

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 1. GENERAL INFORMATION

The principal activities of the company are property and share investments, property development and securities dealings. The principal activities of the subsidiaries are set out in note 17 to the financial statements.

## 2. BASIS OF PREPARATION

The financial statements have been prepared on the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss, and in accordance with the Hong Kong Financial Reporting Standards ("HKFRS"), which includes Hong Kong Accounting Standards ("HKAS") and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the Hong Kong Companies Ordinance, and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## 3. ADOPTION OF NEW AND REVISED HKFRS

The accounting policies adopted for the preparation of the current year's financial statements are consistent with those set out in the group's annual financial statements for the year ended 31 March 2005 except that the group has changed certain accounting policies following the adoption of the new and revised HKFRS, HKAS and the applicable interpretations, including Hong Kong (SIC) Interpretations ("HKAS-Int"), on 1 April 2005.

The major changes to the accounting policies which are relevant to the group's operations are summarised as follows:

### (a) Share investments

In prior years, share investments, other than the investments in subsidiaries, held on continuing basis for an identified long-term purpose were classified as investment securities in the balance sheet and stated at cost less provision for diminution in value unless there is evidence that the decline in value is temporary. Other share investments were classified as trading securities or other securities, as appropriate, and stated at fair value. Changes in fair value of such securities were recognised in the profit or loss.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 3. ADOPTION OF NEW AND REVISED HKFRS *(Continued)*

### (a) Share investments *(Continued)*

The adoption of HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement" has resulted in a change of the accounting policy for the group's share investments. For investment securities and other securities, they are re-classified as "available-for-sale financial assets" in the balance sheet and carried at fair value. Changes in fair value of these securities are recognised in the equity. When the securities are sold, the cumulative gain or loss previously recognised in equity is recognised in the profit or loss in the period of disposal. For trading securities, they are re-classified as "financial assets at fair value through profit or loss" and stated at fair value as before.

In accordance with the transitional provisions under HKAS 39, the group applied HKAS 39 from 1 April 2005 onwards and adjustment is made to the relevant opening balances as at 1 April 2005. The effects on the financial statements of the group on adopting HKAS 39 are set out in note 3.1 below.

### (b) Leases

In prior years, owner-occupied property was classified under property, plant and equipment in the balance sheet and depreciation was made on a straight-line basis over the expected useful life of the property at an annual rate of 2.5%.

Pursuant to the requirements of HKAS 17 "Leases", the group has split the owner-occupied property into the land portion and building portion based on their fair value at inception and the leases of land and buildings are accounted for separately. The lease of land is accounted for as operating lease, with the up-front payment of lease premium amortised over the period of the lease and the unamortised lease premium on the balance sheet re-classified as "leasehold land". Whereas the lease of buildings is accounted for as finance lease and the cost of the buildings is depreciated over the expected useful life of the buildings on a straight line basis at an annual rate of 2.5%.

The new accounting policy for owner-occupied property is applied retrospectively and comparative figures have been restated accordingly. There was no material adjustment required to the net assets of the group as at 31 March 2005 or the group's results for the periods prior to that date. The effects on the financial statements of the group on adopting HKAS 17 are set out in note 3.1 below.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 3. ADOPTION OF NEW AND REVISED HKFRS *(Continued)*

### (c) Investment properties

In prior years, changes in fair value of investment properties were recognised in the investment property revaluation reserve unless the balance of this reserve was insufficient to cover a deficit, in which case the excess of the deficit over the balance of the investment property revaluation reserve was charged to the income statement. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment property revaluation reserve was transferred to the profit or loss.

Following the adoption of HKAS 40 "Investment Property", changes in the fair value of investment properties are recognised in the profit or loss. Gains or losses on retirement or disposal of investment property are determined as the difference between the net disposal proceeds and its carrying amount and recognised in the profit or loss in the period of retirement or disposal.

In accordance with the transitional provisions under HKAS 40, the group elects to apply HKAS 40 from 1 April 2005 onwards. Adjustments are made to the relevant opening balances as at 1 April 2005. The effects on the financial statements of the group on adopting HKAS 40 are set out in note 3.1 below.

### (d) Deferred tax

In prior years, deferred tax on changes of fair value of investment properties was recognised on the basis that the recovery of the carrying amount was through sale and was calculated at the tax rate applicable on sale.

Following the adoption of HKAS-Int 21 "Income Taxes — Recovery of Revalued Non-Depreciable Assets", the deferred tax arising from revaluation of the investment properties is recognised on the basis that the recovery of the carrying amount of the properties would be through use and calculated at the profits tax rate.

The change in the accounting policy for deferred tax has been applied retrospectively and comparative figures are restated accordingly. The effects on the group's financial statements on adopting HKAS-Int 21 are set out in note 3.1 below.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 3. ADOPTION OF NEW AND REVISED HKFRS (Continued)

### 3.1 Effects of adoption of new and revised HKFRS

The effects of the changes in the accounting policies described above are summarised as follows:

#### (a) On consolidated results for the year

|   |       | The group        |          |
|---|-------|------------------|----------|
|   |       | 2006             | 2005     |
|   | Notes | HK\$             | HK\$     |
| Increase in amortisation expense<br>in respect of leasehold land      | 3(b)  | 37,483           | 37,483   |
| Decrease in depreciation on property,<br>plant and equipment          | 3(b)  | (37,483)         | (37,483) |
| Fair value gain on investment properties<br>less related deferred tax | 3(c)  | 1,893,375        | —        |
|   |       | <u>1,893,375</u> | <u>—</u> |

#### (b) On consolidated net assets at balance sheet date

|   |       | The group         |                    |
|---|-------|-------------------|--------------------|
|   |       | 2006              | 2005               |
|   | Notes | HK\$              | HK\$               |
| Increase in net assets on taking up<br>the increase in fair value of<br>available-for-sale financial assets | 3(a)  | 15,411,507        | —                  |
| Decrease in net assets on taking up<br>deferred tax arising from revaluation<br>of investment properties    | 3(d)  | (543,386)         | (6,440,441)        |
|   |       | <u>14,868,121</u> | <u>(6,440,441)</u> |

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 3. ADOPTION OF NEW AND REVISED HKFRS (Continued)

