Notes to the Consolidated Financial Statements

For the year ended 31st March, 2006

1. GENERAL

The Company is a public company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and the principal place of business of the Company are disclosed in the section headed "Corporate information" of the Company's Annual Report.

The principal activities of the Group are property development and property investment.

The consolidated financial statements are presented in Hong Kong dollars. The Company's functional currency is Hong Kong dollars, while the function currency of the subsidiaries registered in the People's Republic of China ("PRC") is Renminbi.

The directors consider the Company's ultimate holding company to be Lee & Leung (B.V.I.) Limited, a company incorporated in the British Virgin Islands.

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and the consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas:

Share-based Payments

In the current year, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. The Group has not applied HKFRS 2 to share options granted on or before 7th November, 2002 in accordance with the relevant transitional provisions. As the share options of the Company were granted before that date, the adoption of HKFRS 2 has had no impact to the results of the Group for the current and prior years.

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES (continued)

Financial Instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on the presentation of financial instruments in the consolidated financial statements. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31st March, 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24") issued by the HKICPA. Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1st April, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method. The Group's other investments held for trading purposes with an aggregate carrying amount of HK$271,937,000 and investments in money market funds with an aggregate carrying amount of HK$298,386,000 have been accounted for as "investments held for trading" and "available-for-sale investments" respectively on 1st April, 2005.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2006

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial assets and financial liabilities other than debt and equity securities

From 1st April, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method.

The adoption of HKAS 39 has had no material impact on the results of the Group for the current year.

Leasehold Interest in Land

In previous years, leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the leasehold land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments for land under operating leases, which are carried at cost and amortised over the lease term on a straight line basis. As a result of the adoption of HKAS 17 on a retrospective basis, the leasehold interests in land with an aggregate carrying amount of HK$69,665,000 at 1st April, 2004, which were previously included in property, plant and equipment, have been reclassified as prepaid lease payments for land. The adoption of HKAS 17 has had no material impact on the results of the Group for the current and prior years.

3. SUMMARY OF THE EFFECTS OF CHANGES IN ACCOUNTING POLICIES

The changes in the accounting policies described in note 2 have had no material impact to the results of the Group for the current and prior years. The cumulative effects of the changes in these accounting policies as at 31st March, 2005 and 1st April, 2005 are summarised below:

Balance sheet items	As at 31st March, 2005 (as originally stated)	Effects of adoption of HKAS 1	Effects of adoption of HKAS 17	Reclassif-ication	As at 31st March, 2005 (as restated)	Effects of adoption of HKAS 39	As at 1st April, 2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	84,295	–	(69,067)	(3,801)	11,427	–	11,427
Prepaid lease payments for land							
– Non-current	–	–	68,469	–	68,469	–	68,469
– Current	–	–	598	–	598	–	598
Investment properties	–	–	–	3,801	3,801	–	3,801
Available-for-sale investments	–	–	–	–	–	298,386	298,386
Investments held for trading	–	–	–	–	–	271,937	271,937
Other securities	271,937	–	–	–	271,937	(271,937)	–
Investments in money market funds	298,386	–	–	–	298,386	(298,386)	–
Total effects on assets and liabilities		–	–	–		–	
Capital and Reserves							
Minority interests	–	416	–	–	416	–	416
Total effects on equity		416	–	–		–	
Minority interests	416	(416)	–	–	–	–	–

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2006

3. SUMMARY OF THE EFFECTS OF CHANGES IN ACCOUNTING POLICIES (continued)

The financial effects of the changes in the accounting policies described in note 2 to the Group's equity at 1st April, 2004 are summarised below:

	As at 1st April, 2004 (as originally stated) HK$'000	Effects of adoption of HKAS 1 HK$'000	As at 1st April, 2004 (as restated) HK$'000
Capital and Reserves			
Minority interests	–	416	416
Total effects on equity		416	
Minority interests	416	(416)	–

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standards, amendments and interpretations will have no material impact on the consolidated financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC) – INT 8	Scope of HKFRS 2[5]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[6]

[1] Effective for annual periods beginning on or after 1st January, 2007.
[2] Effective for annual periods beginning on or after 1st January, 2006.
[3] Effective for annual periods beginning on or after 1st December, 2005.
[4] Effective for annual periods beginning on or after 1st March, 2006.
[5] Effective for annual periods beginning on or after 1st May, 2006.
[6] Effective for annual periods beginning on or after 1st June, 2006.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the HKFRSs issued by the HKICPA. 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 Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

A summary of the significant accounting policies adopted by the Group is set out below.

