1. GENERAL

The Company is a public limited company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited ("HKSE"). The address of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" in the annual report.

The financial statements are presented in Hong Kong dollars, which is same as the functional currency of the Company.

The Company is an investment holding company. The activities of its principal subsidiaries, associates and jointly-controlled entities are set out in note 48, 23 and 22 respectively.

2. APPLICATION OF 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 ("INT") (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 consolidated statement of changes in equity. In particular, the presentation of minority interests have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has also resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Business combinations

HKFRS 3 "Business Combinations" is effective for business combinations for which the agreement date is on or after 1st January, 2005. On 1 April, 2005, the Group has applied the relevant transitional provision in HKFRS 3 for those goodwill and negative goodwill arising from business combination prior to 1st January, 2005, the related principal effects of the transitional provisions in HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions for the period between 1st April, 2001 and 31st December, 2004 was capitalised and amortised over its estimated useful life. The Group did not have any goodwill arising from acquisition on or after 1st January, 2005.

With respect to goodwill arising on the acquisition of associates which were previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1st April, 2005 onwards and goodwill will be tested for impairment at least annually or in the financial year in which the acquisition takes place. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2005 are not required to be restated (see note 3 for the financial impact).

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

Business combinations *(Continued)*

Goodwill (Continued)

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. Prior to 31st March, 2005, negative goodwill arising on acquisitions was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance was resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised all negative goodwill of HK$8,110,000 on 1st April, 2005 which was previously presented as a deduction from interests in associates, with a corresponding increase to accumulated profits as at 1st April, 2005.

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, or in exchange for other assets equivalent in value to a given number of shares or rights over shares. 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. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. In relation to share options granted before 1st April, 2005, the Group has not applied HKFRS 2 to share options granted on or before 7th November, 2002 and share options that were granted after 7th November, 2002 but had vested before 1st April, 2005 in accordance with the relevant transitional provisions. The Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7th November, 2002 and had not yet vested on 1st April, 2005. However, no share options remained unvested as at 1st April, 2005. Thus, the adoption of HKFRS 2 has had no material effect on the result for the current and prior accounting period as no option was granted since 1st April, 2005. Accordingly, no prior period adjustment has been made.

Financial instruments

HKAS 32 "Financial Instruments: Disclosure and Presentation" requires retrospective application. The adoption of HKAS 32 has had no material effect on the presentation of financial instruments in the financial statements of the Group. HKAS 39 "Financial Instruments: Recognition and Measurement", 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 on the Group as a result of implementation of HKAS 39 are summarised below:

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

Financial instruments *(Continued)*

Classification and measurement of financial assets and financial liabilities

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.

On or before 31st March, 2005, the Group classified and measured its investments in debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice No. 24 "Accounting for Investments in Securities" issued by the HKICPA ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities" or "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses while "other investments" are measured at fair value, with unrealised holding gains or losses included in the profit or loss. Held-to-maturity investments are carried at cost less impairment losses (if any). From 1st April, 2005 onwards, the Group has classified and measured its investments in 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.

From 1st April, 2005 onwards, the Group classified and measured its investments in debt and equity securities in accordance with the requirements of HKAS 39. Investments in securities classified under non-current assets with carrying amounts of approximately HK$9,891,000 as at 31st March, 2005 were designated as financial assets at fair value through profit or loss on 1st April, 2005 and presented as investments in securities in the balance sheet. No material impact of this reclassification on the result for the current period or prior accounting periods. Investments in securities classified under current assets with carrying amount of approximately HK$128,407,000 as at 31st March, 2005 was reclassified to investments in securities held for trading of HK$119,592,000 and available-for-sale investments of HK$8,815,000 on 1st April 2005 respectively.

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 "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 effect on the Group's result for the current and prior accounting periods.

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

Leasehold land held for development

In previous years, properties under development included in property, plant and equipment were measured at cost less impairment. Under HKAS 17, such leasehold land is classified as a prepaid lease payment under an operating lease, carried at cost and amortised on a straight-line basis over the lease term. In the absence of any specific transitional provisions in HKAS 17, such change in accounting policy has been applied retrospectively. Comparative figures have been restated. The amount of HK$16,000,000 included in properties held for development as at 31st March, 2005 was reclassified into prepaid lease payments under non-current assets of approximately HK$15,620,000 and prepaid lease payments under current assets of approximately HK$380,000 respectively. For the current year, an amortisation charge of HK$327,000 was recognised in the income statement (2005: Nil).

Investment properties

In the current year, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties accounted for under Statement of Standard Accounting Practice 13 "Accounting for Investment Properties" were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provision in HKAS 40 and elected to apply HKAS 40 retrospectively. Comparative figures have been restated. (see note 3 for the financial impact)

Deferred taxes related to investment properties

In previous periods, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current period, the Group has applied HK (SIC) Interpretation 21 "Income Taxes — Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) Interpretation 21, this change in accounting policy has been applied retrospectively. Comparative figures have been restated. (see note 3 for the financial impact)

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

Deferred taxes related to investment properties *(Continued)*

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 it will have no material impact on the financial statements except for HKAS 39 and HKFRS 4 (Amendments) on financial guarantee contracts (which requires financial guarantees to be initially measured at fair value), which may have potential impact to the financial statements.

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.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

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

(i) On results

	2006 HK$'000	2005 HK$'000
Decrease in release of negative goodwill included in interests in associates to the income statement upon disposal of interests in associates	(8,110)	—
Decrease in release of investment property revaluation reserve to income statement upon disposal of investment properties/subsidiaries	(62,554)	(13,525)
Increase in fair value of investment properties	100,000	146,554
Release of deferred tax liability related to investment property disposed of during the year	10,947	—
Release of deferred tax liability related to investment property held by a disposed subsidiary	—	2,367
Recognition of deferred tax liability related to change in fair value of investment properties	(17,500)	(25,647)
Decrease in gain on disposal of interest in associates	(27)	—
Non-amortisation of goodwill	27	—
Release of prepaid lease payments	(655)	—
Increase in profit for the year	22,128	109,749

(ii) On income statement line items

	2006 HK$'000	2005 HK$'000
Non-amortisation of goodwill of interests in associates	27	—
Gain on disposal of interests in associates	(8,137)	—
Gain on disposal of investment properties/subsidiaries	(62,554)	(11,158)
Increase in fair value of investment properties	100,000	146,554
Taxation	(6,553)	(25,647)
Amortisation of prepaid lease payments included in administrative expenses	(655)	—
	22,128	109,749

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

(Continued)

(iii) On balance sheet items

(a) The cumulative effects of the application of the new HKFRSs as at 31st March, 2005 and 1st April, 2005 are summarised below:

	As at 31st March, 2005 (originally stated) HK$'000	Adjustment — HKAS 40 HK$'000	Adjustment — HKAS 17 HK$'000	Adjustment — HK(SIC) — INT 21 HK$'000	As at 31st March, 2005 (as restated) HK$'000	Adjustment — HKAS 39 HK$'000	Adjustment — HKFRS 3 HK$'000	As at 1st April, 2005 (as restated) HK$'000
Property, plant and equipment	16,000	–	(16,000)	–	–	–	–	–
Prepaid lease payments — non-current	–	–	15,620	–	15,620	–	–	15,620
Prepaid lease payments — current	–	–	380	–	380	–	–	380
Investments in securities — non-current	9,891	–	–	–	9,891	(9,891)	–	–
Financial assets at fair value through profit and loss — investments in securities	–	–	–	–	–	9,891	–	9,891
Investments in securities — current	128,407	–	–	–	128,407	(128,407)	–	–
Investments in securities held for trading — current	–	–	–	–	–	119,592	–	119,592
Available-for-sale investments — current	–	–	–	–	–	8,815	–	8,815
Interests in associates	30,119	–	–	–	30,119	–	8,110	38,229
Deferred tax liability	(2,360)	–	–	(61,180)	(63,540)	–	–	(63,540)
Total effects on assets and liabilities	182,057	–	–	(61,180)	120,877	–	8,110	128,987
Investment properties revaluation reserve	(347,532)	347,532	–	–	–	–	–	–
Accumulated profits	(255,903)	(347,532)	–	61,180	(542,255)	–	(8,110)	(550,365)
Total effects on equity	(603,435)	–	–	61,180	(542,255)	–	(8,110)	(550,365)

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

(iii) On balance sheet items *(Continued)*

(b) The financial effects of the application of the new HKFRSs to the Group's equity on 1st April, 2004 are summarised below:

	As originally stated	Adjustment — HKAS 40 & HK (SIC) — INT 21	As restated
	HK$'000	HK$'000	HK$'000
Accumulated profits	184,131	176,603	360,734
Investment properties revaluation reserve	214,503	(214,503)	—
Total effects on equity	398,634	(37,900)	360,734

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost convention except for the investment properties and certain financial instruments which are measured at fair values, as explained in the accounting policies below.

