

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2005

1. GENERAL

The Company is a public limited company incorporated in Hong Kong. Its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company continues to act as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 17 and 18 respectively.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

The Group has early adopted all Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKASs”). The applicable HKFRSs and HKASs are set out below and the 2004 accounts have been restated in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 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: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS-INT 21	Income Taxes-Recovery of Revalued Non-Depreciable Assets

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2005

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

The early adoption of HKAS 1, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 28, 33, and 37 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 affects certain presentation in the consolidated balance sheet, consolidated income statement and consolidated statement of changes in equity.
- HKAS 8, 16, 21, and 28 affect certain disclosure of the accounts.
- HKAS 7, 10, 12, 14, 18, 19, 23, 27, 33, and 37 do not have any impact as the Group's accounting policies already comply with the standards.
- HKAS 24 affects the identification of related parties and the disclosure of related party transactions.

The early adoption HKAS 17 has resulted in a change in accounting policy relating to leasehold land. Leasehold land and buildings were previously carried at valuation less accumulated depreciation. In accordance with the provisions of HKAS 17, a lease of land and building should be split into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and the building element of the lease at the inception of the lease. The lease premium for land is stated at cost and amortised over the period of the lease whereas the leasehold building is stated at valuation less accumulated depreciation.

The early adoption of HKAS 40 has resulted in a change in the accounting policy for the Group's investment property. Changes in valuation of the investment property were previously dealt with in an investment property revaluation reserve. Following the adoption of HKAS 40, all changes in valuation of the investment property would be recognised in the income statement.

The early adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. Until 31 March 2004, investments of the Group were classified into non-trading securities and trading securities, and were stated in the balance sheet at fair value. In accordance with the provision of HKAS 39, the investments have been classified into available-for-sale financial assets, financial assets at fair value through profit or loss and loans and receivables (which include bank deposits and cash and cash equivalents). The classification depends on the purpose for which the investments were held. Debt securities are designated as financial assets at fair value through profit or loss with changes in fair value recognised in the income statement. Interest income for financial assets at fair value through profit or loss is included as net realised gains/ (losses) and interest income of financial assets at fair value through profit or loss.

The early adoption of HKAS-INT 21 has resulted in a change in accounting policy relating to deferred taxation of the Group's investment property. Prior to this, deferred tax arising from the revaluation of investment property was calculated on the basis that the property was held for sale. In accordance with the provisions of HKAS-INT 21, the deferred tax arising from the revaluation of the property should be recalculated as if the investment property is held through use and charged to the income statement.

All relevant changes in the accounting policies have been made in accordance with the provisions of the respective standards, which require retrospective application to prior year comparatives other than:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2005

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKAS 39:

Redesignate all investments into available-for-sale financial assets, financial assets at fair value through profit or loss and loans and receivables (which include bank deposits and cash and cash equivalents) on 1 April 2004;

Remeasure those financial assets or financial liabilities that should be measured at fair value and those that should be measured at amortised cost and adjust the balance to retained earnings at 1 April 2004;

Prospective application for the derecognition of financial assets.

Effect of changes in the accounting policies on consolidated income statement:

	HKAS17	Effect of adopting HKAS32& HKAS39	HKAS 40
	HK\$	HK\$	HK\$
For the year ended 31 March 2005:			
Increase in amortisation on leasehold premiums for land	92,478	-	-
Decrease in depreciation	(92,478)	-	-
Increase in revaluation surplus on investment properties	-	-	313,343,301
Increase in share of results of associates	-	-	90,348,980
Total increase in profit	<u>-</u>	<u>-</u>	<u>403,692,281</u>
Increase in basic earning per share	<u>-</u>	<u>-</u>	<u>HK\$1.31</u>
	HKAS17	Effect of adopting HKAS32& HKAS39	HKAS40
	HK\$	HK\$	HK\$
For the year ended 31 March 2004:			
Increase in amortisation on leasehold premiums for land	92,478	-	-
Decrease in depreciation	(92,478)	-	-
Increase in revaluation surplus on investment properties	-	-	-
Increase in share of results of associates	-	-	-
Total increase in profit	<u>-</u>	<u>-</u>	<u>-</u>
Increase in basic earning per share	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2005

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Effect of changes in accounting policies on consolidated balance sheet:

	HKAS17	Effect of adopting HKAS32& HKAS39	HKAS40
	HK\$	HK\$	HK\$
For the year ended 31 March 2005:			
Increase / (decrease) in assets			
Fixed assets	(16,123,198)	-	-
Leasehold premiums for land (current and non-current)	16,123,198	-	-
Financial assets at fair value through profit or loss	-	76,171,823	-
Other investments	-	(76,171,823)	-
Increase / (decrease) in liabilities/equity			
Investment property revaluation reserve	-	-	(215,892,551)
Accumulated profits	-	-	215,892,551
	<u> </u>	<u> </u>	<u> </u>
	HKAS17	Effect of adopting HKAS32& HKAS39	HKAS40
	HK\$	HK\$	HK\$
At 31 March 2004:			
Increase / (decrease) in assets			
Fixed assets	(16,215,676)	-	-
Leasehold premiums for land (current and non-current)	16,215,676	-	-
Financial assets at fair value through profit or loss	-	-	-
Other investments	-	-	-
Increase / (decrease) in liabilities/equity			
Investment property revaluation reserve	-	-	-
Accumulated profits	-	-	-
	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2005

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

Investments

i) Classification

From 1 April 2004, investments of Group are classified under the following categories:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2005

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial assets at fair value through profit and loss

This category comprises financial assets held for trading and those designated as fair value through profit and loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Debt securities and bank deposits with embedded derivatives for yield enhancement whose economic characteristics and risks are not closely related to the host securities and deposits are designated as financial assets at fair value through profit and loss.

Available for-sale financial assets

This category comprises financial assets which are non-derivatives and are designated as available-for-sale financial assets or not classified under other investment categories.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market, and with no intention of trading the receivables. Bank deposits are treated as loans and receivables and are disclosed as time deposits and cash equivalents.

ii) Recognition and initial measurement

Purchases and sales of investments are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Investments at fair value through profit or loss are initially recognised at fair value with transaction costs recognised as expenses in the profit and loss account. Investments not designated as fair value through profit or loss are initially recognised at fair value plus transaction costs.

iii) Derecognition

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 the risk and rewards of ownership.

iv) Gains or losses on subsequent measurement and interest income

Financial assets at fair value through profit or loss

- Investments under this category are carried at fair value. Unrealised gains and losses arising from changes in the fair value are included in the income statement in the period in which they arise. Upon disposal, the difference between the net sale proceeds and the carrying value is included in the income statement.
- Interest income is recognised using the effective interest method and included as net realised and unrealised gain/ (loss) and interest income from these investments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2005

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Available-for-sale financial assets

- Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value are recognised in investment revaluation reserve, except for monetary securities whose exchange differences resulting from changes in amortised costs are recognised in income statement. When the securities are sold, the difference between the net sale proceeds and the carrying value, and the accumulated fair value adjustments in the investment revaluation value, and the accumulated fair value adjustments in the investment revaluation reserve are treated as gains or losses on disposal.
- Interest income is recognised using the effective interest method and disclosed as interest income.

Loans and receivables

- Loans and receivables are carried at amortised cost using the effective interest method less provision for impairment.
- Interest income is recognised using the effective interest method and disclosed as interest income.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

v) Fair value measurement principles

Fair values of quoted investments are based on bid prices. For unlisted securities or financial assets without an active market, the Group establishes the fair value by using valuation techniques including 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.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2005

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market values based on independent professional valuations at the balance sheet date. Changes in fair value are recognised in the income statement.

Leasehold premiums for land

Leasehold premiums for land are up-front payments to acquire long-term interests in lessee-occupied properties. The premiums are stated at cost and are amortised over the period of the lease on a straight-line basis to the income statement.

Property, plant and equipment

The building component of owner-occupied leasehold properties are stated at cost less accumulated depreciation. Other tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided to write off the cost of the assets, over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold buildings	4% or over the terms of the lease, if higher
Furniture and office equipment	20%
Leasehold improvement	10%
Motor vehicles	25%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the net profit for the year.

In preparing consolidated financial statements, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2005

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Revenue recognition

Rental income, including rentals invoiced in advance from properties under operating leases, is recognised on a straight-line basis over the respective lease terms.

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

Sale of investments is recognised when the title to the investment is transferred and the buyer takes legal possession of the investment.

Dividend income from investments is recognised when the Company's right to receive payment has been established.

Operating leases

Leases of assets in respect of which substantially all the rewards and risks of ownership remain with the lessors are accounted for as operating leases. Rentals paid and payable under operating leases are charged to the income statement on a straight-line basis over such term of the relevant lease.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2005

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will not be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

Retirement benefits scheme

The retirement benefit costs charged to the income statement represent the contributions payable in respect of the current year to the Group's Mandatory Provident Fund Scheme.

4. TURNOVER

Turnover represents the aggregate of amounts received and receivable from property rental income and dividend income, and sales of financial assets.