### 3.1 Effects of adoption of new and revised HKFRS (Continued)

#### (c) On consolidated balance sheet items and net assets at 31 March 2005 and 1 April 2005

|  | As at                                     | Effects of adjustments |                      | As at                       | Effects of opening      |                      | As at               |
|--|---|------------------------|----------------------|-----------------------------|-------------------------|----------------------|---------------------|
|  | 31 March 2005<br>(previously<br>reported) | on adopting            |                      | 31 March 2005<br>(restated) | adjustments on adopting |                      | 1 April 2005        |
|  | HK\$                                      | HKAS 17<br>(Note 3b)   | -Int 21<br>(Note 3d) | HK\$                        | HKAS 39<br>(Note 3a)    | HKAS 40<br>(Note 3c) | HK\$                |
| <b>Non-current assets</b>                                |   |                        |                      |                             |                         |                      |                     |
| Property, plant and equipment                            |   |                        |                      |                             |                         |                      |                     |
| — Leasehold properties                                   | 2,537,298                                 | (2,537,298)            |                      | —                           |                         |                      | —                   |
| — Leasehold buildings                                    | —   | 888,054                |                      | 888,054                     |                         |                      | 888,054             |
| — Leasehold improvement                                  | 171,310                                   |                        |                      | 171,310                     |                         |                      | 171,310             |
| — Furniture, fixtures and<br>equipment                   | 60,765                                    |                        |                      | 60,765                      |                         |                      | 60,765              |
| — Investment properties                                  | 119,150,000                               |                        |                      | 119,150,000                 | (119,150,000)           |                      | —                   |
| <b>Sub-total</b>   | <b>121,919,373</b>                        | <b>(1,649,244)</b>     |                      | <b>120,270,129</b>          | <b>(119,150,000)</b>    |                      | <b>1,120,129</b>    |
| Investment properties                                    | —   |                        |                      | —                           | 119,150,000             |                      | 119,150,000         |
| Leasehold land   | —   | 1,649,244              |                      | 1,649,244                   |                         |                      | 1,649,244           |
| Investment securities                                    | 55,761,244                                |                        |                      | 55,761,244                  | (55,761,244)            |                      | —                   |
| Other securities   | 998,200                                   |                        |                      | 998,200                     | (998,200)               |                      | —                   |
| Available-for-sale financial<br>assets                   | —   |                        |                      | —                           | 70,114,010              |                      | 70,114,010          |
| Properties held for or under<br>development              | 51,212,972                                |                        |                      | 51,212,972                  |                         |                      | 51,212,972          |
| <b>Current assets</b>                                    |   |                        |                      |                             |                         |                      |                     |
| Trading securities                                       | 2,416,500                                 |                        |                      | 2,416,500                   | (2,416,500)             |                      | —                   |
| Financial assets at fair value<br>through profit or loss | —   |                        |                      | —                           | 2,416,500               |                      | 2,416,500           |
| Others   | 12,099,142                                |                        |                      | 12,099,142                  |                         |                      | 12,099,142          |
| <b>Current liabilities</b>                               | <b>(10,042,956)</b>                       |                        |                      | <b>(10,042,956)</b>         |                         |                      | <b>(10,042,956)</b> |
| <b>Non-current liabilities</b>                           |   |                        |                      |                             |                         |                      |                     |
| Deferred taxation  | (391,188)                                 |                        | (6,440,441)          | (6,831,629)                 |                         |                      | (6,831,629)         |
| Others   | (25,200,000)                              |                        |                      | (25,200,000)                |                         |                      | (25,200,000)        |
| <b>Net assets</b>  | <b>208,773,287</b>                        |                        |                      | <b>202,332,846</b>          |                         |                      | <b>215,687,412</b>  |

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 3. ADOPTION OF NEW AND REVISED HKFRS (Continued)

### 3.1 Effects of adoption of new and revised HKFRS (Continued)

#### (c) On consolidated balance sheet items and net assets at 31 March 2005 and 1 April 2005 (Continued)

|  | As at   | Effects of adjustments                      |   | As at                               | Effects of opening                                      |                              | As at                |
|--|---|---|---|-------------------------------------|---|------------------------------|----------------------|
|  | 31 March 2005<br>(previously<br>reported)<br>HK\$ | on adopting<br>HKAS 17<br>HK\$<br>(Note 3b) | HKAS 31<br>-Int 21<br>HK\$<br>(Note 3d) | 31 March 2005<br>(restated)<br>HK\$ | adjustments on adopting<br>HKAS 39<br>HK\$<br>(Note 3a) | HKAS 40<br>HK\$<br>(Note 3c) | 1 April 2005<br>HK\$ |
| <b>Capital and reserves</b>                |   |   |   |                                     |   |                              |                      |
| Share capital                              | 40,000,000  |   |   | 40,000,000                          |   |                              | 40,000,000           |
| Capital reserve                            | 251,046   |   |   | 251,046                             |   |                              | 251,046              |
| Investment property<br>revaluation reserve | 28,186,983  |   | (6,440,441)                             | 21,746,542                          |   | (21,746,542)                 | —                    |
| Retained profits                           | 136,735,258                                       |   |   | 136,735,258                         | 13,354,566  | 21,746,542                   | 171,836,366          |
| Proposed dividend                          | 3,600,000   |   |   | 3,600,000                           |   |                              | 3,600,000            |
|  | <u>208,773,287</u>                                |   |   | <u>202,332,846</u>                  |   |                              | <u>215,687,412</u>   |

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 3. ADOPTION OF NEW AND REVISED HKFRS (Continued)

### 3.2 Standards, interpretations and amendment not effective

The HKICPA has issued the following new standards, interpretations and amendments which are not effective for the group's and the company's financial statements for the year ended 31 March 2006:

| Accounting/financial reporting standards |  | Effective for accounting period beginning on or after |
|--|--|---|
| HKAS 1 Amendment                         | Capital Disclosures  | 1 January 2007  |
| HKAS 19 Amendment                        | Employee Benefits<br>— Actuarial Gains and Losses,<br>Group Plans and Disclosures                          | 1 January 2006  |
| HKAS 21 Amendment                        | The Effects of Changes in Foreign Exchange Rates — Net Investment in a Foreign Operation                   | 1 January 2006  |
| HKAS 39 Amendment                        | Cash Flow Hedge Accounting of Forecast Intragroup Transactions   | 1 January 2006  |
| HKAS 39 Amendment                        | The Fair Value Option  | 1 January 2006  |
| HKAS 39 Amendment                        | Financial Instruments: Recognition and Measurement and Insurance Contracts — Financial Guarantee Contracts | 1 January 2006  |
| HKFRS 6                                  | Exploration for and Evaluation of Mineral Resources  | 1 January 2006  |
| HKFRS 7                                  | Financial Instruments: Disclosures   | 1 January 2007  |
| HKAS 1 (Revised 11/05)                   | Presentation of Financial Statements   | 1 January 2006  |
| HKAS 27 (Revised 11/05)                  | Consolidated and Separate Financial Statements   | 1 January 2006  |
| HKFRS 3 (Revised 11/05)                  | Business Combinations  | 1 January 2006  |
| <b>Interpretations</b>                   |  |   |
| HKFRS-Int 4                              | Determining whether an Arrangement contains a Lease  | 1 January 2006  |
| HKFRS-Int 5                              | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds       | 1 January 2006  |
| HK(IFRIC)-Int 6                          | Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment    | 1 December 2005                                       |
| HK(IFRIC)-Int 7                          | Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies         | 1 March 2006  |
| HK(IFRIC)-Int 8                          | Scope of HKFRS 2   | 1 May 2006  |
| HK(IFRIC)-Int 9                          | Reassessment of Embedded Derivatives   | 1 June 2006   |

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 3. ADOPTION OF NEW AND REVISED HKFRS *(Continued)*

### 3.2 Standards, interpretations and amendment not effective *(Continued)*

The group and the company have not early adopted the above standards, interpretations and amendments in the financial statements for the year ended 31 March 2006. The group has already commenced an assessment of the related impact to the group but is not yet in a position to state whether any substantial changes to group's accounting policies and presentation of the financial statements will be resulted.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Basis of consolidation

The consolidated financial statements include the financial statements of the company and all subsidiaries made up to 31 March. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective date of acquisition or disposal respectively.

All significant intra-group transactions and balances have been eliminated on consolidation.

### 4.2 Subsidiaries

A subsidiary is a company in which the company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities. Investments in subsidiaries are carried at cost less impairment loss where appropriate.

