

Notes to the Financial Statements

For the year ended 31st March, 2005

1. CORPORATE INFORMATION

The registered office and the principal place of business of the Company is located at the 18th Floor, Hang Seng Building, 77 Des Voeux Road Central, Hong Kong. The ultimate holding company is Lucky Year Finance Limited (“Lucky Year”), an international business company incorporated in the British Virgin Islands.

During the year, the Group was involved mainly in property development and property investment activities.

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Hong Kong Institute of Certified Public Accountants (“HKICPA”) has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“HKASs”), herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs except for the HK Interpretation 3 “Revenue – Pre-completion contracts for the sale of development properties” (“HK Interpretation 3”) in the financial statements for the year ended 31st March, 2005. The Group has commenced an assessment of the impact of the new HKFRSs but is not yet in position to state whether these new HKFRSs will have a significant impact on its results of operations and financial position.

HKFRS 3 “Business combinations” applies to accounting for business combinations for which the agreement date is on or after 1st January, 2005. The Group did not have any business combinations during the year and accordingly, this HKFRS has had no impact on these financial statements.

According to HK Interpretation 3, property developers shall apply HKAS 18 “Revenue” or Statement of Standard Accounting Practice (“SSAP”) 18 “Revenue”, as appropriate, in recognising revenue arising from pre-completion contracts for the sale of development properties that do not fall within the scope of HKAS 11 “Construction contracts” or SSAP 23 “Construction contracts”, as appropriate. Accordingly, revenue is to be recognised only when all of the criteria specified in paragraph 14 of HKAS 18 or paragraph 13 of SSAP 18, as appropriate, are met. An entity shall apply HK Interpretation 3 to pre-completion contracts for the sale of development properties entered into on or after 1st January, 2005. Earlier application is encouraged by the HKICPA. Retrospective application of HK Interpretation 3 to pre-completion contracts for the sale of development properties entered into before 1st January, 2005 is permitted but not required.

The early adoption of HK Interpretation 3 has no impact on the Group’s financial performance for the year ended 31st March, 2004 as there was no revenue arising from pre-completion contracts for the sale of any development properties entered into during the year ended 31st March, 2004.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st March, 2005, together with the Group's share of the post-acquisition results of its jointly-controlled entities and an associate on the basis as set out below. The results of its subsidiaries, jointly-controlled entities and the associate acquired or disposed of during the year are consolidated or equity accounted for from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Subsidiaries

A subsidiary is a company, other than a jointly-controlled entity, in which the Company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

Notes to the Financial Statements *(Continued)*

For the year ended 31st March, 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint venture companies *(Continued)*

A joint venture company is treated as:

- (a) a subsidiary, if the Company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors;
- (b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;
- (c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or
- (d) a long term investment, if the Company holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The results of jointly-controlled entities are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in jointly-controlled entities are treated as long term assets and are stated at cost less any impairment losses.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interest in an associate is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use and its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of a fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost less any residual value of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	5% or over the unexpired terms of the leases
Leasehold improvements	20%
Furniture and equipment	20%
Motor vehicles	20%

Notes to the Financial Statements *(Continued)*

For the year ended 31st March, 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fixed assets and depreciation *(Continued)*

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Properties under development

Properties under development are stated at cost and include the cost of land, construction, financing and other related expenses, less any impairment losses.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year.

Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On the disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Properties held for sale

Properties held for sale, consisting of completed properties and properties under development in respect of which the Group has established pre-sale programmes, are classified under current assets and are stated at the lower of cost and net realisable value. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to management estimates based on prevailing market conditions, on an individual property basis.

Investments

Investment in unlisted equity security is stated at cost less any impairment losses. Where the circumstances and events which led to an impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged and any appreciation in fair value is credited to the profit and loss account to the extent of the amount previously charged.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Convertible guaranteed bonds

Convertible guaranteed bonds are stated at cost.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) income from the sale of properties, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties sold;
- (b) rental income, on the straight-line basis over the lease terms;
- (c) property management income, in the period in which services are rendered; and
- (d) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

Leased assets

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Notes to the Financial Statements *(Continued)*

For the year ended 31st March, 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for all of its eligible employees. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme except for the Group’s employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF scheme.

The employees of the Group’s subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 16% of their payroll costs to the central pension scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the central pension scheme.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The financial impact of share options granted under the share option scheme is not recorded in the Company’s or the Group’s balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised, except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of deductible temporary differences associated with investments in subsidiaries, associate and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 future taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries, jointly-controlled entities and associates are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries, jointly-controlled entities and associate are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Notes to the Financial Statements *(Continued)*

For the year ended 31st March, 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

With respect to investments in certain overseas subsidiaries which are financed by way of loans that are not repayable in the foreseeable future, rather than equity, the resulting exchange differences on translation are included in the exchange fluctuation reserve. In the opinion of the directors, such loans are for practical purposes as permanent as equity and, accordingly, are treated as part of the Company's net investment in the enterprises.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the property development segment develops properties for sale;
- (b) the property investment segment holds investment properties for the generation of rental income; and
- (c) the "others" segment comprises miscellaneous rental income generated from properties held by the Group other than investment properties and property management service fee income.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

During the current and prior years, there were no intersegment transactions.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

4. SEGMENT INFORMATION (Continued)

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments.