	2005 HK\$	2004 HK\$
Property rental income	30,633,947	28,595,207
Sales of other investments	-	63,580,986
Sales of financial assets at fair value through profit or loss	69,582,313	-
Dividend income	121,000	-
	<u>100,337,260</u>	<u>92,176,193</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into two operating divisions – property leasing and securities investment. These divisions are the basis on which the Group reports its primary segment information.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Segment information about these businesses is presented below:

INCOME STATEMENT

For the year ended 31 March 2005

	Property leasing HK\$	Securities investment HK\$	Consolidated HK\$
Turnover	<u>30,633,947</u>	<u>69,703,313</u>	<u>100,337,260</u>
Segment result	<u>331,613,539</u>	<u>3,609,081</u>	<u>335,222,620</u>
Profit from operations			335,222,620
Finance costs			(1,761,218)
Share of results of associates	<u>96,188,612</u>	<u>-</u>	<u>96,188,612</u>
Profit before taxation			429,650,014
Taxation			<u>(5,487,749)</u>
Profit for the year			<u>424,162,265</u>

BALANCE SHEET

For the year ended 31 March 2005

	Property leasing HK\$	Securities investments HK\$	Consolidated HK\$
Assets			
Segment assets	1,012,940,493	77,859,114	1,090,799,607
Interest in associates	<u>252,974,182</u>	<u>-</u>	<u>252,974,182</u>
	<u>1,265,914,675</u>	<u>77,859,114</u>	<u>1,343,773,789</u>
Liabilities			
Segment liabilities	<u>22,768,763</u>	<u>-</u>	22,768,763
Bank borrowings			171,756,961
Tax liabilities			<u>1,293,520</u>
			<u>195,819,244</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

OTHER INFORMATION

For the year ended 31 March 2005

	Property leasing HK\$	Securities investment HK\$	Consolidated HK\$
Capital additions	791,604	-	791,604
Amortisation on leasehold premiums for land	92,478	-	92,478
Depreciation	749,859	-	749,859

INCOME STATEMENT

For the year ended 31 March 2004

	Property leasing HK\$	Securities investment HK\$	Consolidated HK\$
Turnover	28,595,207	63,580,986	92,176,193
Segment result	9,785,647	7,953,680	17,739,327
Profit from operations			17,739,327
Finance costs			(2,725,209)
Share of results of associates	6,756,965	-	6,756,965
Profit before taxation			21,771,083
Taxation			(3,078,590)
Profit for the year			18,692,493

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

BALANCE SHEET

For the year ended 31 March 2004

	Property leasing HK\$	Securities investment HK\$	Consolidated HK\$
Assets			
Segment assets	651,241,893	64,746,729	715,988,622
Interest in associates	<u>162,405,468</u>	<u>-</u>	<u>162,405,468</u>
	<u>813,647,361</u>	<u>64,746,729</u>	<u>878,394,090</u>
Liabilities			
Segment liabilities	<u>23,308,015</u>	<u>121,738</u>	23,429,753
Bank borrowings			117,213,474
Tax liabilities			<u>1,030,457</u>
			<u>141,673,684</u>

OTHER INFORMATION

For the year ended 31 March 2004

	Property leasing HK\$	Securities investments HK\$	Consolidated HK\$
Capital additions	1,161,095	-	1,161,095
Amortisation on leasehold premiums for land	92,478	-	92,478
Depreciation	<u>670,274</u>	<u>-</u>	<u>670,274</u>

Geographical segments

Over 90% of the activities of the Group during the year were carried out in Hong Kong and over 90% of the assets of the Group were located in Hong Kong. Accordingly, a geographical analysis is not presented.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2005

6. INTEREST INCOME

	2005	2004
	HK\$	HK\$
Interest income from bank deposits and balances	5,295	20,606
Interest income from financial assets at fair value through profit or loss	4,156,989	-
Interest income from other investments	-	3,815,302
	<u>4,162,284</u>	<u>3,835,908</u>

7. PROFIT FROM OPERATIONS

	2005	2004
	HK\$	HK\$
Profit from operations has been arrived at after charging:		
Auditors' remuneration	210,000	210,000
Depreciation	749,859	670,274
Amortisation on leasehold premiums for land	92,478	92,478
Staff costs (including Directors' remuneration)	6,786,753	7,304,016
Mandatory provident fund contributions	87,710	78,732
Total staff costs	<u>6,874,463</u>	<u>7,382,748</u>
and after crediting:		
Exchange gain	572,217	1,468,545
Dividend income	121,000	31,000
Gain on disposal of property, plant and equipment	-	30,000
Gain on disposal of financial assets at fair value through profit or loss	673,615	-
Gain on disposal of other investments	-	1,612,270
Gross rental income from investment properties	30,633,947	28,595,207
Less: Outgoings	<u>(2,723,234)</u>	<u>(1,879,357)</u>
Net rental income	<u>27,910,713</u>	<u>26,715,850</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2005