(a) Basis of consolidation

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interest of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and any identified impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, and after taking into account their estimated residual value, using the straight line method.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2006

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is dereognised.

(c) Leasehold interest in land

The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are classified as prepaid lease payments for land under operating leases, which are carried at cost and amortised over the lease term on a straight line basis.

(d) Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is provided to write off the cost of investment properties over their estimated useful lives, using the straight line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the period in which the item is derecognised.

(e) Properties for development

Properties for development are stated at cost less any identified impairment loss.

(f) Properties for sale

Properties for sale are stated at the lower of cost and net realisable value.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) 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. Impairment losses are 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.

(h) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the categories set out below. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Investments held for trading

Investments held for trading are classified under the category of financial assets at fair value through profit or loss. At each balance sheet date subsequent to initial recognition, investments held for trading are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2006

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

Financial assets (continued)

Available-for-sale investments

At each balance sheet date subsequent to initial recognition, available-for-sale investments are measured at fair value. Changes in fair value are recognised in equity, until the investment is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale investments are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment loss was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment loss is reversed does not exceed what the amortised cost would have been had the impairment loss not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities

Financial liabilities (including trade and other payables and amount due to a related company) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(i) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

(j) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges 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.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2006

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Foreign currencies (continued)

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 at the rates 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 year, 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 exchange translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

(k) Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated 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

Rentals 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.

(l) 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 profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Taxation (continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the consolidated 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 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 profit 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.

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of related direct taxes.

Rental income

Rental income is recognised on a straight line basis over the relevant lease term.

Interest income

Interest income from a financial asset is recognised on a time basis, taking into account the principal amounts outstanding and the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(n) Retirement benefit costs

Payments to the retirement benefit schemes are charged as an expense as they fall due.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2006

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Write down of properties for sale

Included in the consolidated balance sheet at 31st March, 2006 are properties for sale with an aggregate carrying amount of HK$114 million. Management assessed the recoverability of these assets based on an estimation of the recoverable amount of the underlying properties which involves, inter-alia, considerable analyses of current market price of properties of a comparable standard and location. If the net realisable value of the properties is less than expected as a result of an adverse change in market condition or an escalation of cost, impairment losses may result.

Provisions for warranties and undertakings

Included in provisions at 31st March, 2006 is the outstanding balance of provisions amounted to HK$3.4 million which is estimated by management for costs and expenses required to discharge the Group's obligations and liabilities under the warranties and undertakings in connection with the disposal of subsidiaries (see note 26). If the actual costs and expenses incurred for discharging the Group's obligations and liabilities are more or less than the outstanding balance of the provisions, the difference between the balance of provisions and the actual costs and expenses incurred would have to be recognised in the consolidated financial statements.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include available-for-sale investments, investments held for trading, trade and other receivables, trade payables, pledged bank deposits and bank balances and cash. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Foreign exchange risk

The Group's financial assets and financial liabilities are substantially denominated in Hong Kong dollars or United States dollars which is pegged to the Hong Kong dollars. Accordingly, the management considers the foreign exchange risk to the Group is not significant.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing financial assets. Interest bearing financial assets are mainly available-for-sale investments, investments held for trading and bank deposits. As these investments and bank deposits are respectively arranged at fixed rates and variable rates over the period, thus exposing the Group to both fair value interest rate risk and cash flow interest rate risk. Management monitors interest rate risk exposure and will consider hedging significant interest rate exposure should the need arise.

(iii) Other price risk

The Group's available-for-sale investments and investments held for trading are measured at fair value at each balance sheet date. Therefore, other than the interest rate risk, the Group is also exposed to equity and debt security price risk. Management monitors the price movements of these assets and makes appropriate investment decisions.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31st March, 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. The Group reviews the recoverable amount of each individual balance of receivables at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is reduced.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong and the PRC, with exposure spread over a number of counterparties and customers.

The credit risk on the Group's liquid funds, including available-for-sale investments, investments held for trading and bank deposits, is limited because the majority of the counterparties are banks or corporations with high credit-worthiness.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2006

7. TURNOVER AND SEGMENT INFORMATION

Turnover represents rental income from leasing of properties.

