disclosed above, as at 30th September 2005, the Company has not been notified by any person (other than Directors or Chief Executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company.

## DISCLOSURE PURSUANT TO THE RULES 13.20 AND 13.22 OF THE LISTING RULES

As at 30th September 2005, the market capitalization of the Company was approximately HK171,763,200 (the "Market Capitalization") which was based on the total number of 120,960,000 shares of the Company in issue on 30th September 2005 and the average closing price of HK\$1.42 per share from 26th September 2005 to 30th September 2005 (both days inclusive) being the five business days immediately preceding 30th September 2005.

Details of the advances made by the Group to the following entities as at 30th September 2005, which individually exceeded 8 % of the Market Capitalization, are as follows:–

<b>Name of Entities</b>	<b>Percentage of equity interest held by the Group</b>	<b>Advances as at 30th September 2005 HK\$</b>
Cantake Land Investment Company Limited	25%	<b>42,878,920</b>
Chase Good Development Limited	25%	<b>15,041,803</b>
Eastern Tailor Enterprises Limited	25%	<b>17,226,919</b>
Hinquand Enterprise Limited	50%	<b>18,751,760</b>
Keneva Company Limited	25%	<b>37,857,400</b>

The aforesaid advances were funding contributions made to the entities, in proportion to the Group's shareholdings in such companies on the same terms and conditions, for financing their respective property projects. These advances are unsecured, interest free, have no specific repayment terms and are met by the internal resources of the Group.

## DISCLOSURE PURSUANT TO THE RULES 13.20 AND 13.22 OF THE LISTING RULES

(Continued)

In total, the Group has provided financial assistance to its affiliated companies at an aggregate amount of HK\$159,860,744 as at 30th September 2005, representing approximately 93.07% of the Market Capitalization. The pro forma combined balance sheet of these affiliated companies and the Group's attributable interest in these affiliated companies as at 30th September 2005 are as follows:

	<b>Pro forma Combined Balance Sheet</b> <i>HK\$</i>	<b>Group's Attributable Interests</b> <i>HK\$</i>
Non-current assets	<u>722,307,663</u>	<u>204,931,146</u>
Current assets	180,375,042	63,322,346
Current liabilities	<u>(22,776,951)</u>	<u>(6,647,490)</u>
Net current assets	<u>157,598,091</u>	<u>56,674,856</u>
Non-current liabilities	<u>(649,216,663)</u>	<u>(181,858,449)</u>
Net assets	<u><u>230,689,091</u></u>	<u><u>79,747,553</u></u>

## 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.

## 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 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 1st 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 report of the Company for the six months ended 30th September 2005 and has no reservation on the accounting treatments adopted by the Group.

By Order of the Board  
**Raymond W M Chu**  
*Company Secretary*

Hong Kong, 9th December 2005