1. GENERAL

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

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

The Company's principal activity is investment holding and the activities of its subsidiaries and associates are set out in notes 42 and 16, respectively.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1 January 2005 except for HKAS 36 "Impairment of Assets", HKAS 38 "Intangible Assets" and HKFRS 3 "Business Combination", which the Group had early adopted for the year ended 30 April 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and prior accounting years are prepared and presented:

(a) Share-based Payments

In the current year, the Group has applied HKFRS 2 "Share-based Payment", which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ('equity-settled transactions'), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ('cash-settled transactions'). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 May 2005. Profit for the year has been decreased by HK$4,287,000 due to recognition of share based payments. No prior year adjustment was required as the Group has no share option outstanding before 30 April 2005 (see note 2A for the financial impact).

(b) Financial Instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for accounting periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Convertible note

HKAS 32 requires an issuer of a compound financial instrument (that contains both financial liability and equity components) to separate the compound financial instrument into its liability and equity components on its initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The principal impact of HKAS 32 on the Group is in relation to a convertible note issued by the Group that contains both liability and equity components. Previously, the convertible note was classified as a liability on the balance sheet. HKAS 32 requires retrospective application, comparative figures for 2005 have been restated. (see note 2A for the financial impact).

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(b) Financial Instruments (continued)

Classification and measurement of financial assets and financial liabilities

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

The Group has no debt or equity securities as at 30 April 2005.

Financial assets and financial liabilities other than debt and equity securities

From 1 May 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of Statement of Standard Accounting Practice 24 "Accounting for investments in securities") in accordance with the requirements of HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition. Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. The adoption of HKAS 39 by the Group has had no material effect on the Group's results for the current year.

Interest-free non-current loan

Prior to the application of HKAS 39, interest-free non-current loan payable was stated at the nominal amount. HKAS 39 requires all financial assets and financial liabilities to be measured at fair value on initial recognition. Such interest-free loan payable are measured at amortised cost determined using the effective interest method at subsequent balance sheet dates. The Group has applied the relevant transitional provisions in HKAS 39. As a result of this change in the accounting policy, the carrying amount of the non-current loan payable as 1 May 2005 has been decreased in order to state the loan payable at amortised costs in accordance with HKAS 39 (see note 2A for the financial impact).

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 2 on the results for the current and prior years are as follows:

The following is an analysis in profit for the year ended 30 April 2006 and 30 April 2005 by line items presented according to their function:

	HKAS 1	HKAS 32 and HKAS 39	HKFRS 2	Total effects
	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 30 April 2006				
Increase in administrative expenses	–	–	4,287	4,287
Increase in finance costs	–	9,735	–	9,735
Decrease in profit for the year	–	9,735	4,287	14,022
For the year ended 30 April 2005				
Increase in finance costs	–	2,634	–	2,634
Decrease in share of profits of associates	3,663	–	–	3,663
Decrease in income tax expense	(3,663)	–	–	(3,663)
Decrease in profit for the year	–	2,634	–	2,634

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (continued)

The cumulative effects of the application of the new HKFRSs as at 30 April 2005 and 1 May 2005 are summarised below:

	30 April 2005 (originally stated)	Adjustments on 30 April 2005 Impact on HKAS 1	Adjustments on 30 April 2005 Impact on HKAS 32	30 April 2005 (as restated)	Adjustment on 1 May 2005 Impact on HKAS 32 & HKAS 39	1 May 2005 (As restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance sheet items						
Loan payable	(69,065)	–	–	(69,065)	7,474	(61,591)
Convertible note	(104,000)	–	10,046	(93,954)	–	(93,954)
Total effects on assets and liabilities	(173,065)	–	10,046	(163,019)	7,474	(155,545)
Share premium	118,961	–	1,446	120,407	–	120,407
Convertible note equity reserve	–	–	11,234	11,234	–	11,234
Accumulated profits	61,334	–	(2,634)	58,700	7,474	66,174
Equity holders of the Company	180,295	–	10,046	190,341	7,474	197,815
Minority interests	–	242,047	–	242,047	–	242,047
Total effects on equity	180,295	242,047	10,046	432,388	7,474	439,862
Minority interests	242,047	(242,047)	–	–	–	–
	422,342	–	10,046	432,388	7,474	439,862

At 30 April 2005, amount due from minority interest of HK$9,599,000 which was previously included in minority interest has been reclassified to amounts due to a related company.

