1. CORPORATE INFORMATION

Coastal Greenland Limited is a limited liability company incorporated in Bermuda. During the year, the Group was involved in the following principal activities:

- property development
- property investment
- provision of property management services

In the opinion of the directors, the controlling shareholder of the Company is Coastal International Holdings Limited ("CIH"), which is incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, buildings, derivative financial liability and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries and jointly-controlled entities for the year ended 31 March 2006. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The Group's interests in its jointly-controlled entities are accounted for by proportionate consolidation from the date on which joint control over the jointly-controlled entities is established, which involves recognising in the consolidated financial statements a proportionate share of each of the jointly-controlled entities' assets, liabilities, income and expenses with similar items on a line-by-line basis.

All significant intercompany balances and transactions, including unrealised profits arising from intercompany transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

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

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 2, 7, 8, 10, 11, 12, 14, 16, 18, 19, 20, 23, 28, 33, 37, 38 and HKFRSs 2 and 5, HK(SIC)-Int 21 and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. In addition, in prior periods, the Group's share of tax attributable to associates was presented as a component of the Group's total tax charge/(credit) in the consolidated income statement. Upon the adoption of HKAS 1, the Group's share of the post-acquisition results of associates is presented net of the Group's share of tax attributable to associates.

HKAS 21 had no material impact on the Group. As permitted by the transitional provisions of HKAS 21, goodwill arising in a business combination prior to 1 January 2005 and fair value adjustments arising on that acquisition are deemed to be in the currency of the Company. In respect of acquisitions subsequent to 1 January 2005, any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of the assets and liabilities are treated as assets and liabilities of the foreign operation and are translated at the closing rate in accordance with HKAS 21.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 17 – Leases

In prior years, leasehold land and buildings held for own use were stated at valuation less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term, whereas the leasehold building is stated at valuation less accumulated depreciation and any impairment losses.

The effects of the above change are summarised in note 2.4 to the financial statements.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) HKAS 31 – Interests in Joint Ventures

Upon the adoption of HKAS 31, the Group is allowed to adopt the proportionate consolidation method for investments in jointly-controlled entities. The Group has determined to change the accounting policy for investments in jointly-controlled entities from the equity method to the proportionate consolidation method. Such change in accounting policy was accounted for retrospectively and involved recognising a proportionate share of the jointly-controlled entities' assets, liabilities, income and expenses into similar items in the consolidated financial statements on a line-by-line basis. However, such treatment has had no impact on the Group's net profit for the year ended 31 March 2006 and the net assets as at 31 March 2006.

The effects of the above changes are summarised in note 2.4 to the financial statements. The change has been adopted retrospectively from the earliest period presented and comparative amounts have been restated.

(c) HKAS 32 and HKAS 39 – Financial Instruments

In prior years, the Group classified its investments in equity securities and club membership debenture as long term investments, which were held on a continuing basis and were stated at cost less any impairment losses. Upon the adoption of HKAS 39, these securities held by the Group at 1 April 2005 in the amount of HK$19,240,000 are designated as available-for-sale investments under the transitional provisions of HKAS 39 and accordingly are measured in accordance with the new accounting policies described in note 2.5 "Summary of Significant Accounting Policy" below.

The adoption of HKAS 39 has not resulted in any change in the measurement of these investments. Comparative amounts have been reclassified for presentation purposes.

(d) HKAS 40 – Investment Property

In prior years, changes in the fair values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. In accordance with the transitional provisions of HKAS 40, the opening balance of retained profits has been restated to reflect this change prospectively. The effects of the above change are summarised in note 2.4 to the financial statements.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(e) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior years, negative goodwill arising on acquisitions prior to 1 January 2001 were credited to the consolidated capital reserve in the year of acquisition and were not recognised in the income statement until disposal or impairment of the acquired businesses.

Goodwill arising on acquisitions on or after 1 January 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets.

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired).

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 April 2005 the carrying amounts of accumulated amortisation with a corresponding adjustment to the cost of goodwill and to derecognise at 1 April 2005 the carrying amounts of negative goodwill (including that remaining in the consolidated capital reserve) against retained profits.

The effects of the above changes are summarised in note 2.4 to the financial statements. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

(f) HKAS 27 – Consolidated and Separate Financial Statements

In the prior year, the Group's interest in certain subsidiaries was classified as short term investment because the Group's control over these subsidiaries was intended to be temporary and they were acquired and held exclusively with a view to its subsequent disposal in the near future. Upon the adoption of HKAS 27, these subsidiaries are consolidated into the Group's financial statements retrospectively. The effects of the above change are summarised in note 2.4 to the financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective for annual periods beginning on or after 1 December 2005)
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 1 March 2006)
HK(IFRIC)-Int 8	Scope of HKFRS 2 (effective for annual periods beginning on or after 1 May 2006)
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006)

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 7 will replace HKAS 32 and has modified the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18. The adoption of the amendments to HKAS 39 regarding financial guarantee contracts is expected to result in the recognition of a financial liability in the Group's consolidated balance sheet and in the Company's balance sheet in respect of guarantees given by the Group and the Company in connection with banking facilities granted to buyers of properties developed by the Group and a property of which the sales are underwritten by the Group, and the subsidiaries of the Company, respectively, in the year of initial adoption.

The HKAS 19 Amendment, HKAS 39 Amendment regarding cash flow hedge accounting of forecast intragroup transactions, HKFRSs 1 and 6 Amendments, HKFRS 6, HK(IFRIC)-Int 5, HK(IFRIC)-Int 6, HK(IFRIC)-Int 7 and HK(IFRIC)-Int 8 do not apply to the activities of the Group.

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheet

At 1 April 2005	Effect of adopting						
	HKAS 1#	HKAS 17#	HKAS 27#	HKAS 31#	HKAS 40*	HKFRS 3*	
Effect of new policies (Increase/(decrease))	Presentation	Prepaid land lease payments	Consolidation of subsidiaries acquired exclusively with a view to resale	Proportionate consolidation of jointly-controlled entities	Surplus on revaluation of investment properties	Derecognition of negative goodwill	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets							
Property, plant and equipment	(458,184)	(5,587)	–	605	–	–	(463,166)
Investment properties	458,184	–	64,323	–	–	–	522,507
Prepaid land lease payments	–	4,933	–	–	–	–	4,933
Goodwill	–	–	–	57,694	–	–	57,694
Negative goodwill	–	–	–	–	–	119,706	119,706
Interests in jointly-controlled entities	–	–	–	(207,855)	–	–	(207,855)
Prepayments, deposits and other receivables	–	–	–	82,045	–	–	82,045
Short term investment	–	–	(61,604)	–	–	–	(61,604)
Properties under development	–	–	–	410,912	–	–	410,912
Cash and bank balances	–	–	–	23,600	–	–	23,600
	–	(654)	2,719	367,001	–	119,706	488,772
Liabilities/equity							
Trade payables	–	–	–	26,004	–	–	26,004
Tax payable	–	–	1,174	–	–	–	1,174
Other payables and accruals	–	–	1,545	69,825	–	–	71,370
Amounts due to jointly-controlled entities	–	–	–	79,556	–	–	79,556
Interest-bearing bank and other borrowings	–	–	–	152,579	–	–	152,579
Deferred tax liabilities	–	(113)	–	39,037	–	–	38,924
Retained profits	–	(17)	–	–	18,979	129,558	148,520
Capital reserve	–	–	–	–	–	(9,852)	(9,852)
Leasehold property revaluation reserve	–	(524)	–	–	–	–	(524)
Investment property revaluation reserve	–	–	–	–	(18,979)	–	(18,979)
	–	(654)	2,719	367,001	–	119,706	488,772

* Adjustments taken effect prospectively from 1 April 2005

\# Adjustments/presentation taken effect retrospectively

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Effect on the consolidated balance sheet *(Continued)*

At 31 March 2006 Effect of new policies (Increase/(decrease))	Effect of adopting HKAS 1 Presentation HK$'000	HKAS 17 Prepaid land lease payments HK$'000	HKAS 31 Proportionate consolidation of jointly-controlled entities HK$'000	HKFRS 3 Discontinuation of amortisation of goodwill and derecognition of negative goodwill HK$'000	Total HK$'000
Assets					
Property, plant and equipment	(302,765)	(4,708)	922	–	(306,551)
Investment properties	302,765	–	–	–	302,765
Prepaid land lease payments	–	4,819	–	–	4,819
Goodwill	–	–	57,685	(2,363)	55,322
Negative goodwill	–	–	–	119,706	119,706
Interests in jointly-controlled entities	–	–	(268,152)	–	(268,152)
Prepayments, deposits and other receivables	–	–	322,807	–	322,807
Tax recoverable	–	–	12,168	–	12,168
Properties under development	–	–	234,278	–	234,278
Cash and bank balances	–	–	45,396	–	45,396
	–	111	405,104	117,343	522,558
Liabilities/equity					
Trade payables	–	–	34,267	–	34,267
Other payables and accruals	–	–	147,515	–	147,515
Amounts due to jointly-controlled entities	–	–	78,911	–	78,911
Interest-bearing bank and other borrowings	–	–	104,010	–	104,010
Deferred tax liabilities	–	–	40,401	–	40,401
Retained profits	–	111	–	127,195	127,306
Capital reserve	–	–	–	(9,852)	(9,852)
	–	111	405,104	117,343	522,558

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) Effect on the balances of equity at 1 April 2004 and at 1 April 2005

Effect of new policies (Increase/(decrease))	Effect of Adopting HKAS 40 Surplus on revaluation of investment properties HK$'000	HKFRS 3 Derecognition of negative goodwill HK$'000	HKAS 17 Prepaid land lease payments HK$'000	Total HK$'000
1 April 2004				
Leasehold property revaluation reserve	–	–	(524)	(524)
Properties held for development revaluation reserve	–	–	(13,362)	(13,362)
Retained profits	–	–	1,902	1,902
	–	–	(11,984)	(11,984)
1 April 2005				
Capital reserve	–	(9,852)	–	(9,852)
Leasehold property revaluation reserve	–	–	(524)	(524)
Investment property revaluation reserve	(18,979)	–	–	(18,979)
Retained profits	18,979	129,558	(17)	148,520
	–	119,706	(541)	119,165

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

(c) Effect on the consolidated income statement for the years ended 31 March 2006 and 2005