Segment information is set out below:

(A) Business segments

The Group is principally engaged in property development and property investment.

Segment information about this business is presented below:

(i) Results

	Turnover		Contribution to profit (loss)	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Property development and property investment				
Property development	**–**	–	**–**	(36,578)
Property letting	**5,399**	3,095	**2,794**	1,684
	5,399	3,095		
Segment results			**2,794**	(34,894)
Other income *(note (a))*			**18,035**	5,502
Negative goodwill released to income			**–**	6,601
Less: Provision for loss on settlement of legal case			**(3,000)**	–
Unallocated administrative expenses			**(13,724)**	(13,776)
Profit (loss) before taxation			**4,105**	(36,567)
Taxation			**(130)**	–
Profit (loss) for the year			**3,975**	(36,567)

7. TURNOVER AND SEGMENT INFORMATION (continued)

(A) Business segments (continued)

(i) Results (continued)

Notes:

(a) Other income represents mainly net income from short-term treasury activities, including investments in securities and money market funds and the placement of bank deposits.

(b) In prior year, the loss attributable to the property development of HK$36,578,000 shown above comprised write down of properties for sale and impairment loss on properties for development amounted to HK$16,000,000 and HK$20,578,000 respectively.

(ii) Assets and liabilities

	Assets		Liabilities	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Segment assets/liabilities				
Property development and property investment	**149,065**	147,100	**2,742**	2,545
Unallocated assets/liabilities	**652,295**	646,444	**14,372**	13,534
	801,360	793,544	**17,114**	16,079

(iii) Other information

	Property development and property investment		Unallocated		Consolidated total	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Capital additions	**–**	–	**213**	–	**213**	–
Depreciation and amortisation	**333**	333	**2,060**	2,627	**2,393**	2,960
Loss on disposal of property, plant and equipment	**–**	–	**330**	–	**330**	–
Provision for loss on settlement of legal action	**–**	–	**3,000**	–	**3,000**	–
Write down of properties for sale	**–**	16,000	**–**	–	**–**	16,000
Impairment loss on properties for development	**–**	20,578	**–**	–	**–**	20,578
Unrealised holding loss on other securities	**–**	–	**–**	9,951	**–**	9,951

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2006

7. TURNOVER AND SEGMENT INFORMATION (continued)

(B) Geographical segments

The Group's principal activities, comprising property development and property investment, are carried out in Hong Kong and the PRC.

The following table provides an analysis of the Group's turnover by location of customers:

	Turnover from geographical market	
	2006	2005
	HK$'000	HK$'000
Hong Kong	**1,440**	62
The PRC	**3,959**	3,033
	5,399	3,095

The following is an analysis of the carrying amount of assets, and additions to property, plant and equipment analysed by geographical area in which the assets are located:

	Carrying amount of assets		Additions to property, plant and equipment	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Segment assets				
Hong Kong	**32,174**	32,504	**–**	–
The PRC	**116,891**	114,596	**213**	–
	149,065	147,100	**213**	–
Other assets				
Hong Kong	**57,581**	60,372	**–**	–
The PRC	**16,004**	16,069	**–**	–
United States of America *(Note)*	**324,817**	327,363	**–**	–
European countries *(Note)*	**253,893**	242,640	**–**	–
	801,360	793,544	**213**	–

Note: The assets represent debt and equity securities and money market funds operating in the respective countries.

8. OTHER INCOME

	2006 **HK$'000**	2005 HK$'000
Interest income from		
– available-for-sale investments	**11,268**	–
– investments held for trading	**9,459**	–
– investments in money market funds	**–**	4,715
– debt securities	**–**	10,948
– bank deposits	**69**	65
	20,796	15,728
Sundry income	**499**	319
	21,295	16,047

9. PROVISION FOR LOSS ON SETTLEMENT OF LEGAL ACTION

In prior years, certain former subsidiaries purchased production materials amounted to approximately HK$12,000,000 from an outside supplier for its printed circuit board manufacture activities. The production materials acquired were subsequently found to be defective and settlement of the purchases was therefore withheld by the former subsidiaries. A legal action for settlement of the purchases together with interest was taken by the supplier against these former subsidiaries. On the other hand, the said former subsidiaries instituted a legal action against the supplier claiming damages arising from the materials delivered by the supplier. In 1999, the said former subsidiaries were disposed of to outside parties. In connection with the disposal, the Group has undertaken to indemnify the purchasers the losses, if any, arising from the legal action taken by the supplier against the former subsidiaries.