### 4.3 Property, plant and equipment

Property, plant and equipment are stated at cost less aggregate depreciation and impairment losses where appropriate. The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the assets. When assets are sold or retired, their cost and aggregate depreciation/impairment losses are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 4.3 Property, plant and equipment *(Continued)*

Depreciation is provided to write off the cost less residual value of each property, plant and equipment, over its expected useful life at the following annual rates and methods:

|                                   |   |                             |
|-----------------------------------|---|-----------------------------|
| Leasehold buildings               | — | 2.5% straight-line basis    |
| Leasehold improvement             | — | 10% reducing balance method |
| Furniture, fixtures and equipment | — | 10% reducing balance method |

### 4.4 Investment properties

Investment properties are land and/or buildings which are owned or held under leasehold interest to earn rental income and/or for capital appreciation, and stated at fair values. Gains or losses arising from changes in the fair values are taken to the income statement. All property interests held under operating leases, which would otherwise meet the definition of investment properties, are classified and accounted for as investment properties.

Gain or loss on retirement or disposal of an investment property is determined as the difference between the net disposal proceeds and the carrying amount, and is recognised in the income statement in the period of retirement or disposal.

### 4.5 Leasehold land

Leasehold land represents the up-front payments to acquire long-term interests in lessee occupied properties. The land is stated at cost less amortisation and impairment loss, if any. Amortisation is calculated on the cost of the land over the term of the lease on a straight-line basis.

### 4.6 Properties held for or under development

Properties held for or under development are stated at cost less impairment loss where appropriate. Cost comprises land cost, development costs and other direct costs incurred during the development period.

### 4.7 Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- Investment in subsidiaries
- Property, plant and equipment
- Leasehold land
- Properties held for or under development

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 4.7 Impairment of assets *(Continued)*

If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its net selling price and value in use. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment loss is reversed if there has been a change in the estimates resulting in an increase of the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

### 4.8 Available-for-sale financial assets

Available-for-sale financial assets are share investments, other than investment in subsidiaries, held for long-term or designated as such on initial acquisition. They are initially measured at fair value plus transaction costs, and thereafter at each balance sheet date the fair value is re-measured. Changes in the fair value are recognised in the equity. When the share investments are sold, the cumulative gain or loss previously recognised in equity is recognised in the profit or loss in the period of disposal.

The group assesses at each balance sheet date whether there is objective evidence that the available-for-sale financial assets are impaired. A significant or prolonged decline in the fair value of the shares below its cost is considered as an indicator to determine whether the shares are impaired. If any such evidence exists, the cumulative losses (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss) are removed from equity and recognised in the profit or loss. Such losses shall not be reversed through profit or loss.

### 4.9 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are share investments held by the group for short-term or designated as such upon acquisition, except those do not have a quoted market price in an active market and whose fair value cannot be reliably measured. They are carried in the balance sheet at fair value and changes therein are recognised in the profit or loss. When the share investments are sold, the gain or loss representing the difference between the net disposal proceeds and the carrying amount of the share investments is recognised in the profit or loss in the period of disposal.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 4.10 Stock of land interests

Stock of land interests is stated at the lower of cost and market value.

### 4.11 Taxation

Taxation represents the sum of the current income tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

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 in full, 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.

Deferred tax liabilities are not recognised for taxable temporary differences arising on investments in subsidiaries where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, and taxable temporary differences arising on the initial recognition (other than in a business combination) of assets and liabilities 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 realised. It 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.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 4.12 Interest-bearing bank borrowings

Interest-bearing bank borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing bank borrowings are stated at amortised cost with any difference between the cost and the redemption value being recognised in profit or loss over the period of the bank borrowings using the effective interest method.

### 4.13 Employee benefits

Salaries and other short-term employee benefits are recognised as an expense in the period during which the employees render services to the group.

The group operates a mandatory provident fund scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all eligible employees. The scheme is a defined contribution scheme administered by independent trustees. Under the scheme, the employer and employees are required to make contributions to the scheme at 5% of the employees' relevant income, subject to a maximum of monthly contribution of HK\$1,000. Contributions to the scheme vest immediately and are recognised as an expense in the income statement as incurred.

### 4.14 Revenue recognition

Sales of financial assets at fair value through profit or loss and trading securities are recognised on trade date basis.

Rental income from investment properties under operating leases is recognised on a straight-line basis over the lease term.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

Interest income on bank deposits is recognised on a time proportion basis.

### 4.15 Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 4.16 Related parties

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

Key management personnel also classified as related parties are those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, including any director (whether executive or otherwise) of the company.

## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's activities are exposed to various financial risks: price risk, credit risk, cash flow interest rate risk and liquidity risk. The group manages and monitors the exposure to such risk to ensure that appropriate measures are implemented on a timely and effective manner. No derivative financial instruments are used to hedge any exposures to these risks.

### (a) Price risk

The group is exposed to share price risk as the group holds portfolios of listed shares for long-term and short-term. The group keeps close monitoring of the performance of the share price to minimize the exposure to share price risk.

### (b) Credit risk

Credit risk is the risk of counterparties defaulting. The carrying amounts of cash at banks, trade and other receivables represent the group's maximum exposure to the credit risk attributable to these financial assets.

The group monitors its receivables on an ongoing basis and cash deposits are placed with reputable financial institutions to minimize exposure to credit risk.

### (c) Cash flow interest rate risk

The group is exposed to cash flow interest rate risk as the group has floating rate bank borrowings and its surplus funds placed with banks at floating interest rates. Interest rate risk arises from changes in market interest rates which affects the group's level of interest expense and income. The group periodically reviews the market interest rates and managed the risk on an ongoing basis.

### (d) Liquidity risk

The group adopts prudent liquidity risk management policy. An optimum level of cash and bank balances are always maintained to ensure that the group can operate effectively and efficiently.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 6. SEGMENT INFORMATION

### Business segments

For management purposes, the group identifies three principal business segments: securities investments, property leasing and property development. These segments are the basis on which the group reports its primary segment information.

Principal activities of each segment are as follows:

|                        |   |   |
|------------------------|---|---|
| Securities investments | — | securities investments for short-term and long-term |
| Property leasing       | — | letting of properties                               |
| Property development   | — | developing properties                               |

Segment information about these businesses is presented below:

|   | Securities investments |                   | Property leasing  |                    | Property development |                  | Consolidated total |                    |
|---|------------------------|-------------------|-------------------|--------------------|----------------------|------------------|--------------------|--------------------|
|   | 2006                   | 2005              | 2006              | 2005               | 2006                 | 2005             | 2006               | 2005               |
|   | HK\$                   | HK\$              | HK\$              | (Restated)<br>HK\$ | HK\$                 | HK\$             | HK\$               | (Restated)<br>HK\$ |
| <b>INCOME STATEMENT</b>   |                        |                   |                   |                    |                      |                  |                    |                    |
| Segment revenue   | <u>10,239,079</u>      | <u>20,725,519</u> | <u>10,098,247</u> | <u>6,861,468</u>   | <u>—</u>             | <u>—</u>         | <u>20,337,326</u>  | <u>27,586,987</u>  |
| Segment results   | 4,155,440              | 3,785,199         | 7,627,039         | 4,234,251          | 17,344,868           | 4,080,374        | 29,127,347         | 12,099,824         |
| Provision for diminution in value of investment securities written back | —                      | 7,052,809         | —                 | —                  | —                    | —                | —                  | 7,052,809          |
| Gain on disposal of investment securities                               | —                      | 2,455,077         | —                 | —                  | —                    | —                | —                  | 2,455,077          |
| Gain on disposal of available-for-sale financial assets                 | 4,091,095              | —                 | —                 | —                  | —                    | —                | 4,091,095          | —                  |
| Fair value gain on investment properties                                | —                      | —                 | 2,295,000         | —                  | —                    | —                | 2,295,000          | —                  |
| Results before interest, tax and corporate expenses                     | <u>8,246,535</u>       | <u>13,293,085</u> | <u>9,922,039</u>  | <u>4,234,251</u>   | <u>17,344,868</u>    | <u>4,080,374</u> | <u>35,513,442</u>  | <u>21,607,710</u>  |
| Interest income   |                        |                   |                   |                    |                      |                  | 261,194            | 67,371             |
| Interest expenses   |                        |                   |                   |                    |                      |                  | (1,116,062)        | (17,606)           |
| Unallocated corporate expenses  |                        |                   |                   |                    |                      |                  | (577,209)          | (540,948)          |
| Profit before taxation  |                        |                   |                   |                    |                      |                  | 34,081,365         | 21,116,527         |
| Taxation  |                        |                   |                   |                    |                      |                  | (1,113,698)        | (675,920)          |
| Profit after taxation   |                        |                   |                   |                    |                      |                  | <u>32,967,667</u>  | <u>20,440,607</u>  |