	Effect of adopting				
	HKAS 17	HKAS 31	HKAS 40	HKFRS 3	
Effect of new policies	Prepaid land lease payments	Proportionate consolidation of jointly-controlled entities	Surplus on revaluation of investment properties	Discontinuation of amortisation of goodwill and recognition of negative goodwill as income	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 March 2006					
Increase in other income and gains	–	–	1,681	–	1,681
Decrease/(increase) in administrative expenses	111	(25)	–	–	86
Increase in other expenses	–	(5)	–	(14,960)	(14,965)
Increase in share of losses of jointly-controlled entities	–	(220)	–	–	(220)
Decrease/(increase) in tax	–	250	(555)	–	(305)
Total increase/(decrease) in profit	111	–	1,126	(14,960)	(13,723)
Increase/(decrease) in basic earnings per share	0.01	–	0.05	(0.73)	(0.67)
Increase/(decrease) in diluted earnings per share	0.01	–	0.05	(0.67)	(0.61)
Year ended 31 March 2005					
Increase in administrative expenses	(1,919)	–	–	–	(1,919)
Increase in other expenses	–	(1,049)	–	–	(1,049)
Decrease in other income	–	(1,944)	–	–	(1,944)
Decrease in share of losses of jointly-controlled entities	–	2,993	–	–	2,993
Total decrease in profit	(1,919)	–	–	–	(1,919)
Decrease in basic earnings per share	(0.09)	–	–	–	(0.09)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

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

Joint ventures

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

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

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

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

The Group's interests in its jointly-controlled entities are accounted for by proportionate consolidation, which involves recognising its share of the jointly-controlled entities' assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

Goodwill

Goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

* represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

* is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 "Segment Reporting".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005 (Continued)

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Excess over the cost of business combinations (applicable to business combinations for which the agreement date is on or after 1 January 2005)

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Valuations in respect of buildings are performed frequently enough to ensure that the fair value thereof does not differ materially from their carrying amounts. Changes in the values of buildings are dealt with as movements in the leasehold property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2% to 5%
Leasehold improvements	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in the income statement.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Properties held for development

Properties held for development include the costs for obtaining the right to occupy, use and develop land, certain fees for altering the intended use of land and resettlement costs, and are stated at cost less any impairment losses.

Properties under development and properties under development for sale

Properties under development are stated at cost less any impairment losses. Cost includes all costs attributable to such developments, including financial charges.

Properties under development, which have been pre-sold after 1 April 2004, are stated at cost less any impairment losses. Revenue is only recognised upon completion of the development. Sales deposits/instalments received and receivable from purchasers in respect of the pre-sale of properties under development prior to completion of the development are included in current liabilities.

Properties under development which either have been pre-sold or, are intended for sale and are expected to be completed within one year from the balance sheet date are classified under current assets.

Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and building costs attributable to unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices, on an individual property basis.

Leases

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment and other financial assets

Applicable to the year ended 31 March 2005:

Long term investments

Long term investments which are intended to be held on a continuing basis are stated at cost less any impairment losses, on an individual investment basis.

When a decline in the fair value of a security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amount of the security is reduced to its fair value, as estimated by the directors. The amount of the impairment is charged to the income statement for the period in which it arises. When the circumstances and events which led to an impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the income statement to the extent of the amount previously charged.

Applicable to the year ended 31 March 2006:

Financial assets in the scope of HKAS 39 are classified as loans and receivables or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment and other financial assets *(Continued)*

Applicable to the year ended 31 March 2006: *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other category. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets (applicable to the year ended 31 March 2006)

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (applicable to the year ended 31 March 2006) *(Continued)*

Assets carried at amortised cost (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss.

Derecognition of financial assets (applicable to the year ended 31 March 2006)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets (applicable to the year ended 31 March 2006) *(Continued)*

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of foreign currency denominated convertible bonds, the fair value of the embedded derivatives is determined and the embedded derivatives are accounted for as a derivative financial liability, net of transaction costs, which is measured at fair value with movement to profit or loss. The remainder of the proceeds is allocated to the liability component which is carried as a liability on the amortised cost basis until extinguished on conversion or redemption.

Derecognition of financial liabilities (applicable to the year ended 31 March 2006)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Cash and cash equivalents

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

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

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes related to the same taxable entity and the same taxation authority.

Revenue recognition

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

(a) from the sale of completed properties, when the legally binding unconditional sale contracts are signed and exchanged;

(b) from the pre-sale of properties under development, upon the completion of the development;

(c) rental income, in the period in which the properties are let out on the straight-line basis over the lease terms;

(d) property management income, when the related management services are provided; and

(e) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Paid leave carried forward

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

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. The PRC subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. The capitalisation rate for the year is based on the actual cost of the related borrowings. All other borrowing costs are recognised as expenses in the period in which they are incurred.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Dividends

Final dividends proposed by the directors are classified as a separate allocation of contributed surplus or retained profits, if any, within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries, jointly-controlled entities and associates are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

Land appreciation taxes

PRC land appreciation tax is levied on the appreciation of land value, being the proceeds from the sales of properties less deductible expenditure including the amortisation of land use rights, borrowing costs and all property development expenditure.

The subsidiaries of the Group engaging in property development business in the PRC are subject to land appreciation taxes, which have been included in the cost of sales. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its land appreciation tax returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the cost of sales and provisions for land appreciation taxes in the period in which such determination is made.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty

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

Impairment testing of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the fair value less costs to sell of the cash-generating units to which the goodwill is allocated. Estimating the fair value less costs to sell requires the Group to make an estimate of the fair value of the assets of the cash-generating unit. The carrying amount of goodwill at 31 March 2006 was HK$66,247,000 (2005: HK$66,247,000). Further details are given in note 20.

Current tax and deferred tax

The Group is subject to corporate income taxes in the PRC. Significant judgement is required in determining the amount of the provision for taxes and the timing of payment of the related taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Estimated write-downs of properties under development for sale and completed properties for sale

The Group writes down properties under development for sale and completed properties for sale to net realisable value based on assessment of the realisability of properties under development for sale and completed properties for sale, taking into account costs to completion based on past experience and net sales value based on past experience and net sales value based on prevailing market conditions. If there is an increase in cost to completion or a decrease in net sales value, the net realisable value will decrease and this might result in write-downs of properties under development for sale and completed properties of sale to net realisable value. Write-downs are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgements and estimates. Where the expectation is different will impact on the carrying value and write-downs of properties under development for sale and completed properties for sale in the periods in which such estimate is changed.

Measurement of convertible bonds and estimation of fair value of derivative financial liability

On issuance of foreign currency denominated convertible bonds, the fair value of the embedded derivatives is determined and the embedded derivatives are accounted for as a derivative financial liability. The remainder of the proceeds is allocated to the liability component which is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The fair value of the derivative financial liability is reassessed at each balance sheet date with movement to profit or loss. In estimating the fair value of the derivative financial liability, the Group uses independent valuation which is based on various assumptions and estimates.

4. SEGMENT INFORMATION

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

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

(a) the property development segment engages in the development of properties in the PRC;

(b) the property investment segment invests in commercial and residential properties located in the PRC for their rental income potential;

(c) the property management segment engages in the management of properties in the PRC; and

(d) the corporate and others segment mainly engages in investment holding.

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

There were no intersegment sales and transfers during the year (2005: Nil).

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments

The following table presents revenue and profit for the Group's business segments.

	Property development		Property investment		Property management		Corporate and others		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
		(Restated)								(Restated)
Segment revenue:										
Sales to external customers	**742,927**	524,988	**12,601**	24,836	**3,579**	3,090	**–**	–	**759,107**	552,914
Segment results	**175,433**	108,520	**45,056**	67,589	**(1,050)**	(3,427)	**(32,335)**	(7,679)	**187,104**	165,003
Interest income									**312**	180
Finance costs									**(15,574)**	(19,716)
Share of loss of an associate	**–**	(433)	**–**	–	**–**	–	**–**	–	**–**	(433)
Amortisation of goodwill on acquisition of an associate	**–**	(162)	**–**	–	**–**	–	**–**	–	**–**	(162)
Profit before tax									**171,842**	144,872
Tax									**(65,781)**	(43,661)
Profit for the year									**106,061**	101,211

The following table presents certain asset, liability and expenditure information for the Group's business segments.

	Property development		Property investment		Property management		Corporate and others		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
										(Restated)
Segment assets	**4,976,611**	3,996,239	**321,281**	524,165	**12,501**	13,295	**87,415**	16,817	**5,397,808**	4,550,516
Unallocated assets									**560**	19,240
Total assets									**5,398,368**	4,569,756
Segment liabilities	**1,218,621**	781,444	**27,707**	177,787	**12,039**	5,672	**9,191**	16,766	**1,267,558**	981,669
Unallocated liabilities									**2,484,084**	2,207,466
Total liabilities									**3,751,642**	3,189,135

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Property development		Property investment		Property management		Corporate and others		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)
Other segment information:										
Depreciation	**4,318**	1,978	**115**	5,983	**209**	509	**601**	589	**5,243**	9,059
Amortisation of prepaid land lease payments	**–**	–	**114**	114	**–**	–	**–**	–	**114**	114
Revaluation deficit on buildings	**–**	–	**–**	–	**–**	–	**–**	365	**–**	365
Amortisation of goodwill	**–**	1,875	**–**	–	**–**	–	**–**	–	**–**	1,875
(Write-back of provision)/ Provision for prepayment	**(4,355)**	14,000	**–**	–	**–**	–	**–**	–	**(4,355)**	14,000
(Gain)/loss on disposal of items of property, plant and equipment	**(98)**	90	**4**	–	**21**	–	**38**	576	**(35)**	666
Gain on disposal of investment properties	**–**	–	**19,436**	53,903	**–**	–	**–**	–	**19,436**	53,903
Reversal of business tax provision	**–**	–	**7,901**	10,655	**–**	–	**–**	–	**7,901**	10,655
Waiver of loan and interest payables	**–**	13,685	**–**	–	**–**	–	**–**	–	**–**	13,685
Gain on disposal of subsidiaries	**–**	47,966	**25,801**	–	**–**	–	**–**	–	**25,801**	47,966
Excess over the cost of acquisition of additional interest in a subsidiary	**–**	–	**17,323**	–	**–**	–	**–**	–	**17,323**	–
Change in fair value of investment properties	**–**	–	**1,681**	–	**–**	–	**–**	–	**1,681**	–
Fair value loss on derivative liability component of convertible bonds	**–**	–	**–**	–	**–**	–	**26,643**	–	**26,643**	–
Capital expenditure	**2,074**	1,786	**15**	6,935	**100**	46	**911**	2,127	**3,100**	10,894

4. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

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

Group	Hong Kong		Mainland China		Corporate and others		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
								(Restated)
Segment revenue:								
Sales to external customers	**–**	–	**759,107**	552,914	**–**	–	**759,107**	552,914
Other segment information:								
Segment assets	**23**	205	**5,310,930**	4,562,343	**87,415**	7,208	**5,398,368**	4,569,756
Capital expenditure	**–**	–	**3,012**	9,429	**88**	1,465	**3,100**	10,894

5. REVENUE

Revenue, which is also the Group's turnover, represents gross proceeds, net of returns, from the sale of properties, together with gross rental income and property management income.