8. FINANCE COSTS

	2005 HK\$	2004 HK\$
Interest on bank borrowings:		
wholly repayable within five years	1,583,729	2,068,850
not wholly repayable within five years	<u>177,489</u>	<u>656,359</u>
	<u><u>1,761,218</u></u>	<u><u>2,725,209</u></u>

9. DIRECTORS' REMUNERATION

	2005 HK\$	2004 HK\$
Directors' fees		
Executive Directors	-	-
Non-Executive Director	-	50,000
Independent Non-Executive Directors	204,167	100,000
Other emoluments (Executive Directors)		
Salaries and other benefits (<i>Note</i>)	6,052,437	6,140,100
Mandatory provident fund contributions	<u>24,000</u>	<u>15,000</u>
	<u><u>6,280,604</u></u>	<u><u>6,305,100</u></u>

Note:

The amount includes rateable value of HK\$562,200 (2004: HK\$696,600), being rent-free accommodation provided to a director by the Company.

Remuneration of the Directors are within the following bands:

	Number of Directors	
	2005	2004
Nil - HK\$ 1,000,000	4	4
HK\$ 5,000,001 - HK\$ 5,500,000	<u>1</u>	<u>1</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2005

10. EMPLOYEES' EMOLUMENTS

Of the five highest paid employees in the Group, three (2004: two) were Directors of the Company whose emoluments were included in note 9. The emoluments of the remaining two (2004: three) individuals were as follows:

	2005 HK\$	2004 HK\$
Salaries and other benefits	797,110	967,300
Mandatory provident fund contributions	<u>24,000</u>	<u>33,965</u>
	<u><u>821,110</u></u>	<u><u>1,001,265</u></u>

The aggregate emoluments of each of the remaining two (2004: three) highest paid individuals during the years ended 31 March 2005 and 31 March 2004 were within the HK\$1,000,000 band.

During the years ended 31 March 2005 and 31 March 2004, no emoluments were paid by the Group to the five highest paid individuals, including Directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

11. TAXATION

	2005 HK\$	2004 HK\$
The charge comprises:		
Company and subsidiaries		
Hong Kong Profits Tax		
Current year	1,366,188	1,038,181
Overprovision in prior years	<u>(1,989,639)</u>	<u>-</u>
	<u>(623,451)</u>	1,038,181
Share of tax on results of associates	<u>564,502</u>	<u>716,921</u>
	<u>(58,949)</u>	1,755,102
Deferred tax (Note 27)		
Current year	5,091,302	355,557
Attributable to a change in tax rate	-	255,077
Share of taxation attributable to associates	<u>455,396</u>	<u>712,854</u>
	<u><u>5,487,749</u></u>	<u><u>3,078,590</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2005

11. TAXATION (Continued)

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profit for the year.

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

Details of the potential deferred tax not provided for in the year are set out in note 27.

The tax (credit) charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2005 HK\$	2004 HK\$
Profit before taxation	<u>429,650,014</u>	<u>21,771,083</u>
Tax at the domestic income tax rate of 17.5% (2004: 17.5%)	75,188,754	3,809,939
Tax effect of expenses not deductible for tax purpose	2,245,585	3,701,687
Tax effect of income not taxable for tax purpose	(74,194,550)	(5,600,089)
Timing difference not recognised	(1,349,052)	-
Tax effect of tax losses not recognised	159,437	157,290
Over-provision in respect of prior year	(1,989,655)	(9,385)
Utilisation of tax losses previously recognised	(135,114)	(304,340)
Tax effect of taxable revenue recognised	<u>15,646</u>	<u>-</u>
Tax effect for the year	<u>(58,949)</u>	<u>1,755,102</u>

12. DIVIDENDS

	2005 HK\$	2004 HK\$
Interim, paid - HK 1.2 cents per share (2004: HK 1.2 cents per share)	3,693,750	3,693,750
Final, proposed - HK 2.0 cents per share (2004: HK 1.8 cents per share)	6,156,251	5,540,626
Special, proposed - Nil (2004: HK 1.2 cents per share)	<u>-</u>	<u>3,693,750</u>
	<u>9,850,001</u>	<u>12,928,126</u>

The final dividend of HK 2.0 cents (2004: 1.8 cents) per share has been proposed by the directors and are subject to approval by the shareholders in annual general meeting.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2005

13. EARNINGS PER SHARES

The calculation of earnings per share is based on the profit for the year of HK\$424,162,265 (2004: HK\$18,692,493) and on 307,812,522 (2004: 307,812,522) ordinary shares in issue during the year.