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 6. SEGMENT INFORMATION (Continued)

### Business segments (Continued)

|  | Securities investments |                   | Property leasing   |                          | Property development |                   | Consolidated total |                          |
|--|------------------------|-------------------|--------------------|--------------------------|----------------------|-------------------|--------------------|--------------------------|
|  | 2006                   | 2005              | 2006               | 2005                     | 2006                 | 2005              | 2006               | 2005                     |
|  | HK\$                   | HK\$              | HK\$               | (Restated)<br>HK\$       | HK\$                 | HK\$              | HK\$               | (Restated)<br>HK\$       |
| <b>BALANCE SHEET</b>   |                        |                   |                    |                          |                      |                   |                    |                          |
| <b>Assets:</b>   |                        |                   |                    |                          |                      |                   |                    |                          |
| Segment assets   | 95,549,017             | 67,335,789        | 127,927,620        | 125,683,643              | 73,009,344           | 51,289,752        | 296,485,981        | 244,309,184              |
| Tax recoverable  | —                      | —                 | 32,247             | 98,247                   | —                    | —                 | 32,247             | 98,247                   |
|  | <u>95,549,017</u>      | <u>67,335,789</u> | <u>127,959,867</u> | <u>125,781,890</u>       | <u>73,009,344</u>    | <u>51,289,752</u> | <u>296,518,228</u> | <u>244,407,431</u>       |
| <b>Liabilities:</b>  |                        |                   |                    |                          |                      |                   |                    |                          |
| Segment liabilities  | 1,194,418              | 1,236,612         | 3,234,882          | 3,104,945                | 2,143,991            | 1,948,844         | 6,573,291          | 6,290,401                |
| Tax payable and deferred taxation  | —                      | —                 | 7,265,237          | 6,886,628 <sup>(1)</sup> | —                    | —                 | 7,265,237          | 6,886,628 <sup>(1)</sup> |
| Bank borrowings-secured  | —                      | —                 | 25,200,000         | 28,000,000               | —                    | —                 | 25,200,000         | 28,000,000               |
| Unallocated corporate liabilities  | —                      | —                 | —                  | —                        | —                    | —                 | 928,164            | 897,556                  |
|  | <u>1,194,418</u>       | <u>1,236,612</u>  | <u>35,700,119</u>  | <u>37,991,573</u>        | <u>2,143,991</u>     | <u>1,948,844</u>  | <u>39,966,692</u>  | <u>42,074,585</u>        |
| <b>OTHER INFORMATION</b>   |                        |                   |                    |                          |                      |                   |                    |                          |
| Capital expenditure  | —                      | —                 | 13,549             | 50,944,175               | 4,287,300            | 12,363,440        | 4,300,849          | 63,307,615               |
| Purchase of investment and other securities                              | —                      | 3,147,639         | —                  | —                        | —                    | —                 | —                  | 3,147,639                |
| Purchase of available-for-sale financial assets                          | 1,516,223              | —                 | —                  | —                        | —                    | —                 | 1,516,223          | —                        |
| Depreciation   | 2,589                  | 4,249             | 53,759             | 78,027                   | —                    | —                 | 56,348             | 82,276                   |
| Amortisation of leasehold land   | —                      | —                 | 37,483             | 37,483                   | —                    | —                 | 37,483             | 37,483                   |
| Impairment loss on properties held for or under development written back | —                      | —                 | —                  | —                        | 17,405,000           | 4,130,136         | 17,405,000         | 4,130,136                |
| Unrealised holding losses on trading and other securities                | —                      | (17,411)          | —                  | —                        | —                    | —                 | —                  | (17,411)                 |
| Fair value gain on financial assets at fair value through profit or loss | 552,234                | —                 | —                  | —                        | —                    | —                 | 552,234            | —                        |
| Provision for long service payments                                      | 8,051                  | —                 | (1,251)            | 68,200                   | —                    | —                 | 6,800              | 68,200                   |

<sup>(1)</sup> The amounts are restated on adopting HKAS-Int 21.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 6. SEGMENT INFORMATION (Continued)

### Geographical segments

The group has all its operating activities carried out in Hong Kong and hence no geographical analysis of financial information is provided.

## 7. TURNOVER

|   | The group         |                   |
|---|-------------------|-------------------|
|   | 2006              | 2005              |
|   | HK\$              | HK\$              |
| Sales of financial assets at fair value through profit or loss/trading securities | 7,161,130         | 17,788,641        |
| Gross rental income from investment properties                                    | 10,098,247        | 6,861,468         |
| Dividend income from share investments listed in Hong Kong                        | 3,077,949         | 2,936,878         |
|   | <u>20,337,326</u> | <u>27,586,987</u> |

## 8. PROFIT BEFORE TAXATION

|  | The group      |                |
|--|----------------|----------------|
|  | 2006           | 2005           |
|  | HK\$           | HK\$           |
| <b>Profit before taxation is stated after charging:</b>  |                |                |
| Auditors' remuneration   | 128,000        | 122,000        |
| Amortisation of leasehold land   | 37,483         | 37,483         |
| Depreciation   | 56,348         | 82,276         |
| Loss on disposal of property, plant and equipment  | 11,057         | 1,758          |
| Interest on bank borrowings  | 1,116,062      | 17,606         |
| Staff costs, including contribution to mandatory provident fund of HK\$43,531 (2005: HK\$32,320) and directors' remuneration | 3,018,207      | 2,885,144      |
| Direct operating expenses in respect of investment properties  | <u>505,234</u> | <u>668,709</u> |
| <b>And after crediting:</b>  |                |                |
| Interest income from bank deposits   | <u>261,194</u> | <u>67,371</u>  |

Direct operating expenses in respect of investment properties that did not generate rental income during the year were immaterial.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 9. DIRECTORS' REMUNERATION