Included in the Group's turnover is revenue arising from the following activities:

	Group	
	2006	2005
	HK$'000	HK$'000
Sale of properties	**742,927**	524,988
Gross rental income	**12,601**	24,836
Property management income	**3,579**	3,090
	759,107	552,914

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Note	Group 2006 HK$'000	Group 2005 HK$'000 (Restated)
Cost of properties for sale sold		**499,671**	405,086
Depreciation	15	**6,533**	9,532
Less: Amounts capitalised in properties under development		**(1,290)**	(473)
		5,243	9,059
Minimum lease payments under operating leases for land and buildings		**3,286**	2,743
Less: Amounts capitalised in properties under development		**(1,462)**	(1,731)
		1,824	1,012
Auditors' remuneration		**1,600**	1,200
Staff costs (including directors' remuneration – note 8)		**33,821**	28,328
Pension scheme contributions		**3,012**	2,198
Less: Amounts capitalised in properties under development		**(12,041)**	(10,656)
		24,792	19,870

6. PROFIT BEFORE TAX *(Continued)*

	Notes	Group 2006 HK$'000	Group 2005 HK$'000 (Restated)
Provision for long service payments	31	**190**	57
Provision/(write-back of provision) for prepayment*		**(4,355)**	14,000
(Gain)/loss on disposal of items of property, plant and equipment		**(35)**	666
Gain on disposal of investment properties#		**(19,436)**	(53,903)
Revaluation deficit on buildings	15	**–**	365
Fair value loss on derivative liability component of convertible bonds*		**26,643**	–
Amortisation of goodwill*	20	**–**	1,875
Amortisation of prepaid land lease payments**	17	**114**	114
Bank interest income#		**(312)**	(180)
Foreign exchange differences, net		**3,366**	484
Gross rental income		**(12,601)**	(24,836)
Less: Outgoings		**5,415**	8,409
Net rental income		**(7,186)**	(16,427)
Change in fair value of investment properties	16	**1,681**	–
Reversal of business tax provision#		**(7,901)**	(10,655)
Waiver of loan and interest payables#		**–**	(13,685)
Gain on disposal of subsidiaries#	35	**(25,801)**	(47,966)
Excess over the cost of acquisition of additional interest in a subsidiary#		**(17,323)**	–

* Included in "Other expenses, net" on the face of the consolidated income statement.

** Included in "Administrative expenses" on the face of the consolidated income statement.

\# Included in "Other income and gains" on the face of the consolidated income statement.

7. FINANCE COSTS

	Group 2006 HK$'000	Group 2005 HK$'000 (Restated)
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**108,012**	76,387
Interest on convertible bonds	**5,085**	–
Interest on other loans	**9,617**	4,611
	122,714	80,998
Less: Amounts capitalised in properties under development	**(107,140)**	(61,282)
	15,574	19,716

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group 2006 HK$'000	Group 2005 HK$'000
Fees:		
Executive directors	**–**	–
Non-executive director	**10**	10
Independent non-executive directors	**260**	150
Executive directors' other emoluments:		
Salaries, allowances and benefits in kind	**5,576**	6,005
Pension scheme contributions	**60**	60
	5,906	6,225

8. DIRECTORS' REMUNERATION *(Continued)*

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2006	2005
	HK$'000	HK$'000
Mr. Tang Lap Yan	**100**	50
Mr. Law Kin Ho	**80**	50
Mr. Wong Kai Cheong	**80**	50
	260	150

There were no other emoluments payable to the independent non-executive directors during the year (2005: Nil).

(b) Executive directors and a non-executive director

	Fees	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Total remuneration**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
2006				
Executive directors:				
Mr. Chan Boon Teong	**–**	**1,403**	**12**	**1,415**
Mr. Jiang Ming	**–**	**1,794**	**12**	**1,806**
Mr. Tao Lin	**–**	**780**	**12**	**792**
Mr. Cheng Wing Bor	**–**	**1,300**	**12**	**1,312**
Mr. Lin Chen Hsin	**–**	**299**	**12**	**311**
	–	**5,576**	**60**	**5,636**
Non-executive director:				
Mr. Zheng Hong Qing	**10**	**–**	**–**	**10**
	10	**5,576**	**60**	**5,646**

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and a non-executive director *(Continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2005				
Executive directors:				
Mr. Chan Boon Teong	–	1,511	12	1,523
Mr. Jiang Ming	–	1,932	12	1,944
Mr. Tao Lin	–	840	12	852
Mr. Cheng Wing Bor	–	1,400	12	1,412
Mr. Lin Chen Hsin	–	322	12	334
	–	6,005	60	6,065
Non-executive director:				
Mr. Zheng Hong Qing	10	–	–	10
	10	6,005	60	6,075

All of the executive directors agreed to waive their entitlements to directors' fees totalling HK$50,000 (2005: HK$50,000) for the year. Other than this, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included four (2005: four) directors, details of whose remuneration are set out in note 8 above. The remuneration of the remaining one (2005: one) non-director, highest paid individual for the year fell within the band of Nil – HK$1,000,000, details of which are as follows:

	Group 2006 HK$'000	Group 2005 HK$'000
Basic salaries and bonuses	**615**	602
Pension scheme contributions	**12**	12
	627	614

10. TAX

	Group 2006 HK$'000	Group 2005 HK$'000
Group:		
Current – Elsewhere		
Charge for the year	**81,162**	69,157
Overprovision in prior year	**(3,396)**	–
Deferred tax (note 30)	**(11,985)**	(25,496)
Total tax charge for the year	**65,781**	43,661

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits arising in Hong Kong during the year (2005: Nil).

The Group's profits tax represents tax charges on the assessable profits of subsidiaries and jointly-controlled entities operating in the PRC calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations in the PRC, certain of the Group's subsidiaries enjoy reductions and preferential tax rates.

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and its subsidiaries and jointly-controlled entities, are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group – 2006

	Hong Kong HK$'000	Hong Kong %	Mainland China HK$'000	Mainland China %	Total HK$'000	Total %
Profit before tax	**(21,618)**		**193,460**		**171,842**	
Tax at the statutory tax rate	**(3,783)**	**17.5**	**63,842**	**33.0**	**60,059**	**35.0**
Tax effect of tax losses not recognised	**3,609**	**(16.7)**	**10,924**	**5.6**	**14,533**	**8.5**
Lower tax rate for specific provinces or local authority	**–**	**–**	**(7,023)**	**(3.6)**	**(7,023)**	**(4.1)**
Adjustment in respect of current tax of previous period	**–**	**–**	**(3,396)**	**(1.7)**	**(3,396)**	**(2.0)**
Income not subject to tax	**(4,865)**	**22.5**	**(11,511)**	**(6.0)**	**(16,376)**	**(9.5)**
Expenses not deductible for tax	**5,039**	**(23.3)**	**12,945**	**6.7**	**17,984**	**10.5**
Tax charge at the Group's effective rate	**–**	**–**	**65,781**	**34.0**	**65,781**	**38.3**

10. TAX (Continued)

Group – 2005

	Hong Kong HK$'000	%	Mainland China HK$'000	%	Total HK$'000	%
Profit before tax	24,618		120,254		144,872	
Tax at the statutory tax rate	4,308	17.5	39,684	33.0	43,992	30.4
Tax effect of tax losses not recognised	4,411	17.9	13,338	11.1	17,749	12.3
Lower tax rate for specific provinces or local authority	–	–	(2,531)	(2.1)	(2,531)	(1.7)
Income not subject to tax	(8,719)	(35.4)	(8,032)	(6.7)	(16,751)	(11.6)
Expenses not deductible for tax	–	–	4,620	3.8	4,620	3.1
Tax losses from previous periods utilised	–	–	(3,418)	(2.8)	(3,418)	(2.4)
Tax charge at the Group's effective rate	–	–	43,661	36.3	43,661	30.1

11. PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit for the year attributable to equity holders of the Company includes a loss dealt with in the financial statements of the Company amounting to approximately HK$46,768,000 (2005: HK$18,079,000) (note 34(b)).

12. DIVIDENDS

	2006 HK$'000	2005 HK$'000
Interim – HK1 cent (2005: Nil) per ordinary share	**21,053**	–
Proposed final – HK1 cent (2005: Nil) per ordinary share	**22,129**	–
	43,182	–

The amount of the proposed final dividend is calculated based on 2,212,900,000 shares expected to be in issue for the period from 7 September 2006 to 11 September 2006, being the book close date for entitlement of the final dividend, comprising 2,105,250,000 shares in issue as at 31 March 2006 and additional 107,650,000 shares issued in April and June 2006 upon exercise of share options and conversion of convertible bonds subsequent to 31 March 2006. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the net profit for the year attributable to ordinary equity holders of the Company of HK$105,035,000 (2005: HK$102,403,000 (as restated)), and the weighted average number of 2,047,595,890 (2005: 2,024,000,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share amount is based on the net profit for the year attributable to ordinary equity holders of the Company for the year of HK$105,035,000, after adjusting for the interest saved of HK$5,085,000 (note 7) upon the deemed conversion of all convertible bonds at the date of issue and the weighted average number of 2,217,035,843 shares in issue during the year. The weighted average number of shares used in the calculation is the weighted average number of 2,047,595,890 shares in issue during the year, as used in the basic earnings per share calculation and the weighted average number of 169,439,953 shares assumed to have been issued at no consideration on the deemed exercise of share options and deemed conversion of convertible bonds into 22,789,268 shares and 146,650,685 shares, respectively.

As the exercise price of the outstanding share options was higher than the average market price of the Company's shares during the year ended 31 March 2005, the outstanding share options had no dilution effect on the basic earnings per share for the year ended 31 March 2005.

14. INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	HK$'000
Unlisted shares, at cost	**2,699,385**	2,465,383
Amounts due from subsidiaries	**457,844**	455,548
	3,157,229	2,920,931
Less: Provision for impairment	**(1,785,798)**	(1,785,798)
	1,371,431	1,135,133

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Further particulars of the principal subsidiaries are set out in note 43 to the financial statements.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Leasehold improve-ments HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2006					
At 31 March 2005 and at 1 April 2005:					
Cost or valuation	8,973	26,804	13,751	10,173	59,701
Accumulated depreciation	(1,005)	(16,574)	(7,979)	(4,539)	(30,097)
Net carrying amount	7,968	10,230	5,772	5,634	29,604
At 1 April 2005, net of accumulated depreciation	7,968	10,230	5,772	5,634	29,604
Additions	–	–	2,512	588	3,100
Disposals	(280)	–	(328)	(79)	(687)
Disposal of subsidiaries (note 35)	–	(6,978)	(144)	(53)	(7,175)
Deficit on revaluation	(365)	–	–	–	(365)
Depreciation provided during the year	(612)	(2,386)	(2,070)	(1,465)	(6,533)
Exchange realignment	359	(215)	195	220	559
At 31 March 2006, net of accumulated depreciation	7,070	651	5,937	4,845	18,503
At 31 March 2006:					
Cost or valuation	7,902	1,581	14,870	10,573	34,926
Accumulated depreciation	(832)	(930)	(8,933)	(5,728)	(16,423)
Net carrying amount	7,070	651	5,937	4,845	18,503
Analysis of cost or valuation:					
At cost	–	1,581	14,870	10,573	27,024
At 31 March 2006 valuation	7,902	–	–	–	7,902
	7,902	1,581	14,870	10,573	34,926

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group

	Buildings HK$'000	Leasehold improve-ments HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000 (Restated)
31 March 2005					
At 1 April 2004:					
Cost or valuation	11,729	21,934	11,349	9,192	54,204
Accumulated depreciation	(2,914)	(12,424)	(6,262)	(3,344)	(24,944)
Net carrying amount	8,815	9,510	5,087	5,848	29,260
At 1 April 2004, net of accumulated depreciation	8,815	9,510	5,087	5,848	29,260
Additions	–	6,711	2,270	1,913	10,894
Acquisition of subsidiaries (note 36(b))	–	–	550	–	550
Acquisition of a jointly-controlled entity	–	–	294	311	605
Disposals	(34)	(750)	(318)	(698)	(1,800)
Disposal of subsidiaries (note 35)	–	–	(8)	–	(8)
Deficit on revaluation	(365)	–	–	–	(365)
Depreciation provided during the year	(448)	(5,241)	(2,103)	(1,740)	(9,532)
At 31 March 2005, net of accumulated depreciation and	7,968	10,230	5,772	5,634	29,604
At 31 March 2005:					
Cost or valuation	8,973	26,804	13,751	10,173	59,701
Accumulated depreciation	(1,005)	(16,574)	(7,979)	(4,539)	(30,097)
Net carrying amount	7,968	10,230	5,772	5,634	29,604
Analysis of cost or valuation:					
At cost	–	26,804	13,751	10,173	50,728
At 31 March 2005 valuation	8,973	–	–	–	8,973
	8,973	26,804	13,751	10,173	59,701

The Group's buildings were revalued individually at 31 March 2006 by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at HK$7,902,000 on an open market, existing use basis.

Had the Group's buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK$5,788,000 (2005: HK$5,615,000 (restated)).

16. INVESTMENT PROPERTIES

	2006 HK$'000	2005 HK$'000 (Restated)
Carrying amount at beginning of year	**522,507**	401,455
Additions (from acquisition)	**–**	314,064
Net profit from a fair value adjustment	**1,681**	–
Exchange realignment	**5,494**	–
Disposals	**(112,322)**	(206,699)
Disposal of subsidiaries (note 35)	**(119,826)**	–
Transfer from properties under development (note 19)	**5,231**	13,687
Carrying amount at end of year	**302,765**	522,507

The Group's investment properties are situated in the PRC and are held under the following lease terms:

	2006 HK$'000	2005 HK$'000 (Restated)
Long term leases	**297,872**	284,858
Medium term leases	**4,893**	237,649
	302,765	522,507

The Group's investment properties were revalued at 31 March 2006 by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at HK$302,765,000 on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 38(a) to the financial statements.

At 31 March 2006, certain investment properties with an aggregate carrying value of approximately HK$283 million (2005: HK$177 million) have been pledged to banks to secure banking facilities granted to the Group (note 27(a)(i)).

Further particulars of the Group's investment properties are set out on pages 115 and 117 of the annual report.

17. PREPAID LAND LEASE PAYMENTS

	Group	
	2006	2005
	HK$'000	HK$'000
Carrying amount at beginning of year		
As previously reported	**–**	–
Effect of adopting HKAS 17 (note 2.2(a))	**4,933**	5,047
As restated	**4,933**	5,047
Amortisation during the year	**(114)**	(114)
Carrying amount at end of year	**4,819**	4,933

At 31 March 2006, the Group's leasehold lands were held under the following lease terms:

	Hong Kong	**Elsewhere**	**Total**
	HK$'000	HK$'000	HK$'000
Long term leases	–	597	597
Medium term leases	4,222	–	4,222
	4,222	597	4,819

18. PROPERTIES HELD FOR DEVELOPMENT

The Group's properties held for development are situated in the PRC and are held under long term leases. They are pledged as security for the Group's other loans (note 27(b)).

19. PROPERTIES UNDER DEVELOPMENT

	Group 2006 HK$'000	2005 HK$'000 (Restated)
At beginning of year	**3,189,085**	632,249
Additions	**1,041,316**	695,669
Transfer from properties held for development	**–**	1,137,896
Acquisition of a subsidiary (note 36(b))	**–**	796,000
Acquisition of a jointly-controlled entity	**–**	410,912
Exchange realignment	**132,201**	–
	4,362,602	3,672,726
Less: Disposal of subsidiaries (note 35)	**–**	(173,441)
	4,362,602	3,499,285
Transfer to completed properties for sale	**(685,024)**	(296,513)
Transfer to investment properties (note 16)	**(5,231)**	(13,687)
	3,672,347	3,189,085
Portion classified as properties under development for sale under current assets	**(1,472,201)**	(1,371,899)
Properties under development classified under non-current assets	**2,200,146**	1,817,186

The properties under development of the Group are situated in the PRC and are held under long term leases.

Certain properties under development with an aggregate carrying value of approximately HK$2,845 million (2005: HK$2,263 million) have been pledged to banks to secure banking facilities granted to the Group (note 27(a)(ii)).

Further particulars of the Group's properties under development are set out on page 118 of the annual report.

20. GOODWILL/NEGATIVE GOODWILL

Group

	Goodwill HK$'000	Negative goodwill HK$'000
31 March 2006		
At 1 April 2005:		
Cost as previously reported	**10,207**	**(119,706)**
Effect of adopting HKAS 31 (note 2.2(b))	**57,694**	**–**
Effect of adopting HKFRS 3 (note 2.2(e))	**(1,654)**	**119,706**
Cost as restated	**66,247**	**–**
Accumulated amortisation as previously reported	**(1,654)**	**–**
Effect of adopting HKFRS 3 (note 2.2(e))	**1,654**	**–**
Accumulated amortisation as restated	**–**	**–**
Net carrying amount	**66,247**	**–**
Cost at 1 April 2005	**66,247**	**–**
Cost and net carrying amount at 31 March 2006	**66,247**	**–**

20. GOODWILL/NEGATIVE GOODWILL *(Continued)*

Group

	Goodwill HK$'000 (Restated)	Negative goodwill HK$'000
31 March 2005		
At 1 April 2004:		
Cost	26,049	–
Accumulated amortisation	(4,292)	–
Net carrying amount	21,757	–
Cost at 1 April 2004, net of accumulated amortisation	21,757	–
Acquisition of subsidiaries (note 36(b))	–	(119,706)
Disposal of subsidiaries (note 35)	(11,329)	–
Effect of adopting HKAS 31 (note 2.2(b))		
– acquisition of a jointly-controlled entity	57,694	–
Amortisation provided during the year	(1,875)	–
At 31 March 2005	66,247	(119,706)
At 31 March 2005:		
Cost	67,901	(119,706)
Accumulated amortisation	(1,654)	–
Net carrying amount	66,247	(119,706)

In 2005, goodwill was amortised on a basis to match the sales of the land/properties developed of the underlying property development project.

The amount of negative goodwill remaining in the consolidated reserves, arising from the acquisition of subsidiaries prior to the adoption of SSAP 30 in 2002, was HK$9,852,000 as at 31 March 2005. Upon the adoption of HKFRS 3 on 1 April 2005, such negative goodwill of HK$9,852,000 was derecognised with a corresponding adjustment to the opening balance of retained profits.

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the property development cash-generating units for impairment testing. The recoverable amount of the cash-generating unit is determined based on estimated fair value less costs to sell. The fair value less costs to sell is estimated based on the valuation or net realisable value of the underlying assets of the cash-generating unit.

21. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

The share of the assets, liabilities, income and expenses of the jointly-controlled entities as 31 March 2006 and for the year then ended, which are included in the consolidated financial statements, is as follows:

	2006 **HK$'000**	2005 HK$'000
Current assets	**254,417**	29,272
Non-current assets	**418,839**	545,584
Current liabilities	**(260,692)**	(175,385)
Non-current liabilities	**(144,412)**	(191,616)
	268,152	207,855
Administrative expenses	**(25)**	–
Other expenses, net	**(5)**	(2,993)
Loss before tax	**(30)**	(2,993)
Tax	**250**	–
Net profit/(loss)	**220**	(2,993)

Particulars of the jointly-controlled entities are as follows:

Name	Nominal value of registered capital	Place of registration	Group's percentage of Ownership interest	Group's percentage of Voting power	Group's percentage of Profit sharing	Principal activities
Beijing Gaosheng Real Estate Company Limited*	RMB466,800,000	PRC	49.75	49.75	49.75	Property development
New Shanghai International Property Management Co., Ltd.*	US$1,000,000	PRC	30	43	30	Property management
Qingdao Coastal Realty Development Co., Ltd.*	RMB100,000,000	PRC	50	25	50	Dormant
Tianjin Coastal Greenland Real Estate Co., Ltd.*	RMB30,000,000	PRC	70	60	70	Dormant

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

22. AVAILABLE-FOR-SALE INVESTMENTS/LONG TERM INVESTMENTS

	Group	
	2006	2005
	HK$'000	HK$'000
Club membership debenture, at cost	**560**	560
Unlisted equity investment, at carrying amount	**–**	18,680
	560	19,240

The Group's unlisted equity investment represented a 67% equity interest in the registered capital of Haiji Property Development (An Shan) Limited ("Haiji"), which is a Sino-foreign equity joint venture established in the PRC. In the opinion of the directors, the Group ceased to have joint control or significant influence over Haiji upon the completion of construction of Haiji's convention and exhibition centre in August 2003. Since then, the Group's investment in Haiji was accounted for as a long term investment. During the year, the investment in Haiji was disposed of by the Group.

23. PLEDGED DEPOSITS

The balance represents deposits pledged to banks in respect of mortgage loan facilities granted by the banks to the buyers of certain properties developed by the Group and deposits pledged to banks for banking facilities granted to the Group (note 27(a)(iv)).