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (continued)

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. Except for the financial impact on adoption of HKAS 39 & HKFRS 4 (Amendments) "Financial guarantee contracts" which requires financial guarantee contracts within the scope of HKAS 39 to be measured at fair value on initial recognition, the directors of the Company anticipate that these standards, amendments or interpretations will have no material impact on the financial statements of the Group. The Group is not yet in a position to reasonably estimate the impact on adoption of HKAS 39 & HKFRS 4 (Amendments).

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

All inter-group transactions, balances, income and expenses are eliminated on consolidation.

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

Acquisition of additional interest in a subsidiary

When the Group increases its interest in an enterprise that is already an entity controlled by the Company, goodwill arising on such acquisition represents the difference between the cost of additional interest acquired and the increase in the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary to current fair value is recognised in the consolidated balance sheet. The difference between the fair value, representing the amount of consideration less the amount of goodwill, and the carrying amount of the net assets attributable to the additional interest acquired is recognised as a reserve movement. This difference represents the portion of the revaluation difference that arose since the original acquisition date that is attributable to the Group's increased interest in the subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill arising on acquisitions on or after 1 May 2004

Goodwill arising on an acquisition of a subsidiary or an associate for which the agreement date is on or after 1 May 2004 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary and associate at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet. Goodwill arising on an acquisition of an associate (which is accounted for using the equity method) is included in the cost of the investment of the relevant associate. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's interest of the net fair value of the identifiable assets, liabilities over the cost of acquisition, after reassessment, is recognised in profit and loss.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's interest of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised in profit or loss.

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

Revenue recognition

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

Revenue from sale of properties in the ordinary course of business is recognised when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Services income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate exactly discounts the estimated future cash receipts through the expected life of the financial asset's net carrying value.

Plant and equipment

Plant and equipment are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

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

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

Leasing

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

As lessee

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the consolidated income statement in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

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

Fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 May 2004 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as under other income.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are charged as an expense as they fall due.

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Properties held for sale

Properties held for sale in the ordinary course of business are stated at the lower of cost and net realisable value.

Properties under development

Properties under development for sale are stated at the lower of cost and net realisable value. Cost of property in the course of development comprises costs of land use rights, development costs and borrowing costs during the development period.

Financial instruments

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

Financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories (set out above). At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value.

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

Financial liabilities and equity

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

***Financial liabilities and equity** (continued)*

Other financial liabilities

Other financial liabilities including other payables, loan payable, secured bank borrowings, amount due to related company, amount due to a shareholder and dividend payable are subsequently measured at amortised cost, using the effective interest rate method.

Convertible note

Convertible note issued by the Company that contains both financial liability and equity components is classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible note and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the note into equity, is included in equity (convertible note equity reserve).

In subsequent periods, the liability component of the convertible note is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible note equity reserve until the embedded option is exercised (in which case the balance stated in convertible note equity reserve will be transferred to share capital and share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible note equity reserve will be released to the accumulated profits. No gain or loss is recognised in the consolidated income statement upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible note are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to convertible note equity reserve. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible note using the effective interest method.

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in the consolidated income statement.

For financial liabilities, they are removed from the Group's consolidated balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the consolidated income statement.

Provisions

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees of the Company

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 3, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that may 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.

Current and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the amount of the provision of taxation and the timing of payment of the related taxations. The provision of taxation is calculated based on the budgeted cost of property development projects. Where the final tax outcome of these property development projects 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.

Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including sales charges, borrowing costs and all property development expenditure.

The Group is subject to land appreciation taxes in PRC. 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 judgments are required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain. 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 the cost of sales and related income tax provisions in the period in which such determination is made.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Valuation on long term receivable, loan to an associate and other receivables

The Group assesses periodically if long-term receivable, loan to an associate and other receivables have suffered any impairment in accordance with the accounting policy stated in note 3.

The receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. An impairment losses is recognised in profit and loss when there is objective evidence that the asset is impaired.

In making the judgement, management considers detailed procedures which have been in place to monitor this risk. In determining whether there is objective evidence of impairment, the Group takes into consideration estimation of future cash flows.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, long-term receivables, other payables, convertible note, bank deposits, available-for-sale investment, amounts due from (to) associates/ a related company/a shareholder, loan payable and secured bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Cash flow interest rate risk

The Group has variable-rate borrowings and is therefore exposed to cash flow interest rate risk (see note 27 for details of these borrowings). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposures and will consider hedging significant interest rate exposures should the need arise.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The extent of the Group's credit exposure is represented by the aggregate balance of bank balances, trade and other receivables, loan to an associate, amount due from an associate and long-term receivable.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. The Group's maximum exposure to credit risk is in the event of the counterparties' failure to perform their obligations at 30 April 2006 in relation to bank borrowings. Detailed disclosure of these guarantees has been made in note 36.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Except for the long-term receivable, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers. The credit risk for bank deposits and bank balances exposed is considered minimal as such amounts are placed with banks with good credit ratings.