	Property development		Property investment		Others		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	<u>99,827</u>	<u>266,742</u>	<u>70,061</u>	<u>58,076</u>	<u>6,324</u>	<u>5,909</u>	<u>176,212</u>	<u>330,727</u>
Segment results	<u>(7,877)</u>	<u>(34,317)</u>	<u>46,839</u>	<u>219,327</u>	<u>4,541</u>	<u>1,671</u>	<u>43,503</u>	<u>186,681</u>
Interest income							2,388	2,595
Unallocated gains							1,072	1,983
Unallocated expenses							(30,431)	(26,168)
Profit from operating activities							16,532	165,091
Interest expenses							(18,386)	(29,230)
Amortisation of bond issue expenses							-	(55)
Gain on disposal of subsidiaries							233,662	-
Share of profits and losses of jointly-controlled entities	4,175	86,342	-	-	92	(36)	4,267	86,306
Write off of debts due from jointly-controlled entities	(3,873)	(84,488)	-	-	-	-	(3,873)	(84,488)
Profit before tax							232,202	137,624
Tax							(1,902)	(3,157)
Profit before minority interests							230,300	134,467
Minority interests							(684)	(52)
Net profit from ordinary activities attributable to shareholders							<u>229,616</u>	<u>134,415</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

4. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

	Property development		Property investment		Others		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	2,048,363	1,663,792	1,343,201	1,273,940	2,255,759	2,418,826	(2,117,755)	(2,326,182)	3,529,568	3,030,376
Interests in jointly-controlled entities	33,138	3,697	-	-	-	-	-	-	33,138	3,697
Interest in an associate	14,857	14,857	-	-	-	-	-	-	14,857	14,857
Unallocated assets									404	48
Total assets									<u>3,577,967</u>	<u>3,048,978</u>
Segment liabilities	1,429,520	1,470,750	1,066,924	965,030	9,478	7,370	(2,117,755)	(2,326,182)	388,167	116,968
Unallocated liabilities									<u>1,491,037</u>	<u>1,640,507</u>
Total liabilities									<u>1,879,204</u>	<u>1,757,475</u>
Other segment information:										
Depreciation	630	595	115	58	331	869	-	-	1,076	1,522
Amortisation of bond issue expenses	-	-	-	55	-	-	-	-	-	55
Impairment losses written back in the profit and loss account	-	(11,427)	-	-	-	-	-	-	-	(11,427)
Revaluation surplus on investment properties recognised in the profit and loss account	-	-	-	(184,155)	-	-	-	-	-	(184,155)
Other non-cash expenses	-	-	-	-	-	299	-	-	-	299
Additions of fixed assets	31	1,120	-	410	511	336	-	-	542	1,866
Revaluation surplus on investment properties recognised in investment property revaluation reserve	-	-	(57,913)	(7,347)	-	-	-	-	(57,913)	(7,347)

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

4. SEGMENT INFORMATION (Continued)

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

	Hong Kong		Mainland China		Malaysia		Canada		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	153,745	281,120	10,694	3,058	11,773	11,151	-	35,398	-	-	176,212	330,727
Other segment information:												
Segment assets	2,372,568	2,322,335	1,515,875	802,836	144,919	189,645	422,378	234,905	(877,773)	(500,743)	3,577,967	3,048,978
Additions to fixed assets	74	746	468	1,120	-	-	-	-	-	-	542	1,866

5. TURNOVER AND OTHER REVENUE

Turnover represents income from the sale of properties, gross rental income and property management income.

An analysis of turnover and other revenue is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Turnover		
Sale of properties	99,827	266,742
Gross rental income	73,657	60,811
Property management income	2,728	3,174
	<u>176,212</u>	<u>330,727</u>
Other revenue		
Interest income from bank deposits	2,152	1,856
Interest income from mortgages	232	327
Other interest income	4	412
Other property management income	4,152	4,325
Others	2,207	2,743
	<u>8,747</u>	<u>9,663</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

6. RELATED PARTY TRANSACTIONS

In addition to those transactions and balances disclosed elsewhere in the financial statements, the Group had the following related party transactions during the year.

- (a) During the year, the Group had transactions with companies in which James Sai-Wing Wong, Madeline May-Lung Wong and William Chung-Yue Fan, directors of the Company, have beneficial interests. The significant transactions are summarised below:

	Notes	2005 HK\$'000	Group 2004 HK\$'000
Interest paid to the immediate holding company	(i)	–	3,713
Commission paid to the ultimate holding company	(ii)	2,625	2,625
Underwriting commission paid to the immediate holding company	(iii)	–	2,632
Management fee paid to the immediate holding company	(iv)	6,000	2,000
Legal and professional fees paid to a firm of solicitors to which a director of the Company is a consultant	(v)	463	1,049

Notes:

- (i) Interest was as a result of:
- interest payable at a fixed coupon rate of 10% per annum on the convertible guaranteed bonds due April 2003 (the "Bonds") held by the immediate holding company;
 - interest payable at normal commercial rates on deferral of the redemption date of the Bonds held by the immediate holding company from 22nd April, 2003 (original maturity date) to 21st May, 2003 (date of completion of the rights issue); and
 - interest payable at normal commercial rates on the bridging finance provided by the immediate holding company.
- (ii) Commission was for the provision of cash security for certain bank loans granted to the Company and was charged at a rate mutually agreed upon by both parties based on the average borrowing cost of the Group. Please refer to paragraph (c) below for details.
- (iii) The underwriting commission was for underwriting the rights issue of the Company.
- (iv) Management fee was charged based on the underlying costs incurred by the immediate holding company.
- (v) The directors consider that the provision of legal and professional services was made according to the standard prices and conditions similar to those offered to other clients of the firm.

6. RELATED PARTY TRANSACTIONS *(Continued)*

- (b) On 12th February, 2003, Chinney Investments, Limited (“Chinney Investments”) entered into an underwriting agreement with the Company on a rights issue of 200,123,100 rights shares at a subscription price of HK\$1.00 per share (the “Rights Issue”). Pursuant to the agreement, Chinney Investments undertook to subscribe for 94,842,711 rights shares and agreed to underwrite the remaining portion of 105,280,389 rights shares at a commission of 2.5%.

Upon completion of the Rights Issue on 21st May, 2003, Chinney Investments was issued and allotted a total of 168,210,078 rights shares and received HK\$2,632,000 from the Company as underwriting commission. This transaction has no impact on the financial statements of the current year.