24. COMPLETED PROPERTIES FOR SALE

Certain completed properties for sale with an aggregate carrying value of HK$166 million (2005: HK$59 million) have been pledged to banks and other parties to secure bank and other loans granted to the Group (note 27(a)(iii)).

Further particulars of the Group's completed properties for sale are set out on pages 115 to 117 of the annual report.

25. TRADE RECEIVABLES

The Group's credit policy is set on a project-by-project basis taking into account the prevailing market situations for each project. The trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date based on invoice date, net of provisions for bad and doubtful debts, is as follows:

	2006		2005	
	Balance HK$'000	**Percentage**	Balance HK$'000 (Restated)	Percentage
0 – 30 days	**35,074**	**53**	3,465	11
31 – 60 days	**1,676**	**3**	637	2
61 – 90 days	**1,991**	**3**	2,558	9
Over 90 days	**27,286**	**41**	23,930	78
	66,027	**100**	30,590	100

26. TRADE PAYABLES/DEPOSITS RECEIVED AND DEFERRED REVENUE

Trade payables

An aged analysis of the trade payables as at the balance sheet date based on invoice date is as follows:

	2006		2005	
	Balance HK$'000	**Percentage**	Balance HK$'000 (Restated)	Percentage
0 – 30 days	**43,383**	**25**	8,152	6
31 – 60 days	**578**	**–**	131	–
61 – 90 days	**6,494**	**4**	5,125	4
Over 90 days	**120,821**	**71**	116,736	90
	171,276	**100**	130,144	100

The trade payables are non-interest bearing.

Deposits received and deferred revenue

Included in the deposits received and deferred revenue in the Group's consolidated balance sheet as at 31 March 2006 was an amount of approximately HK$97 million (2005: HK$46 million) received pursuant to a joint development agreement signed between the Group and a third party developer in respect of the joint development of a property project in Wuhan, the PRC. Under the joint development agreement, the Group would provide a parcel of land, on which the third party developer is wholly responsible for the development of the property project, in return for a guaranteed return of RMB100 million (equivalent to approximately HK$97 million) from the third party developer. As at 31 March 2006, the whole amount of guaranteed return has been received by the Group and was recorded as deferred revenue in the Group's consolidated balance sheet.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	Group 2006 HK$'000	Group 2005 HK$'000 (Restated)	Company 2006 HK$'000	Company 2005 HK$'000
Current						
Bank overdrafts						
– unsecured	–	–	**–**	8,756	**–**	–
Bank loans – secured	5.43-6.75	2007	**432,310**	228,593	**–**	–
Bank loans – unsecured	6.44	2006	**19,358**	23,987	**–**	–
Other loans – secured	5.22-10.56	2006-2007	**177,950**	26,054	**–**	–
Other loans – unsecured	–	–	**–**	494,822	**–**	–
Convertible bonds (note 28)	9	2006	**72,232**	–	**72,232**	–
			701,850	782,212	**72,232**	–
Non-current						
Bank loans – secured	5.76-7.24	2007-2008	**375,023**	425,956	**–**	–
Bank loans – unsecured	6.24-9.25	2007-2008	**67,205**	5,550	**–**	–
Other loans – secured	5.51-13	2008-2013	**219,024**	180,849	**–**	–
Other loans – unsecured	10	2009	**116,148**	–	**–**	–
Senior notes	9	2008	**135,798**	–	**135,798**	–
			913,198	612,355	**135,798**	–
			1,615,048	1,394,567	**208,030**	–

	Group 2006 HK$'000	Group 2005 HK$'000	Company 2006 HK$'000	Company 2005 HK$'000
Analysed into:				
Bank loans and overdrafts repayable:				
Within one year or on demand	**451,668**	261,336	**–**	–
In the second year	**378,604**	366,450	**–**	–
In the third to fifth years, inclusive	**63,624**	65,056	**–**	–
	893,896	692,842	**–**	–
Other borrowings repayable:				
Within one year	**250,182**	520,876	**72,232**	–
In the second year	**197,064**	156,063	**–**	–
In the third to fifth years, inclusive	**262,754**	10,808	**135,798**	–
Beyond five years	**11,152**	13,978	**–**	–
	721,152	701,725	**208,030**	–
	1,615,048	1,394,567	**208,030**	–

27. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes:

(a) Certain of the Group's bank loans are secured by:

(i) certain investment properties of the Group with an aggregate carrying value at the balance sheet date of approximately HK$283 million (2005: HK$177 million) (note 16);

(ii) certain properties under development of the Group with an aggregate carrying value at the balance sheet date of approximately HK$2,845 million (2005: HK$2,263 million) (note 19);

(iii) certain completed properties for sale of the Group with an aggregate carrying value at the balance sheet date of approximately HK$166 million (2005: HK$59 million) (note 24);

(iv) certain bank deposits of the Group amounting to approximately HK$68 million (2005: HK$68 million) (note 23); and

(v) corporate guarantees from the Company and certain of its subsidiaries.

(b) At 31 March 2005, certain other loans are secured by certain completed properties for sale of the Group with an aggregate carrying value of approximately HK$45 million and the 100% equity interest in the Group's subsidiary, Shanghai Xinghongda Real Estate Ltd. ("XHD") (see (i) below). At 31 March 2006, certain other loans were secured by a 85% equity interest in XHD (see (ii) below), a 49.75% equity interest in the Group's jointly controlled entity, Beijing Gaosheng Real Estate Company Limited, and the Group's properties held for development with a carrying value of approximately HK$113 million (note 18). The other loans bear interest at rates ranging from 5% to 13% per annum.

(i) During the prior year, in May 2004, Shanghai Golden Bridge Real Estate Ltd. ("Shanghai Golden Bridge") and Shanghai Coastal Greenland Real Estate Ltd. ("Shanghai Coastal Greenland"), wholly-owned subsidiaries of the Company, entered into sale and purchase agreements with two PRC vendors (the "PRC Vendors") for the acquisition of 66% and 34% equity interests in XHD, respectively, for a total consideration of approximately HK$307 million (RMB330 million). The acquisition of the 34% equity interest in XHD by Shanghai Coastal Greenland was completed on 15 September 2004. To finance the acquisition of XHD by the Group and the ongoing project development of XHD after being acquired by the Group, in September 2004, Shanghai Golden Bridge and Shanghai Coastal Greenland entered into various agreements (the "XHD Agreements") with two PRC companies (the "XHD Lenders") for a bridging loan of approximately HK$411 million (RMB442 million) (the "XHD Transaction").

Under the XHD Agreements, Shanghai Coastal Greenland disposed of its 34% equity interest in XHD to one of the XHD Lenders for a consideration of HK$104 million (RMB112 million) and the XHD Lenders acquired the aggregate 66% equity interest in XHD directly from the PRC Vendors for an aggregate consideration of HK$203 million (RMB218 million). In addition, the XHD Lenders advanced a loan of HK$221 million (RMB238 million) to XHD for financing its working capital. Shanghai Coastal Greenland has both the rights and obligations to repurchase the 100% equity interest in XHD from the XHD Lenders at the original consideration of HK$307 million (RMB330 million) within 30 days after 10 months from the date of the original transfer of the 100% interest. The repurchase consideration is fixed irrespective of any change in the underlying net asset value of XHD. As at 31 March 2005, the Group had paid a deposit of HK$117 million (RMB126 million) to the XHD Lenders in respect of the repurchase obligation.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes: *(Continued)*

(b) (i) *(Continued)*

Under the XHD Agreements, the XHD Lenders are entitled to an upfront service fee of HK$28.3 million (RMB30 million) for a period of 9 months commencing the date of payment of the purchase consideration by the XHD Lenders to the Group. In addition, the XHD Lenders are entitled to a guaranteed profit of HK$10 million (RMB10 million) from Shanghai Coastal Greenland in return for surrendering the management and operating rights in relation to the 100% equity interest held by the XHD Lenders in XHD. The Group had accounted for the net proceeds of HK$411 million (RMB442 million) received from the XHD Lenders as other loans and the service fee and guaranteed profit paid and payable to the XHD Lenders as finance costs, respectively, in the prior year's financial statements to reflect the commercial substance of the XHD Transaction. In the current year, the Group repurchased the 100% equity interest in XHD from the XHD Lenders according to the XHD Agreements through a refinancing arrangement as further detailed in (b)(ii) below.

(ii) In March 2006, the Group made a refinancing arrangement for its development project held by XHD. Under the refinancing arrangement, the Group entered into various agreements (the "XHD Trust Agreements") with a PRC trust company (the "XHD Trustee") for a loan of approximately HK$194 million (RMB200 million) (the "XHD Trust Transaction").

Under the XHD Trust Transaction, the XHD Trustee and the Group repurchased 85% and 15% equity interests in XHD, respectively, from the XHD Lenders and repaid the loan and interest to the XHD Lenders for an aggregate consideration of approximately HK$595 million (RMB615 million), which is shared by the XHD Trustee and the Group in the amount of approximately HK$506 million (RMB523 million) (the "Trust Consideration") and approximately HK$89 million (RMB92 million), respectively. Under the XHD Trust Agreements, the XHD Trustee held the 85% equity interest in XHD (the "XHD Trust") in trust for the beneficiaries (the "Beneficiaries"). Coastal Realty Investment (China) Limited ("CRI (China)"), a wholly-owned subsidiary of the Company, is one of the Beneficiaries and had contributed approximately HK$313 million (RMB323 million) to the XHD Trust and thus had a beneficial interest of approximately 62% in the XHD Trust. The balance of the beneficial interest of approximately 38% in the XHD Trust is beneficially owned by third parties, independent of the Group (the "Independent Beneficiaries"), who had contributed approximately HK$193 million (RMB200 million) to the XHD Trust.

Under the XHD Trust Agreements, the XHD Trust is only entitled to a fixed guaranteed return from XHD at 5.6% per annum on the Trust Consideration commencing March 2006 for a period of 24 months. The XHD Trustee will receive from CRI (China) a trust management fee at 3% per annum on the Trust Consideration and a fixed consultancy fee of approximately HK$17 million (RMB18 million) commencing March 2006 for a period of 24 months. Apart from the foregoing, the XHD Trust and the XHD Trustee are not entitled to any dividend or other distribution from XHD during the tenure of the XHD Trust which will end on the date when the Group repurchases the 85% equity interest in XHD as stated below.

Under the XHD Trust Agreements, the Group has both the right and obligation to repurchase the 85% equity interest in XHD from the XHD Trustee at the original consideration of approximately HK$506 million (RMB523 million), of which approximately HK$313 million (RMB323 million) will be repaid to the Group by the XHD Trustee, in June 2008. The repurchase consideration is fixed irrespective of any change in the underlying net asset value of XHD.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes: *(Continued)*

(b) (ii) *(Continued)*

In the opinion of the directors, the Company retains control over the financial and operating policies of XHD. Accordingly, the Group has accounted for the net proceeds of approximately HK$194 million (RMB200 million) received from the XHD Trustee, which was contributed by the Independent Beneficiaries, as other loans and the trust management fee and consultancy fee payables to the XHD Trustee and the fixed guaranteed return payable to the Independent Beneficiaries as finance costs in the current year's financial statements to reflect the commercial substance of the XHD Trust Transaction.

