

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 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 16 and 17 respectively.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Companies Ordinance.

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

The consolidated 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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

##### 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments (Continued)

#### (ii) *Recognition and initial measurement*

Purchases and sales of investments are recognised 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 or loss and interest income from these investments.

##### 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 reserve are treated as gains or losses on disposal.

Interest income is recognised using the effective interest method and disclosed as interest income.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments (Continued)

#### 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.

### 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. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

### Leasehold land

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

### 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.

### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The Group as lessor*

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

#### *The Group as lessee*

Rental payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Hong Kong dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

### 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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Taxation** (Continued)

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 is 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 financial assets at fair value through profit or loss is recognised when the title to the financial assets is transferred and the buyer takes legal possession of the financial assets.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 2. SIGNIFICANT 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.

## 3. TURNOVER

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

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Property rental income	37,644,142	30,633,947
Sale of financial assets at fair value through profit or loss	87,229,392	69,582,313
Dividend income	239,931	121,000
	<b>125,113,465</b>	100,337,260



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 4. 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.

Segment information about these businesses is presented below:

### INCOME STATEMENT

For the year ended 31 March 2006

	Property leasing <i>HK\$</i>	Securities investment <i>HK\$</i>	Consolidated <i>HK\$</i>
Turnover	37,644,142	87,469,323	125,113,465
Segment result	103,560,282	4,850,076	108,410,358
Profit from operations			108,410,358
Finance costs			(5,598,697)
Share of results of associates	28,442,448	1,253,428	29,695,876
Profit before taxation			132,507,537
Taxation			(2,627,781)
Profit for the year			129,879,756

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### BALANCE SHEET

At 31 March 2006

	Property leasing <i>HK\$</i>	Securities investment <i>HK\$</i>	Consolidated <i>HK\$</i>
<b>Assets</b>			
Segment assets	1,139,378,961	50,149,913	1,189,528,874
Interests in associates	274,060,775	1,609,284	275,670,059
	<b>1,413,439,736</b>	<b>51,759,197</b>	<b>1,465,198,933</b>
<b>Liabilities</b>			
Segment liabilities	26,408,644	3,451	26,412,095
Bank borrowings			169,607,957
Tax liabilities			2,118,018
			<b>198,138,070</b>

#### INCOME STATEMENT

For the year ended 31 March 2005

	Property leasing <i>HK\$</i>	Securities investment <i>HK\$</i>	Consolidated <i>HK\$</i>
Turnover	30,633,947	69,703,313	100,337,260
Segment result	331,613,539	3,609,081	335,222,620
Profit from operations			335,222,620
Finance costs			(1,761,218)
Share of results of associates	95,168,714	–	95,168,714
Profit before taxation			428,630,116
Taxation			(4,467,851)
Profit for the year			424,162,265

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### BALANCE SHEET

At 31 March 2005

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

#### 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.

### 5. INTEREST INCOME

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Interest income from bank deposits and balances	314,201	5,295
Interest income from financial assets at fair value through profit or loss	3,805,709	4,156,989
	4,119,910	4,162,284

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

### 6. PROFIT FROM OPERATIONS

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Profit from operations has been arrived at after charging:		
Auditors' remuneration	250,000	210,000
Depreciation	793,172	749,859
Amortisation of leasehold land	92,478	92,478
Staff costs (including Directors' remuneration)	7,403,091	6,786,753
Mandatory provident fund contributions	87,761	87,710
Total staff costs	7,490,852	6,874,463
and after crediting:		
Exchange gain	380,595	572,217
Dividend income	239,931	121,000
Gain on disposal of financial assets at fair value through profit or loss	1,035,767	673,615
Gross rental income from investment properties	37,644,141	30,633,947
Less:		
Direct operating expenses from investment properties that generated rental income	(2,247,510)	(2,373,880)
Direct operating expenses from investment properties that did not generate rental income	(295,843)	(349,354)
Net rental income	35,100,788	27,910,713

### 7. FINANCE COSTS

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Interest on bank borrowings:		
Wholly repayable within five years	5,377,521	1,583,729
Not wholly repayable within five years	221,176	177,489
	5,598,697	1,761,218