Subsequent to 31st March, 2006, the former subsidiaries entered into an agreement with the outside supplier pursuant to which the former subsidiaries have paid to the outsider supplier an amount of HK$3,000,000 for the settlement of the legal action. The loss from the settlement of HK$3,000,000 arising from the indemnity given by the Group in this respect has been accounted for in the consolidated financial statements.

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For the year ended 31st March, 2006

10. IMPAIRMENT LOSS ON PROPERTIES FOR DEVELOPMENT/NEGATIVE GOODWILL RELEASED TO INCOME

The sole assets of a wholly-owned subsidiary of the Company, Cong Hua White Swan Bow Yuen Real Estate Development Company Limited ("Cong Hua Bow Yuen") were the properties for development in Cong Hua, the Guangdong Province of the PRC. The joint venture period of Cong Hua Bow Yuen expired on 26th September, 2004 and the Group had applied for an extension of the joint venture period. Should the extension of the joint venture period not be approved by the governments authorities, the assets held by Cong Hua Bow Yuen, after discharging its liabilities to be determined by the relevant parties, will revert to the PRC joint venture partner free of payment. After the discussions with the relevant government authorities through the PRC joint venture partner of Cong Hua Bow Yuen, the Company was informed on 21st January, 2005 by the PRC joint venture partner that the approval for extension of the joint venture period by the government authorities was remote. The Company had further made inquiries with government authorities. Against this background, the directors considered it appropriate to make a full provision for impairment losses against the carrying amount of the properties for development amounting to HK$20,578,000 in the year ended 31st March, 2005. In this respect, the negative goodwill of HK$6,601,000 arising from the acquisition of interest in Cong Hua Bow Yuen included in reserves was released to the consolidated income statement during the year ended 31st March, 2005. Details of the above had been set out in the Company's announcement dated 2nd February, 2005.

11. PROFIT (LOSS) BEFORE TAXATION

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Profit (loss) before taxation has been arrived at after charging (crediting):		
Auditors' remuneration	**396**	343
Amortisation of prepaid lease payments for land	**598**	598
Depreciation of		
– property, plant and equipment	**1,686**	2,253
– investment properties	**109**	109
Staff costs including directors' emoluments *(Note)*	**6,391**	6,379
Operating lease rentals in respect of land and buildings	**360**	360
Loss on disposal of property, plant and equipment	**330**	–
Exchange losses (gains)	**1,578**	(311)

Note: The staff costs do not include the rental value of the Group's land and building provided as accommodation to certain directors of the Company which is disclosed in note 12.

12. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

(a) Directors' emoluments

The emoluments paid or payable each of the directors are as follows:

	Year ended 31st March, 2006			
	Fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Contributions to retirement benefit schemes HK$'000	Total HK$'000
Executive directors				
Mr. Lee Lap	–	3,020	12	3,032
Mdm. Leung Lai Ping	–	2,520	12	2,532
Mr. Wong Shiu Kee	–	910	46	956
Independent non-executive directors				
Dr. Lee Tung Hai	100	–	–	100
Mr. Chan Siu Kang	100	–	–	100
Mr. Lo Yiu Hee	100	–	–	100
Non-executive director				
Mr. Lee Ka Sze, Carmelo	100	–	–	100
	400	6,450	70	6,920

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For the year ended 31st March, 2006

12. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES (continued)

(a) Directors' emoluments (continued)

	Year ended 31st March, 2005			
	Fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Contributions to retirement benefit schemes HK$'000	Total HK$'000
Executive directors				
Mr. Lee Lap	–	2,900	12	2,912
Mdm. Leung Lai Ping	–	2,400	12	2,412
Mr. Wong Shiu Kee	–	1,041	52	1,093
Independent non-executive directors				
Dr. Lee Tung Hai	100	–	–	100
Mr. Chan Siu Kang	50	–	–	50
Mr. Lo Yiu Hee	50	–	–	50
Non-executive director				
Mr. Lee Ka Sze, Carmelo	100	–	–	100
	300	6,341	76	6,717

During the year, the land and building of the Group with a rental value of HK$2,040,000 (2005: HK$1,800,000) were provided as accommodation to certain directors of the Company which has been included in basic salaries, allowances and benefits-in-kind disclosed above.