(c) Senior notes

Pursuant to a subscription agreement dated 7 July 2005, the Company issued senior notes for an aggregate amount of US$17.5 million (approximately HK$135.8 million) on 5 August 2005. The senior notes bear interest at 9% per annum and are wholly repayable on 5 August 2008. The senior notes are secured by a share charge over the 100% of the entired share capital of Coastal Realty Development Co. Limited, a wholly owned subsidiary of the Company.

(d) The Group's bank and other borrowings are denominated in Hong Kong dollars, United States dollars and Renminbi as to the amount of HK$5,550,000, HK$208,030,000 and HK$1,401,468,000, respectively. The Company's other borrowings are denominated in United States dollars.

Other interest rate information

	Group			
	2006		2005	
	Fixed rate	**Floating rate**	Fixed rate	Floating rate
	HK$'000	**HK$'000**	HK$'000	HK$'000
Bank overdrafts – unsecured	**–**	**–**	–	8,756
Bank loans – secured	**248,855**	**558,478**	199,814	454,735
Bank loans – unsecured	**81,013**	**5,550**	18,587	10,950
Other loans – secured	**368,257**	**28,717**	175,813	31,090
Other loans – unsecured	**116,148**	**–**	494,822	–
Convertible bonds	**–**	**72,232**	–	–
Senior notes	**135,798**	**–**	–	–

	Company			
	2006		2005	
	Fixed rate	**Floating rate**	Fixed rate	Floating rate
	HK$'000	**HK$'000**	HK$'000	HK$'000
Convertible bonds	**–**	**72,232**	–	–
Senior notes	**135,798**	**–**	–	–

28. CONVERTIBLE BONDS

Pursuant to a subscription agreement dated 7 July 2005, the Company issued convertible bonds for an aggregate amount of US$12.5 million (approximately HK$97.1 million) on 5 August 2005, in four tranches, as subsequently amended on 10 November 2005, each in the amount of US$3,125,000 (approximately HK$24.3 milion). The conversion price for tranches 1 and 2 is HK$0.3 per share and that for tranches 3 and 4 is HK$0.5 per share. The conversion period of tranches 1, 2, 3 and 4 shall expire up to and including the 11th business day prior to 31 December 2005, 30 June 2006, 31 December 2006 and 31 December 2006, respectively. The tranche 1 of the convertible bonds was converted into the Company's shares during the year (note 32). The tranche 2 of the convertible bonds was converted into the Company's shares subsequent to the balance sheet date on 16 June 2006 (note 42(c)). Unless otherwise converted into the shares in the Company, the tranches 3 and 4 of the convertible bonds will be redeemed at 100% of the nominal value on 31 December 2006.

If the closing price of the Company's shares over the last 10 consecutive trading days immediately prior to and including the last day of the applicable conversion period does not exceed the respective conversion price, the holder(s) of the convertible bonds, at its option, may give notice to the Company that the conversion period and the maturity date in respect of that tranche of convertible bonds be extended by six months.

The convertible bonds bear interest at LIBOR plus 1.5% per annum. The convertible bonds are secured by a share charge over the entired share capital of Coastal Realty Development Co. Limited, a wholly owned subsidiary of the Company.

The fair value of the embedded derivatives of the convertible bonds denominated in foreign currency was determined, upon issuance, and is carried as a financial liability which is measured at fair value with movement to profit or loss. The remainder of the proceeds was allocated to the liability component of the convertible bonds and is carried as a liability on the amortised cost basis.

The net proceeds received from the issue of the convertible bonds have been split between the liability and derivative liability components, as follows:

	2006 **HK$'000**	2005 HK$'000
Nominal value of convertible bonds issued during the year	**97,124**	–
Derivative liability component	**(2,800)**	–
Liability component of convertible bonds at the issuance date	**94,324**	–
Conversion in the current year	**(24,118)**	–
Interest expense	**5,085**	–
Interest paid	**(3,059)**	–
Liability component of convertible bonds at 31 March (note 27)	**72,232**	–

29. LONG TERM PAYABLES

	Group 2006 HK$'000	2005 HK$'000
Balance at beginning of year	**8,695**	41,642
Additions for properties held for development	**–**	18,524
Reclassification to trade payables	**–**	(51,774)
Reclassification to other payables	**(1,637)**	–
Other additions	**–**	303
At 31 March	**7,058**	8,695

30. DEFERRED TAX

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

Deferred tax liabilities

Group	2006			
	Fair value adjustments arising from acquisition of subsidiaries HK$'000	**Revaluation of properties HK$'000**	**Others HK$'000**	**Total HK$'000**
At 1 April 2005	**323,527**	**337,385**	**58,806**	**719,718**
Deferred tax credited to the income statement during the year (note 10)	**–**	**(9,381)**	**(2,604)**	**(11,985)**
Disposal of subsidiaries (note 35)	**–**	**(34)**	**(4,284)**	**(4,318)**
Exchange realignment	**12,033**	**12,549**	**2,187**	**26,769**
Gross deferred tax liabilities at 31 March 2006	**335,560**	**340,519**	**54,105**	**730,184**

30. DEFERRED TAX *(Continued)*

Deferred tax liabilities *(Continued)*

Group — 2005

	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Revaluation of properties HK$'000	Others HK$'000	Total HK$'000 (Restated)
At 1 April 2004	49,074	355,017	84,302	488,393
Deferred tax credited to the income statement during the year (note 10)	–	–	(25,496)	(25,496)
Deferred tax credited to equity during the year	–	(17,519)	(113)	(17,632)
Deferred tax arising from acquisition of subsidiaries (note 36(b))	273,746	–	–	273,746
Disposal of subsidiaries (note 35)	(38,330)	–	–	(38,330)
Effect of adopting HKAS 31 (note 2.2(b)) – deferred tax arising from acquisition of a jointly-controlled entity	39,037	(113)	113	39,037
Gross deferred tax liabilities at 31 March 2005	323,527	337,385	58,806	719,718

The Group has tax losses arising in Hong Kong of HK$73,317,000 (2005: HK$64,565,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31 March 2006, there was no significant unrecognised deferred tax liability (2005: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or joint ventures as the Group has no liability to additional tax should such amounts be remitted.

31. PROVISION FOR LONG SERVICE PAYMENTS

	Group		Company	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Balance at beginning of year	**1,890**	1,833	**985**	909
Provision for the year	**190**	57	**75**	76
At end of year	**2,080**	1,890	**1,060**	985

32. SHARE CAPITAL

Shares

	2006	2005
	HK$'000	HK$'000
Authorised:		
3,000,000,000 (2005: 3,000,000,000) ordinary shares of HK$0.10 each	**300,000**	300,000
Issued and fully paid:		
2,105,250,000 (2005: 2,024,000,000) ordinary shares of HK$0.10 each	**210,525**	202,400

During the year, convertible bonds with an aggregate nominal amount of approximately HK$24,375,000 were converted into 81,250,000 shares in the Company of HK$0.10 each.

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 33 to the financial statements.

33. SHARE OPTION SCHEMES

On 20 September 1997, the Company adopted a share option scheme (the "Scheme 1997") for the eligible participants, including the directors of the Company (other than non-executive directors) or any of its subsidiaries and other employees of the Group, pursuant to which options to subscribe for an aggregate of up to 10% of the issued share capital of the Company from time to time were able to be granted. Under the Scheme 1997, the directors were allowed to terminate the Scheme 1997 at any time and in accordance therewith, the directors terminated the Scheme 1997 on 30 August 2002. However, all the options granted under the Scheme 1997 which remained outstanding on the date of termination of the Scheme 1997 continue to be valid and exercisable in accordance with the provisions of the Scheme 1997.

A new option scheme (the "Scheme 2002") was adopted by the shareholders of the Company at the annual general meeting held on 24 September 2002. Under the Scheme 2002, the directors of the Company may, subject to and in accordance with the provisions of the Scheme 2002 and the Listing Rules, grant share options to any eligible participant to subscribe for shares in the capital of the Company. A summary of the principal terms of the Scheme 2002 is as follows:

(a) Purposes of the Scheme 2002

The purposes of the Scheme 2002 are to provide incentives or rewards to eligible participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest ("Invested Entity").

33. SHARE OPTION SCHEMES *(Continued)*

(b) Eligible participants ("Participants")

The directors may, at their absolute discretion, invite any person belonging to any of the following classes of the Participants, to take up options to subscribe for shares in the capital of the Company:

(i) any eligible employee of the Company or its subsidiaries;

(ii) any non-executive director (including any independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of the Group or any Invested Entity;

(v) any legal or financial adviser of the Group or any Invested Entity or any technical consultant that provides research, development or other technological support to the Group or any Invested Entity; and

(vi) any shareholder of any member of the Group or any Invested Entity, or any holder of any securities issued by any member of the Group or any Invested Entity who has made or may make a contribution to the development and growth of the Group or any Invested Entity;

and, for the purposes of the Scheme 2002, options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of Participants or any discretionary object of a Participant which is a discretionary trust.

The basis of eligibility of any of the above classes of Participants to the grant of any option shall be determined by the directors from time to time with regard to their contribution to the development and growth of the Group and any Invested Entity.

(c) Maximum number of shares

(i) The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme 2002 and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

(ii) The total number of shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme 2002 and any other share option schemes of the Company) to be granted under the Scheme 2002 and any other share option schemes of the Company must not in aggregate exceed 102,400,000 shares, representing 10% of the issued share capital of the Company as at the date of adoption of Scheme 2002.

(iii) At 31 March 2006, the number of shares issuable under share options granted under the Scheme 1997 was 62,720,000, which represented approximately 3% of the Company's shares in issue at that date.

33. SHARE OPTION SCHEMES *(Continued)*

(d) Maximum entitlement of each Participant

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme 2002 and any other share option schemes of the Company (including both exercised and outstanding options) to each Participant in any 12-month period must not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of options to a Participant in excess of the Individual Limit in any 12-month period up to and including the date of such further grant is subject to the issue of a circular to the shareholders and the shareholders' approval in a general meeting of the Company with such Participant and his associates abstaining from voting.

(e) Grant of options to connected persons

(i) Any grant of options under the Scheme 2002 to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the options).