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards 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 ("Listing Rules") and by the Hong Kong Companies Ordinance.

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses have been eliminated on consolidation.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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 interests 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.

Goodwill

Goodwill arising on acquisitions prior to 1st January, 2005

Goodwill arising on an acquisition of a subsidiary, an associate or a jointly-controlled entity for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary, associate or jointly-controlled entity at the date of acquisition.

For previously capitalised goodwill arising on acquisitions after 1st April, 2001, the Group has discontinued amortisation from 1st April, 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on acquisitions on or after 1st January, 2005

Goodwill arising on an acquisition of a subsidiary, an associate or a jointly-controlled entity for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary, associate or jointly-controlled entity at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet. Capitalised goodwill arising on an acquisition of an associate or a jointly-controlled entity (which is accounted for using the equity method) is included in the cost of the investment of the relevant associate or jointly-controlled entity.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

Goodwill arising on acquisitions on or after 1st January, 2005 (Continued)

On subsequent disposal of a subsidiary, an associate or a jointly-controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions", previously known as negative goodwill)

A discount on acquisition arising on an acquisition of a subsidiary, an associate or a jointly-controlled entity for which an agreement date is on or after 1st January, 2005 represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss. A discount on acquisition arising on an acquisition of an associate or a jointly-controlled entity (which is accounted for using the equity method) is included as income in the determination of the investor's share of results of the associate or jointly-controlled entity in the period in which the investment is acquired.

As explained in Note 2 above, all negative goodwill as at 1st April, 2005 has been derecognised with a corresponding adjustment to the Group's accumulated profits.

Investments in associates

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint ventures

Jointly-controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly-controlled entities.

The results and assets and liabilities of jointly-controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly-controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly-controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly-controlled entity equals or exceeds its interest in that jointly-controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly-controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly-controlled entity.

When a group entity transacts with a jointly-controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly-controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Revenue recognition

Sales of investments in securities are recognised when the sale contracts become unconditional.

Sales of properties are recognised upon completion of the binding sales agreements or transfer of risk and reward of ownership, whichever is earlier.

Dividend income from investments in securities is recognised when the shareholders' rights to receive payment have been established.

Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding and at 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.

Rental income, including rental invoiced in advance from properties under operating leases, is recognised on a straight line basis over the period of the respective leases.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. For intangible assets with indefinite useful lives, they are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such 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.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in fair value of investment properties are included in profit or loss for the period in which they arise.

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 disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the currency amount of the asset) is included in the income statement in the year in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated 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.

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 income statement in the year in which the item is dereognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasehold land held for undetermined future use

Leasehold land held for undetermined future use is classified as a prepared lease payment under an operating lease. It is stated at cost and amortised on a straight line basis over the lease term.

Properties held for sale

Properties held for sale are stated at the lower of cost or net realisable value. Cost comprises all costs of purchase and other direct cost to acquire the properties. Net realisable value is calculated at the actual or estimated selling price less related costs of marketing and selling.

Leasing

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

The Group as lessor

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

The Group as lessee

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.

Retirement benefit scheme

Payments to Mandatory Provident Fund Scheme are charged as an expense as they fall due.

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 that are measured in terms of historical cost in a foreign currency are not retranslated.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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.

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1st April, 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Taxation

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly-controlled entities except 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.

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.

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 three categories, including financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. 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.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss have two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset 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 financial assets 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.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured the derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial assets. Such impairment losses will not reverse in subsequent periods.

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, deposits held in stakeholders, amount due from an investee, amount due from a jointly-controlled entity, amounts due from associates, pledged bank deposits and bank balances and cash) 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 was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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.

Financial liabilities

Financial liabilities including other payables, amounts due to minority shareholders and bank borrowings are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

Club debentures

Club debentures are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of club debentures are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Club debentures are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of club debenture is estimated to be less than its carrying amount, the carrying amount of the club debenture is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of club debenture 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 that club debenture in prior years.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees of the Company prior to 1st January, 2005

Prior to 1st April, 2005, the financial impact of share options granted is not recorded in the Company's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their expiry dates are removed from the register of outstanding options.

Share options granted to employees of the Company since 1st January, 2005

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after vesting or are still not exercised at the expiry date, the amount previously recognised in equity (share option reserve) will be transferred to accumulated profits.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, deposits held in stakeholders, pledged bank deposits, bank balances and cash, amount due from an investee, amounts due from associates, amount due from a jointly-controlled entity, accruals and other payables, amounts due to minority shareholders and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

(i) *Interest rate risk*

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings. The Group currently does not have interest rate risk hedging policy. However, management monitors the interest rate exposure closely and will consider interest rate risk hedging should the need arises.

The Group's fair value interest rate risk relates to the short-term fixed bank deposits. The directors consider these exposure to be insignificant because of the bank balances are with short deposit period.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Market risks *(Continued)*

(ii) Other price risk

The Group is exposed to equity price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Credit risk

The Group's 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 these assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of trade and other receivables, amount due from an investee, amount due from a jointly-controlled entity and amounts due from associates 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 significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high-credit-ratings assigned by international credit-rating agencies.

The credit risk on investments in listed debt securities is limited because the counterparties are corporations with high-credit-ratings.

6. TURNOVER

	2006 **HK$'000**	2005 HK$'000
Rental income	**34,314**	32,605
Sales of properties	**162,427**	114,010
Sales of securities	**170,395**	222,249
Dividend income from securities held for trading	**4,502**	4,468
	371,638	373,332

7. SEGMENTAL INFORMATION

Business segments

For management purposes, the Group is currently organised into two major operating divisions — property investment and securities investment.

These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Property investment	—	Sale and leasing of properties and property development
Securities investment	—	Trading of securities

An analysis of the Group's turnover and contribution to operating results and segmental assets and liabilities by business segments is as follows:

	Property investment HK$'000	**Securities investment** HK$'000	**Consolidated** HK$'000
For the year ended 31st March, 2006			
TURNOVER			
External sales	196,741	174,897	371,638
RESULT			
Segment result	117,894	22,500	140,394
Unallocated corporate expenses			(4,305)
Finance costs			(18,010)
Share of results of associates	362	—	362
Share of results of a jointly-controlled entity	291	—	291
Gain on disposal of interests in subsidiaries	35,990	—	35,990
Gain on disposal of interests in associates	4,763	—	4,763
Profit before taxation			159,485
Taxation			(18,146)
Profit for the year			141,339

7. SEGMENTAL INFORMATION *(Continued)*

Business segments *(Continued)*

	Property investment HK$'000	Securities investment HK$'000	Consolidated HK$'000
For the year ended 31st March, 2005			
TURNOVER			
External sales	146,615	226,717	373,332
RESULT			
Segment result	173,124	11,408	184,532
Unallocated corporate expenses			(2,070)
Finance costs			(5,361)
Amortisation of goodwill of interest in associates			(359)
Release of negative goodwill of associates to income			350
Share of results of associates	3,165	—	3,165
Gain on disposal of interests in subsidiaries	36,070	—	36,070
Loss on disposal of interests in associates	(3,587)	—	(3,587)
Profit before taxation			212,740
Taxation			(31,582)
Profit for the year			181,158