The remuneration of the directors is as follows:

|  | 2006           |   |  | Total<br>HK\$    |
|--|----------------|---|--|------------------|
|  | Fees<br>HK\$   | Salaries<br>and other<br>benefits<br>HK\$ | Other emoluments<br>Mandatory<br>provident<br>fund<br>contribution<br>HK\$ |                  |
| Executive directors —                    |                |   |  |                  |
| Ng See Wah                               | 12,000         | 774,780                                   | —  | 786,780          |
| Ng Tai Wai                               | 12,000         | 420,000                                   | 12,000   | 444,000          |
| Soo Cho Ling                             | 12,000         | 774,780                                   | —  | 786,780          |
| Non-executive directors —                |                |   |  |                  |
| Ng Tai Keung                             | 12,000         | —   | —  | 12,000           |
| So Kwok Leung                            | 12,000         | —   | —  | 12,000           |
| Independent non-executive<br>directors — |                |   |  |                  |
| Heng Kwoo Seng                           | 60,000         | —   | —  | 60,000           |
| Ng Chi Yeung, Simon                      | 60,000         | —   | —  | 60,000           |
| Chan Suit Fei, Esther                    | 60,000         | —   | —  | 60,000           |
|  | <u>240,000</u> | <u>1,969,560</u>                          | <u>12,000</u>  | <u>2,221,560</u> |

|  | 2005           |   |  | Total<br>HK\$    |
|--|----------------|---|--|------------------|
|  | Fees<br>HK\$   | Salaries<br>and other<br>benefits<br>HK\$ | Other emoluments<br>Mandatory<br>provident<br>fund<br>contribution<br>HK\$ |                  |
| Executive directors —                    |                |   |  |                  |
| Ng See Wah                               | 12,000         | 774,780                                   | —  | 786,780          |
| Ng Tai Wai                               | 12,000         | 404,528                                   | 12,000   | 428,528          |
| Soo Cho Ling                             | 12,000         | 774,780                                   | —  | 786,780          |
| Non-executive directors —                |                |   |  |                  |
| Ng Tai Keung                             | 12,000         | —   | —  | 12,000           |
| So Kwok Leung                            | 12,000         | —   | —  | 12,000           |
| Independent non-executive<br>directors — |                |   |  |                  |
| Heng Kwoo Seng                           | 60,000         | —   | —  | 60,000           |
| Ng Chi Yeung, Simon                      | 60,000         | —   | —  | 60,000           |
| Chan Suit Fei, Esther                    | 30,000         | —   | —  | 30,000           |
|  | <u>210,000</u> | <u>1,954,088</u>                          | <u>12,000</u>  | <u>2,176,088</u> |

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 10. EMPLOYEES' EMOLUMENTS

Among the five highest paid individuals of the group, three (2005: three) are executive directors whose emoluments are set out in note 9 to the financial statements. The emoluments of the other two (2005: two) individuals are as follows:

|                                       | The group      |                |
|---------------------------------------|----------------|----------------|
|                                       | 2006           | 2005           |
|                                       | HK\$           | HK\$           |
| Salaries                              | 563,696        | 498,036        |
| Mandatory provident fund contribution | 22,900         | 20,320         |
|                                       | <u>586,596</u> | <u>518,356</u> |

The aggregate emoluments of each employee are within the emolument band ranging from HK\$Nil to HK\$1,000,000.

## 11. TAXATION

|  | The group        |                |
|--|------------------|----------------|
|  | 2006             | 2005           |
|  | HK\$             | HK\$           |
| <b>Current tax</b>                                   |                  |                |
| Provision for Hong Kong Profits Tax for current year | 786,000          | 630,000        |
| Over-provision for prior year                        | (7,955)          | (1)            |
|  | <u>778,045</u>   | <u>629,999</u> |
| <b>Deferred tax</b>                                  | 335,653          | 45,921         |
|  | <u>1,113,698</u> | <u>675,920</u> |

Provision for Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) on the estimated assessable profit for the year.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 11. TAXATION (Continued)

### Reconciliation between tax expense and accounting profit at applicable tax rate

|  | The group         |                   |
|--|-------------------|-------------------|
|  | 2006              | 2005              |
|  | HK\$              | HK\$              |
| Profit before taxation   | <u>34,081,365</u> | <u>21,116,527</u> |
| Notional tax expense on profit before taxation, calculated at<br>Hong Kong Profits Tax rate of 17.5% (2005: 17.5%) | 5,964,239         | 3,695,392         |
| Tax effect of non-deductible expenses  | 23,812            | 53,321            |
| Tax effect of non-taxable revenue  | (4,346,168)       | (2,938,708)       |
| Tax effect of unused current tax losses not recognised   | —                 | 18,658            |
| Tax effect of unused tax losses and unrecognised deductible<br>temporary differences utilised in current year      | (490,718)         | (160,696)         |
| Others   | <u>(37,467)</u>   | <u>7,953</u>      |
| Tax expense  | <u>1,113,698</u>  | <u>675,920</u>    |

## 12. EARNINGS PER SHARE

The calculation of earnings per share is based on the consolidated profit after tax of HK\$32,967,667 (2005: HK\$20,440,607) and on 40,000,000 shares (2005: 40,000,000 shares) in issue during the year.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 13. PROPERTY, PLANT AND EQUIPMENT

| The group                                 | Investment<br>properties<br>HK\$ | Leasehold<br>buildings<br>HK\$ | Leasehold<br>improvement<br>HK\$ | Furniture,<br>fixtures and<br>equipment<br>HK\$ | Total<br>HK\$ |
|---|----------------------------------|--------------------------------|----------------------------------|---|---------------|
| <b>Cost/valuation</b>                     |                                  |                                |                                  |   |               |
| At 1 April 2004 (Restated)                | 69,480,000                       | 1,315,636                      | 570,900                          | 201,705   | 71,568,241    |
| Additions                                 | 50,942,415                       | —                              | —                                | 1,760   | 50,944,175    |
| Disposals                                 | —                                | —                              | —                                | (2,680)   | (2,680)       |
| Revaluation deficit                       | (1,272,415)                      | —                              | —                                | —   | (1,272,415)   |
| At 31 March 2005                          | 119,150,000                      | 1,315,636                      | 570,900                          | 200,785   | 121,237,321   |
| Opening adjustment on<br>adopting HKAS 40 | (119,150,000)                    | —                              | —                                | —   | (119,150,000) |
| At 1 April 2005                           | —                                | 1,315,636                      | 570,900                          | 200,785   | 2,087,321     |
| Additions                                 | —                                | —                              | —                                | 13,549  | 13,549        |
| Disposals                                 | —                                | —                              | —                                | (30,669)  | (30,669)      |
| At 31 March 2006                          | —                                | 1,315,636                      | 570,900                          | 183,665   | 2,070,201     |
| <b>Aggregate depreciation</b>             |                                  |                                |                                  |   |               |
| At 1 April 2004 (Restated)                | —                                | 371,091                        | 380,556                          | 134,191   | 885,838       |
| Charge for the year (Restated)            | —                                | 56,491                         | 19,034                           | 6,751   | 82,276        |
| Written back on disposals                 | —                                | —                              | —                                | (922)   | (922)         |
| At 31 March 2005 and<br>at 1 April 2005   | —                                | 427,582                        | 399,590                          | 140,020   | 967,192       |
| Charge for the year                       | —                                | 32,891                         | 17,131                           | 6,326   | 56,348        |
| Written back on disposals                 | —                                | —                              | —                                | (19,612)  | (19,612)      |
| At 31 March 2006                          | —                                | (460,473)                      | (416,721)                        | (126,734)                                       | ( 1,003,928)  |
| <b>Net book value</b>                     |                                  |                                |                                  |   |               |
| At 31 March 2006                          | —                                | 855,163                        | 154,179                          | 56,931  | 1,066,273     |
| At 31 March 2005                          | 119,150,000                      | 888,054                        | 171,310                          | 60,765  | 120,270,129   |