(b) Senior employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2005: three) are directors of the Company, whose emoluments have been included above. The emoluments of the remaining two (2005: two) individuals, whose emoluments are individually below HK$1,000,000, are as follows:

	2006 HK$'000	2005 HK$'000
Basic salaries, allowances and benefits-in-kind	**559**	559
Contributions to retirement benefit schemes	**27**	28
	586	587

13. TAXATION

The tax expense for the year represents the Hong Kong Profits Tax calculated at 17.5% on estimated assessable profit. No provision for Hong Kong Profits Tax and overseas taxation had been made in the consolidated financial statements for last year as the Group has no assessable profits for that year.

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

	2006	2005
	HK$'000	HK$'000
Profit (loss) before taxation	**4,105**	(36,567)
Tax at the applicable income tax rate of 17.5%	**718**	(6,399)
Tax effect of expenses not deductible for tax purpose	**3,056**	7,641
Tax effect of income that are not taxable for tax purpose	**(3,659)**	(3,950)
Tax effect of deductible temporary differences not recognised	**280**	2,923
Tax effect of tax losses not recognised	**58**	46
Utilisation of tax losses previously not recognised	**(323)**	(261)
Tax expense for the year	**130**	–

Details of the deferred tax not recognised are set out in note 30.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2006

14. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings/loss per share attributable to equity holders of the Company is based on the following data:

	2006 HK$'000	2005 HK$'000
Profit (loss) for the year attributable to equity holders of the Company for the purposes of basic and diluted earnings/loss per share	**3,975**	(36,567)

	Number of shares '000	 '000
Number of ordinary shares for the purposes of basic earnings/loss per share	**1,664,643**	1,664,643
Effect of dilutive potential ordinary shares – share options	**29,010**	N/A
Number of ordinary shares for the purpose of diluted earnings per share	**1,693,653**	N/A

No diluted loss per share for the prior year is presented as the assumed exercise of the Company's share options would result in a decrease in the loss per share for that year.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Machinery, moulds and equipment HK$'000	Furniture, fixtures and leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1st April, 2004 and at 31st March, 2005	6,250	89	8,609	6,126	21,074
Additions	–	–	213	–	213
Disposals	–	–	–	(1,480)	(1,480)
At 31st March, 2006	**6,250**	**89**	**8,822**	**4,646**	**19,807**
DEPRECIATION					
At 1st April, 2004	734	89	4,048	2,523	7,394
Provided for the year	673	–	693	887	2,253
At 31st March, 2005	1,407	89	4,741	3,410	9,647
Provided for the year	142	–	712	832	1,686
Eliminated on disposals	–	–	–	(795)	(795)
At 31st March, 2006	**1,549**	**89**	**5,453**	**3,447**	**10,538**
CARRYING VALUES					
At 31st March, 2006	**4,701**	**–**	**3,369**	**1,199**	**9,269**
At 31st March, 2005	4,843	–	3,868	2,716	11,427

The above items of property, plant and equipment are depreciated on a straight line basis over their useful lives as follows:

Category of assets	**Estimated useful lives**
Buildings	25 to 40 years or over the remaining lease term of the land on which the building is situated, if shorter
Other property, plant and equipment	4 to 10 years

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For the year ended 31st March, 2006

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The carrying value of the Group's buildings is analysed as follows:

	2006 **HK$'000**	2005 HK$'000
Buildings situated on leasehold interest in land in Hong Kong on:		
Long lease	**3,812**	3,922
Medium-term leases	**889**	921
	4,701	4,843

16. PREPAID LEASE PAYMENTS FOR LAND

	2006 **HK$'000**	2005 HK$'000
The Group's prepaid lease payments for land comprise:		
Leasehold land in Hong Kong on:		
Long lease	**64,960**	65,472
Medium-term leases	**3,509**	3,595
	68,469	69,067
Analysed for reporting purposes as:		
Non-current	**67,871**	68,469
Current	**598**	598
	68,469	69,067

17. INVESTMENT PROPERTIES

	Buildings HK$'000
COST	
At 1st April, 2004, 31st March, 2005 and 31st March, 2006	**4,480**
DEPRECIATION	
At 1st April, 2004	570
Provided for the year	109
At 31st March, 2005	679
Provided for the year	109
At 31st March, 2006	**788**
CARRYING VALUES	
At 31st March, 2006	**3,692**
At 31st March, 2005	3,801

The buildings are situated on land in Hong Kong on long lease. The Group's leasehold interest in the land with the carrying amount of HK$28,480,000 at 31st March, 2006 (2005: HK$28,704,000) has been included in prepaid lease payments for land (note 16).