7. SEGMENTAL INFORMATION *(Continued)*

Business segments *(Continued)*

	Property investment HK$'000	Securities investment HK$'000	Others HK$'000	Consolidated HK$'000
Assets and liabilities as at 31st March, 2006				
ASSETS				
Segment assets	1,122,134	444,754	—	1,566,888
Interests in jointly-controlled entities				291
Interest in associates				96
Unallocated total assets				53,751
Consolidated total assets				1,621,026
LIABILITIES				
Segment liabilities	12,795	2,430	—	15,225
Unallocated corporate liabilities				393,657
Consolidated total liabilities				408,882
Capital expenditure				
— Property, plant and equipment	3,261	—	—	3,261
Depreciation	3,180	102	—	3,282
Release of prepaid lease payments	655	—	—	655
Allowance on other receivables	—	—	530	530

7. SEGMENTAL INFORMATION *(Continued)*

Business segments *(Continued)*

	Property investment HK$'000	**Securities investment** HK$'000	**Others** HK$'000	**Consolidated** HK$'000
Assets and liabilities as at 31st March, 2005				
ASSETS				
Segment assets	1,168,639	274,007	—	1,442,646
Interest in associates				30,119
Unallocated total assets				41,651
Consolidated total assets				1,514,416
LIABILITIES				
Segment liabilities	40,297	2,860	—	43,157
Unallocated corporate liabilities				613,649
Consolidated total liabilities				656,806
Other information for the year ended 31st March, 2005				
Capital expenditure — Property, plant and equipment	—	—	15,421	15,421
Depreciation	101	—	1,381	1,482
Amortisation of goodwill of interests in associates	—	—	359	359
Release of negative goodwill of associates	—	—	350	350
Changes in fair value of investment in securities	—	5,189	—	5,189

Geographical segments

The following provides an analysis of the Group's turnover by geographic market, irrespective of the origin of the goods/services:

	Turnover	
	2006 **HK$'000**	2005 HK$'000
Overseas	**95,563**	169,323
Hong Kong	**276,075**	204,009
	371,638	373,332

The carrying amount of segment assets and capital additions by geographical segment has not been prepared as all the Group's carrying amount of assets and capital additions were derived from Hong Kong.

8. OTHER INCOME

	2006 HK$'000	2005 HK$'000
Interest income	**8,475**	1,555
Dividend income from investments in securities at fair value through profit or loss/investments in securities	**52**	618
Gain on disposal of property, plant and equipment	**440**	781
Others	**3,633**	2,219
	12,600	5,173

9. OTHER EXPENSES

	2006 HK$'000	2005 HK$'000
Impairment loss of goodwill arising from acquisition of a subsidiary	**—**	78
Loss on disposal of investment in securities	**—**	448
	—	526

10. FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**17,323**	115
Bank borrowings with instalments repayable over five years	**687**	5,246
	18,010	5,361

11. PROFIT BEFORE TAXATION

	2006 HK$'000	2005 HK$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration (note 13(a)):		
Fees	**300**	400
Other emoluments	**4,978**	2,385
Other staff costs	**4,785**	4,191
Retirement benefit scheme contributions	**191**	295
Total staff costs	**10,254**	7,271
Auditors' remuneration		
Current year	**650**	530
Underprovision in prior year	**30**	—
Depreciation of property, plant and equipment	**3,282**	1,482
Release of prepaid lease payments	**655**	—
Allowance for other receivables	**530**	—
Cost of properties held for sale recognised as an expense	**129,999**	93,383
and after crediting:		
Net rental income in respect of premises after outgoings of HK$5,154,000 (2005: HK$8,815,000)	**29,160**	23,790
Realised and unrealised fair value changes in securities held for trading	**13,478**	3,879

12. TAXATION

	2006 HK$'000	2005 HK$'000
The charge comprises:		
Hong Kong Profits Tax		
— Current year	**11,990**	4,744
— (Over) underprovision in prior years	**(949)**	43
	11,041	4,787
Deferred taxation (note 24)	**7,105**	26,795
Taxation attributable to the Company and its subsidiaries	**18,146**	31,582

12. TAXATION *(Continued)*

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

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

	2006	2005
	HK$'000	HK$'000
Profit before taxation	**159,485**	212,740
Taxation at Hong Kong Profits Tax rate of 17.5%	**27,910**	37,229
Tax effect of income not taxable in determining taxable profit	**(10,918)**	(8,294)
Tax effect of expenses not deductible for tax purposes	**3,391**	3,883
Tax effect of share of results of jointly-controlled entities	**(51)**	—
Tax effect of share of results of associates	**(63)**	(554)
Tax effect of tax losses not recognised	**373**	207
Utilisation of tax losses previously not recognised	**(1,475)**	(911)
(Over)underprovision in respect of prior year	**(949)**	43
Others	**(72)**	(21)
Tax charge for the year	**18,146**	31,582

13. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' remuneration

	2006 HK$'000	2005 HK$'000
Directors' fees		
Executive director	—	—
Non-executive director		
— Mr. Chung Cho Yee, Mico	—	—
Independent non-executive directors		
— Dr. Lam Lee G	100	100
— Dato' Wong Sin Just	100	100
— Mr. Liu Yeau – Hwan, Pete	—	100
— Mr. Cheng Yuk Wo	100	100
Total directors' fees	300	400
Other emoluments		
Executive directors		
(i) Salaries and other benefits and bonus		
— Dato' Choo Yeow Ming	—	1,025
— Ms. Ma Wai Man, Catherine	1,560	1,246
— Mr. Chow Hou Man	800	—
	2,360	2,271
(ii) Retirement benefit scheme contributions		
— Dato' Choo Yeow Ming	—	52
— Ms. Ma Wai Man, Catherine	78	62
— Mr. Chow Hou Man	40	—
	118	114
Non-executive director		
(i) Salaries and other benefits and bonus		
— Mr. Chung Cho Yee, Mico	2,500	—
Independent non-executive directors	—	—
Total directors' remuneration	5,278	2,785

No directors have waived any emoluments during both years.

During both years, no emoluments were paid by the Group to any director as an inducement to join or upon joining the Group or as compensation for loss to office.

13. DIRECTORS' AND EMPLOYEES' REMUNERATION *(Continued)*

(b) Employees' remuneration

The five highest paid individuals in the Group included two directors (2005: two directors) of the Company, details of whose remuneration are set out above. The aggregate remuneration of the remaining highest paid individuals, who are employees of the Group, is as follows:

	2006 HK$'000	2005 HK$'000
Salaries and other benefits	**2,300**	2,084
Retirement benefit scheme contributions	**115**	104
	2,415	2,188

HK$	**2006 Number of employees**	2005 Number of employees
Nil to 1,000,000	**2**	2
1,000,001 to 1,500,000	**—**	1
1,500,001 to 2,000,000	**1**	—

14. DIVIDENDS

	2006 HK$'000	2005 HK$'000
Proposed final dividend of HK1.7 cents per share (2005: HK3.5 cents)	**15,273**	16,959

The directors have resolved to recommend the payment of a final dividend of HK$15,273,000 representing HK1.7 cents per share (2005: HK3.5 cents per share) in respect of the year ended 31st March, 2006.

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

15. EARNINGS PER SHARE

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

	2006 **HK$'000**	2005 HK$'000
Earnings for the purpose of calculating basic and diluted earnings per share:		
Profit for the year attributable to equity holders of the parent	**140,283**	181,521
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousands)	**435,632**	383,517
Effect of dilutive potential ordinary shares (in thousands): Share options	**29,635**	11,273
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share (in thousands)	**465,267**	394,790

The following table summarises the impact on both basic and diluted earnings per share as a result of:

	Impact on basic earnings per share		**Impact on diluted earnings per share**	
	Year ended 31st March, 2006 HK Cents	Year ended 31st March, 2005 HK Cents	**Year ended 31st March, 2006 HK Cents**	Year ended 31st March, 2005 HK Cents
Reported figures before adjustments	**27.12**	18.71	**25.39**	18.18
Adjustments arising from changes in accounting policies *(See note 3)*	**5.08**	28.62	**4.76**	27.80
Restated	**32.20**	47.33	**30.15**	45.98

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st April, 2004	482,650
Additions	233,446
Eliminated on disposal of a subsidiary	(44,650)
Increase in fair value recognised in the income statement	146,554
At 31st March, 2005	818,000
Additions	36,555
Disposals	(296,000)
Increase in fair value recognised in the income statement	100,000
At 31st March, 2006	658,555

The fair value of the Group's investment properties at 31st March, 2006 have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Project Services Limited and Skyland Surveyors Co., independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Project Services Limited and Skyland Surveyors Co. are members of the Hong Kong Institute of Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties. As at 31st March, 2006, the carrying amount of such property interests amounted to HK$658,555,000 (2005: HK$818,000,000).