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

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

| The company                               | Investment<br>properties<br>HK\$ | Furniture,<br>fixtures and<br>equipment<br>HK\$ | Total<br>HK\$    |
|---|----------------------------------|---|------------------|
| <b>Cost/valuation</b>                     |                                  |   |                  |
| At 1 April 2004                           | 2,300,000                        | 57,976  | 2,357,976        |
| Disposals                                 | —                                | (2,680)   | (2,680)          |
| Revaluation deficit                       | (70,000)                         | —   | (70,000)         |
|   | <hr/>                            | <hr/>   | <hr/>            |
| At 31 March 2005                          | 2,230,000                        | 55,296  | 2,285,296        |
| Opening adjustment on<br>adopting HKAS 40 | (2,230,000)                      | —   | (2,230,000)      |
|   | <hr/>                            | <hr/>   | <hr/>            |
| At 1 April 2005                           | —                                | 55,296  | 55,296           |
| Additions                                 | —                                | 5,049   | 5,049            |
| Disposals                                 | —                                | (10,678)  | (10,678)         |
|   | <hr/>                            | <hr/>   | <hr/>            |
| At 31 March 2006                          | —                                | 49,667  | 49,667           |
|   | <hr/>                            | <hr/>   | <hr/>            |
| <b>Aggregate depreciation</b>             |                                  |   |                  |
| At 1 April 2004                           | —                                | 25,608  | 25,608           |
| Provided for the year                     | —                                | 3,061   | 3,061            |
| Written back on disposals                 | —                                | (922)   | (922)            |
|   | <hr/>                            | <hr/>   | <hr/>            |
| At 31 March 2005 and 1 April 2005         | —                                | 27,747  | 27,747           |
| Provided for the year                     | —                                | 2,669   | 2,669            |
| Written back on disposals                 | —                                | (4,773)   | (4,773)          |
|   | <hr/>                            | <hr/>   | <hr/>            |
| At 31 March 2006                          | —                                | (25,643)  | (25,643)         |
|   | <hr/>                            | <hr/>   | <hr/>            |
| <b>Net book value</b>                     |                                  |   |                  |
| At 31 March 2006                          | <u>—</u>                         | <u>24,024</u>                                   | <u>24,024</u>    |
| At 31 March 2005                          | <u>2,230,000</u>                 | <u>27,549</u>                                   | <u>2,257,549</u> |

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 14. INVESTMENT PROPERTIES

|                              | The group          |           | The company      |           |
|------------------------------|--------------------|-----------|------------------|-----------|
|                              | 2006               | 2005      | 2006             | 2005      |
|                              | HK\$               | HK\$      | HK\$             | HK\$      |
| <b>Fair value</b>            |                    |           |                  |           |
| At the beginning of the year | 119,150,000        | —         | 2,230,000        | —         |
| Increase in fair value       | 2,295,000          | —         | 30,000           | —         |
| At the end of the year       | <u>121,445,000</u> | <u>—*</u> | <u>2,260,000</u> | <u>—*</u> |

\* See note 13 for the carrying amounts at 31 March 2005.

All the investment properties of the group are situated in Hong Kong and held under following lease terms:

|                    | The group          |                    | The company      |                  |
|--------------------|--------------------|--------------------|------------------|------------------|
|                    | 2006               | 2005               | 2006             | 2005             |
|                    | HK\$               | HK\$               | HK\$             | HK\$             |
| Medium term leases | 114,475,000        | 112,140,000        | 2,260,000        | 2,230,000        |
| Long leases        | 6,970,000          | 7,010,000          | —                | —                |
|                    | <u>121,445,000</u> | <u>119,150,000</u> | <u>2,260,000</u> | <u>2,230,000</u> |

The group's investment properties were revalued on 31 March 2006 by RHL Appraisal Limited, an independent firm of professional surveyors, on an open market value basis.

As at 31 March 2006, the investment properties of the group with an aggregate carrying value of HK\$53,060,000 (2005: HK\$52,000,000) were pledged to a bank to secure general banking facilities granted to the group.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 15. LEASEHOLD LAND

|                                      | The group               |                         |
|--------------------------------------|-------------------------|-------------------------|
|                                      | 2006                    | 2005<br>(Restated)      |
|                                      | HK\$                    | HK\$                    |
| <b>Cost</b>                          |                         |                         |
| At the beginning and end of the year | <u>2,443,324</u>        | <u>2,443,324</u>        |
| <b>Aggregate amortisation</b>        |                         |                         |
| At the beginning of the year         | 794,080                 | 756,597                 |
| Provided for the year                | <u>37,483</u>           | <u>37,483</u>           |
| At the end of the year               | <u>(831,563)</u>        | <u>(794,080)</u>        |
| <b>Net book value</b>                | <u><u>1,611,761</u></u> | <u><u>1,649,244</u></u> |

The leasehold land is situated in Hong Kong and held under medium term leases.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 16. PROPERTIES HELD FOR OR UNDER DEVELOPMENT

|                                     | The group         |                   |
|-------------------------------------|-------------------|-------------------|
|                                     | 2006              | 2005              |
|                                     | HK\$              | HK\$              |
| Cost at beginning of year           | 88,055,836        | 75,692,396        |
| Additions                           | 4,287,300         | 12,363,440        |
| Cost at end of year                 | 92,343,136        | 88,055,836        |
| Provision for impairment loss       | (19,437,864)      | (36,842,864)      |
|                                     | <u>72,905,272</u> | <u>51,212,972</u> |
| Classification in the balance sheet |                   |                   |
| Non-current                         | 9,200,000         | 51,212,792        |
| Current                             | 63,705,272        | —                 |
|                                     | <u>72,905,272</u> | <u>51,212,792</u> |

The properties held for or under development are situated in Hong Kong and held under medium term leases. Provision for impairment loss is calculated by reference to the open market value of the properties at the balance sheet date as appraised by independent firm of professional surveyors.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 17. INTEREST IN SUBSIDIARIES

|                              | The company        |                    |
|------------------------------|--------------------|--------------------|
|                              | 2006               | 2005               |
|                              | HK\$               | HK\$               |
| Unlisted investments at cost | 6,481,102          | 6,481,102          |
| Advances to subsidiaries     |                    |                    |
| — Interest free              | 174,109,195        | 177,297,785        |
| — Interest bearing           | 25,189,388         | 23,021,788         |
|                              | <u>205,779,685</u> | <u>206,800,675</u> |
| Advances from subsidiaries   |                    |                    |
| — Interest free              | (21,976,885)       | (29,233,260)       |
|                              | <u>183,802,800</u> | <u>177,567,415</u> |
| Provision for loss           | (30,738,375)       | (55,273,676)       |
|                              | <u>153,064,425</u> | <u>122,293,739</u> |

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 17. INTEREST IN SUBSIDIARIES (Continued)