The fair value of the Group's investment properties at 31st March, 2006, which comprise of leasehold interest in land and buildings, is HK$50,000,000 (2005: HK$47,000,000). The fair value has been arrived at based on a valuation carried out by DTZ Debenham Tie Leung Limited ("Debenham Tie Leung"), independent qualified professional valuers not connected with the Group with appropriate qualifications and recent experiences in valuation of similar properties in the relevant locations. The valuation report was issued by Debenham Tie Leung, represented by its director who is a member of the Institute of Valuers. The valuation, which conformed to Hong Kong Institute of Surveyors Valuation Standards on Properties, was arrived at by reference to market evidence of transaction prices for similar properties.

The investment properties with the carrying amount of HK$3,801,000 at 31st March, 2005 has been reclassified from property, plant and equipment to conform with the current year's presentation.

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

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2006

18. PROPERTIES FOR DEVELOPMENT

	2006	2005
	HK$'000	HK$'000
Land use rights in the PRC on long lease:		
At cost	**32,341**	32,341
Less: Impairment loss recognised	**(32,341)**	(32,341)
	–	–

19. PROPERTIES FOR SALE

Included in properties for sale are properties carried at net realisable value amounted to HK$64,600,000 (2005: HK$63,077,000).

20. TRADE AND OTHER RECEIVABLES

Rentals receivable are payable in accordance with the terms of the relevant agreements.

The Group does not generally provide any credit period to its tenants.

The following is an aged analysis of trade and other receivables at the balance sheet date:

	2006	2005
	HK$'000	HK$'000
1 – 90 days	**4,072**	5,280
Over 90 days	**2,217**	1,408
	6,289	6,688

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

21. AVAILABLE-FOR-SALE INVESTMENTS

The available-for-sale investments represent investments in money market funds which are managed by international financial institutions and are redeemable on demand. Such money market funds are carried at their fair value at 31st March, 2006. The fair value is determined by the financial institutions by reference to prices of the funds' underlying investments quoted from over-the-counter markets. The average effective interest rate in respect of money market funds at 31st March, 2006 is approximately 4.4%.

22. INVESTMENTS HELD FOR TRADING

	HK$'000
The fair value of the investments held for trading at 31st March, 2006 includes:	
Unlisted debt securities	**239,460**
Listed equity securities in Hong Kong	**205**
	239,665
Market value of listed securities	**205**

The debt securities, which substantially carry interest at fixed interest rates, are denominated in United State dollars with maturity dates ranging from 14th April, 2006 to 6th August, 2013. The average effective interest rate in respect of the debt securities at 31st March, 2006 is approximately 4.11%.

The fair value of unlisted securities is based on prices quoted by financial institutions or over the counter markets and those of the listed equity securities is based on bid prices quoted in the relevant stock exchange.

23. OTHER SECURITIES

	2005 HK$'000
Unlisted debt securities	271,617
Listed equity securities in Hong Kong	320
	271,937
Market value of listed securities	320

The debt securities at 31st March, 2005, which substantially carried interest at fixed interest rates, were denominated in United State dollars with maturity dates ranged from 14th April, 2005 to 6th August, 2013. The average effective interest rate of the debt securities at 31st March, 2005 is 4.37%.

The other securities have been reclassified to investments held for trading on 1st April, 2005 upon the adoption of HKAS 39 by the Group.

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For the year ended 31st March, 2006

24. INVESTMENTS IN MONEY MARKET FUNDS

The amount represents the fair value at 31st March, 2005 of the Group's investments in money market funds which were managed by international financial institutions and were redeemable on demand. The investments in money market funds have been reclassified to available-for-sale investments on 1st April, 2005 upon the adoption of HKAS 39 by the Group. The average effective interest rate in respect of the money market funds at 31st March, 2005 is approximately 2.48%.

25. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

The following is an analysis of trade and other payables and accrued charges at the balance sheet date:

	2006	2005
	HK$'000	HK$'000
Trade and other payables, aged over 90 days	**1,800**	1,823
Accrued charges	**4,365**	4,440
	6,165	6,263

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

26. PROVISIONS

	2006	2005
	HK$'000	HK$'000
Provisions for warranties and undertakings *(Note below)*		
At beginning of the year	**4,725**	6,039
Utilised during the year	**(1,295)**	(1,314)
At end of the year	**3,430**	4,725
Provision for settlement of legal action *(Note 9)*		
Provided for the year and at end of the year	**3,000**	–
Total at end of the year	**6,430**	4,725

Note: The provision represents management's best estimate of the costs and expenses required to discharge the Group's obligations and liabilities under the warranties and undertakings given in connection with the disposal of subsidiaries in prior years as referred to in note 32(c). The timing of payment for such costs and expenses is dependent upon finalisation of certain matters requiring the approval of the PRC local authorities, therefore it is not practicable to estimate with certainty the timing of payment at this stage.

27. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Other financial assets include pledged bank deposits and bank balances and cash. Pledged bank deposits and bank balances and cash, which comprise short-term bank deposits, carry interest at effective interest rates ranging from 0.1% to 4.4% (2005: 0.1% to 3%) per annum.

Other financial liabilities include amount due to a related company.

The directors consider that the carrying amounts of these financial assets and liabilities approximate their respective fair values.

28. SHARE CAPITAL

	2006 & 2005	
	Number of shares '000	**Nominal value HK$'000**
Ordinary shares of HK$0.08 each		
Authorised	**2,800,000**	**224,000**
Issued and fully paid	**1,664,643**	**133,171**

(a) Ordinary shares

There was no change in the share capital of the Company for either of the years presented.

(b) Share options

Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 22nd August, 2001, the Company adopted a new share option scheme to replace the scheme adopted in 1991 which was terminated on that date.

Under the new share option scheme, the Company granted options on 31st August, 2001 to its directors to subscribe for a total of 60,000,000 ordinary shares in the Company at the subscription price of HK$0.261 per share exercisable during the period from 1st October, 2001 to 30th September, 2006. The consideration for the options granted amounted to HK$2, which was recognised in the income statement when received. There was no exercise of the options during the year and these options remained outstanding at 31st March, 2005 and 2006.

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For the year ended 31st March, 2006

29. RESERVES

Details of the reserves of the Group have been disclosed in the consolidated statement of changes in equity on page 32.

The directors do not recommend the payment of a dividend in respect of the year (2005: Nil).

30. DEFERRED TAXATION

At the balance sheet date, the Group has deductible temporary differences of HK$32,296,000 (2005: HK$31,696,000) and unused tax losses of HK$91,314,000 (2005: HK$92,827,000) available for offset against future profit. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Substantially all of the tax losses may be carried forward indefinitely.

During the year ended 31st March, 2005, the unused tax losses of the Group of HK$15,756,000 had been disallowed by the Hong Kong Inland Revenue Department as available for off-setting future assessable profits. No deferred tax asset had been recognised on such unused tax losses in prior years. Hence no adjustment on the Group's deferred taxation was required.

31. OPERATING LEASE COMMITMENTS

The Group as lessor

At the balance sheet date, the Group's investment properties (comprising leasehold interest in land and building) and properties held for sale with carrying amounts of HK$32,172,000 (2005: HK$32,505,000) and HK$81,505,000 (2005: HK$53,750,000) respectively were let out under operating leases, some of which contain rent free periods and rental escalation over the lease terms. All of the properties leased out have committed tenants for the next one to six years without termination options.

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

	2006 **HK$'000**	2005 HK$'000
Within one year	**3,663**	3,376
In the second to fifth years inclusive	**7,025**	8,315
Over five years	**878**	3,668
	11,566	15,359

31. OPERATING LEASE COMMITMENTS (continued)

The Group as lessee

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

	2006 **HK$'000**	2005 HK$'000
Within one year	**270**	270

Operating lease payments represent rentals payable by the Group for office premises and warehouses. These are negotiated and rentals are fixed on an annual basis.

32. PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

Details of assets pledged and contingent liabilities of the Group outstanding at the balance sheet date are as follows:

(a) Bank deposits of HK$465,000 (2005: HK$465,000) were pledged to secure the credit facilities granted to the Group.