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

### 8. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the six (2005: eight) directors were as follows:

2006

	Fees HK\$	Salaries and other benefits HK\$	Retirement benefits scheme contributions HK\$	Total HK\$
Chan Hoi Sow ( <i>Note 1</i> )	–	5,359,820	–	5,359,820
Chan Yan Tin, Andrew	–	472,500	12,000	484,500
Chan Siu Keung, Leonard	–	978,750	12,000	990,750
Wong Wellington ( <i>Note 2</i> )	–	–	–	–
Chan Kwok Wai	60,000	–	–	60,000
Tse Lai Han, Henry	60,000	–	–	60,000
	<b>120,000</b>	<b>6,811,070</b>	<b>24,000</b>	<b>6,955,070</b>

2005

	Fees HK\$	Salaries and other benefits HK\$	Retirement benefits scheme contributions HK\$	Total HK\$
Chan Hoi Sow ( <i>Note 1</i> )	–	4,616,460	–	4,616,460
Chan Yan Tin, Andrew	–	466,290	12,000	478,290
Chan Siu Keung, Leonard	–	969,687	12,000	981,687
Wong Wellington ( <i>Note 2</i> )	–	–	–	–
Chan Kwok Wai	25,000	–	–	25,000
Tse Lai Han, Henry	25,000	–	–	25,000
Lee Yip Wah, Peter	100,000	–	–	100,000
Lee Ka Sze, Carmelo	54,167	–	–	54,167
	<b>204,167</b>	<b>6,052,437</b>	<b>24,000</b>	<b>6,280,604</b>

Notes:

- The amount includes rateable value of HK\$646,200 (2005: HK\$562,200) being rent-free accommodation provided by the Company.
- Wong Wellington had waived his director's fees for the years ended 31 March 2006 and 31 March 2005.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

### 9. EMPLOYEES' EMOLUMENTS

Of the five highest paid employees in the Group, three (2005: three) were Directors of the Company whose emoluments were included in note 8. The emoluments of the remaining two (2005: two) individuals were as follows:

	2006 HK\$	2005 HK\$
Salaries and other benefits	820,800	797,110
Mandatory provident fund contributions	24,000	24,000
	<b>844,800</b>	821,110

The aggregate emoluments of each of the remaining two (2005: two) highest paid individuals during the years ended 31 March 2006 and 31 March 2005 were within the HK\$1,000,000 band.

During the years ended 31 March 2006 and 31 March 2005, 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.

### 10. TAXATION

	2006 HK\$	2005 HK\$
The charge comprises:		
Company and subsidiaries		
Hong Kong Profits Tax		
Current year	1,446,556	1,366,188
Under (over) provision in prior years	2,116	(1,989,639)
	<b>1,448,672</b>	(623,451)
Other jurisdiction	73,381	–
	<b>1,522,053</b>	(623,451)
Deferred tax (note 25)		
Current year	1,105,728	5,091,302
	<b>2,627,781</b>	4,467,851

Hong Kong Profits Tax is calculated at 17.5% (2005: 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 25.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

### 10. TAXATION (Continued)

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

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Profit before taxation	<b>132,507,537</b>	428,630,116
Tax at the domestic income tax rate of 17.5% (2005: 17.5%)	<b>23,188,821</b>	75,010,272
Tax effect of share of profit of associates	<b>(5,196,778)</b>	(16,654,525)
Tax effect of expenses not deductible for tax purpose	<b>18,638,223</b>	2,245,585
Tax effect of income not taxable for tax purpose	<b>(33,861,184)</b>	(58,383,479)
Timing difference not recognised	<b>(1,002,127)</b>	(891,634)
Tax effect of tax losses not recognised	<b>81,143</b>	159,437
Under (over) provision in respect of prior year	<b>2,116</b>	(1,989,639)
Utilisation of tax losses previously recognised	<b>(401,542)</b>	(135,114)
Tax effect of taxable revenue recognised	–	15,646
Effect of different tax rates of a subsidiary operating in other jurisdiction	<b>73,381</b>	–
Tax effect for the year	<b>1,522,053</b>	(623,451)

### 11. DIVIDENDS

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Interim, paid – HK1.5 cents per share (2005: HK1.2 cents per share)	<b>4,617,187</b>	3,693,750
Final, proposed – HK2.3 cents per share (2005: HK2.0 cents per share)	<b>7,079,689</b>	6,156,251
	<b>11,696,876</b>	9,850,001

The final dividend of HK2.3 cents per share (2005: HK2.0 cents per share) has been proposed by the directors and are subject to approval by the shareholders in annual general meeting.