No diluted earnings per share has been presented as there were no dilutive potential shares in issue in either year.

14. INVESTMENT PROPERTIES

	HK\$
The Group	
VALUATION	
At 1 April 2004	608,202,410
Exchange adjustments	970,170
Addition	71,486,855
Disposals	(12,210,000)
Surplus on revaluation	<u>308,677,525</u>
At 31 March 2005	<u>977,126,960</u>

The investment properties of the Group were revalued at 31 March 2005 on an open market value existing use basis by Jones Lang LaSalle, Chartered Surveyors and Johnston, Ross & Cheng Ltd., independent valuers. The surplus (deficit) arising on revaluation has been credited (charged) to consolidated income statement.

The carrying amount of investment properties shown above comprises:

	2005	2004
	HK\$	HK\$
Properties in Hong Kong under medium-term leases	960,900,000	594,190,000
Properties outside Hong Kong		
Freehold	14,939,960	13,232,410
Medium-term lease	-	-
Long lease	<u>1,287,000</u>	<u>780,000</u>
	<u>977,126,960</u>	<u>608,202,410</u>

All the investment properties of the Group are rented out under operating leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2005

15. PROPERTY, PLANT AND EQUIPMENT

	Land and building held under medium-term lease in Hong Kong HK\$ (Restated)	Furniture and office equipment HK\$	Leasehold improvement HK\$	Motor vehicles HK\$	Total HK\$ (Restated)
THE GROUP					
COST					
At 1 April 2003	18,035,433	3,305,486	4,250,665	6,149,994	31,741,578
Adoption of HKAS 17	<u>(15,349,994)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,349,994)</u>
As restated	2,685,439	3,305,486	4,250,665	6,149,994	16,391,584
Additions	-	44,600	-	1,116,495	1,161,095
Disposals	-	-	-	(1,180,680)	(1,180,680)
Transfer from investment properties	<u>519,199</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>519,199</u>
At 31 March 2004	<u>3,204,638</u>	<u>3,350,086</u>	<u>4,250,665</u>	<u>6,085,809</u>	<u>16,891,198</u>
DEPRECIATION					
At 1 April 2003	1,921,726	3,117,602	3,358,557	6,149,994	14,547,879
Adoption of HKAS 17	<u>(722,942)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(722,942)</u>
As restated	1,198,784	3,117,602	3,358,557	6,149,994	13,824,937
Provided for the year	128,186	110,770	242,038	189,280	670,274
Eliminated on disposals	-	-	-	(1,180,680)	(1,180,680)
Transfer from investment properties	<u>249,216</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>249,216</u>
At 31 March 2004	<u>1,576,186</u>	<u>3,228,372</u>	<u>3,600,595</u>	<u>5,158,594</u>	<u>13,563,747</u>
NET BOOK VALUES					
At 31 March 2004	<u><u>1,628,452</u></u>	<u><u>121,714</u></u>	<u><u>650,070</u></u>	<u><u>927,215</u></u>	<u><u>3,327,451</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2005

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land and building held under medium-term lease in Hong Kong HK\$ (Restated)	Furniture and office equipment HK\$	Leasehold improvement HK\$	Motor vehicles HK\$	Total HK\$ (Restated)
THE GROUP					
COST					
At 1 April 2004	20,342,986	3,305,086	4,250,665	6,085,809	34,029,546
Adoption of HKAS 17	<u>(17,138,348)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,138,348)</u>
As restated	3,204,638	3,305,086	4,250,665	6,085,809	16,891,198
Additions	-	108,593	307,288	375,723	791,604
Disposals	<u>-</u>	<u>(182,757)</u>	<u>-</u>	<u>(519,315)</u>	<u>(702,072)</u>
At 31 March 2005	<u>3,204,638</u>	<u>3,275,922</u>	<u>4,557,953</u>	<u>5,942,217</u>	<u>16,980,730</u>
DEPRECIATION					
At 1 April 2004	2,406,381	3,228,372	3,600,595	5,158,594	14,393,942
Adoption of HKAS 17	<u>(830,195)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(830,195)</u>
As restated	1,576,186	3,228,372	3,600,595	5,158,594	13,563,747
Provided for the year	128,186	62,517	193,929	365,227	749,859
Eliminated on disposals	<u>-</u>	<u>(182,757)</u>	<u>-</u>	<u>(519,315)</u>	<u>(702,072)</u>
At 31 March 2005	<u>1,704,372</u>	<u>3,108,132</u>	<u>3,794,524</u>	<u>5,004,506</u>	<u>13,611,534</u>
NET BOOK VALUES					
At 31 March 2005	<u><u>1,500,266</u></u>	<u><u>167,790</u></u>	<u><u>763,429</u></u>	<u><u>937,711</u></u>	<u><u>3,369,196</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2005