- (c) On 12th February, 2003, the Company and Hon Kwok Land Treasury II Limited, a wholly-owned subsidiary of the Company, entered into a payment arrangement deed with Chinney Investments, whereby all parties agreed that the redemption monies of HK\$141 million of the Bonds held by Chinney Investments be applied towards payment of part of or the whole subscription monies for the shares subscribed by Chinney Investments under the Rights Issue. The deed was subsequently amended on 31st March, 2003, whereby all parties agreed that the redemption of the Bonds held by Chinney Investments be deferred upon completion of the Rights Issue with interest being charged at normal commercial terms. This transaction has no impact on the financial statements of the current year.
- (d) On 31st March, 2003, the Company entered into an agreement for a bridging facility with Chinney Investments whereby Chinney Investments agreed to provide financing to the Company to partly finance the redemption of the Bonds.

The Group paid interest at normal commercial rates in respect of bridging finance facilities provided by Chinney Investments. This transaction has no impact on the financial statements of the current year.

- (e) On 26th August, 2003, the Group entered into an agreement with a wholly-owned subsidiary of Chinney Alliance Group Limited, an associate of Chinney Investments, for the acquisition of the entire issued share capital of China Parking (BVI) Limited and related shareholders’ loans for a cash consideration of HK\$15 million. The consideration was arrived at after arm’s length negotiation and determined by reference to the unaudited consolidated net tangible assets of China Parking (BVI) Limited and its subsidiaries of approximately HK\$14.7 million as at 30th June, 2003. The above transaction was completed on 22nd October, 2003. This transaction has no impact on the financial statements of the current year.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

6. RELATED PARTY TRANSACTIONS (Continued)

- (f) In December 2003, Lucky Year extended cash security arrangement in favour of the Company for a further period of 30 months. Pursuant to the arrangement, Lucky Year pledged its deposits with certain banks in relation to bank loans of HK\$150 million granted by the banks to the Company. In consideration for the provision of cash security, the Group agreed to counter-indemnify Lucky Year and pay a commission of 1.75% per annum on the average principal amount of the cash security outstanding during the terms of the bank loans to Lucky Year. The Group provides no security to Lucky Year or other connected persons in connection with the arrangement. Please refer to paragraph (a)(ii) above for commission paid in the current year.
- (g) During the year, the Group and its joint venture partner wrote off the debts amounted to HK\$3,873,000 (2004: HK\$84,488,000) which were non-recoverable from jointly-controlled entities.
- (h) The balances with the fellow subsidiaries and related companies are unsecured, interest-free, and have no fixed terms of repayment.

7. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	<i>Note</i>	2005 HK\$'000	Group 2004 HK\$'000
Cost of properties sold		106,610	309,509
Auditors' remuneration		1,142	1,109
Depreciation	15	1,076	1,522
Minimum lease payments under operating leases on land and buildings		1,692	1,971
Provision for bad debts		–	299
Staff costs (including directors' remuneration – note 9):			
Salaries and bonuses		14,283	12,395
Pension scheme contributions		654	793
		14,937	13,188
Gross rental income		(73,657)	(60,811)
Less: Outgoing expenses		22,667	26,420
		(50,990)	(34,391)
Loss/(gain) on disposal of fixed assets		(40)	33
Exchange gains, net		(450)	(44)

At the balance sheet date, the amount of forfeited pension scheme contributions available for future utilisation was not significant.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

8. FINANCE COSTS

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank loans wholly repayable within five years	(42,013)	(39,099)
Bank loans wholly repayable after five years	(977)	(2,101)
Convertible guaranteed bonds	-	(1,417)
Bank overdrafts	(20)	(178)
Other loans	-	(3,047)
	<u>(43,010)</u>	<u>(45,842)</u>
Less: Amounts capitalised under property development projects	<u>24,624</u>	<u>16,612</u>
	<u>(18,386)</u>	<u>(29,230)</u>
Other finance costs:		
Amortisation of bond issue expenses	-	(199)
Less: Amounts capitalised under property development projects	<u>-</u>	<u>144</u>
	<u>-</u>	<u>(55)</u>
Total finance costs	<u><u>(18,386)</u></u>	<u><u>(29,285)</u></u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

9. DIRECTORS' REMUNERATION

Details of directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, are as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Fees	138	100
Other emoluments	—	—
	<u>138</u>	<u>100</u>

Included in the above were the following payments to independent non-executive directors:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Fees	<u>138</u>	<u>100</u>

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2005	2004
Nil	5	7
HK\$1-HK\$1,000,000	3	2
	<u>8</u>	<u>9</u>

There were no arrangements under which a director waived or agreed to waive any remuneration during the year.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

10. SENIOR EXECUTIVES' EMOLUMENTS

The five highest paid employees during the year do not include any director (2004: Nil). Details of the remuneration of the five (2004: five) non-director, highest paid employees are set out below:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	4,834	4,371
Pension scheme contributions	255	299
	<u>5,089</u>	<u>4,670</u>

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of individuals	
	2005	2004
HK\$1 - HK\$1,000,000	3	3
HK\$1,000,001 - HK\$1,500,000	2	2
	<u>5</u>	<u>5</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

11. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Group:		
Current – Hong Kong		
Tax charge for the year	(12)	(18)
Underprovision in prior years	–	(140)
Current – Elsewhere	(1,623)	(2,949)
Deferred (note 27)	(102)	(47)
	<u>(1,737)</u>	<u>(3,154)</u>
Share of tax attributable to jointly-controlled entities (note 19)	<u>(165)</u>	<u>(3)</u>
Total tax charge for the year	<u><u>(1,902)</u></u>	<u><u>(3,157)</u></u>