The Group's investment properties amounting to approximately HK$622,000,000 (2005: HK$818,000,000) have been pledged to secure general banking facilities granted to the Group.

The carrying value of the investment properties comprises properties held under long-term lease in Hong Kong.

17. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Vessel HK$'000	Total HK$'000
COST				
At 1st April, 2004	1,903	1,654	6,000	9,557
Additions	1,624	—	13,797	15,421
Disposals	(1,592)	—	(5,800)	(7,392)
At 31st March, 2005	1,935	1,654	13,997	17,586
Additions	1,760	1,501	—	3,261
Disposals	—	(1,431)	—	(1,431)
At 31st March, 2006	3,695	1,724	13,997	19,416
DEPRECIATION				
At 1st April, 2004	863	1,654	1,300	3,817
Provided for the year	402	—	1,080	1,482
Eliminated on disposals	(957)	—	(1,836)	(2,793)
At 31st March, 2005	308	1,654	544	2,506
Provided for the year	441	42	2,799	3,282
Eliminated on disposals	—	(1,431)	—	(1,431)
At 31st March, 2006	749	265	3,343	4,357
CARRYING VALUES				
At 31st March, 2006	2,946	1,459	10,654	15,059
At 31st March, 2005	1,627	—	13,453	15,080

The above items of property, plant and equipment are depreciated on a straight-line method at the following rates per annum:

Furniture, fixtures and office equipment	20%
Motor vehicles	20%
Vessel	20%

Furniture, fixtures and office equipment with carrying amount of approximately HK$1,760,000 (2005: Nil) were pledged to banks to secure general banking facilities granted to the Group.

18. PREPAID LEASE PAYMENTS

	HK$'000
COST	
At 1st April, 2004	—
Acquired on acquisition of a subsidiary	16,000
At 31st March, 2005	16,000
Additions	240,000
At 31st March, 2006	256,000
AMORTISATION	
At 1st April, 2004 and 1st April, 2005	—
Provided for the year	655
At 31st March, 2006	655
CARRYING VALUE	
At 31st March, 2006	255,345
At 31st March, 2005	16,000

	2006 **HK$'000**	2005 HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong:		
Long lease	**239,726**	—
Medium-lease	**15,619**	16,000
	255,345	16,000
Analysed for reporting purposes as:		
Current asset	**655**	380
Non-current asset	**254,690**	15,620
	255,345	16,000

19. DEPOSIT PAID FOR ACQUISITION OF SUBSIDIARIES

On 15th January, 2005, the Group entered into conditional agreements to acquire 100% interest in Fook Shing Limited ("Fook Shing") and Yieldson Development Limited ("Yieldson") for an aggregate consideration of approximately HK$240,000,000 whilst an amount of HK$35,000,000 were paid as deposit as at 31st March, 2005. Fook Shing and Yieldson are property holding companies and their properties are located in Hong Kong. The acquisition was completed during the year.

20. AVAILABLE-FOR-SALE INVESTMENTS/INVESTMENTS IN SECURITIES HELD FOR TRADING/INVESTMENTS IN SECURITIES

The carrying value of investments in securities as at 31st March, 2005 (which previously were classified and measured under benchmark treatment in accordance with SSAP 24 issued by the HKICPA) were reclassified to appropriate categories upon application of HKAS 39 on 1st April, 2005.

	2006 **HK$'000**	2005 HK$'000
Equity securities:		
Listed	**70,955**	44,332
Unlisted	**5,005**	5,005
	75,960	49,337
Debt securities		
Listed	**33,200**	84,951
Unlisted	**3,810**	4,010
	37,010	88,961
Total and reported as:		
Listed		
Hong Kong	**61,959**	129,283
Elsewhere	**42,196**	—
Unlisted	**8,815**	9,015
	112,970	138,298
Classified under		
Investments in securities included in non-current assets	**—**	9,891
Available-for-sale investments included in current assets	**8,815**	—
Investments in securities held for trading included in current assets	**104,155**	128,407

20. AVAILABLE-FOR-SALE INVESTMENTS/INVESTMENTS IN SECURITIES HELD FOR TRADING/INVESTMENTS IN SECURITIES *(Continued)*

The carrying value of unlisted equity securities in Hong Kong at 31st March, 2006, represents 8.27% (2005: 8.27%) interest in MC. Founder Limited ("MC. Founder"). MC. Founder is incorporated in Hong Kong and engaged in trading of mobile phone. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

The carrying value of listed debt securities at 31st March, 2006 represented bonds bearing interest ranging from 5.45% to 8.25% per annum. The fair values of the listed debt securities are determined based on the bid prices quoted in active market. The maturity dates of the listed debt debentures are as follows:

	2006 **HK$'000**	2005 HK$'000
Within one year	**25,238**	47,019
Between one to two years	**5,648**	25,860
Between two to three years	**—**	9,707
Between four to five years	**2,314**	—
Over five years	**—**	2,365
	33,200	84,951

The fair values of the listed equity securities are determined based on the quoted market bid prices available on the relevant exchanges.

21. CLUB DEBENTURES

	2006 **HK$'000**	2005 HK$'000
Club debentures, at cost	**6,860**	6,860

The directors are of the opinion that there were no impairment on the club debentures since the market price are higher than its carrying value.

22. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	2006 **HK$'000**	2005 HK$'000
Cost of unlisted investments in jointly-controlled entities	**—**	—
Share of post-acquisition profits	**291**	—
	291	—

As at 31st March, 2006, the Group had interests in the following jointly-controlled entities:

Name of entity	Form of business structure	Place/ Country of incorporation/ registration	Principal place of operation	Class of share held	Proportion of nominal value of issued capital/ registered capital held by the Group %	Proportion of voting power held	Principal activity
Favor Win Limited	Incorporated	British Virgins Islands	Hong Kong	Ordinary	50	50	Investment holding
Gain Resources Limited	Incorporated	British Virgins Islands	Hong Kong	Ordinary	25	25	Investment holding and property leasing

The summarised financial information in respect of the Group's jointly-controlled entities which are accounted for using the equity method is set out below:

	2006 **HK$'000**	2005 HK$'000
Total assets	**873,914**	—
Total liabilities	**(872,741)**	—
Net assets	**1,173**	—
Group's share of net assets of jointly-controlled entities	**291**	—
Revenue	**11,904**	—
Profit for the year	**1,171**	—
Group's share of results of jointly-controlled entities for the year	**291**	—

23. INTERESTS IN ASSOCIATES

	2006 HK$'000	2005 HK$'000
Costs of investment in associates		
— Listed in Hong Kong	—	44,964
— Unlisted	96	—
Share of post-acquisition profits	—	(16,570)
	96	28,394
Goodwill (note a)	—	6,885
Negative goodwill (note b)	—	(8,110)
	96	27,169
Amounts due from associates (Note)	—	2,950
	96	30,119
Fair value of listed investments	N/A	16,337

During the year, the Group acquired 20% equity interest in Femville Pte. Ltd.

Particulars of the associates at 31st March, 2006 are as follows:

Name of associate	Place of incorporation	Place of operation	Proportion of nominal value of issued share capital held indirectly by the Company	Principal activities
Femville Pte. Ltd.	Singapore	Singapore	20%	Property investment, securities trading, estate agency and related investment
Orient Centre Limited	Hong Kong	Hong Kong	25%	Property investment

Note: As at 31st March, 2005, the amounts due from associates are unsecured, non-interest bearing and had no fixed repayment terms. The amount were not be repaid within twelve months from 31st March, 2005 and therefore classified as non-current assets. The fair value of the amount due from associates as at 31st March, 2005 approximates to the corresponding carrying value.