Particulars of the subsidiaries at 31 March 2006 are as follows:

| Subsidiary                              | Place of incorporation/<br>operation | Principal activity                  | Issued share capital<br>HK\$ | Percentage of holding directly |
|---|--------------------------------------|-------------------------------------|------------------------------|--------------------------------|
| Hing Full Far East Development Limited  | Hong Kong                            | Dormant                             | 10,000                       | 100%                           |
| Hing Lung Properties Limited            | Hong Kong                            | Property development                | 10,000                       | 100%                           |
| Hing Shing Far East Development Limited | Hong Kong                            | Share investment                    | 10,000                       | 100%                           |
| Konchoy Limited                         | Hong Kong                            | Property investment                 | 2                            | 100%                           |
| Wang Fung Far East Development Limited  | Hong Kong                            | Property investment/<br>development | 10,000                       | 100%                           |
| Winful Far East Limited                 | Hong Kong                            | Property investment/<br>development | 100                          | 100%                           |
| Yick Fu Investment Company Limited      | Hong Kong                            | Property investment                 | 1,800,000                    | 100%                           |
| YLH Limited                             | Hong Kong                            | Property investment                 | 10,000                       | 100%                           |

Advances among group companies are unsecured and carry no fixed term of repayment. For the period before 31 August 2005, interest was charged on interest bearing advances at prime rate less 3% per annum. Thereafter, interest is charged at 2% per annum.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 18. TRADE AND OTHER RECEIVABLES

|                          | The group        |                  | The company    |                |
|--------------------------|------------------|------------------|----------------|----------------|
|                          | 2006             | 2005             | 2006           | 2005           |
|                          | HK\$             | HK\$             | HK\$           | HK\$           |
| Rental receivables       | 507,839          | 336,749          | 10,000         | —              |
| Deposits and prepayments | 546,444          | 454,366          | 125,728        | 126,752        |
| Other receivables        | 432,472          | 753,199          | 3,676          | —              |
|                          | <u>1,486,755</u> | <u>1,544,314</u> | <u>139,404</u> | <u>126,752</u> |

The rental receivables of the group and the company were current and within normal credit period.

## 19. CASH AND BANK BALANCES

|                          | The group         |                  | The company      |                  |
|--------------------------|-------------------|------------------|------------------|------------------|
|                          | 2006              | 2005             | 2006             | 2005             |
|                          | HK\$              | HK\$             | HK\$             | HK\$             |
| Time deposits            | 13,572,385        | 6,020,914        | 7,593,372        | 6,020,914        |
| Current account and cash | 1,546,882         | 1,898,989        | 1,356,332        | 1,728,614        |
|                          | <u>15,119,267</u> | <u>7,919,903</u> | <u>8,949,704</u> | <u>7,749,528</u> |

The time deposits have a term for 7 days to 2 weeks (2005: 7 days) and bear interest at 4.1% to 4.3% (2005: 2.375%) per annum.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 20. TRADE AND OTHER PAYABLES

|                           | The group        |                  | The company      |                  |
|---------------------------|------------------|------------------|------------------|------------------|
|                           | 2006             | 2005             | 2006             | 2005             |
|                           | HK\$             | HK\$             | HK\$             | HK\$             |
| Rental deposits received  | 1,882,750        | 1,707,150        | 38,000           | 34,000           |
| Receipts in advance       | 26,393           | 54,784           | —                | —                |
| Construction cost payable | 409,662          | 602,358          | —                | —                |
| Retention money payable   | 1,616,829        | 1,228,986        | —                | —                |
| Unclaimed dividends       | 928,164          | 894,556          | 928,164          | 894,556          |
| Accrued expenses          | 544,657          | 613,923          | 266,017          | 300,507          |
|                           | <u>5,408,455</u> | <u>5,101,757</u> | <u>1,232,181</u> | <u>1,229,063</u> |

## 21. BANK BORROWINGS — SECURED

|  | The group         |                   |
|--|-------------------|-------------------|
|  | 2006              | 2005              |
|  | HK\$              | HK\$              |
| <b>Current portion</b>                                 |                   |                   |
| Repayable within one year                              | <u>2,800,000</u>  | <u>2,800,000</u>  |
| <b>Long-term portion</b>                               |                   |                   |
| Repayable after one year but not exceeding two years   | 2,800,000         | 2,800,000         |
| Repayable after two years but not exceeding five years | 8,400,000         | 8,400,000         |
| Repayable after five years                             | 11,200,000        | 14,000,000        |
|  | <u>22,400,000</u> | <u>25,200,000</u> |
|  | <u>25,200,000</u> | <u>28,000,000</u> |

The bank borrowings bear interest at the lower of prime rate less 2.7% or 1% above Hong Kong Interbank Offered Rate per annum. The directors consider the carrying amount of the bank borrowings approximates to their fair value.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 22. PROVISION FOR LONG SERVICE PAYMENTS

|                              | The group        |                  | The company    |                |
|------------------------------|------------------|------------------|----------------|----------------|
|                              | 2006<br>HK\$     | 2005<br>HK\$     | 2006<br>HK\$   | 2005<br>HK\$   |
| Balance at beginning of year | 2,086,200        | 2,018,000        | 939,000        | 939,000        |
| Provision for the year       | 6,800            | 68,200           | 8,300          | —              |
| Balance at end of year       | <u>2,093,000</u> | <u>2,086,200</u> | <u>947,300</u> | <u>939,000</u> |

Provision for long service payments is made for all employees, including the directors, who had worked under continuous contract for a minimum of five years as at the balance sheet date, and is calculated in accordance with the provisions of the Employment Ordinance. The employees will only be entitled to the long service payments when the conditions under the Employment Ordinance are met upon termination of employment.

## 23. DEFERRED TAXATION

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and its movements are as follows:

| Deferred tax arising from:             | Property revaluation surplus<br>HK\$ | Accelerated depreciation allowances<br>HK\$ | Unused tax losses<br>HK\$ | Total<br>HK\$    |
|--|--------------------------------------|---|---------------------------|------------------|
| At 1 April 2004 (restated)             | 6,595,330                            | 345,267                                     | —                         | 6,940,597        |
| Charged/(credited) to income statement | —                                    | 134,819                                     | (88,898)                  | 45,921           |
| Credited to equity                     | (154,889)                            | —   | —                         | (154,889)        |
| At 31 March 2005 and 1 April 2005      | 6,440,441                            | 480,086                                     | (88,898)                  | 6,831,629        |
| Charged/(credited) to income statement | 543,386                              | 134,464                                     | (342,197)                 | 335,653          |
| At 31 March 2006                       | <u>6,983,827</u>                     | <u>614,550</u>                              | <u>(431,095)</u>          | <u>7,167,282</u> |

There was no material deferred tax to be recognised and accounted for by the company at the balance sheet date.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 23. DEFERRED TAXATION (Continued)

### Deferred tax assets unrecognised

Deferred tax asset is not recognised in respect of the following items as it is uncertain if there will be sufficient future profits to allow the benefit of the deferred tax asset to be utilised:

|  | The group         |                    | The company      |                    |
|--|-------------------|--------------------|------------------|--------------------|
|  | 2006              | 2005<br>(Restated) | 2006             | 2005<br>(Restated) |
|  | HK\$              | HK\$               | HK\$             | HK\$               |
| Unused tax losses                                  | 4,162,339         | 5,890,945          | 4,162,339        | 5,890,945          |
| Deficit on revaluation of<br>investment properties | 13,726,500        | 14,802,001         | —                | —                  |
|  | <u>17,888,839</u> | <u>20,692,946</u>  | <u>4,162,339</u> | <u>5,890,945</u>   |