(b) Guarantees were issued to banks by a subsidiary in respect of mortgage loans granted to property purchasers amounted to approximately HK$411,000 (2005: HK$775,000) and, in this connection, the Group's bank deposits of HK$2,117,000 (2005: HK$2,112,000) were pledged to the banks as security.

(c) In connection with the disposal in 1999 of the subsidiaries engaged in the business of manufacture and sale of printed circuit boards, the Group has given warranties and undertakings to the purchaser, which are mainly in relation to securing title documents for certain properties held by the former subsidiaries, as specified in the agreement for the disposal of these subsidiaries. During the year ended 31st March, 2001, the Group received notification from the purchaser raising claims against the Group arising from the warranties and undertakings. It is the intention of the management to contest the claims vigorously. No legal proceedings have yet been instituted against the Group for these claims. Based upon legal advice obtained, management is of the opinion that such claims, if materialised, would not result in any material liabilities to the Group in excess of the amounts already provided for in the financial statements.

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33. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

The employees of the Company's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefit scheme is to make the specified contributions.

The contributions payable to the schemes by the Group in respect of the year which were charged to the consolidated income statement amounted to HK$117,000 (2005: HK$104,000).

34. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with related parties:

(a) Pursuant to the tenancy agreements entered into between Panda Investment Company Limited ("Panda Investment") and a wholly-owned subsidiary, Termbray Electronics Company Limited ("Termbray Electronics"), Termbray Electronics leased certain office premises and warehouses from Panda Investment during the year at the agreed rental of HK$360,000 (2005: HK$360,000). The Company's directors, Mr. Lee Lap and Madam Leung Lai Ping, have controlling interests in Panda Investment.

(b) At 31st March, 2006, the Group had an amount of approximately HK$370,000 (2005: HK$1,236,000) due to Panda Investment which is unsecured, interest free and repayable on demand.

(c) Pursuant to the tenancy agreement entered into between Mr. Lee Wing Keung, a son of Mr. Lee Lap, and a wholly-owned subsidiary, Termbray (Fujian) Land Development Company Limited ("Termbray Fujian"), Termbray Fujian leased its land and building to Mr. Lee Wing Keung for a period of 3 years commencing from 16th March, 2005 at the monthly rental of HK$120,000 determined by reference to the market rental value of the property as valued by a property valuer. The rental income recognised in the consolidated income statement for the year is HK$1,440,000 (2005: HK$62,000).

(d) The compensation of key management personnel paid or payable by the Group in respect of the year, substantially all of which comprised of short term benefits attributable to the directors of the Company, amounted to HK$6,920,000 (2005: HK$6,717,000), details of which are set out in note 12.

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

35. PARTICULARS OF SUBSIDIARIES

The following list contains only the particulars of the subsidiaries at 31st March, 2006 which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a full list of all the subsidiaries would be of excessive length. All the principal subsidiaries are wholly owned subsidiaries and, unless otherwise specified, are operating in their place of incorporation/establishment. None of the subsidiaries had any loan capital outstanding at 31st March, 2006 or at any time during the year.

Name of company	Place of incorporation/ establishment	Paid up issued share capital/ registered capital	Principal activities
Direct subsidiary:			
Termbray Electronics (B.V.I.) Limited *(i)*	British Virgin Islands	100 ordinary shares of US$1 each	Investment holding
Indirect subsidiary:			
Bow Yuen Industries Limited *(ii)*	Hong Kong	28,000 ordinary shares of HK$1 each	Investment holding
Ever Success Properties Limited *(ii)*	Hong Kong	100 ordinary shares of HK$1 each	Investment holding
Termbray (China) Land Development Company Limited	Hong Kong	10,000 ordinary shares of HK$1 each	Investment holding
Termbray (Fujian) Land Development Company Limited	Hong Kong	10,000 ordinary shares of HK$1 each	Property investment
Termbray (Guangzhou) Land Development Company Limited	Hong Kong	10,000 ordinary shares of HK$1 each	Property holding
Termbray Electronics Company Limited	Hong Kong	2 ordinary shares of HK$100 each and 10,000 non-voting deferred shares of HK$100 each	Investment holding and treasury activities
Zhongshan Ever Success Properties Limited *(iii)*	The PRC	Registered capital of RMB1,500,000	Property development

(i) Operating in Hong Kong
(ii) Operating in the PRC
(iii) A limited liability company established in the PRC