23. INTERESTS IN ASSOCIATES *(Continued)*

As at 31st March, 2005, included in the cost of investment in associates was goodwill and negative goodwill of HK$6,885,000 and HK$8,110,000 respectively arising on acquisition of interests in associates. The movements of goodwill and negative goodwill were set out below:

(a) Goodwill

	HK$'000
Gross amount	
At 1st April, 2004	9,336
Released upon disposal/dilution of interests in associates	(446)
At 31st March, 2005	8,890
Elimination of accumulated amortisation upon the application of HKFRSs (see note 3)	(2,005)
Release upon disposal of interests in associates	(6,885)
At 31st March, 2006	—
Amortisation	
At 1st April, 2004	1,646
Charged for the year	359
At 31st March, 2005	2,005
Elimination of accumulated amorisation upon the application of HKFRSs (see note 3)	(2,005)
At 31st March, 2006	—
Carrying values	
At 31st March, 2006	—
At 31st March, 2005	6,885

Until 31st March, 2005, goodwill was amortised over its estimated useful life of twenty years.

(b) Negative goodwill

	HK$'000
Gross amount	
At 1st April, 2004	5,199
Arising on acquisition of associates	3,535
At 31st March, 2005	8,734
Released to income	
At 1st April, 2004	(274)
Released during the year	(350)
At 31st March, 2005	(624)
Carrying values	
At 31st March, 2005	8,110
Derecognised upon the application of HFKRS 3 (see note 3)	(8,110)
At 1st April, 2005	—

23. INTERESTS IN ASSOCIATES *(Continued)*

(b) Negative goodwill *(Continued)*

Until 31st March, 2005, negative goodwill was amortised over a period from five to twenty years.

As explained in note 2, all negative goodwill arising on acquisitions prior to 1st January, 2005 was derecognised as a result of the application of HKFRS 3.

Negative goodwill with carrying amount of HK$8,110,000 as at 31st March, 2005 was presented as a deduction from the cost of investments in associates. In prior years, negative goodwill was released to income on a straight line basis over the useful life of the depreciable assets of that associates. The amount of negative goodwill released to the income statement for the year ended 31st March, 2005 was HK$350,000. All negative goodwill was derecognised on 1st April, 2005 upon the application of HKFRS 3 (see note 3).

In May 2005, the Group disposed of its entire interest in Capital Estate Limited (a company whose shares are listed on The Main Board of The Stock Exchange of Hong Kong Limited), an 21.13% associate of the Group as at 31st March, 2005 for a consideration of approximately HK$40,414,000 and resulted in a gain on disposal of an associate of approximately HK$4,763,000.

The summarised financial information in respect of the Group's associates is set out below:

	2006 **HK$'000**	2005 HK$'000
Total assets	**37,388**	185,899
Total liabilities	**(37,475)**	(53,807)
Net (liabilities) assets	**(87)**	132,092
Group's share of net assets of associates	**96**	28,394
Revenue	**22,040**	12,462
Profit for the year	**13,896**	11,988
Group's share of result of associates for the year	**362**	3,165

24. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements during the current and prior accounting periods:

	Revaluation of investment properties HK$'000	Accelerated tax depreciation HK$'000	Subtotal HK$'000	Tax losses HK$'000	Total HK$'000
At 1st April, 2004 as originally stated	—	878	878	(275)	603
Effects of change in accounting policies (note 3)	37,900	—	37,900	—	37,900
At 1st April, 2004 as restated	37,900	878	38,778	(275)	38,503
Charge (credit) to income for the year	25,647	1,482	27,129	(334)	26,795
Disposal of a subsidiary	(2,367)	—	(2,367)	—	(2,367)
At 31st March, 2005	61,180	2,360	63,540	(609)	62,931
Charge (credit) to income for the year	17,500	1,413	18,913	(861)	18,052
Disposal of investment properties	(10,947)	—	(10,947)	—	(10,947)
At 31st March, 2006	67,733	3,773	71,506	(1,470)	70,036

As at 31st March, 2006, the Group had unused tax losses of approximately HK$12,721,000 (2005: HK$14,088,000) available for offset against future profits. No deferred tax assets had been recognised in respect of the unused tax losses in respect of HK$4,310,000 (2005: HK$10,604,000) due to unpredictability of future profits streams. Such tax losses can be carried forward indefinitely.

25. TRADE AND OTHER RECEIVABLES

The Group allows its trade customers with a credit period normally ranging from 30 days to 90 days. The aged analysis of the trade receivables at the balance sheet dates is as follows:

	2006 HK$'000	2005 HK$'000
0 — 30 days	**535**	239
Other receivables	**4,346**	5,323
	4,881	5,562

The carrying amount of the Group's trade receivables at the balance sheet dates approximates to the corresponding fair value.

26. DEPOSIT HELD IN STAKEHOLDERS

The carrying amount of the Group's deposit held in stakeholders at the balance sheet dates approximates to the corresponding fair value.

27. PROPERTIES HELD FOR SALE

The carrying value of properties held for sale comprises properties held under long term leases in Hong Kong.

In the opinion of the directors, the properties held for sale are expected to be realised in the next twelve months.

28. AMOUNT DUE FROM AN INVESTEE

The amount is unsecured, non-interest bearing and repayable on demand. The carrying amount of the Group's amount due from an investee at 31st March, 2006 approximates to the corresponding fair value.

29. AMOUNT DUE FROM A JOINTLY-CONTROLLED ENTITY

The amount is unsecured, non-interest bearing and repayable on demand. The carrying amount of the Group's amount due from a jointly-controlled entity at 31st March, 2006 approximates to the corresponding fair value.

30. AMOUNTS DUE FROM ASSOCIATES

The amounts are unsecured, non-interest bearing and repayable on demand. The carrying amount of the Group's amounts due from associates at balance sheet dates approximates to the corresponding fair value.

31. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$165,366,000 (2005: HK$5,230,000) have been pledged to secure bank overdrafts, short term bank borrowings and undrawn facilities and are therefore classified as current assets.

The pledged bank deposits carry interest ranged from 3.19% to 4.68% per annum (2005: 0.63% per annum). The fair value of the pledged bank deposits at the balance sheet dates approximates to the corresponding carrying amount.

Included in the pledged bank deposits, approximately HK$157,548,000 (2005: HK$5,230,000) are denominated in Hong Kong dollars and HK$7,818,000 (2005: Nil) are denominated in the United States dollars.

31. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH *(Continued)*

Bank balances and cash comprises bank balances and cash held by the Group and short-term bank deposits that are interest-bearing at market interest rate. All bank deposits are with maturity of three months or less. The bank deposits carry fixed interest rates ranging from 0.9% to 4.723% (2005: 0.0625% to 2.625%) per annum. The fair values of the amounts at the balance sheet date approximate to the corresponding carrying amounts.

32. ACCRUALS AND OTHER PAYABLES

The carrying amount of the Group's other payables at the balance sheet dates approximates to the corresponding carrying amount.

33. AMOUNTS DUE TO MINORITY SHAREHOLDERS

The amounts are unsecured, non-interest bearing and repayable on demand. The carrying amount of the Group's amounts due to minority shareholders at the balance sheet dates approximate to the corresponding carrying amounts.

34. BANK BORROWINGS

	2006 **HK$'000**	2005 HK$'000
Bank loans	**314,048**	534,910
Bank overdrafts	**—**	130
	314,048	535,040
Analysed by		
Secured	**314,048**	535,040
Repayable as follows:		
Within one year	**158,805**	158,610
Between one to two years	**15,225**	28,890
Between two to three years	**15,225**	33,750
Between three to four years	**15,225**	41,700
Between four to five years	**16,265**	41,700
Over five years	**93,303**	230,390
	314,048	535,040
Less: Amount due within one year included under current liabilities	**(158,805)**	(158,610)
Amount due after one year	**155,243**	376,430

34. BANK BORROWINGS *(Continued)*

The secured bank borrowings were secured by the Group's investment properties, prepaid lease payments, bank deposits and properties held for sale. The carrying amount of the assets pledged are disclosed in note 42.