A reconciliation of the tax expense applicable to profit before tax using the principal statutory rate for the countries in which the Company and the majority of its subsidiaries, jointly-controlled entities and associates are domiciled to the tax expense at the effective tax rates, is as follows:

	Group	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Profit before tax	<u>232,202</u>	<u>137,624</u>
Tax at the statutory rate of 17.5% (2004: 17.5%)	(40,635)	(24,084)
Effect of different rates for companies operating in other jurisdictions	(205)	(55)
Adjustments in respect of current tax of previous periods	–	(140)
Income not subject to tax	40,970	32,682
Expenses not deductible for tax	(2,160)	(6,267)
Tax losses utilised from previous periods	967	3,664
Tax losses not recognised	(1,363)	(9,794)
Tax effect of share of profits and losses of jointly-controlled entities	582	315
Others	(58)	522
	<u>(1,902)</u>	<u>(3,157)</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

12. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31st March, 2005 dealt with in the financial statements of the Company was HK\$35,535,000 (2004: HK\$29,176,000) (note 29(b)).

13. DIVIDEND

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Proposed final – 8 cents (2004: 6 cents) per ordinary share	<u>32,019</u>	<u>24,014</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

14. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders of HK\$229,616,000 (2004: HK\$134,415,000) and 400,238,501 (2004: weighted average of 309,115,000) ordinary shares in issue during the year.

Diluted earnings per share amounts for the years ended 31st March, 2005 and 2004 have not been disclosed, as there was no diluting event existing during the current year and the outstanding convertible guaranteed bonds had an anti-dilutive effect on the basic earnings per share in last year.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

15. FIXED ASSETS

Group

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:					
At 1st April, 2004	2,531	5,634	9,422	964	18,551
Additions	-	-	105	437	542
Disposals	-	-	(1)	-	(1)
At 31st March, 2005	2,531	5,634	9,526	1,401	19,092
Accumulated depreciation:					
At 1st April, 2004	503	5,619	7,403	101	13,626
Provided during the year	114	10	742	210	1,076
Disposals	-	-	(1)	-	(1)
At 31st March, 2005	617	5,629	8,144	311	14,701
Net book value:					
At 31st March, 2005	1,914	5	1,382	1,090	4,391
At 31st March, 2004	2,028	15	2,019	863	4,925

The leasehold land and buildings are situated in Mainland China and held under long term leases.

Company

	Leasehold improvements HK\$'000	Furniture and equipment HK\$'000	Total HK\$'000
Cost:			
At 1st April, 2004	5,347	5,710	11,057
Additions	-	74	74
At 31st March, 2005	5,347	5,784	11,131
Accumulated depreciation:			
At 1st April, 2004	5,339	5,514	10,853
Provided during the year	4	142	146
At 31st March, 2005	5,343	5,656	10,999
Net book value:			
At 31st March, 2005	4	128	132
At 31st March, 2004	8	196	204

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

16. PROPERTIES UNDER DEVELOPMENT

Group

	Cost <i>HK\$'000</i>	Development expenditure <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2004	377,576	72,126	449,702
Additions	444,180	15,003	459,183
Disposals	(27,075)	(5,396)	(32,471)
Disposal of subsidiaries (note 31)	(256,689)	(74,026)	(330,715)
Exchange realignment	2,578	453	3,031
	<u>540,570</u>	<u>8,160</u>	<u>548,730</u>
At 31st March, 2005	<u>540,570</u>	<u>8,160</u>	<u>548,730</u>

The additions to development expenditure included interest expense and other borrowing costs totalling HK\$1,827,000 (2004: HK\$3,195,000) that were incurred and capitalised during the year.

Details of the properties under development are as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Medium term leases:		
Hong Kong	3,582	327,506
Long term leases:		
Mainland China	545,148	93,399
Freehold property in Canada	-	28,797
	<u>548,730</u>	<u>449,702</u>

Certain of the Group's properties under development were pledged to the Group's bankers to secure the banking facilities granted to the Group as detailed in note 25.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

17. INVESTMENT PROPERTIES

	2005 <i>HK\$'000</i>	Group 2004 <i>HK\$'000</i>
At 1st April,	1,265,875	930,775
Additions, at cost	3,212	5,498
Acquisitions of subsidiaries	–	138,100
Revaluation surplus arising during the year and credited to the consolidated profit and loss account	–	184,155
Revaluation surplus arising during the year and credited to investment property revaluation reserve	<u>57,913</u>	<u>7,347</u>
At 31st March, at valuation	<u>1,327,000</u>	<u>1,265,875</u>
Analysis by type and location:		
Long term leasehold land and buildings in Hong Kong	785,000	718,000
Medium term leasehold land and buildings in Hong Kong	399,900	360,100
Freehold land and buildings in Malaysia	<u>142,100</u>	<u>187,775</u>
	<u>1,327,000</u>	<u>1,265,875</u>

At the balance sheet date, all of the investment properties were revalued on the basis of their open market values by Knight Frank or Henry Butcher Malaysia Sdn. Bhd. (chartered surveyors). The investment properties are leased to third parties under operating leases, further summary details of which are included in note 33(a) to the financial statements.

All the Group's investment properties were pledged to the Group's bankers to secure the banking facilities granted to the Group as detailed in note 25.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

18. INTERESTS IN SUBSIDIARIES

	Company	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	8	8
Due from subsidiaries	2,863,265	2,909,119
Provision for impairment	(693,238)	(693,238)
	2,170,035	2,215,889
Due to subsidiaries	(973,222)	(873,221)
	<u>1,196,813</u>	<u>1,342,668</u>

The balances with subsidiaries are unsecured, interest-free, and have no fixed terms of repayment, except for an amount due from a subsidiary of HK\$190,208,000 (2004: HK\$178,669,000) which is not repayable in the foreseeable future. Although the remaining balances are technically currently repayable under the original terms of the transactions giving rise thereto, they have been deferred or subordinated for the longer term and are therefore classified as non-current.