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Furniture and office equipment HK\$
THE COMPANY	
COST	
At 1 April 2004 and 31 March 2005	258,636
ACCUMULATED DEPRECIATION	
At 1 April 2004 and 31 March 2005	<u>258,636</u>
NET BOOK VALUE	
At 31 March 2004 and 31 March 2005	<u><u>-</u></u>

16. LEASEHOLD PREMIUMS FOR LAND

	2005 HK\$	2004 HK\$
Net book value at 1 April		
- as previously reported	-	-
- adoption of HKAS 17	<u>16,308,153</u>	<u>16,400,631</u>
- as restated	16,308,153	16,400,631
Amortisation	<u>(92,478)</u>	<u>(92,478)</u>
Net book value at 31 March	16,215,675	16,308,153
Current portion of non-current assets	<u>(92,478)</u>	<u>(92,478)</u>
Non-current portion	<u><u>16,123,197</u></u>	<u><u>16,215,675</u></u>

The leasehold premiums for land is held under medium-term lease and situated in Hong Kong.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2005

17. INTERESTS IN SUBSIDIARIES

	2005 HK\$	2004 HK\$
Unlisted shares, at cost less impairment loss	48,528,428	48,528,428
Amounts due from subsidiaries less allowance	<u>412,723,740</u>	<u>375,853,302</u>
	<u><u>461,252,168</u></u>	<u><u>424,381,730</u></u>

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. In the opinion of the Directors, the amounts will not be repaid within twelve months from the balance sheet date and the amounts are therefore classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2005

17. INTERESTS IN SUBSIDIARIES (Continued)

Details of the Company's wholly owned subsidiaries at 31 March 2005 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Principal activities
Bo Ding Holdings Ltd.	Republic of Liberia/ Hong Kong	HK\$2	Investment holding
Funswin Investment Limited	Hong Kong	HK\$2	Securities investment
Grademark Limited	Hong Kong	HK\$2	Inactive
Grant Horn Investment Limited	Hong Kong	HK\$2	Property investment
High Spark Properties Limited	Hong Kong	HK\$20	Property investment
Hokin Investment Limited	The British Virgin Islands/ Hong Kong	US\$1	Securities investment
Kamillex Company Limited	Hong Kong	HK\$2	Investment holding
Kimberly Investment Limited	Hong Kong	HK\$2	Property investment
Kimwui Investments Limited	Hong Kong	HK\$2	Property investment
Kinghale Investment Limited	Hong Kong	HK\$2	Inactive
Kingunit Company Limited	Hong Kong	HK\$2	Inactive
Laquinta Investments Limited	The British Virgin Islands/ Hong Kong	US\$1	Property investment
Longo Investment Company Limited	Hong Kong	HK\$2	Property investment
Pomeroy Company Limited	Hong Kong	HK\$2	Property investment
Spark View Limited	Hong Kong	HK\$20	Property investment
Strongfort Company Limited	Hong Kong	HK\$40,000	Property investment
Take Easy Investment Limited	Hong Kong	HK\$2	Property investment
Tern China Investments Limited	Hong Kong	HK\$2	Property investment
Tern Real Estate Agency Limited	Hong Kong	HK\$2	Inactive
Zepersing Limited	Hong Kong	HK\$2	Property investment

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

All subsidiaries are directly owned by the Company except Zepersing Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2005

18. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
	HK\$	HK\$	HK\$	HK\$
Unlisted shares, at cost	-	-	32	32
Share of net assets	237,977,356	142,808,642	-	-
Amount due from an associate	14,996,826	19,596,826	14,996,826	19,596,826
	<u>252,974,182</u>	<u>162,405,468</u>	<u>14,996,858</u>	<u>19,596,858</u>

The amount due from an associate is unsecured, interest-free and has no fixed repayment terms. In the opinion of the Directors, the amount will not be repaid within twelve months from the balance sheet date and the amount is therefore classified as non-current.