At 31st March, 2006, the average variable interest rate ranged from 4.680% to 4.875% per annum (2005: ranged from 0.964% to 2.346% per annum) for bank loans.

The Group's bank borrowings are denominated in Hong Kong Dollars.

The carrying amount of the Group's bank borrowings at the balance sheet dates approximated to the fair values.

35. SHARE CAPITAL

	Notes	**Number of shares**	**Amount**
			HK$'000
Ordinary shares of HK$0.04 each			
Authorised:			
Ordinary shares of HK$0.01 each at 1st April, 2004		18,000,000,000	180,000
Shares consolidation	(i)	(13,500,000,000)	—
Ordinary shares of HK$0.04 each at 31st March, 2005 and 31st March, 2006		4,500,000,000	180,000
Issued and fully paid:			
Ordinary shares of HK$0.01 each at 1st April, 2004		1,533,791,800	15,338
Shares consolidation	(i)	(1,150,343,850)	—
Ordinary shares of HK$0.04 each		383,447,950	15,338
Exercise of share options	(ii)	1,092,500	44
Ordinary shares of HK$0.04 each at 31st March, 2005		384,540,450	15,382
Issue of new shares	(iii)	195,000,000	7,800
Exercise of share options	(iv)	5,235,000	209
Ordinary shares of HK$0.04 each at 31st March, 2006		584,775,450	23,391

35. SHARE CAPITAL *(Continued)*

Notes:

(i) During the year ended 31st March, 2005, the Company carried out a share consolidation whereby every four ordinary shares of HK$0.01 each in the issued and unissued share capital of the Company were consolidated into one ordinary share of HK$0.04 each. 1,533,791,800 issued ordinary shares of HK$0.01 each and 16,466,208,200 unissued ordinary shares of HK$0.01 each were consolidated into 383,447,950 issued ordinary shares of HK$0.04 each and 4,116,552,050 unissued ordinary shares of HK$0.04 each, respectively.

(ii) During the year ended 31st March, 2005, 1,092,500 ordinary shares of the Company of HK$0.04 each were issued upon the exercise of 1,092,500 share options at an exercise price of HK$0.672 per share. The shares issued during the year rank pari passu with the then existing shares in all respect.

(iii) Pursuant to a resolution passed at a special general meeting held on 6th May, 2005 the Company completed the subscription agreements with independent third parties in which the independent third parties subscribed an aggregate of 75,000,000 new ordinary shares of HK$0.04 each at the subscription price of HK$1.08 per share. Pursuant to the resolution passed on the same special general meeting, the Company completed the placing agreement with a placing agent in which the placing agent procured subscribers to subscribe 25,000,000 new ordinary shares of HK$0.04 each at the subscription price of HK$1.08 per share. All the ordinary shares issued rank pari passu with the then existing ordinary shares in all respects.

On 3rd March, 2006, 50,000,000 ordinary shares of HK$0.04 each held by Earnest Equity Limited ("Earnest Equity"), one of the Company's substantial shareholders, were placed to the independent third parties at HK$1.10 per share. On the same date, 50,000,000 ordinary shares of HK$0.04 each of the Company were issued and allotted to Earnest Equity for cash at HK$1.10 per share to raise additional working capital. All the ordinary shares issued during the year rank pari passu with the then existing ordinary shares in all respects.

On 22nd March, 2006, 45,000,000 ordinary shares of HK$0.04 each held by Earnest Equity were placed to the independent third parties at HK$1.31 per share. On the same date, 45,000,000 ordinary shares of HK$0.04 each of the Company were issued and allotted to Earnest Equity for cash at HK$1.31 per share to raise additional working capital. All the ordinary shares issued during the year rank pari passu with the then existing ordinary shares in all respects.

(iv) During the year ended 31st March, 2006, 5,235,000 ordinary shares of HK$0.04 each of the Company were issued upon the exercise of 5,235,000 share options at an exercise price of HK$0.672 per share. The shares issued during the year rank pari passu with the then existing shares in all respect.

36. SHARE OPTION SCHEME

2001 Scheme

On 13th June, 2001, the Company adopted a new share option scheme ("2001 Scheme"), for the primary purpose of providing incentives to directors and eligible employees. The 2001 Scheme will expire on 12th June, 2011. Under the 2001 Scheme, the board of directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the 2001 Scheme is not permitted to exceed the higher of 10% of the shares of the Company in issue at any point in time excluding any shares issued pursuant to the 2001 Scheme or such other limit as may be permitted under Listing Rules. The number of shares in respect of which options may be granted to any individual is not permitted to exceed the higher of 25% of the number of shares issued and issuable under the 2001 Scheme or any other limit as may be permitted under the Listing Rules.

Options granted must be taken up within 60 days of the date of grant, upon payment of HK$1 per grant. Options may be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the board of directors may at their discretion determine the specific exercise period. The exercise price is determined by the directors of the Company, and will not be less than the higher of the 80% of average closing price of the Company's shares for the five business days immediately preceding the date of grant, and the nominal value of the Company's shares.

The 2001 Scheme was terminated on 26th August, 2002.

2002 Scheme

On 26th August, 2002, the Company adopted a new share option scheme ("2002 Scheme"), for the primary purpose of providing incentives to directors and eligible employees. The 2002 Scheme will expire on 25th August, 2012. Under the 2002 Scheme, the board of directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Scheme (excluding those options that have already been granted by the Company prior to date of approval of the 2002 Scheme) must not in aggregate exceed 10% of the shares in issue at the adoption date unless the Company obtains a fresh approval from its shareholders.

Options granted must be taken up within 60 days of the date of grant, upon payment of HK$1 per grant. Options may be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the board of directors may at their discretion determine the specific exercise period. The exercise price is determined by the directors of the Company, and will not be less than the higher (i) the closing price, (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares.

36. SHARE OPTION SCHEME *(Continued)*

2002 Scheme *(Continued)*

At 31st March, 2006, the number of shares in respect of which options had been granted and remained outstanding under the 2001 Scheme and 2002 Scheme were 19,075,000 and 32,750,000, representing 3.26% and 5.60% of the issued share capital of the Company at that date respectively.

The following table discloses movements in the Company's share options during the year ended 31st March, 2006:

	Option scheme type	Date of grant	Exercise price HK$	Exercisable period	Number of options outstanding at 1.4.2005	Reclassification (Note 4)	Exercised during the year	Lapsed during the year	Number of options outstanding at 31.3.2006
Directors									
Ma Wai Man, Catherine	2001 (Note 1)	30.8.2001	0.672	30.8.2001 — 12.6.2011	7,875,000	—	(800,000)	—	7,075,000
	2002 (Note 2)	23.9.2002	0.560	23.9.2002 — 25.8.2012	3,125,000	—	—	—	3,125,000
Chow Hou Man	2001 (Note 1)	30.8.2001	0.672	30.8.2001 — 12.6.2011	—	1,137,500	(300,000)	—	837,500
	2002 (Note 2)	23.9.2002	0.560	23.9.2002 — 25.8.2012	—	3,125,000	—	—	3,125,000
Total for directors					11,000,000	4,262,500	(1,100,000)	—	14,162,500
Employees and consultants									
	2001 (Note 1)	30.8.2001	0.672	30.8.2001 — 12.6.2011	17,057,500	(1,137,500)	(4,135,000)	(622,500)	11,162,500
	2002 (Note 2)	23.9.2002	0.560	23.9.2002 — 25.8.2012	18,375,000	(3,125,000)	—	—	15,250,000
	2002	8.1.2004	0.560	8.1.2004 — 25.8.2012	7,500,000	—	—	—	7,500,000
	2002	9.1.2004	0.600	9.1.2004 — 25.8.2012	3,750,000	—	—	—	3,750,000
Total for employees and consultants					46,682,500	(4,262,500)	(4,135,000)	(622,500)	37,662,500
Grand total					57,682,500	—	(5,235,000)	(622,500)	51,825,000
Exercisable at the end of the year									51,825,000