6. REVENUE AND BUSINESS AND GEOGRAPHICAL SEGMENTS

Revenue represents amounts received and receivable for properties sold by the Group to outside customers and services rendered is summarised as follows:

	2006	2005
	HK$'000	HK$'000
Sales of properties	**669,404**	475,935
Provision of property management consultancy services	**1,736**	537
	671,140	476,472

6. REVENUE AND BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments

For management purposes, the Group is now principally engaged in property development in the People's Republic of China (the "PRC"). Accordingly, no business segment analysis is presented for the year ended 30 April 2006 and 30 April 2005.

Geographical segments

Over 90% of the activities of the Group for the year ended 30 April 2006 and 30 April 2005 are carried out in the PRC and over 90% of the assets of the Group are located in the PRC. Accordingly, no geographical analysis is presented.

7. OTHER INCOME

	2006	2005
	HK$'000	HK$'000
Interest income on:		
Bank deposits	**2,112**	567
Loan to an associate	**24,660**	17,594
Other loans	**2,446**	3,998
Net exchange gain	**6,449**	–
PRC government subsidies	**5,696**	7,055
Others	**715**	134
	42,078	29,348

8. FINANCE COSTS

	2006 HK$'000	2005 HK$'000 (restated)
Interest on:		
Bank borrowings wholly repayable within five years	**21,333**	11,171
Effective interest expense on convertible note	**6,393**	3,146
Imputed interest expense on non-current interest-free loan payable	**4,381**	–
	32,107	14,317
Less: amount capitalised under properties under development	**(21,333)**	(11,171)
	10,774	3,146

9. INCOME TAX EXPENSE

	2006 HK$'000	2005 HK$'000 (restated)
The income tax expense comprises:		
Current tax in the PRC	**29,083**	73,374
Deferred taxation (note 30)	**(14,331)**	–
	14,752	73,374

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not derive any assessable profit in Hong Kong for both years.

The Group's subsidiaries established in the PRC are subject to PRC income tax on their taxable income at the rate of 33%.

9. INCOME TAX EXPENSE (continued)

The income tax expense for the year can be reconciled to the profit before taxation as follows:

	2006	2005
	HK$'000	HK$'000
		(restated)
Profit before taxation	**108,980**	332,390
Tax charge at PRC income tax rate of 33%	**35,963**	109,689
Tax effect of share of results of associates	**2,831**	(2,607)
Tax effect of expenses not deductible for tax purposes	**12,800**	1,809
Tax effect of income not taxable for tax purposes	**(43,059)**	(26,087)
Tax effect of deferred tax assets not recognised	**8,436**	4,289
Utilisation of deferred tax assets previously not recognised	**(293)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,926)**	(13,719)
Income tax expense for the year	**14,752**	73,374

10. PROFIT FOR THE YEAR

	2006 HK$'000	2005 HK$'000
Profit for the year has been arrived at after charging:		
Auditors' remuneration		
– current year	**2,021**	923
– underprovision in prior year	**13**	–
	2,034	923
Staff costs, including directors' emoluments		
– capitalised under properties under development	**3,902**	1,376
– included in administrative expenses	**14,719**	4,776
	18,621	6,152
Retirement benefit scheme contributions	**707**	287
Total staff costs	**19,328**	6,439
Depreciation	**1,396**	1,450
Less: capitalised under properties under development	**(101)**	(499)
	1,295	951
Cost of properties held for sale/properties under development recognised as an expense	**610,572**	253,809
Share of tax of associates (included in share results of associates)	**–**	3,663

11. DIRECTORS' EMOLUMENTS

Fees and other emoluments paid or payable to each of the 9 (2005: 12) directors for the year ended 30 April 2006 and 2005 were as follows:

	Year ended 30 April 2006									
	Li Song Xiao HK$'000	**Liu Yi HK$'000**	**Niu Xiao Rong HK$'000**	**Yuan Kun HK$'000**	**Song Xuan HK$'000**	**Zhang Huai An HK$'000**	**Nie Mei Sheng HK$'000**	**Wang Shi Yong HK$'000**	**Zheng Kuan HK$'000**	**Total HK$'000**
Fees	–	–	–	–	–	–	–	–	–	–
Other emoluments										
Salaries and other benefits	**650**	**1,250**	**962**	**750**	**962**	**962**	–	–	–	**5,536**
Contributions to retirement benefit schemes	**19**	**19**	**19**	**19**	**19**	**19**	–	–	–	**114**
Share-based payment	**149**	**798**	**798**	**399**	**798**	**798**	–	–	–	**3,740**
Total emoluments	**818**	**2,067**	**1,779**	**1,168**	**1,779**	**1,779**	–	–	–	**9,390**

	Year ended 30 April 2005												
	Li Song Xiao HK$'000	Liu Yi HK$'000	Nin Xiao Rong HK$'000	Zhang Yao Hui HK$'000	Song Xuan HK$'000	Zhang Huai An HK$'000	Nie Mei Sheng HK$'000	Wang Shi Yong HK$'000	Zheng Kuan HK$'000	Zhang Yuan Duan HK$'000	Che Han Shu HK$'000	Zhang Ling HK$'000	Total HK$'000
Fees	–	–	–	–	–	–	–	–	–	–	–	–	–
Other emoluments													
Salaries and other benefits	650	650	–	215	–	–	–	–	–	–	240	–	1,755
Contributions to retirement benefit schemes													
Share-based payment	–	–	–	–	–	–	–	–	–	–	–	–	–
Total emoluments	650	650	–	215	–	–	–	–	–	–	240	–	1,755

No directors waived any emoluments for the years ended 30 April 2006 and 2005.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, all (2005: two) were directors of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining three individuals for the year ended 30 April 2005 were as follows:

	HK$'000
Salaries and other benefits	1,429
Contributions to Mandatory Provident Fund Scheme	24
	1,453

The emoluments of each of the three individuals for the year ended 30 April 2005 were below HK$1,000,000.

13. DIVIDENDS

	2006 **HK$'000**	2005 HK$'000
Ordinary shares:		
2006 Interim – HK1.5 cents (2005: Nil) per ordinary share	**37,255**	–
2005 Final – HK2.2 cents (2004: Nil) per ordinary share	**54,640**	–
	91,895	–

The directors do not recommend the payment of final dividend (2005: HK2.2 cents per ordinary share).

Pursuant to the sales and purchase agreements for the acquisition of Lucky Merit and New Direction, 499,221,153 and 599,765,384 ordinary shares of the Company with par value of HK$0.01 per share each were issued respectively. The acquisitions in Lucky Merit and New Direction give rise to a deemed distribution of HK$707,278,000 (see note 33).

14. EARNINGS PER SHARE

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

	2006 **HK$'000**	2005 HK$'000 (restated)
Earnings:		
Earnings for the purposes of basic earnings per share	**104,663**	177,817
Effect of dilutive potential ordinary shares in respect of interest on convertible note	**6,393**	3,146
Earnings for the purposes of diluted earnings per share	**111,056**	180,963
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,770,710,769**	1,920,041,595
Effect of dilutive potential ordinary shares on:		
Convertible note	**400,000,000**	196,775,553
Options	**316,804**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**3,171,027,573**	2,116,817,148

14. EARNINGS PER SHARE (continued)

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

	Impact on basic earnings per share		Impact on diluted earnings per share	
	2006	2005	**2006**	2005
	cents	cents	**cents**	cents
Figure before adjustments	**4.29**	9.40	**3.77**	8.55
Adjustments arising from changes in accounting policies (see note 2A)	**(0.51)**	(0.14)	**(0.27)**	–
Reported/restated	**3.78**	9.26	**3.50**	8.55

15. PLANT AND EQUIPMENT

	Furniture and fixtures HK$'000	Computer and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST				
At 1 May 2004	1,750	1,854	3,394	6,998
Acquisition arising from transfer of an associate to a subsidiary (note 16)	225	503	–	728
Additions	209	670	–	879
At 30 April 2005 and 1 May 2005	2,184	3,027	3,394	8,605
Exchange adjustments	9	33	48	90
Acquired on acquisition of subsidiaries (note 33)	194	–	41	235
Additions	207	424	2,970	3,601
At 30 April 2006	**2,594**	**3,484**	**6,453**	**12,531**
DEPRECIATION				
At 1 May 2004	1,177	1,365	425	2,967
Provided for the year	593	207	650	1,450
At 30 April 2005 and 1 May 2005	1,770	1,572	1,075	4,417
Exchange adjustments	1	2	17	20
Provided for the year	135	335	926	1,396
At 30 April 2006	**1,906**	**1,909**	**2,018**	**5,833**
NET BOOK VALUES				
At 30 April 2006	**688**	**1,575**	**4,435**	**6,698**
At 30 April 2005	414	1,455	2,319	4,188