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore, the following list contains only the particulars of subsidiaries which principally affected the results or assets and liabilities of the Group.

Particulars of the principal subsidiaries:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Champion Fine International Investments Inc.*	Canada	C\$1	–	100	Property development
China Parking Limited	Hong Kong	HK\$2	–	100	Property holding
Chinney Property Management Limited	Hong Kong	HK\$100	–	100	Property management

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

18. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Cosmos Wealth Development Limited	Hong Kong	HK\$1,000	–	100	Property development
CP Management Limited	Hong Kong	HK\$2	–	100	Carpark management
Crown Honour Developments Limited	Hong Kong	HK\$2	100	–	Provision of nominee services
Debest Development Limited	Hong Kong	HK\$2	–	100	Property development
Full Yip Development Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Property holding and letting
Guangzhou Honkwok Fuqiang Land Development Ltd.*#	PRC/Mainland China	RMB183,795,038	–	48**	Property development
Guangzhou Honkwok Hengsheng Land Development Ltd.*#	PRC/Mainland China	RMB90,000,000	–	60	Property development
Hon Cheong Limited	Hong Kong	HK\$2	–	100	Property holding and letting
Hon Kwok Land Investment (China) Limited	Hong Kong	HK\$2	100	–	Investment holding
Hon Kwok Land Investment (Shenzhen) Co., Ltd.*#	PRC/Mainland China	HK\$30,000,000	–	100	Property development
Hon Kwok Project Management Limited	Hong Kong	HK\$2	100	–	Project management

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

18. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hon Kwok Treasury Limited (formerly Honbest Investment Limited)	Hong Kong	HK\$2	-	100	Financing
Honour Well Development Limited	Hong Kong	HK\$2	-	100	Property holding and letting
Island Parking Limited	British Virgin Islands/ Hong Kong	US\$10	-	100	Property holding and letting
King Capital Development Limited	Hong Kong	HK\$2	-	100	Property holding and letting
King Champion Limited	Hong Kong	HK\$2	-	100	Property holding and letting
Lido Parking Limited	British Virgin Islands/ Hong Kong	US\$1	-	100	Property holding and letting
Nanhai Xin Da Real Estate Development Co., Ltd.*#	PRC/Mainland China	HK\$90,480,000	-	80	Property development
One City Hall Place Limited*	Canada	C\$100	-	75	Property development
Pacific Corporate Services Limited	Hong Kong	HK\$2	100	-	Provision of corporate services
Shenzhen Honkwok Huaye Development Co., Ltd.*#	PRC/Mainland China	RMB50,000,000	-	80	Property development

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

18. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Spark Eagle Development Limited	Hong Kong/ Malaysia	HK\$2	100	–	Property holding and letting
Star World Property Limited	Hong Kong	HK\$2	–	100	Property development
Sunny Land Sdn. Bhd.	Malaysia	M\$2	100	–	Property management
Victory Venture Development Limited	Hong Kong	HK\$2	–	100	Property development
Wide Fame Investment Limited	Hong Kong	HK\$2	–	100	Property development
Wise Pacific Investment Limited	Hong Kong	HK\$10,000	–	60	Money lending

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

These subsidiaries are registered in PRC as foreign enterprises with business duration between 15 to 50 years.

** Guangzhou Honkwok Fuqiang Land Development Ltd. is an indirect subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.

During the year, the Group disposed of the entire issued share capital of Global Success Holdings Inc. and assigned related shareholder's loans for a cash consideration of HK\$565,725,000. Further details of this disposal are included in note 31 to the financial statements.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2005 HK\$'000	2004 HK\$'000
Operating profit, net	394	1,818
Waiver of debts	<u>3,873</u>	<u>84,488</u>
Share of profits and losses of jointly-controlled entities	4,267	86,306
Share of tax attributable to jointly-controlled entities (note 11)	<u>(165)</u>	<u>(3)</u>
	<u><u>4,102</u></u>	<u><u>86,303</u></u>

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	-	-	-	-
Share of net assets other than goodwill	<u>27,210</u>	<u>(10,593)</u>	<u>-</u>	<u>-</u>
	27,210	(10,593)	-	-
Due from jointly-controlled entities, net	<u>5,928</u>	<u>14,290</u>	<u>-</u>	<u>3,873</u>
	<u><u>33,138</u></u>	<u><u>3,697</u></u>	<u><u>-</u></u>	<u><u>3,873</u></u>

During the year, the Group and its joint venture partner wrote off the debts which were non-recoverable from jointly-controlled entities. The corresponding debit of HK\$3,873,000 (2004: HK\$84,488,000) was recognised as write off of debts due from jointly-controlled entities whilst the corresponding credit of HK\$3,873,000 (2004: HK\$84,488,000) was recognised as share of profits of jointly-controlled entities.

The Group's share of the post-acquisition accumulated losses of the jointly-controlled entities at 31st March, 2005 was HK\$50,257,000 (2004: HK\$55,588,000).

The amounts due from the jointly-controlled entities are unsecured, interest-free, and have no fixed terms of repayment. Although the amounts are technically currently receivable under the original terms of the transactions giving rise thereto, they have been deferred or subordinated for the longer term and are therefore classified as non-current.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

Particulars of the principal jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation and operations	Ownership interest	Percentage of		Principal activities
				Voting power	Profit sharing	
2012829 Ontario Inc.	Corporate	Canada	50	50	50	Property development
Hunnewell Limited	Corporate	Hong Kong	50	50	50	Property development
King Success Limited	Corporate	Hong Kong	50	50	50	Property development

The above table includes the jointly-controlled entities of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other jointly-controlled entities would, in the opinion of the directors, result in particulars of excessive length.