36. SHARE OPTION SCHEME *(Continued)*

2002 Scheme *(Continued)*

The following table discloses movements in the Company's share option during the year ended 31st March, 2005:

	Option scheme type	Date of grant	Exercise price HK$	Exercisable period	Number of shares under option at 1.4.2004	Adjustment due to share consolidation (Note 3)	Exercised during the year	Surrendered/ lapsed during the year	Number of shares under option at 31.3.2005
Directors									
Ma Wai Man, Catherine	2001 (Note 1)	30.8.2001	0.168	30.8.2001 - 12.6.2011	31,500,000	(31,500,000)	—	—	—
			0.672	30.8.2001 - 12.6.2011	—	7,875,000	—	—	7,875,000
	2002 (Note 2)	23.9.2002	0.140	23.9.2002 - 25.8.2012	12,500,000	(12,500,000)	—	—	—
			0.560	23.9.2002 - 25.8.2012	—	3,125,000	—	—	3,125,000
Total for director					44,000,000	(33,000,000)	—	—	11,000,000
Employees and consultants									
	2001 (Note 1)	30.8.2001	0.168	30.8.2001 - 12.6.2011	73,125,000	(73,125,000)	—	—	—
			0.672	30.8.2001 - 12.6.2011	—	18,281,250	(1,092,500)	(131,250)	17,057,500
	2002 (Note 2)	23.9.2002	0.140	23.9.2002 - 25.8.2012	73,500,000	(73,500,000)	—	—	—
			0.560	23.9.2002 - 25.8.2012	—	18,375,000	—	—	18,375,000
	2002	8.1.2004	0.140	8.1.2004 - 25.8.2012	30,000,000	(30,000,000)	—	—	—
			0.560	8.1.2004 - 25.8.2012	—	7,500,000	—	—	7,500,000
	2002	9.1.2004	0.150	9.1.2004 - 25.8.2012	15,000,000	(15,000,000)	—	—	—
			0.600	9.1.2004 - 25.8.2012	—	3,750,000	—	—	3,750,000
Total for employees and consultants					191,625,000	(143,718,750)	(1,092,500)	(131,250)	46,682,500
Grand total					235,625,000	(176,718,750)	(1,092,500)	(131,250)	57,682,500
Exercisable at the end of the year									57,682,500

The weighted average share prices of the Company's shares at dates of exercise by the employees were HK$1.26, HK$1.18 and HK$1.52 per share respectively.

36. SHARE OPTION SCHEME *(Continued)*

2002 Scheme *(Continued)*

Notes:

1. There is a limit on the number of share options under the 2001 Scheme that may be exercised by each grantee during each period of 12 months commencing from 30th August, 2001 (until 29th August, 2006), namely, the aggregate of (a) 20% of the total number of such share options granted and (b) any unused limits accumulated during previous period(s), subject to the written consent of the chairman of the Company to the exercise of share options exceeding such limit.

2. There is a limit on the number of share options under the 2002 Scheme that may be exercised by each grantee during each period of 12 months commencing from 23rd September, 2002 (until 22nd September, 2006), namely, the aggregate of (a) 20% of the total number of such share options granted and (b) any unused limits accumulated during previous period(s), subject to the written consent of the executive chairman of the Company to the exercise of share options exceeding such limit.

3. Following the share consolidation carried out by the Company during the year ended 31st March, 2005, the exercise prices of the share options were adjusted from their initial exercise prices per share of HK$0.140, HK$0.150 and HK$0.168 to adjusted exercise prices per share of HK$0.560, HK$0.60 and HK$0.672 respectively.

4. Mr. Chow Hou Man was appointed as director of the Company on 29th June, 2005 and his holding of share options was reclassified under the category of directors upon the appointment.

37. DISPOSAL OF SUBSIDIARIES

On 28th March, 2006, the Group disposed of its subsidiaries, namely Rapid Growth Profits Limited, Metrorich Worldwide Limited and Island Town Limited, which are engaged in sale and leasing of property. The net assets of disposed subsidiaries at the date of disposal were as follows:

	2006	2005
	HK$'000	HK$'000
Net assets disposed of:		
Investment properties	**—**	44,650
Amount due from an associate	**—**	73,920
Trade and other receivables	**139**	4
Property held for sale	**97,010**	—
Bank balances and cash	**2**	80
Trade and other payables	**(694)**	(264)
Taxation payable	**(399)**	—
Bank loans and overdraft	**(93,000)**	(12,840)
Deferred tax liabilities	**—**	(2,367)
	3,058	103,183
Gain on disposal of subsidiaries	**35,990**	36,070
	39,048	139,253
Satisfied by:		
Cash	**39,048**	139,253
Net cash arising on disposal inflow:		
Cash consideration received	**39,048**	139,253
Bank balances and cash disposed of	**(2)**	(80)
Bank overdraft disposed of	**—**	12,840
	39,046	152,013

The subsidiaries disposed of during the year contributed approximately HK$6,826,000 (2005: HK$122,000) to the Group's turnover and contributed approximately HK$3,332,000 (2005: HK$11,000) to the Group's profit before taxation for the period between 1st April, 2005 and the date of disposal.

The subsidiary disposed of during the year used approximately HK$130,000 (2005: HK$61,537,000) in the Group's net operating cash flows and paid HK$1,364,000 (2005: generated HK$63,000,000) in respect of financing activities.

38. PURCHASE OF SUBSIDIARIES

On 4th April, 2005, the Group acquired a piece of land located in Hong Kong through acquisition of 100% interests in Yieldson Development Limited and Fook Shing Limited for an aggregate consideration of approximately HK$240,000,000. The acquisition has been recorded as purchase of assets.

On 31st March, 2005, the Group acquired 100% interest in Newslink Holdings Limited for consideration of HK$16,000,000. Newslink Holdings Limited is an investment holding company and its subsidiaries are engaged in property holding. The directors are of the view that it is impracticable to disclose the revenue and the result of Newslink Holdings Limited and its subsidiaries for the year ended 31st March, 2005 as if the acquisition had been effected at the beginning of the year since such financial information was not provided by the vendor.

Details of the assets acquired are as follows:

	2005 HK$'000
Net assets acquired:	
Prepaid lease payments	16,000
Other receivables	66
Bank balances and cash	3
Other payables	(147)
	15,922
Goodwill arising on acquisition	78
	16,000
Satisfied by:	
Cash	—
Deposit paid for acquisition of subsidiaries	—
Unlisted debt securities	16,000
	16,000
Analysis of the net outflow of cash and cash equivalents in connection with the purchase of subsidiaries:	
Cash consideration paid	—
Bank balances and cash acquired	3
Inflow of cash and cash equivalents in connection with the purchase of subsidiaries	3

39. MAJOR NON-CASH TRANSACTIONS

During the year ended 31st March, 2006, the major non-cash transactions are as follows:

(a) Acquisition of subsidiaries was partially satisfied by the deposits of HK$35,000,000 paid for acquisition of subsidiaries in the previous year.

During the year ended 31st March, 2005, the major non-cash transactions are as follows:

(a) Addition of property, plant and equipment was partially satisfied by the deposits of HK$2,596,000 paid for acquisition of property, plant and equipment in the prior year.

(b) The consideration for the purchase of a subsidiary was satisfied by the unlisted debt securities with carrying value of HK$16,000,000.

40. OPERATING LEASE COMMITMENTS

The Group has made approximately HK$1,446,000 (2005: HK$767,000) minimum lease payments under operating leases during the year in respect of office premises.

The Group as lessee

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

	2006 HK$'000	2005 HK$'000
Within one year	**1,631**	1,491
In the second to fifth years inclusive	**745**	2,372
	2,376	3,863

Operating lease payments represent rentals payable by the Group for its office premise. Leases are negotiated for a term of three years and rentals are fixed for three years.

40. OPERATING LEASE COMMITMENTS *(Continued)*

The Group as lessor

Property rental income earned during the year was HK$34,314,000 (2005: HK$32,605,000). These properties are expected to generate rental yield of 5.21% (2005: 3.99%) on an ongoing basis, which calculated based on the valuation amount of the investment properties. Certain of the properties have committed tenants for next two to three years.