15. PLANT AND EQUIPMENT (continued)

The above items of plant and equipment are depreciated on a striaght-line basis at the following rates per annum:

Furniture and fixtures	20% – 33$^{1}/_{3}$%
Computer and office equipment	33$^{1}/_{3}$%
Motor vehicles	12$^{1}/_{2}$% – 20%

16. INTERESTS IN ASSOCIATES

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

	2006 **HK$'000**	2005 HK$'000
Cost of investments in unlisted associates	**125,404**	141,122
Share of post-acquisition results and reserves, net of dividends received	**(8,029)**	(41,801)
	117,375	99,321

Particulars of the Group's associates at 30 April 2006 are set out below:

Name	Place of incorporation and operation	Particulars of registered capital	Class of share held	Percentage of registered capital held by the Group	Principal activities
北京新松置地投資顧問有限公司 ("Beijing New Shine Land")	PRC	RMB30,000,000	Registered capital	25%	Investment holding
北京市御水苑房地產開發有限責任公司 ("Beijing Yu Shui Yuan")	PRC	RMB20,000,000	Registered capital	30%*	Development and sale of properties in Beijing
重慶中華企業房地產發展有限公司 ("Chongqing China Enterprises")	PRC	RMB50,000,000	Registered capital	20%	Development and sale of properties in Chongqing

* Beijing Yu Shui Yuan is 80% owned by Beijing New Shine Land and 10% owned by the Group directly.

16. INTERESTS IN ASSOCIATES (continued)

Included in the cost of investment in associates at 30 April 2005 was goodwill of HK$47,941,000 arising on acquisition of associates. The movement of goodwill is set out below:

	Goodwill
	HK$'000
COST	
At 1 May 2004	114,923
Eliminated with accumulated amortisation	(56,864)
Disposal arising from disposal of a subsidiary	(10,118)
At 30 April 2005 and 1 May 2005	47,941
Disposal arising from disposal of a subsidiary	(47,941)
At 30 April 2006	**–**
ACCUMULATED AMORTISATION	
At 1 May 2004	56,864
Eliminated with cost	(56,864)
At 30 April 2005 and 30 April 2006	–
CARRYING VALUES	
At 30 April 2006	**–**
At 30 April 2005	47,941

The goodwill arising on the acquisition of associates was amortised on straight-line basis over the estimated useful life of five years. The Group ceased amortisation of goodwill from 1 May 2004 as a result of early adoption of HKFRS 3.

The Group's entitlement to share in profits of its associates is in proportion to its ownership interest.

16. INTERESTS IN ASSOCIATES (continued)

For the year ended 30 April 2006

On 31 March 2006, the Group entered into an agreement with an independent third party for the acquisition of 30% equity interest in Chongqing China Enterprises, a company established in the PRC and engaged in property development business in Chongqing, the PRC, for a total consideration of approximately HK$173,038,000 in which HK$116,442,000 is for the acquisition of 20% equity interest. On 3 April 2006, the registration of transfer in the 20% equity interest to the Group in Chongqing China Enterprises has been completed. Upon the transfer of the 20% equity interest to the Group, Chongqing China Enterprises became an associate of the Group as the Group has the power to appoint directors in Chongqing China Enterprises and can exercise significant influence.

The remaining 10% equity interest in Chongqing China Enterprises will be transferred to the Group upon the completion of the further acquisition of the remaining 70% equity interest in Chongqing China Enterprises as mentioned in note 44 to the consolidated financial statements. The unpaid consideration of the remaining 10% equity interest is HK$56,596,000. The transfer of the remaining 10% equity interest Chongqing China Enterprises has not been completed as of 30 April 2006.

Details of the acquisition of 30% interest in Chongqing China Enterprises are included in a circular of the Company dated 28 April 2006.

For the year ended 30 April 2005

In August 2004, the Company acquired 100% equity interest in Top Fair Limited ("Top Fair"). Top Fair is an investment holding company which holds 45% equity interest in 北京金馬文華園房地產開發有限公司 ("Beijing Jinma"). The principal business activity of Beijing Jinma is to develop a property project in Beijing, the PRC, and Beijing Jinma was accounted for as an associate since then.