### 12. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the year of HK\$129,879,756 (2005: HK\$424,162,265) and on 307,812,522 (2005: 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

### 13. INVESTMENT PROPERTIES

	THE GROUP	
	2006	2005
	HK\$	HK\$
VALUATION		
At 1 April	977,126,960	608,202,410
Exchange adjustments	603,470	970,170
Additions	31,195,821	71,486,855
Disposals	–	(12,210,000)
Increase in fair value recognised in the income statement	81,738,539	308,677,525
At 31 March	1,090,664,790	977,126,960

The investment properties of the Group were revalued at 31 March 2006 on an open market value existing use basis by Jones Lang LaSalle Limited and Johnston, Ross & Cheng Ltd., independent valuers. The surplus arising on revaluation has been credited to consolidated income statement.

The carrying amount of investment properties shown above comprises:

	2006	2005
	HK\$	HK\$
Properties in Hong Kong		
Medium-term lease	547,400,000	486,900,000
Long-term lease	522,650,000	474,000,000
Properties outside Hong Kong		
Freehold	19,412,610	14,939,960
Long-term lease	1,202,180	1,287,000
	1,090,664,790	977,126,960

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



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

### 14. PROPERTY, PLANT AND EQUIPMENT

	Buildings held under long-term lease in Hong Kong <i>HK\$</i>	Furniture and office equipment <i>HK\$</i>	Leasehold improvement <i>HK\$</i>	Motor vehicles <i>HK\$</i>	Total <i>HK\$</i>
<b>THE GROUP</b>					
<b>COST</b>					
At 1 April 2005	3,204,638	3,275,922	4,557,953	5,942,217	16,980,730
Additions	–	341,772	139,254	–	481,026
<b>At 31 March 2006</b>	<b>3,204,638</b>	<b>3,617,694</b>	<b>4,697,207</b>	<b>5,942,217</b>	<b>17,461,756</b>
<b>DEPRECIATION</b>					
At 1 April 2005	1,704,372	3,108,132	3,794,524	5,004,506	13,611,534
Provided for the year	128,185	100,151	191,781	373,055	793,172
<b>At 31 March 2006</b>	<b>1,832,557</b>	<b>3,208,283</b>	<b>3,986,305</b>	<b>5,377,561</b>	<b>14,404,706</b>
<b>NET BOOK VALUE</b>					
<b>At 31 March 2006</b>	<b>1,372,081</b>	<b>409,411</b>	<b>710,902</b>	<b>564,656</b>	<b>3,057,050</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

### 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings held under long-term lease in Hong Kong <i>HK\$</i> (Restated)	Furniture and office equipment <i>HK\$</i>	Leasehold improvement <i>HK\$</i>	Motor vehicles <i>HK\$</i>	Total <i>HK\$</i> (Restated)
<b>THE GROUP</b>					
<b>COST</b>					
At 1 April 2004	20,342,986	3,350,086	4,250,665	6,085,809	34,029,546
Adoption of HKAS 17	(17,138,348)	–	–	–	(17,138,348)
As restated	3,204,638	3,350,086	4,250,665	6,085,809	16,891,198
Additions	–	108,593	307,288	375,723	791,604
Disposals	–	(182,757)	–	(519,315)	(702,072)
At 31 March 2005	3,204,638	3,275,922	4,557,953	5,942,217	16,980,730
<b>DEPRECIATION</b>					
At 1 April 2004	2,406,381	3,228,372	3,600,595	5,158,594	14,393,942
Adoption of HKAS 17	(830,195)	–	–	–	(830,195)
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	–	(182,757)	–	(519,315)	(702,072)
At 31 March 2005	1,704,372	3,108,132	3,794,524	5,004,506	13,611,534
<b>NET BOOK VALUE</b>					
At 31 March 2005	1,500,266	167,790	763,429	937,711	3,369,196

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

### 14. PROPERTIES, PLANT AND EQUIPMENT (Continued)

	Furniture and office equipment <i>HK\$</i>
<hr/>	
THE COMPANY	
COST	
At 1 April 2005 and 31 March 2006, and 1 April 2004 and 31 March 2005	258,636
ACCUMULATED DEPRECIATION	
At 1 April 2005 and 31 March 2006, and 1 April 2004 and 31 March 2005	258,636
<hr/>	
NET BOOK VALUE	
At 31 March 2006 and 31 March 2005	–
<hr/>	

### 15. LEASEHOLD LAND

	THE GROUP	
	2006	2005
	<i>HK\$</i>	<i>HK\$</i>
<hr/>		
NET BOOK VALUE		
At 1 April	16,215,675	16,308,153
Amortisation	(92,478)	(92,478)
<hr/>		
At 31 March	16,123,197	16,215,675
Current portion	(92,478)	(92,478)
<hr/>		
Non-current portion	16,030,719	16,123,197
<hr/>		

The leasehold land is held under long-term lease and situated in Hong Kong.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

### 16. INTERESTS IN SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2006</b>	2005
	<i>HK\$</i>	<i>HK\$</i>
Unlisted shares, at cost less impairment loss	<b>48,528,428</b>	48,528,428
Amounts due from subsidiaries less allowance	<b>425,489,421</b>	412,723,740
	<b>474,017,849</b>	461,252,168

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. The amounts are therefore classified as non-current.