Extracts of the financial statements as at 31st March, 2005 of the above principal jointly-controlled entities are as follows:

	2005 HK\$'000	2004 HK\$'000
2012829 Ontario Inc.		
Non-current assets	75,600	–
Non-current liabilities	<u>(75,600)</u>	<u>–</u>
Hunnewell Limited		
Non-current assets	5,580	6,132
Current assets	5,362	11,498
Current liabilities	(84)	(33)
Income	578	541
Net profit/(loss) for the year	<u>460</u>	<u>(1,418)</u>
King Success Limited*		
Current assets	15,112	37,145
Current liabilities	(5,302)	(21,484)
Non-current liabilities	(12,177)	(18,181)
Income	400	29,640
Net profit for the year	<u>153</u>	<u>42,131</u>

* The financial year end of this company is 31st December.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

20. INTEREST IN AN ASSOCIATE

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	–	–
Share of net assets	6,156	6,156
Due from an associate	8,701	8,701
	<u>14,857</u>	<u>14,857</u>

The amount due from the associate is unsecured, interest-free, and has no fixed terms of repayment. Although the amount is technically currently receivable under the original terms of the transactions giving rise thereto, it has been deferred or subordinated for the longer term and is therefore classified as non-current.

Particulars of the associate are as follows:

Name	Business structure	Place of registration and operations	Percentage of ownership interest attributable to the Group	Principal activities
Guangzhou Li Du Property Development Co., Ltd.	Corporate	PRC/Mainland China	49	Property development

21. INVESTMENTS

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted equity security, at cost	<u>50,563</u>	<u>–</u>

In the current year, the Group acquired a 90% equity interest in a company operating in Mainland China and the Group intends to dispose of 45% equity interest of the company to an independent third party subsequent to the balance sheet date. The management considers control of the company to be temporary because it is acquired and held with a view to its subsequent partial disposal in the near future, and accordingly, the company was not consolidated as at the balance sheet date.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

22. PROPERTIES HELD FOR SALE

The carrying amount of properties held for sale carried at net realisable value was HK\$145,962,000 (2004: HK\$238,191,000) as at the balance sheet date.

Properties held for sale included interest expense and other borrowing costs totalling HK\$22,797,000 (2004: HK\$13,561,000) that were incurred and capitalised during the year.

Certain of the Group's properties held for sale were pledged to secure banking facilities granted to the Group as detailed in note 25.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in prepayments, deposits and other receivables are trade receivables of HK\$7,540,000 (2004: HK\$108,994,000). An aged analysis of the trade receivables as at the balance sheet date, based on invoice/contract date, is as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 30 days	5,800	108,345
31 to 60 days	677	589
61 to 90 days	481	38
Over 90 days	582	22
	<u>7,540</u>	<u>108,994</u>

Monthly rent in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. The balance of consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. Overdue trade debts are followed up closely by management and are provided for in full in case of non-recoverability.

The Company had no trade receivables included in prepayments, deposits and other receivables at the balance sheet date (2004: Nil).

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

24. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are trade payables of HK\$3,304,000 (2004: HK\$8,974,000). An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Current to 30 days	<u>3,304</u>	<u>8,974</u>

The Company had no trade payables included in accounts payable and accrued liabilities at the balance sheet date (2004: Nil).

25. INTEREST-BEARING BANK BORROWINGS

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Bank overdrafts:				
Unsecured	-	9,089	-	8,950
Bank loans:				
Secured	781,469	1,058,954	14,700	83,480
Unsecured	652,530	522,174	150,000	190,000
	<u>1,433,999</u>	<u>1,581,128</u>	<u>164,700</u>	<u>273,480</u>
	<u>1,433,999</u>	<u>1,590,217</u>	<u>164,700</u>	<u>282,430</u>
Bank overdrafts repayable:				
Within one year or on demand	-	9,089	-	8,950
Bank loans repayable:				
Within one year or on demand	131,745	310,696	1,680	108,780
In the second year	591,887	70,783	151,680	1,680
In the third to fifth years, inclusive	667,352	1,185,503	11,340	163,020
Beyond five years	43,015	14,146	-	-
	<u>1,433,999</u>	<u>1,581,128</u>	<u>164,700</u>	<u>273,480</u>
	<u>1,433,999</u>	<u>1,590,217</u>	<u>164,700</u>	<u>282,430</u>
Portion classified as current liabilities	<u>(131,745)</u>	<u>(319,785)</u>	<u>(1,680)</u>	<u>(117,730)</u>
Non-current portion	<u>1,302,254</u>	<u>1,270,432</u>	<u>163,020</u>	<u>164,700</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

25. INTEREST-BEARING BANK BORROWINGS (Continued)

Certain bank loans are secured by mortgages on certain investment properties (note 17), properties under development (note 16) and properties held for sale (note 22), with an aggregate carrying value of approximately HK\$1,708 million (2004: HK\$1,886 million), and assignments of rental income. Certain bank loans are also secured by time deposits of the Group amounting to approximately HK\$63 million (2004: HK\$112 million) and cash deposits equivalent to HK\$150 million (2004: HK\$150 million) provided by the ultimate holding company of the Company.

Irrevocable and unconditional guarantees have been given by the Company in respect of certain subsidiaries' borrowings. In addition, the Company has subordinated its loans to certain subsidiaries in favour of the relevant lending banks.

26. LOANS WITH MINORITY INTERESTS

The loans with the minority shareholders of subsidiaries are unsecured, have no fixed terms of repayment and interest-free except for the loans to the minority shareholders of subsidiaries bear interest at normal commercial rates.