On 15 October 2004, the shareholding of the other shareholders in Beijing Jinma was changed. Subsequent to the change of the shareholding of Beijing Jinma, the Group became the single largest shareholder of Beijing Jinma. At the same date, the shareholders of Beijing Jinma signed an amendment agreement to the Articles and Memorandum of Beijing Jinma under which the Group can appoint the majority of the board of directors of Beijing Jinma. The amendment was approved by 北京市商務局 on 17 October 2004.

As a result, the Group becomes the single largest shareholder of Beijing Jinma and controls its board of directors and therefore accounts for Beijing Jinma as a subsidiary of the Group since 17 October 2004.

16. INTERESTS IN ASSOCIATES (continued)

For the year ended 30 April 2005 (continued)

Details of the net assets of Beijing Jinma as at the date of transfer from an associate to a subsidiary of the Group are summarised below:

	HK$'000
Plant and equipment	728
Pledged bank deposits	63,064
Properties held for sale	267,185
Properties under development	747,205
Trade and other receivables	131,434
Bank balances and cash	9,902
Trade and other payables	(425,210)
Advances from customers	(142,670)
Amounts due to related companies	(63,139)
Secured bank borrowings	(136,981)
Tax payable	(65,111)
	386,407

The summarised financial information in respect of the Group's associates as at 30 April is set out below:

	2006	2005
	HK$'000	HK$'000
Total assets	**2,091,060**	818,727
Total liabilities	**(1,601,734)**	(690,110)
Net assets	**489,326**	128,617
Group's share of net assets of associates	**117,375**	51,380
Revenue	**–**	157,611
(Loss) profit for the year	**(24,678)**	22,226
Group's share of results of associates for the year	**(8,579)**	7,901

16. INTERESTS IN ASSOCIATES (continued)

Loan to an associate

The loan is lent to Beijing New Shine Land, an associate of the Group, for development of a property project in Beijing, the PRC. The property project is held by Beijing Yu Shui Yuan, which is 80% owned by Beijing New Shine Land and 10% owned by the Group. The development of the property project has been commenced and is expected to be completed in late 2007.

Pursuant to the loan agreement, the loan is secured by the 80% equity interest in Beijing Yu Shui Yuan held by Beijing New Shine Land, bearing effective interest at 8.28% (2005: 7.45%) per annum in the PRC and repayable upon completion of the property project.

The directors consider that the carrying amount approximates the fair value as the loan to an associate bears market interest rate.

Amount due from an associate

The amount is unsecured, non-interest bearing and repayable upon request. The directors consider that the carrying amount of the amount due from an associate approximates its fair value in view of its short-term nature.

17. LONG-TERM RECEIVABLE

The amount represents an advance to a third party, 臨安三佳房地產開發有限公司, plus interest receivable. The amount is secured by certain properties of the borrower, bearing effective interest at 6.03% per annum in the PRC and is repayable in June 2007. The amount has been subsequently settled in July 2006.

The directors consider that the carrying amount approximates its fair value, in view of the fact that the long-term receivable bears market interest rate.

18. AVAILABLE-FOR-SALE INVESTMENT

The available-for-sale investment represents an investment in an unlisted equity security that offers the Group the opportunity for return through dividend income. It is measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors are of the opinion that the fair value cannot be measured reliably.

19. DEPOSITS FOR ACQUISITION OF SUBSIDIARIES

The amounts represent deposits paid for acquisitions of certain subsidiaries committed by the Group. The acquisitions of these subsidiaries are subjected to certain conditions which are not yet satisfied at the balance sheet date. Capital commitments in respect of amounts contracted, but not provided in the financial statements in relation to the acquisition of these subsidiaries at 30 April 2006 are approximately HK$364,817,000 (2005: nil).

20. PLEDGED BANK DEPOSITS

The amounts represent deposits pledged to banks to secure long-term mortgage loans granted by banks to the buyers of the pre-sold properties and are therefore also classified as non-current assets. These pledged deposits will be released upon the transfer of the properties titles to the respective buyers.

The deposits carry interest rates at respective bank saving deposits ranged from 0.72% to 0.79% for both years. The directors consider that the carrying amounts approximate the fair values, in view of the fact that the pledge bank deposits bear market interest rates.

21. PROPERTIES UNDER DEVELOPMENT

	2006	2005
	HK$'000	HK$'000
Properties under development of which:		
– will be realised within twelve months	**1,162,555**	602,334
– will not be realised within twelve months	**760,700**	184,585
	1,923,255	786,919

The properties under development are located in the PRC.