(ii) Where any grant of options to a substantial shareholder or an independent non-executive director, or any of their respective associates, would result in the Company's shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(aa) representing in aggregate over 0.1% of the Company's shares in issue; and

(bb) having an aggregate value, based on the closing price of the Company's shares at the date of each grant, in excess of HK$5,000,000, such further grant of options must be approved by the shareholders in a general meeting.

Any change in the terms of the options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates must be approved by the shareholders in a general meeting.

(f) Time of acceptance and exercise of an option

An offer of a grant of an option may be accepted by a Participant within 28 days from the date of the offer of the grant of the option. A consideration of HK$1 in total is payable on acceptance of the offer of grant of an option.

An option may be exercised in accordance with the terms of the Scheme 2002 at any time during a period to be determined and notified by the directors to each grantee, which period may commence on the day on which the offer of the grant of the option is made but shall end in any event not later than ten years from the date of the grant of the option subject to the provisions for early termination thereof. The directors may at their discretion determine the minimum period for which an option granted under the Scheme 2002 must be held before it can be exercised, although there is no specific requirement of such a minimum period under the Scheme 2002.

33. SHARE OPTION SCHEMES *(Continued)*

(g) Basis of determining the option exercise price

The subscription price for the shares under the Scheme 2002 shall be a price determined by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of the grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares. Without prejudice to the generality of the foregoing, the directors may grant options in respect of which the subscription price is fixed at different prices for different periods during the option period provided that the subscription price for the Company's shares for each of the different periods shall not be less than the subscription price determined in the manner set out herein.

(h) Period of the Scheme 2002

The Scheme 2002 will remain in force for a period of ten years commencing on 24 September 2002.

No share options have been granted under the Scheme 2002 since its adoption. The following share options were outstanding under the Scheme 1997 during the year:

	Number of share options							
Name or category of participant	At 1 April 2005	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2006	Date of grant of share options[1]	Exercise period of share options[3]	Exercise price of share options[2] HK$
Directors								
Chan Boon Teong	6,400,000	–	–	–	6,400,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
Jiang Ming	6,400,000	–	–	–	6,400,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
Tao Lin	6,400,000	–	–	–	6,400,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
Cheng Wing Bor	6,400,000	–	–	–	6,400,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
Lin Chen Hsin	1,600,000	–	–	–	1,600,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
Other employees								
In aggregate	35,520,000	–	–	–	35,520,000	20 May 2000	1 October 2000 to 19 September 2007	0.20
	62,720,000	–	–	–	62,720,000			

33. SHARE OPTION SCHEMES *(Continued)*

Notes:

(1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

(2) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

(3) The share options are exercisable in tranches during the period from 1 October 2000 to 19 September 2007, as specified in the share option certificates.

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to (i) options granted to employees on or before 7 November 2002; and (ii) options granted to employees after 7 November 2002 but which had vested before 1 April 2005.

At the balance sheet date, the Company had 62,720,000 share options outstanding under the Scheme 1997. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 62,720,000 additional ordinary shares of the Company and additional share capital of HK$6,272,000 and share premium of HK$6,272,000 (before issue expenses).

Subsequent to the balance sheet date, in April and June 2006, the subscription rights attaching to 26,400,000 share options were exercised at the exercise price of HK$0.20 per share, resulting in the issue of 26,400,000 shares of HK$0.10 each for a total consideration, before expenses, of HK$5,280,000.

At the date of approval of these financial statements, the Company had 36,320,000 share options outstanding under the Scheme 1997, which represented approximately 1.6% of the Company's shares in issue at that date.

34. RESERVES

(a) Group

The amount of the Group's reserves and the movement therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 36 and 37 of the financial statements.

The contributed surplus of the Group represents the surpluses arising from the issue of shares by Coastal Realty (BVI) Limited, the intermediate holding company of the Group, (i) in the acquisition of Coastal Realty Development Co. Limited, the former holding company of the Group in 1995; and (ii) at a premium to third parties in 1997.

(b) Company

	Notes	Share premium account HK$'000	Con-tributed surplus HK$'000	Acc-umulated losses HK$'000	Total HK$'000
At 1 April 2004		330,080	2,409,483	(1,751,158)	988,405
Net loss for the year	11	–	–	(18,079)	(18,079)
At 31 March 2005 and beginning of year		330,080	2,409,483	(1,769,237)	970,326
Issue of shares		17,691	–	–	17,691
Net loss for the year	11	–	–	(46,768)	(46,768)
Interim 2006 dividend	12	–	(21,053)	–	(21,053)
Proposed final 2006 dividend	12	–	(22,129)	–	(22,129)
At 31 March 2006		**347,771**	**2,366,301**	**(1,816,005)**	**898,067**

The contributed surplus of the Company arose as a result of the Group reorganisation completed in September 1997 and represents the excess of the then combined net assets of the subsidiaries acquired over the nominal value of the shares of the Company issued in exchange therefor.

35. DISPOSAL OF SUBSIDIARIES

	Notes	2006 HK$'000	2005 HK$'000
Net assets disposed of:			
Property, plant and equipment	15	**7,175**	8
Investment properties	16	**119,826**	–
Goodwill	20	**–**	11,329
Completed properties for sale		**620**	–
Properties under development	19	**–**	173,441
Share of net assets in a jointly controlled entity		**–**	–
Cash and bank balances		**35,505**	9,293
Trade receivables		**–**	9,146
Other receivables		**42,156**	218
Bank loans		**(48,152)**	(37,894)
Trade payables		**(1,656)**	(10,269)
Other payables and accruals		**(25,847)**	(6,043)
Deposits received		**(60,553)**	–
Tax payables		**(25,500)**	(4,347)
Deferred tax liabilities	30	**(4,318)**	(27,586)
Due to a minority shareholder		**–**	(1,455)
Minority interests		**–**	(10,753)
		39,256	105,088
Gain on disposal of subsidiaries	6	**25,801**	47,966
		65,057	153,054
Satisfied by:			
Cash		**65,057**	110,486
Other receivables		**–**	42,568
		65,057	153,054

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2006 HK$'000	2005 HK$'000
Cash consideration	**65,057**	110,486
Cash and bank balances disposed of	**(35,505)**	(9,293)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**29,552**	101,193

35. DISPOSAL OF SUBSIDIARIES *(Continued)*

The results of the subsidiaries disposed of in the years ended 31 March 2006 and 2005 had no significant impact on the Group's consolidated turnover or profit after tax for those years.

36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Major non-cash transaction

During the year, convertible bonds with an aggregate nominal amount of approximately HK$24,375,000 were converted into 81,250,000 shares in the Company of HK$0.10 each.

(b) Acquisition of subsidiaries

	Notes	2005 HK$'000
Net assets acquired:		
Property, plant and equipment	15	550
Investment properties		314,064
Properties held for development		105,000
Properties under development	19	796,000
Trade receivables		624
Other receivables		161
Cash and bank balances		2,351
Bank loans		(193,652)
Trade payables		(12,210)
Other payables and accruals		(96,391)
Tax payable		(11,489)
Deferred tax	30	(273,746)
Minority interests		(26,249)
		605,013
Negative goodwill on acquisition	20	(119,706)
		485,307
Satisfied by:		
Cash		128,940
Prepayments		30,966
Other loans		306,507
Other payables		18,894
		485,307

36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Acquisition of subsidiaries *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2005 HK$'000
Cash consideration	(128,940)
Cash and bank balances acquired	2,351
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(126,589)

The subsidiaries acquired in the prior year had no significant impact on the Group's consolidated turnover or profit after tax for that year.

37. CONTINGENT LIABILITIES

At balance sheet date, contingent liabilities not for provided for in the financial statements are as follows:

	Group		**Company**	
	2006 **HK$'000**	2005 HK$'000	**2006** **HK$'000**	2005 HK$'000
Guarantees given to banks in connection with facilities granted to:				
– Buyers of properties developed by the Group and a property of which the sales are underwritten by the Group	**392,924**	217,310	**–**	–
– Subsidiaries	**–**	–	**226,490**	161,248
– Jointly-controlled entity	**–**	367,536	**–**	367,536
– A PRC company (note)	**30,000**	–	**–**	–
	422,924	584,846	**226,490**	528,784

Note: The company was acquired by the Group subsequent to the balance sheet date.

38. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 16 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from 1 month to over 5 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Within one year	**2,840**	23,773
In the second to fifth years, inclusive	**3,102**	55,846
	5,942	79,619

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to over 5 years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**2,596**	3,676	**1,228**	1,228
In the second to fifth years, inclusive	**1,372**	2,926	**205**	1,433
	3,968	6,602	**1,433**	2,661

39. COMMITMENTS

In addition to the operating lease commitments detailed in note 38 above, the Group and the Company had the following capital commitments at the balance sheet date:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		
Property development expenditure:				
Contracted, but not provided for	**1,019,884**	676,524	**–**	–
Authorised, but not contracted for	**–**	83,463	**–**	–
	1,019,884	759,987	**–**	–
Acquisition of an additional interest in a subsidiary	**25,121**	24,164	**–**	–
Acquisition of an additional interest in jointly-controlled entity	**7,986**	–	**–**	–
Capital contribution payable to an investment	**–**	10,919	**–**	10,919
Capital contribution payable to a subsidiary	**–**	–	**543,193**	–
	1,052,991	795,070	**543,193**	10,919

40. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, the Group had the following significant transactions with related parties:

(i) In the prior year, the Group obtained the refinancing of a loan in respect of certain completed properties for sale situated in the PRC (the "Properties") through the arrangement of individual mortgage loans in aggregate amounting to HK$35.9 million (the "Loans") taken out by certain senior management personnel of the Company's subsidiaries (the "Senior Management Personnel"). Under the refinancing arrangement, the Group disposed of the Properties to the Senior Management Personnel for their arrangement of the individual mortgage loans with a bank, the proceeds of which were used to settle the consideration payable to the Group. The Group is responsible for the interest and principal payments of the Loans and the Group retains the beneficial ownership of the Properties and the associated benefits through certain trust deeds and other arrangements. In the opinion of the directors, the Group retains the significant risks and rewards associated with the Properties and the Loans. As such, the Group continued to recognise the Properties and recorded the proceeds received from the Senior Management Personnel as an other loan in the consolidated financial statements to reflect the commercial substance of the aforesaid refinancing arrangement. As at 31 March 2006, the aggregate carrying value of the Properties and the balance of the Loans carried in the consolidated balance sheet amounted to HK$41.9 million (2005: HK$41.9 million) (note 24) and HK$28.7 million (2005: HK$31.1 million) (note 27), respectively.

40. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

(ii) During the current and prior years, the Group executed corporate guarantees amounting to approximately HK$185 million (2005: HK$185 million) for certain borrowings of a jointly controlled entity, which were repaid before 31 March 2006.