Details of the Group's associates at 31 March 2005 are as follows:

Name of associate	Place of incorporation/ operation	Issued and fully paid ordinary share capital HK\$	Percentage of equity attributable to the Group	Principal activities
Milsons Investment Limited	Hong Kong	110	27.27%	Not yet commence business
Spirit Fidelity Limited	Hong Kong	2	50.00%	Trustee
Win Easy Development Limited	Hong Kong	2	50.00%	Property investment

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2005

18. INTERESTS IN ASSOCIATES (Continued)

The following details have been extracted from the audited financial statements of the Group's principal associate, Win Easy Development Limited:

Operating results for the year ended 31 March:

	2005 HK\$	2004 HK\$
Turnover	18,689,598	18,912,982
Depreciation	22,295	22,294
Profit before taxation	<u>192,377,224</u>	<u>13,513,931</u>
Profit before taxation attributable to the Group	<u>96,188,612</u>	<u>6,756,965</u>

Financial position at 31 March:

	2005 HK\$	2004 HK\$
Non-current assets	516,873,412	338,905,707
Current assets	2,622,144	950,376
Current liabilities	(5,718,319)	(15,045,208)
Non-current liabilities	<u>(37,822,586)</u>	<u>(39,193,653)</u>
Shareholders' funds	<u>475,954,651</u>	<u>285,617,222</u>
Shareholders' funds attributable to the Group	<u>237,977,325</u>	<u>142,808,611</u>

19. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables is rental receivable of HK\$320,065 (2004: HK\$443,156) with defined credit policy. The rental income is billed in advance and settlement is expected upon receipt of billing.

All the rental receivable at the balance sheet date had an aging of less than 90 days.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2005 HK\$	2004 HK\$
THE GROUP		
Analysis of financial assets at fair value through profit or loss held for trading		
- Listed overseas debt securities	65,429,323	-
- Equity securities listed in Hong Kong	<u>10,742,500</u>	-
	<u>76,171,823</u>	-
Market value	<u>76,171,823</u>	-

Following the adoption of HKAS 39 in 2005, certain financial assets were redesignated as financial assets through profit or loss on 1 April 2004. There was no such redesignation in 2004 as retrospective application of HKAS 39 is not permitted.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2005

21. OTHER INVESTMENTS

	2005 HK\$	2004 HK\$
THE GROUP		
Listed overseas debt securities	-	59,729,505
Equity securities listed in Hong Kong	-	3,658,549
	<u>-</u>	<u>63,388,054</u>
Market Value	<u>-</u>	<u>63,388,054</u>

In accordance with HKAS 39, all trading securities were redesignated as financial assets at fair value through profit or loss on 1 April 2004

22. TRADE AND OTHER PAYABLES

Included in trade and other payables is rental receipt in advance of HK\$551,997 (2004: HK\$500,629).

All the rental receipt in advance at the balance sheet date had an aging of less than 90 days.

23. SECURED BANK LOANS

	THE GROUP		THE COMPANY	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
The secured bank loans are repayable as follows:				
Within one year	352,977	97,247,976	-	20,000,000
More than one year but not exceeding two years	222,514	255,343	-	-
More than two years but not exceeding five years	166,717,378	812,441	-	-
More than five years	4,464,092	4,298,449	-	-
	<u>171,756,961</u>	<u>102,614,209</u>	<u>-</u>	<u>20,000,000</u>
Less: Amount due within one year	(352,977)	(97,247,976)	-	(20,000,000)
	<u>171,403,984</u>	<u>5,366,233</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2005

24. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured, interest-free and have no fixed repayment terms. The amounts will not be repaid within twelve months from the balance sheet date and the amounts are therefore classified as non-current.

25. SHARE CAPITAL

	Number of ordinary shares of HK\$0.5 each		Nominal Value	
	2005	2004	2005 HK\$	2004 HK\$
THE COMPANY				
Authorised				
At 1 April and 31 March	<u>400,000,000</u>	<u>400,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>
Issued and fully paid				
At 1 April and 31 March	<u>307,812,522</u>	<u>307,812,522</u>	<u>153,906,261</u>	<u>153,906,261</u>

26. RESERVES

	Share premium account HK\$	Capital redemption reserve HK\$	Dividend reserve HK\$	Accumula- ted profits HK\$	Total HK\$
THE COMPANY					
1 April 2003	72,818,414	2,662,000	4,925,000	14,722,456	95,127,870
Profit for the year	-	-	-	4,599,107	4,599,107
Dividend declared	-	-	12,928,126	(12,928,126)	-
Dividend paid	-	-	(8,618,750)	-	(8,618,750)
At 31 March 2004 and 1 April 2004	72,818,414	2,662,000	9,234,376	6,393,437	91,108,227
Profit for the year	-	-	-	24,548,037	24,548,037
Dividends declared	-	-	9,850,001	(9,850,001)	-
Dividends paid	-	-	(12,928,126)	-	(12,928,126)
At 31 March 2005	<u>72,818,414</u>	<u>2,662,000</u>	<u>6,156,251</u>	<u>21,091,473</u>	<u>102,728,138</u>