27. DEFERRED TAX

The movements in deferred tax liabilities during the year are as follows:

	Accelerated tax depreciation <i>HK\$'000</i>	Revaluation of properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2003	1,146	–	1,146
Acquisition of a subsidiary	189	–	189
Deferred tax charged to investment property revaluation reserve	–	1,104	1,104
Deferred tax charged to the profit and loss account (note 11)	47	–	47
	<u>236</u>	<u>1,104</u>	<u>1,340</u>
Deferred tax liabilities At 31st March, 2004	<u>1,382</u>	<u>1,104</u>	<u>2,486</u>
At 1st April, 2004	1,382	1,104	2,486
Deferred tax credited to investment property revaluation reserve	–	(1,104)	(1,104)
Deferred tax charged to the profit and loss account (note 11)	102	–	102
	<u>102</u>	<u>(1,104)</u>	<u>(1,002)</u>
Deferred tax liabilities At 31st March, 2005	<u>1,484</u>	<u>–</u>	<u>1,484</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

27. DEFERRED TAX (Continued)

The principal components of the Group's unrecognised net deferred tax assets are as follows:

	2005 HK\$'000	2004 HK\$'000
Tax losses carried forward available for offsetting future taxable profit	1,277,773	653,744
Accelerated tax depreciation	<u>(114,324)</u>	<u>(125,671)</u>
	<u>1,163,449</u>	<u>528,073</u>

The deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31st March, 2005, there was no significant unrecognised deferred tax liability (2004: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, as the Group has no liability to additional tax should such amounts be remitted due to the availability of double tax relief.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

28. SHARE CAPITAL

	2005 HK\$'000	2004 HK\$'000
Authorised: 1,750,000,000 shares of HK\$1.00 each	<u>1,750,000</u>	<u>1,750,000</u>
Issued and fully paid: 400,238,501 shares of HK\$1.00 each	<u>400,239</u>	<u>400,239</u>

Pursuant to a court order dated 17th October, 2000, the nominal value of the shares of the Company was adjusted from HK\$0.50 to HK\$0.10 by way of a capital reduction. The authorised share capital of the Company was restored to its original amount of HK\$1,750,000,000 by the creation of an additional 14,000,000,000 new shares of HK\$0.10 each at the same time.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

28. SHARE CAPITAL (Continued)

As a result of the capital reduction, a credit of HK\$533,658,876 based on the 1,334,147,191 shares of the Company then in issue was transferred from the share capital account to a special capital reserve account. The Company has undertaken that the special capital reserve:

- (a) shall not be treated as a realised profit; and
- (b) shall, for so long as the Company remains a listed company (as defined in the Companies Ordinance), be treated as an undistributable reserve of the Company for the purposes of Section 79C of the Companies Ordinance or any statutory re-enactment or modification thereof,

provided always that the amount standing to the credit of the special capital reserve may be reduced by (i) the aggregate of any increase in the issued share capital or in the share premium account of the Company resulting from an issue of shares for cash or other new consideration; or (ii) upon a capitalisation of distributable reserves after the capital reduction.

In the prior year, new shares were issued upon a rights issue and a share placement, details of which are described in notes (b) and (c) below. Resulting from the issue of shares, HK\$310,179,000, representing the amount of shares issued together with the corresponding premium, was released from the special capital reserve and credited to retained profits.

Movements in share capital during prior year were as follows:

- (a) Pursuant to an ordinary resolution passed on 22nd April, 2003, every 10 issued and unissued ordinary shares of HK\$0.10 each of the Company were consolidated into one ordinary share of HK\$1.00 each (the "Consolidated Shares"). All the Consolidated Shares rank pari passu in all respects and have the same rights and privileges and are subject to the restrictions contained in the memorandum and articles of association of the Company. Subsequent to the share consolidation taking effect, the authorised share capital of the Company became HK\$1,750,000,000, divided into 1,750,000,000 ordinary shares of HK\$1.00 each.
- (b) Pursuant to an ordinary resolution passed on 22nd April, 2003, a rights issue was made on the basis of three rights shares (the "Rights Shares") for every two existing shares held by shareholders on the register of members on 30th April, 2003, at a subscription price of HK\$1.00 per Rights Share. This resulted in the issue of 200,123,100 Rights Shares of HK\$1.00 each for a total cash consideration of HK\$200,123,100.
- (c) On 25th February, 2004, the Company entered into a top-up placing arrangement with Chinney Investments and a placing agent pursuant to which the placing agent placed on an underwritten basis 66,700,000 existing shares held by Chinney Investments to independent third parties at a price of HK\$1.65 per share. Concurrently, Chinney Investments subscribed for 66,700,000 new shares of the Company at the same price of HK\$1.65 per share. The subscription was completed on 10th March, 2004.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

28. SHARE CAPITAL (Continued)

A summary of the transactions during the current and prior years with reference to the above movements in the Company's issued share capital is as follows:

	Number of shares in issue	Issued share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2003	1,334,154,019	133,415	126,628	260,043
Share consolidation	(1,200,738,618)	–	–	–
Rights issue	200,123,100	200,124	–	200,124
Share placement	66,700,000	66,700	43,355	110,055
	<u>(933,915,518)</u>	<u>266,824</u>	<u>43,355</u>	<u>310,179</u>
Share issue expenses	–	–	(8,573)	(8,573)
At 31st March, 2004 and 31st March, 2005	<u>400,238,501</u>	<u>400,239</u>	<u>161,410</u>	<u>561,649</u>

29. RESERVES

(a) Group

The amount of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 27 of the financial statements.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

29. RESERVES (Continued)

(b) Company

	Share premium account HK\$'000	Special capital reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000
At 1st April, 2003	126,628	533,659	647	10	22,569	-	683,513
Premium from share placement	43,355	-	-	-	-	-	43,355
Share issue expenses	(8,573)	-	-	-	-	-	(8,573)
Transfer on issue of shares	-	(310,179)	-	-	310,179	-	-
Net profit for the year	-	-	-	-	29,176	-	29,176
Proposed final 2004 dividend	-	-	-	-	(24,014)	24,014	-
At 31st March, 2004 and 1st April, 2004	161,410	223,480	647	10	337,910	24,014	747,471
Final 2004 dividend declared	-	-	-	-	-	(24,014)	(24,014)
Net profit for the year	-	-	-	-	35,535	-	35,535
Proposed final 2005 dividend	-	-	-	-	(32,019)	32,019	-
At 31st March, 2005	<u>161,410</u>	<u>223,480</u>	<u>647</u>	<u>10</u>	<u>341,426</u>	<u>32,019</u>	<u>758,992</u>