22. TRADE AND OTHER RECEIVABLES

	2006	2005
	HK$'000	HK$'000
Trade receivables (note a)	**9,820**	197,720
Other receivables (note b)	**99,978**	96,108
Deposits paid for acquisition of properties under development	**65,077**	–
Other tax prepayments	**89,213**	10,750
Other deposits and prepayments	**28,275**	19,414
	292,363	323,992

Notes:

(a) The following is an aged analysis of trade receivables as at the balance sheet date:

	2006	2005
	HK$'000	HK$'000
0 – 90 days	**4,948**	197,720
90 – 180 days	**–**	–
Over 180 days	**4,872**	–
	9,820	197,720

The Group allows a credit period of 90 days to the buyers.

(b) At 30 April 2006, included in other receivable is a loan to a third party of US$10,000,000 (equivalent to approximately HK$77,690,000). The loan is unsecured, bearing effective interest at 9.00% per annum and had been fully repaid in May 2006.

At 30 April 2005, included in other receivables is a loan to a former related company of RMB99,952,000 (equivalent to approximately HK$94,294,000). The loan is unsecured, bearing interest at market rate of one-year bank loan and had been fully repaid in May 2005.

The directors consider that the fair values of the Group's trade and other receivables at the balance sheet date approximate their carrying amounts.

23. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The fair values of these assets at 30 April 2006 approximate their carrying amounts.

All bank saving deposit balances are interest bearing at commercial interest rates, and the effective interest rates of the Group's bank balances ranged from 0.72% to 0.79% for both years.

24. ACCRUALS AND OTHER PAYABLES

	2006	2005
	HK$'000	HK$'000
Accruals for properties under development	**397,298**	314,004
Other payables	**61,712**	45,412
	459,010	359,416

The directors consider that the fair values of the Group's other payables at the balance sheet date approximate their carrying amounts.

25. AMOUNT DUE TO A RELATED COMPANY

The amount is unsecured, non-interest bearing and repayable upon request. The controlling shareholder of the Company, Mr. Li Song Xiao, has beneficiary interest in the related company. The directors consider that the carrying amount of the amount due to a related company approximates the fair value in view of short-term nature of financial liability.

26. AMOUNT DUE TO A SHAREHOLDER

The amount is unsecured, non-interest bearing and repayable on demand. The directors consider that the fair value of the amount due to a shareholder approximates its carrying amount.

27. SECURED BANK BORROWINGS

	2006	2005
	HK$'000	HK$'000
Secured bank loans repayable within a period of:		
Less than one year	**16,750**	93,604
More than one year but within two years	**244,135**	–
	260,885	93,604
Less: Amount due within one year	**(16,750)**	(93,604)
Amount due after one year	**244,135**	–

The bank loans are variable-rate borrowings which carry commercial interest rates in the PRC.

All the Group's borrowings are denominated in Renminbi.

The effective interest rate (being the contracted interest rate) on the Group's borrowings is 5.94% (2005: 5.84%) per annum.

The bank borrowings are secured by certain properties under development of the Group with a carrying amount amounting to approximately HK$331,258,000 (2005: HK$142,899,000) located in the PRC.

The directors consider that the fair values of the Group's borrowings approximate to their carrying amounts.

28. LOAN PAYABLE

The loan payable at a nominal amount of HK$69,065,000 is unsecured, non-interest bearing and will not be repayable before the completion of the development of a property project in Shenzhen, the PRC, which is expected to be completed in late 2006.

The fair value of the Group's loan payable at the balance sheet date, determined based on the present value of the estimated future cash flows discounted using the prevailing market rate at 30 April 2006 approximates to the carrying amount of the loan payable.

The effective interest rate on the loan payable is 6.89% per annum.

29. CONVERTIBLE NOTE

On 24 January 2005, the Company issued a convertible note at par with a principal amount of HK$210,000,000 to Mr. Wang Yan as the consideration for the acquisition of Top Fair.

The convertible note bears interest at 1% per annum and is redeemable at par on 28 February 2007. The holder of the convertible note has the rights to convert all or any portion of the convertible note into shares of the Company at an initial conversion price of HK$0.26 per share, subject to adjustment. The conversion rights can be exercised at any time from the date of issue until the repayment of the convertible note, provided that the public float of the Company will not be less than 25% immediately after such conversion. For the year ended 30 April 2005, the holder of the convertible note converted part of the convertible note with principal amount of HK$106,000,000 into shares of the Company. Consequently, 407,692,307 new shares of HK$0.01 each in the Company were issued to the holder.

The convertible note contains two components, liability and equity elements. Upon the application of HKAS 32 (see note 2 for details), the convertible note is split between the liability and equity elements, on a retrospective basis. The equity element is presented in equity heading "convertible note equity reserve". The effective interest rate of the liability component is 6.89%.