(iii) In the current year, the Group incurred interest expense of approximately HK$13,211,000 (2005: HK$3,485,000) in relation to an advance of approximately HK$139 million, which was unsecured and interest bearing at 10% per annum and repayable within one year, from a jointly controlled entity. The advance was repaid during the year.

(iv) In the prior year, included in prepayments, deposits and other receivables in the Group's consolidated balance sheet and in prepayments and other receivables in the Company's balance sheet as at 31 March 2005, was a receivable of approximately HK$35.2 million (RMB38 million) due from an independent third party representing the balance consideration in relation to the disposal of the Group's interest in Tangshan New Island Tourism Development Company Limited. The receivable was originally due for settlement on 15 March 2005 but the repayment date was extended to 15 August 2005 pursuant to a supplemental agreement dated 15 March 2005. In July 2005, CIH undertook to indemnify the Group in respect of any loss in connection with the receivable. The receivable was fully recovered during the current year.

(b) Outstanding balances with related parties

(i) The amount due to the controlling shareholder of the Company is unsecured, interest-free and repayable on demand.

(ii) The Group's balances with its jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

(c) Compensation of key management personnel of the Group:

	2006 **HK$'000**	2005 HK$'000
Short term employee benefits	**8,052**	7,974
Post-employment benefits	**168**	128
Total compensation paid to key management personnel	**8,220**	8,102

Further details of directors' emoluments are included in note 8 to the financial statements.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including credit risk, liquidity risk, interest rate risk and foreign currency exchange rate risk. The Group's overall risk management programme focuses on efforts to minimise potential adverse effects of such risks on the Group's financial performance.

(a) Credit risk

The Group's exposure to credit risk is represented by the carrying amount of each financial asset, including receivables and the guarantees provided for customer for purchase of property, prior to the submission of property title to the lender banks.

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties having similar characteristics. For the sale of development properties to retail customers, consideration would be settled in cash or customer's purchase would be financed by mortgage loans provided by banks. Any recognisable risks are accounted for by adequate allowances on receivables.

(b) Liquidity risk

The Group maintains sufficient liquidity at all times with a financial planning system which is used to recognise the Group's future state of liquidity as is evident from the results of the Group's strategic and planning process.

The acquisitions of land use rights are normally financed from the Group's available funds and borrowings. The major sources of funds for other development costs are bank borrowings, issuance of convertible bonds and pre-sale proceeds from customers.

(c) Fair value and cash flow interest rate risk

The Group has significant bank borrowings and convertible bonds which bear interest-rate risk. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. During the year, the Group has not hedged its cash flow and fair value interest rate risk. The interest rate and terms of repayments of borrowings are disclosed in note 27.

(d) Foreign exchange risk

A majority of the subsidiaries of the Group operates in Mainland China with most of the transactions denominated in Renminbi. The Group is exposed to foreign exchange risk arising from the exposure of Renminbi against the Hong Kong dollars. During the year, the Group has not hedged its foreign exchange rate risk.

In addition, the conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the Mainland China government.

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

(e) Fair values

Other than the available-for-sale investments and derivative liability component of convertible bonds which have been measured at fair value, the financial assets and liabilities which are not carried at fair value in the consolidated balance sheet are presented below:

(i) Bank balances, trade receivables and payables, other receivables and payables, amount due to controlling shareholder of the Company, amounts due to jointly controlled entities and deposits received

The carrying amounts of these balances approximate to their fair values because of the immediate or short term maturity of these financial instruments.

(ii) Bank and other borrowings

The carrying amounts of bank and other borrowings approximate to their fair values, based on the borrowing rates currently available for borrowings with similar terms and average maturity.

42. POST BALANCE SHEET EVENTS

(a) On 4 April 2006, the Company issued US$40 million (approximately HK$312,000,000) senior notes to certain independent third parties. The senior notes bear coupon interest rate at 9% per annum, are secured by a charge over the entire issued share capital of the Company's wholly owned subsidiary, Coastal Realty Development Co. Limited, and will mature on 5 August 2008.

(b) On 6 April 2006, the Group through a public auction conducted in the PRC acquired 31,775,602 non-circulating shares of Shanghai Fenghwa Group Company Limited ("Shanghai Fenghwa"), representing approximately 21.13% shareholding therein, at a consideration of RMB66,729,000 (approximately HK$64,162,000). Shanghai Fenghwa is a company listed on the Shanghai Stock Exchange and is principally engaged in industrial management, rental of properties, property management, hotel management, the sale of stationery, sporting goods, crafting items and packaging materials, and business consultancy.

(c) On 16 June 2006, US$3.125 million (approximately HK$24,375,000) out of the US$9.375 million (approximately HK$73,125,000) convertible bonds outstanding at 31 March 2006 was converted into 81,250,000 ordinary shares in the Company at HK$0.3 per ordinary share.

(d) On 6 July 2006, the Company further issued US$20 million (approximately HK$156,000,000) senior notes to an independent third party. The senior notes bear coupon interest rate at 9% per annum, are secured by a charge over the entire issued share capital of the Company's wholly owned subsidiary, Coastal Realty Development Co. Limited, and will mature on 4 August 2008.

(e) Pursuant to the approval of the shareholders of the Company at a special general meeting held on 21 July 2006, the Company issued US$40 million (approximately HK$312,000,000) convertible bonds to an independent third party. The convertible bonds bear coupon interest rate at 4.75% per annum, are secured by a second priority charge over the entire issued share capital of the Company's wholly owned subsidiary, Coastal Realty Development Co. Limited, and will mature on 30 December 2009 with a put option for the subscriber who has the right to demand for an early redemption of the convertible bonds during the period from 30 June 2009 to maturity date. If the convertible bonds are not converted into ordinary shares in the Company, they will be redeemed at 145% of the issued value of US$40 million on maturity. The convertible bonds are convertible at HK$0.7 per ordinary share into the share capital in the Company at any time during the tenure of the convertible bonds.

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at the balance sheet date are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital (Note (i))	Percentage of equity attributable to the Company	Principal activities
Directly held subsidiaries:				
Coastal Realty (BVI) Limited	British Virgin Islands/ Hong Kong	US$200 Ordinary	100	Investment holding
Shenzhen Coastal Property Investment Limited ^	PRC	US$11,000,000	65	Property development
Indirectly held subsidiaries:				
Beijing Xing Gang Real Estate Company Limited ^	PRC	RMB112,050,000	95	Property development
Coastal Greenland Development (Anshan) Ltd. ^	PRC	RMB50,000,000	96	Property development
Coastal Greenland Development (Shenzhen) Ltd. #	PRC	US$12,000,000	100	Property development
Coastal Greenland Development (Wuhan) Ltd. #	PRC	RMB50,000,000	100	Property development
Coastal Greenland Development (Xiamen) Ltd. #	PRC	RMB100,000,000	100	Property development
Coastal Greenland Development Jiangxi Limited #	PRC	US$10,000,000	100	Property development
Coastal Realty Development Co. Limited	Hong Kong	HK$10 Ordinary HK$20,000,000 Non-voting deferred (Note ii)	100	Investment holding
Coastal Realty Development (Shanghai) Co., Ltd. #	PRC	US$12,000,000	100	Property investment

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital (Note (i))	Percentage of equity attributable to the Company	Principal activities
Indirectly held subsidiaries: *(Continued)*				
Coastal Realty Investment (China) Limited #	PRC	US$100,000,000	100	Investment holding
Coastal Realty Management Company Limited	Hong Kong	HK$500,000 Ordinary	100	Investment holding
My Home Services (Shenzhen) Ltd. #	PRC	US$1,400,000	100	Property management
Direct Pole Limited	Hong Kong	HK$10,000 Ordinary	100	Property investment
Dragon Gain Investment Limited	Hong Kong	HK$1,000 Ordinary	100	Investment holding
Fenhall Development Limited	Hong Kong	HK$10,000 Ordinary	100	Property investment
Fenson Development Limited	Hong Kong	HK$10,000 Ordinary	100	Property investment
Frenwick Development Limited	Hong Kong	HK$10,000 Ordinary	100	Property investment
Greaton Development Limited	Hong Kong	HK$2 Ordinary	100	Property investment
Kingdom Ace Development Limited*	Hong Kong	HK$2 Ordinary	100	Property investment
Kings Crown Holdings Ltd.	British Virgin Islands/ Hong Kong	US$50,000 Ordinary	100	Investment holding

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital (Note (i))	Percentage of equity attributable to the Company	Principal activities
Indirectly held subsidiaries: *(Continued)*				
Pearl Square Enterprises Limited	Hong Kong	HK$2 Ordinary	100	Investment holding
Shanghai Coastal Golden Bridge Real Estate Ltd. ^	PRC	RMB80,000,000	100	Property development
Shanghai Coastal Greenland Real Estate Ltd. ^	PRC	RMB110,000,000	100	Investment holding
Shanghai Ling Zhi Properties Co., Ltd. ^	PRC	US$25,000,000	100	Property investment
Tacklemate Investment Limited	Hong Kong	HK$2 Ordinary	100	Property investment
Wuhan Commercial Plaza Co., Ltd. #*	PRC	US$5,000,000	100	Property investment
Xiamen Linzi Construction Development Co., Ltd. #	PRC	US$5,000,000	100	Property investment
Coastal Greenland Development (Shenyang) Ltd. #	PRC	US$10,000,000	100	Property development
Shanghai Xinhongda Real Estate Ltd. #	PRC	RMB248,292,951	100	Property development
Chengdu Dingyuan Real Estate Ltd. #	PRC	RMB10,000,000	90	Property development
Joinwell Investment Limited	Hong Kong	HK$2 Ordinary	100	Investment holding

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES *(Continued)*

Notes:

(i) For those companies incorporated in Hong Kong and the British Virgin Islands, the amounts stated represent the nominal value of the issued share capital. For those companies registered in the PRC, the amounts stated represent the registered capital.

(ii) Non-voting deferred shares do not entitle the holders to receive any profit, or to receive notice of or to attend or vote at any general meeting of the company. On a return of assets on a winding-up or otherwise, the assets of the company available for distribution among the members shall be distributed as regards the first HK$100,000,000,000,000 thereof among the holders of ordinary shares in proportion to the amounts paid up on the ordinary shares held by them, respectively, and the balance (if any) of such assets shall belong to and be distributed among the holders of the non-voting deferred shares and the holders of the ordinary shares pari passu among themselves in each case in proportion to the amounts paid up on the shares held by them, respectively.

wholly foreign owned enterprise
^ contractual joint venture
* disposed of during the year (note 35)

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.

44. COMPARATIVE AMOUNTS

As further explained in notes 2.2 and 2.4 to the financial statements, due to the adoption of new HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year and opening balance adjustments have been made. In addition to the effects due to the adoption of new HKFRSs, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 July 2006.