## 24. SHARE CAPITAL

|                               | 2006              |                   | 2005              |                   |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|
|                               | No. of<br>shares  | Amount<br>HK\$    | No. of<br>shares  | Amount<br>HK\$    |
| <b>Authorised</b>             |                   |                   |                   |                   |
| Ordinary shares of HK\$1 each | <u>60,000,000</u> | <u>60,000,000</u> | <u>60,000,000</u> | <u>60,000,000</u> |
| <b>Issued and fully paid</b>  |                   |                   |                   |                   |
| Ordinary shares of HK\$1 each | <u>40,000,000</u> | <u>40,000,000</u> | <u>40,000,000</u> | <u>40,000,000</u> |

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 25. RESERVES

| The group  | Notes | Capital<br>reserve<br>HK\$ | Investment<br>property<br>revaluation<br>reserve<br>HK\$ | Retained<br>profits<br>HK\$ | Total<br>HK\$      |
|--|-------|----------------------------|--|-----------------------------|--------------------|
| <b>At 31 March 2004</b>  |       |                            |  |                             |                    |
| Previously reported  |       | 251,046                    | 29,459,398   | 120,694,651                 | 150,405,095        |
| Prior year adjustment<br>on adopting HKAS-Int 21   | 3(d)  | —                          | (6,595,330)  | —                           | (6,595,330)        |
| Restated   |       | 251,046                    | 22,864,068   | 120,694,651                 | 143,809,765        |
| Revaluation deficit of investment<br>properties, net of related<br>deferred tax, as restated |       | —                          | (1,117,526)  | —                           | (1,117,526)        |
| Net profit for the year  |       | —                          | —  | 20,440,607                  | 20,440,607         |
| Dividends  | 26    | —                          | —  | (4,400,000)                 | (4,400,000)        |
| <b>At 31 March 2005 (restated)</b>   |       | 251,046                    | 21,746,542   | 136,735,258                 | 158,732,846        |
| Opening adjustment on adopting:  |       |                            |  |                             |                    |
| — HKAS 32 and HKAS 39  | 3(a)  | —                          | —  | 13,354,566                  | 13,354,566         |
| — HKAS 40  | 3(c)  | —                          | (21,746,542)   | 21,746,542                  | —                  |
| <b>At 1 April 2005</b>   |       | 251,046                    | —  | 171,836,366                 | 172,087,412        |
| Net profit for the year  |       | —                          | —  | 32,967,667                  | 32,967,667         |
| Increase in fair value of available-<br>for-sale financial assets                            |       | —                          | —  | 15,411,507                  | 15,411,507         |
| Transfer to income statement<br>upon disposal of available-<br>for-sale financial assets     |       | —                          | —  | (3,115,050)                 | (3,115,050)        |
| Dividends  | 26    | —                          | —  | (4,800,000)                 | (4,800,000)        |
| <b>At 31 March 2006</b>  |       | <u>251,046</u>             | <u>—</u>   | <u>212,300,490</u>          | <u>212,551,536</u> |

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 25. RESERVES (Continued)

| The company  | Notes | Investment<br>property<br>revaluation<br>reserve<br>HK\$ | Retained<br>profits<br>HK\$ | Total<br>HK\$      |
|--|-------|--|-----------------------------|--------------------|
| <b>At 1 April 2004</b>                             |       | 485,848  | 67,795,342                  | 68,281,190         |
| Net profit for the year                            | 27    | —  | 27,801,493                  | 27,801,493         |
| Dividends  | 26    | —  | (4,400,000)                 | (4,400,000)        |
| Deficit on revaluation of<br>investment properties |       | (70,000)   | —                           | (70,000)           |
| <b>At 31 March 2005</b>                            |       | 415,848  | 91,196,835                  | 91,612,683         |
| Opening adjustment on adopting<br>HKAS 40          | 3(c)  | (415,848)  | 415,848                     | —                  |
| <b>At 1 April 2005</b>                             |       | —  | 91,612,683                  | 91,612,683         |
| Net profit for the year                            | 27    | —  | 37,363,696                  | 37,363,696         |
| Dividends  | 26    | —  | (4,800,000)                 | (4,800,000)        |
| <b>At 31 March 2006</b>                            |       | <u>—</u>   | <u>124,176,379</u>          | <u>124,176,379</u> |

Distributable reserves of the company at the balance sheet date, calculated under section 79B of the Companies Ordinance amounted to HK\$128,176,379 (2005: HK\$94,796,835).

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 26. DIVIDENDS

|   | 2006<br>HK\$            | 2005<br>HK\$            |
|---|-------------------------|-------------------------|
| Dividends attributable to the year —  |                         |                         |
| Interim dividend at HK\$0.02<br>(2005: HK\$0.02) per share paid during the year                   | 800,000                 | 800,000                 |
| Final dividend at HK\$0.10<br>(2005: HK\$0.09) per share proposed after the<br>balance sheet date | <u>4,000,000</u>        | <u>3,600,000</u>        |
|   | <u><b>4,800,000</b></u> | <u><b>4,400,000</b></u> |

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

## 27. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

|  | The company              |                          |
|--|--------------------------|--------------------------|
|  | 2006<br>HK\$             | 2005<br>HK\$             |
| Profit attributable to the shareholders and dealt with in the<br>financial statements of the company, including dividend<br>income from subsidiaries of HK\$10,800,000<br>(2005: HK\$10,800,000) | <u><b>37,363,696</b></u> | <u><b>27,801,493</b></u> |

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 28. CAPITAL COMMITMENTS

|  | The group      |                  |
|--|----------------|------------------|
|  | 2006<br>HK\$   | 2005<br>HK\$     |
| Capital expenditures in respect of properties under development outstanding at the balance sheet date were as follows: |                |                  |
| Contracted but not provided for  | <u>260,000</u> | <u>4,000,000</u> |

The company had no significant capital commitments at the balance sheet date.

## 29. OPERATING LEASE ARRANGEMENTS

At the balance sheet date, the total future minimum lease receipts under non-cancellable operating leases for the following periods were:

|   | The group         |                   | The company    |                |
|---|-------------------|-------------------|----------------|----------------|
|   | 2006<br>HK\$      | 2005<br>HK\$      | 2006<br>HK\$   | 2005<br>HK\$   |
| Not later than one year                           | 9,774,177         | 9,003,779         | 228,000        | 121,000        |
| Later than one year and not later than five years | <u>5,562,942</u>  | <u>11,243,987</u> | <u>135,000</u> | —              |
|   | <u>15,337,119</u> | <u>20,247,766</u> | <u>363,000</u> | <u>121,000</u> |

The operating leases normally run from one to three years.

## 30. CONTINGENT LIABILITIES

|  | The company       |                   |
|--|-------------------|-------------------|
|  | 2006<br>HK\$      | 2005<br>HK\$      |
| Corporate guarantee given in favour of a bank for banking facilities granted to a subsidiary | <u>28,000,000</u> | <u>28,000,000</u> |

The group had no significant contingent liability at the balance sheet date.

# NOTES TO FINANCIAL STATEMENTS

*For the year ended 31 March 2006*

## **31. POST BALANCE SHEET EVENTS**

### **(a) Disposal of stock of land interests**

In April 2006, the company entered into a sale and purchase agreement with an independent third party for the disposal of certain parcels of land of the company at the consideration of HK\$10,369,458. The transaction was completed in May 2006. Further details of the transaction are disclosed in the company's circular dated 12 May 2006.

### **(b) Purchase of share investments**

Subsequent to the balance sheet date, the group has purchased certain share investments listed in Hong Kong totalling HK\$4,808,755. The share investments are to be held for long-term and classified as available-for-sale financial assets in the group's accounts.