Details of the Company's wholly owned subsidiaries at 31 March 2006 are as follows:

<b>Name of subsidiary</b>	<b>Place of incorporation/ operation</b>	<b>Issued and fully paid ordinary share capital</b>	<b>Principal activities</b>
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	Property investment
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 2006

### 17. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2006 HK\$	2005 HK\$	2006 HK\$	2005 HK\$
Unlisted shares, at cost	–	–	32	32
Share of net assets	267,673,233	237,977,356	–	–
Amount due from an associate	7,996,826	14,996,826	7,996,826	14,996,826
	<b>275,670,059</b>	252,974,182	<b>7,996,858</b>	14,996,858

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. The amount is therefore classified as non-current.

Details of the Group's associates at 31 March 2006 are as follows:

Name of associate	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Percentage of equity attributable to the Group	Principal activities
Milsons Investment Limited	Hong Kong	HK\$110	27.27%	Not yet commence business
Spirit Fidelity Limited	Hong Kong	HK\$2	50.00%	Trustee
Win Easy Development Limited	Hong Kong	HK\$2	50.00%	Property investment
Easyman Limited	The British Virgin Islands/ Hong Kong	US\$1	50.00%	Securities investment

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

### 17. 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:

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Turnover	129,197,354	18,689,598
Depreciation	22,295	22,295
Profit for the year	59,391,752	190,337,428
Profit attributable to the Group	29,695,876	95,168,714

Financial position at 31 March:

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Non-current assets	564,451,117	516,873,412
Current assets	51,938,639	2,622,144
Current liabilities	(6,309,975)	(5,718,319)
Non-current liabilities	(74,733,379)	(37,822,586)
Shareholders' funds	535,346,402	475,954,651
Shareholders' funds attributable to the Group	267,673,201	237,977,325

### 18. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables is rental receivable of HK\$506,526 (2005: HK\$320,065) with defined credit policy. The rental income is billed in advance each month. Immediate settlement is expected upon receipt of billing.

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

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

### 19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2006	2005
	HK\$	HK\$
Analysis of financial assets at fair value through profit or loss held for trading		
Listed overseas debt securities	29,939,354	65,429,323
Equity securities listed in Hong Kong	–	10,742,500
	<b>29,939,354</b>	<b>76,171,823</b>
Market value	<b>29,939,354</b>	<b>76,171,823</b>

### 20. TRADE AND OTHER PAYABLES

Included in trade and other payables is rental receipt in advance of HK\$599,774 (2005: HK\$551,997).

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

The directors consider that the carrying amount of trade and other payable approximates their fair value.

### 21. SECURED BANK LOANS

The secured bank loans are repayable as follows:

	THE GROUP	
	2006	2005
	HK\$	HK\$
Within one year	208,911	352,977
More than one year but not exceeding two years	220,198	222,514
More than two years but not exceeding five years	164,734,230	166,717,378
More than five years	4,444,618	4,464,092
	<b>169,607,957</b>	<b>171,756,961</b>
Less: Amount due within one year	<b>(208,911)</b>	<b>(352,977)</b>
	<b>169,399,046</b>	<b>171,403,984</b>

Over 95% of the bank loans are denominated in Hong Kong dollars with variable interest rate ranging from 0.6% to 0.67% over HIBOR (2005: from 0.6% to 0.67% over HIBOR) per annum.