30. CONVERTIBLE GUARANTEED BONDS

	Group	
	2005 HK\$'000	2004 HK\$'000
At 1st April, Redemption of the Bonds	-	300,000
	-	(300,000)
At 31st March,	<u>-</u>	<u>-</u>
10% Bonds due 2003	-	-
Portion classified as current liabilities	-	-
Non-current portion	<u>-</u>	<u>-</u>

30. CONVERTIBLE GUARANTEED BONDS *(Continued)*

On 18th April, 2001, a wholly-owned subsidiary of the Company issued the Bonds with a principal sum of HK\$300 million. The unlisted Bonds were unconditionally and irrevocably guaranteed by the Company and bore interest at a rate of 10% per annum. The bondholders had the right, at any time on or after 18th April, 2001, up to and including 19th March, 2003, to convert the Bonds into the then equity shares of the Company with a nominal value of HK\$0.10 at a conversion price, subject to adjustment in certain events, of HK\$0.40 per share.

In the prior year, the Bonds with a principal amount of HK\$159 million were redeemed at par upon maturity on 22nd April, 2003. The remaining Bonds held by Chinney Investments with a principal amount of HK\$141 million were redeemed at par upon completion of the rights issue on 21st May, 2003.

31. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Disposal of subsidiaries

	<i>Note</i>	2005 HK\$'000	2004 HK\$'000
Net assets disposed of:			
Properties under development	16	330,715	3,274
Bank loan and other liabilities		(164,206)	–
Account payable and accrued liabilities		–	(257)
Amount due to a minority shareholder		–	(5,226)
Minority interests		–	3,198
		166,509	989
Gain on disposal of subsidiaries		233,662	–
		400,171	989
Satisfied by cash consideration received, net and net inflow of cash and cash equivalents in respect of the disposal of subsidiaries			
		400,171	989

The results of the subsidiaries disposed of in the years ended 31st March, 2005 and 2004 had no significant impact on the Group's consolidated turnover or profit after tax for the year.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

32. SHARE OPTION SCHEME

The Company's share option scheme was adopted pursuant to a resolution passed on 16th September, 1993 for the primary purpose of providing incentives to any employee (including any executive director) of the Company or any of its subsidiaries.

There were no outstanding options as at 1st April, 2003 and no options were granted, exercised, cancelled or lapsed from 1st April, 2003 up to the expiry date of the share option scheme on 16th September, 2003.

33. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 17 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from one to six years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31st March, 2005, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	30,444	34,712
In the second to fifth years, inclusive	22,730	35,171
Beyond five years	—	8,182
	<u>53,174</u>	<u>78,065</u>

33. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee

The Group leases its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At 31st March, 2005, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2005	2004	2005	2004
	HK\$'000	<i>HK\$'000</i>	HK\$'000	<i>HK\$'000</i>
Within one year	2,010	1,393	1,703	1,310
In the second to fifth years, inclusive	1,003	–	851	–
	<u>3,013</u>	<u>1,393</u>	<u>2,554</u>	<u>1,310</u>

The above annual commitments under non-cancellable operating leases in respect of land and buildings do not involve jointly-controlled entities (2004: Nil).

34. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group had authorised and contracted capital commitments in respect of property development expenditure and acquisition of properties and investments amounting to approximately HK\$545,543,000 (2004: HK\$309,210,000) at the balance sheet date.

The above authorised and contracted capital commitments do not involve jointly-controlled entities (2004: Nil).

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

35. CONTINGENT LIABILITIES

(a)

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Guarantees given to banks in connection with facilities granted to:				
– subsidiaries	–	–	1,269,299	1,307,648
– a jointly-controlled entity	–	7,902	–	7,902
	<u>–</u>	<u>7,902</u>	<u>1,269,299</u>	<u>1,315,550</u>

As at 31st March, 2005, the bank facilities granted to the subsidiaries, subject to guarantees given to the banks by the Company, were utilised to the extent of approximately HK\$1,269,299,000 (2004: HK\$1,307,648,000). In prior year, the guarantee of HK\$7,902,000 given in respect of a bank facility granted to a jointly-controlled entity was discharged following repayment of the facility in full during the year.

- (b) On 20th April, 1996, a writ was filed against a wholly-owned subsidiary of the Group, Joint Peace Investment Limited (“Joint Peace”), regarding an alleged disparity between the pavement and the ground floor level of the building at 18-22 Percival Street, junction of Jaffe Road, Causeway Bay, Hong Kong. The amount claimed, excluding minor construction and related costs, was either HK\$41,000,000 or HK\$69,300,000, representing the claim for a loss of rental income or a loss of interest on the purchase price, respectively, over a period of 12 months. A defence to contest this claim was filed on 22nd July, 1996.

On 2nd December, 1997, the plaintiff of this claim was allowed to amend the Writ of Summons and the Statement of Claim dated 20th April, 1996. As advised by its solicitors, Joint Peace filed an Amended Defence in respect thereof on 30th December, 1997. On the same date, a Request for Further and Better Particulars of the Amended Statement of Claim was sent by Joint Peace’s solicitors to the plaintiff’s solicitors.

Following consultation with legal advisers (in their capacity as the legal advisers of Joint Peace), the directors formed the view that the amended claim was unlikely to succeed and were therefore of the opinion that no provision regarding this claim is necessary in the Group’s financial statements. There has been no further progress of the claim so far up to the date of this report.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 13th July, 2005.