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

	2006	2005
	HK$'000	HK$'000
Within one year	**25,629**	26,045
In the second to fifth years inclusive	**26,136**	30,550
	51,765	56,595

41. CONTINGENT LIABILITIES

	2006	2005
	HK$'000	HK$'000
Corporate guarantee given by the Group for banking facilities granted to an associate	**36,176**	—

42. PLEDGE OF ASSETS

At 31st March, 2006, the following assets were pledged to secure banking facilities granted to the Group:

(a) Investment properties with a carrying value of HK$622,000,000 (2005: HK$818,000,000).

(b) Property, plant and equipment with a carrying value of approximately HK$1,760,000 (2005: Nil).

(c) Prepaid lease payments with a carrying value of approximately HK$239,726,000 (2005: Nil).

(d) Properties held for sale with carrying value of approximately HK$92,890,000 (2005: HK$227,009,000).

(e) Bank deposits of HK$165,366,000 (2005: HK$5,230,000).

The Group also executed assignments of rental income and sales proceeds on disposal of investment properties and properties held for sale to banks to secure the banking facilities granted to the Group.

43. CAPITAL COMMITMENTS

	2006 **HK$'000**	2005 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	**1,527**	—
Capital expenditure in respect of acquisition of subsidiary contracted for but not provided in the financial statements	**—**	205,000
	1,527	205,000

44. RETIREMENT BENEFIT SCHEME

With effect from 1st December, 2000, the Group has joined a mandatory provident fund scheme ("MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contributions are available to reduce the contributions payables in the future years.

The retirement benefit scheme contributions relating to the MPF Scheme charged to the income statement of HK$309,000 (2005: HK$409,000) represent contributions payable to the scheme by the Group at rates specified in the rules of the schemes.

45. RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following significant transactions with related parties:

Name of Company	**Nature of transactions**	Notes	**2006** **HK$'000**	2005 HK$'000
Cycle Company Limited and Gunnell Properties Limited	Management fee received and receivable by the Group	(i)	**201**	—
Top Mount Limited	Rental income received and receivable by the Group	(ii)	**24**	16

45. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

(i) Cycle Company Limited and Gunnell Properties Limited are wholly-owned subsidiaries of the jointly-controlled entities.

(ii) Top Mount Limited is a wholly-owned subsidiary of Capital Estate Limited, a former associate of the Group.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2006	2005
	HK$'000	HK$'000
Short-term benefits	**6,720**	3,915
Post-employment benefits	**196**	176
	6,916	4,091

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

46. BALANCE SHEET OF THE COMPANY

The balance sheet of the Company as at 31st March, 2006 is as follows:

	2006 HK$'000	2005 HK$'000
Non-Current Assets		
Property, plant and equipment	**42**	104
Interests in subsidiaries	**82,152**	82,152
Club debentures	**5,200**	5,200
Deferred tax assets	**246**	759
	87,640	88,215
Current Assets		
Amounts due from subsidiaries	**689,181**	424,224
Other receivables, deposits and prepayments	**—**	355
Taxation recoverable	**—**	26
Bank balances and cash	**2,454**	3,073
	691,635	427,678
Current Liabilities		
Amounts due to subsidiaries	**113,314**	54,869
Other payables and accrued charges	**221**	306
	113,535	55,175
Net Current Assets	**578,100**	372,503
	665,740	460,718
Capital and Reserves		
Share capital	**23,391**	15,382
Reserves (Note)	**642,349**	445,336
	665,740	460,718

46. BALANCE SHEET OF THE COMPANY *(Continued)*

Note:

Reserves

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1st April, 2004	23,225	338,410	101,108	462,743
Exercise of share options	690	—	—	690
Loss for the year	—	—	(18,097)	(18,097)
At 31st March, 2005	23,915	338,410	83,011	445,336
Issue of new shares	214,150	—	—	214,150
Expenses related to issue of shares	(3,423)	—	—	(3,423)
Exercise of share options	3,308	—	—	3,308
Loss for the year	—	—	(63)	(63)
Dividend paid	—	—	(16,959)	(16,959)
At 31st March, 2006	237,950	338,410	65,989	642,349

47. POST BALANCE SHEET EVENTS

(1) On 6th March, 2006, Infast Limited , a wholly-owned subsidiary of the Company entered into a binding provisional agreement with an independent third party for the disposal of the investment property of a carrying value of approximately HK$42,000,000 at an aggregate consideration of HK$42,300,000. The transaction was completed on 10th May, 2006.

(2) On 13th April, 2006, Fook Shing Limited and Yieldson Development Limited, wholly-owned subsidiaries of the Company entered into a binding provisional agreement with an independent third party for the disposal of prepaid lease payments of a carrying value of approximately HK$239,726,000 at an aggregate consideration of HK$337,000,000. The transaction was completed on 30th June, 2006.

(3) On 17th May, 2006, the Company entered into placing agreements with a placing agent in which the placing agent agreed to procure subscribers to subscribe 211,500,000 new ordinary shares of HK$0.04 each at the subscription price of HK$1.59 per share on a best-efforts basis. On the same day, the Company entered into a placing agreement with Earnest Equity, one of the Company's substantial shareholder in relation to the placing of up to 102,000,000 new ordinary shares at a price of HK$1.59 per share.

On the same day, the Company entered into subscription agreements with Earnest Equity and other independent third parties in which Earnest Equity and the independent third parties agreed to subscribe for convertible notes in an aggregate principal amount of HK$133,000,000. The convertible notes bear interest at 1.5% per annum and due for redemption 5 years after the date of issue. The holders of the convertible notes are entitled at any time during the period from the date of issue to 12th June, 2016 to convert the convertible notes into shares of the Company at an initial conversion price of HK$1.86 per share, subject to adjustment.

On the same day, the Group also entered into a sales and purchase agreement with Aqua Sole Company Limited ("Aqua Sole"), a company wholly and beneficially owned by Mr. Chung Cho Yee, Mico, a non-executive director and a substantial shareholder of the Company. Pursuant to the sales and purchase agreement, the Group agreed to acquire the entire equity interest in Sky Dragon Limited ("Sky Dragon") and the shareholders' loan owned to Aqua Sole at an aggregate consideration of HK$69,000,000. Sky Dragon is engaged in property investment in Hong Kong and its major asset is a property located in Hong Kong.

As there is no audited financial information of Sky Dragon acquired by the Group subsequent to the balance sheet date at the date of acquisition, in the opinion of directors of the Company, it was impracticable to quantify the amounts recognised at the date of acquisition for each class of assets, liabilities and contingent liabilities of this company.

(4) On 29th May, 2006, the Company entered into the corporate guarantee agreement with a bank pursuant to which the Company agreed to guarantee the due performance of the repayment obligation of a bank loan of HK$71,800,000 of Great Fidelity Limited, a company owned as to 25% by the Group, to finance the acquisition consideration and the construction costs of a redevelopment site.

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

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

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Proportion of nominal value of issued share capital held by the Company Directly %	Indirectly %	Principal activities
Bless Top Holdings Ltd.	British Virgin Islands	US$1	100	—	Investment holding
Gain Master Assets Limited	British Virgin Islands/ Hong Kong	US$1	—	100	Investment holding
Fook Shing Limited	Hong Kong	HK$10,000	—	100	Holding of property held for development
Infast Limited	Hong Kong	HK$2	—	100	Property holding
Yieldson Development Limited	Hong Kong	HK$10,000	—	100	Holding of property held for development
Mark Well Investment Limited	Hong Kong	HK$100	100	—	Sale of securities and investment holding
Capital Strategic Investment (B.V.I.) Limited	British Virgin Islands/ Hong Kong	US$40,000	100	—	Investment holding
Ocean Information System (China) Limited	Hong Kong	HK$2	—	100	Investment holding
CSI Investment Limited	Hong Kong	HK$2	—	100	Property holding and leasing of property
Sennor Holdings Limited	Hong Kong	HK$2	—	100	Property holding and leasing of property
Gaintech International Development Limited	Hong Kong	HK$10,000	—	100	Holding of property held for development

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

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