The remaining bank loans are denominated in Canadian dollars with variable interest rate which is the prime rate less 0.5% (2005: prime rate less 0.5%) per annum.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

### 22. 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. The amounts are therefore classified as non-current.

### 23. SHARE CAPITAL

	Number of ordinary shares		Nominal value	
	of HK\$0.5 each			
	2006 HK\$	2005 HK\$	2006 HK\$	2005 HK\$
<b>THE COMPANY</b>				
Authorised:				
At 1 April and 31 March	400,000,000	400,000,000	200,000,000	200,000,000
Issued and fully paid:				
At 1 April and 31 March	307,812,522	307,812,522	153,906,261	153,906,261

### 24. RESERVES

	Share premium account HK\$	Capital redemption reserve HK\$	Dividend reserve HK\$	Accumulated profits HK\$	Total HK\$
<b>THE COMPANY</b>					
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 and 1 April 2005	72,818,414	2,662,000	6,156,251	21,091,473	102,728,138
Profit for the year	–	–	–	104,632,565	104,632,565
Dividends declared	–	–	11,696,876	(11,696,876)	–
Dividends paid	–	–	(10,773,438)	–	(10,773,438)
<b>At 31 March 2006</b>	<b>72,818,414</b>	<b>2,662,000</b>	<b>7,079,689</b>	<b>114,027,162</b>	<b>196,587,265</b>

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\$121,106,851 (2005: HK\$27,247,724) 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 2006

### 25. DEFERRED TAXATION

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

	Accelerated tax depreciation <i>HK\$</i>	Revaluation of properties <i>HK\$</i>
<b>THE GROUP</b>		
At 1 April 2004	60,900	(3,264,115)
Charge to income statement for the year	(60,900)	(5,030,402)
At 31 March 2005 and 1 April 2005	–	(8,294,517)
Charge to income statement for the year	–	(1,105,728)
<b>At 31 March 2006</b>	<b>–</b>	<b>(9,400,245)</b>

At the balance sheet date, the Group has unused tax losses of HK\$9,222,607 (2005: HK\$10,487,607) 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. Those losses may be carried forward indefinitely.

### 26. 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 2006 amounted to HK\$87,761 (2005: HK\$87,710). As at 31 March 2006, contributions due in respect of the reporting period had been fully paid over to the MPF.

### 27. PLEDGE OF ASSETS

At the balance sheet date, the Group’s banking facilities amounting to HK\$312,207,280 (2005: HK\$329,272,130) were fully secured by its investment properties with an aggregate carrying value amounting to HK\$845,612,610 (2005: HK\$896,655,903). These facilities were utilised to the extent of HK\$169,607,957 (2005: HK\$171,756,961) at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

### 28. 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	
	2006 HK\$	2005 HK\$	2006 HK\$	2005 HK\$
Subsidiaries	–	–	169,607,957	171,718,646
Associates	25,000,000	–	25,000,000	–
	25,000,000	–	194,607,957	171,718,646

### 29. OPERATING LEASE ARRANGEMENTS

#### The Group as lessee

	THE GROUP	
	2006 HK\$	2005 HK\$
Minimum lease payments paid under operating leases in respect of rented properties during the year	660,000	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	
	2006 HK\$	2005 HK\$
Within one year	660,000	–
In the second to fifth year inclusive	–	–
	660,000	–

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 29. OPERATING LEASE ARRANGEMENTS (Continued)

### The Group as lessor

The investment properties of the Group are expected to generate rental yields of approximately 3% (2005: 3%) 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	
	2006 HK\$	2005 HK\$
Within one year	39,376,702	34,133,731
In the second to fifth year inclusive	24,332,008	32,820,711
	63,708,710	66,954,442

## 30. CAPITAL COMMITMENTS

At 31 March 2006, the Group had capital commitments of HK\$36,961,110 (2005: Nil) for the acquisition of investment properties.

## 31. RELATED PARTY TRANSACTIONS

During the year, the Group received office rental income of HK\$300,000 (2005: HK\$300,000) from an associate of the Company, Win Easy Development Limited.

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's major financial instruments include debt and equity investments, bank loans, cash and bank deposits. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below. The management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

### Foreign currency risk

Only the equity portion of the Canadian properties is subject to exchange rate risk. The amount involved is 1% of the Group's net assets. Accordingly, the Group has no significant exposure to foreign exchange fluctuations.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

### 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Credit risk

The Group's credit risk is primarily attributable to rental receivable. The management monitors the Group's exposure to the credit risk on an on-going basis with established credit policies, and determines that the credit risk is not significant.

#### Liquidity risk

The Group's bank loans provide a continuity and flexibility of funding for the Group's operation. The directors have reviewed the Group's working capital and capital expenditure requirements and determine that the liquidity risk is not significant.

#### Cash flow interest rate risk

Most of the Group's bank borrowings are repayable within two to five years, with floating interest rate based on HIBOR. Since the Group's gearing ratio is low, the interest rate risk associated with the bank borrowings is not significant.

### 33. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.