The Company's reserves available for distribution to shareholders, calculated in accordance with generally accepted accounting principles in Hong Kong and section 79B of the Companies Ordinance, amounted to HK\$ 27,247,724 (2004: HK\$15,627,813) since, in accordance with the Company's Articles of Association, dividends can only be distributed out of realised profits of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2005

27. DEFERRED TAXATION

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK\$	Revaluation of properties HK\$
THE GROUP		
At 1 April 2003	128,241	(2,720,822)
Charge to income statement for the year	(67,341)	(288,216)
Effect of change in tax rate-charge to income statement	<u>-</u>	<u>(255,077)</u>
At 31 March 2004	60,900	(3,264,115)
Charge to income statement for the year	<u>(60,900)</u>	<u>(5,030,402)</u>
At 31 March 2005	<u><u>-</u></u>	<u><u>(8,294,517)</u></u>

At the balance sheet date, the Group has unused tax losses of HK\$10,487,607 (2004: 11,926,523) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams and those losses may be carried forward indefinitely.

28. PENSIONS SCHEME

The Group operates Mandatory Provident Fund scheme (the "MPF") for all existing staff members of the Group.

The MPF is defined contribution scheme and the assets of the scheme are managed by the trustees.

The MPF is available to all employees aged 18 to 64 and with at least 60 days of service under the employment of the Group in Hong Kong. Contributions are made by the Group at 5% based on the staff's relevant income. The maximum relevant income for contribution purpose is HK\$20,000 per month. Staff members are entitled to 100% of the Group's contributions together with accrued returns irrespective of their length of service with the Group, but the benefits are required by law to be preserved until the retirement age of 65.

The Group's cost for the MPF charged to income statement for the year ended 31 March 2005 amounted to HK\$87,710 (2004: HK\$78,732). As at 31 March 2005, contributions due in respect of the reporting period had been fully paid over to the MPF.

29. PLEDGE OF ASSETS

At the balance sheet date, the Group's banking facilities amounting to HK\$329,272,130 (2004: HK\$226,062,000) were fully secured by its leasehold premiums for land and buildings and investment properties with an aggregate carrying value amounting to HK\$896,655,903 (2004: HK\$536,629,016). These facilities were utilised to the extent of HK\$171,756,961 (2004: HK\$117,213,474) as at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2005

30. CONTINGENT LIABILITIES

At the balance sheet date, there were contingent liabilities, so far as not provided for in the financial statements, in respect of guarantees for the banking facilities made available to:

	The Group		The Company	
	2005	2004	2005	2004
	HK\$	HK\$	HK\$	HK\$
Subsidiaries	-	-	171,718,646	77,114,501

31. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	THE GROUP	
	2005	2004
	HK\$	HK\$
Minimum lease payments paid under operating leases in respect of rented properties during the year	576,000	576,000

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2005	2004
	HK\$	HK\$
Within one year	-	48,000
In the second to fifth year inclusive	-	-
	-	48,000

Operating lease payments represent rentals payable by the Group for the quarters of a director.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2005

31. OPERATING LEASE ARRANGEMENTS (Continued)

The Group as lessor

The investment properties of the Group are expected to generate rental yields of approximately 3% (2004: 5%) on an ongoing basis. All of the properties held have committed tenants not exceeding three years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2005	2004
	HK\$	HK\$
Within one year	34,133,731	21,755,838
In the second to fifth year inclusive	<u>32,820,711</u>	<u>9,362,246</u>
	<u><u>66,954,442</u></u>	<u><u>31,118,084</u></u>

32. RELATED PARTY TRANSACTIONS

During the year, the Group received office rental income of HK\$300,000 (2004: HK\$300,000) from an associate of the Company, Win Easy Development Limited (“Win Easy”).

33. POST BALANCE SHEET EVENTS

Subsequent to balance sheet date, a revolving loan of HK\$100,000,000 and a term loan of HK\$100,000,000, both provided by a licensed bank to Win Easy, an associate of the Company. A legal charge entered into between Win Easy and the bank for securing the repayment of liabilities owing to the bank by Win Easy. The Company also entered into the Corporate Guarantee Agreement in favour of the bank in relation to the loan. Details are referred to the circular dated 21 April 2005.

34. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with change in accounting policy in respect of the adoption of HKFRSs and HKASs, details of which are set out in Note 2 to conform with the current year’s presentation.