The fair value of the liability component of the convertible note at 30 April 2006 determined based on the present value of the estimated future cash flows discounted at the prevailing market rate for an equivalent non-convertible loan at the balance sheet date, was approximately HK$99,307,000.

The convertible note at 30 April 2006 is converted into new shares of the Company subsequent to the year end.

30. DEFERRED TAX LIABILITIES

The following is the major deferred tax liability recognised and movement thereon during the current and prior accounting period:

	Fair value adjustment on properties under development/ properties held for sale HK$
At 1 May 2004 and 1 May 2005	–
Acquisition of subsidiaries	73,640
Credit to income for the year	(14,331)
At 30 April 2006	59,309

At 30 April 2006, the Group had unused tax losses of HK$131,838,000 (2005: HK$106,275,000) available for offset against future profits. In addition, at 30 April 2006, the Group had other deductible temporary differences of HK$229,000 (2005: HK$1,117,000). No deferred tax asset has been recognised in relation to tax losses and deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Included in unrecognised tax losses, approximately HK$19,030,000 (2005: HK$4,153,000) will expire at various dates up to 2011. Other losses may be carried toward indefinitely.

31. SHARE CAPITAL

	Number of shares	Nominal value HK$'000
Authorised:		
Shares of HK$0.01 per share at 30 April 2005 and 30 April 2006	40,000,000,000	400,000
Issued and fully paid:		
Shares of HK$0.01 per share at 30 April 2004	2,075,940,643	20,759
Issue of shares by conversion of convertible note (see note 29)	407,692,307	4,077
Shares of HK$0.01 per share at 30 April 2005	2,483,632,950	24,836
Issue of shares for a private placement (note a)	496,720,000	4,967
Issue of shares for the acquisition of Lucky Merit Development Limited ("Lucky Merit") (note b)	499,221,153	4,992
Issued of shares for the acquisition of New Direction Development Limited ("New Direction") (note c)	599,765,384	5,998
	4,079,339,487	40,793

Notes:

(a) On 10 February 2006, arrangements were made for a private placement to independent private investors of 496,720,000 ordinary shares of HK$0.01 each in the Company held by Mr. Li Song Xiao, the chairman of the Company, at a price of HK$0.89 per share representing a discount of approximately 9.2% to the closing market price of the Company's share on 10 February 2006.

Pursuant to a subscription agreement of the same date, Mr. Li Song Xiao subscribed for 496,720,000 new ordinary shares of HK$0.01 each in the Company at a price of HK$0.89 per share. The proceeds were used for the proposed acquisition of a subsidiary, Chongqing China Enterprises, or other property projects in the PRC and for general working capital of the Group. These new shares were issued under the general mandate granted to the directors at the general meeting of the Company held on 12 September 2005 and rank pari passu with other shares in issue in all respects.

(b) On 28 February 2006, 499,221,153 ordinary shares of HK$0.01 each were issued at a price of HK$0.87 per share for a total consideration of approximately HK$434,322,000 for the acquisition of Lucky Merit (note 33).

(c) On 30 March 2006, 599,765,384 ordinary shares of HK$0.01 each were issued at a price of HK$1.08 per share for a total consideration of approximately HK$647,747,000 for the acquisition of New Direction (note 33).

32. SHARE OPTIONS

Pursuant to a special general meeting of the Company held on 12 December 2002, the share option scheme adopted by the Company is called a new scheme (the "New Scheme"). Pursuant to the New Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and options granted and yet to be exercised under any other schemes shall not exceed 30% of the issued share capital of the Company from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period must not exceed 1% of the issued share capital of the Company at any time. The offer of a grant of options may be accepted within 21 days from the date of the offer with signed acceptance letter comprising consideration of HK$1.00 received by the Company. The exercise period of the share options granted is determinable by the directors, but no later than 10 years from the date of the offer. The subscription price for the shares in respect of which options are granted is determinable by the directors of the Company, but in any case must be the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

At 30 April 2006, the number of shares of the Company in respect of which options had been granted and remained outstanding under the New Scheme of the Company was 86,000,000, representing 2.11% of the shares of the Company in issue at that date.

The following table discloses details of the share options of the Company held by directors and employees and movements in such holdings during the year.

For the year ended 30 April 2006

Grantees	Date of grant	Outstanding at 1 May 2005	Granted during the year (note)	Cancelled during the year	Exercised during the year	Outstanding at 30 April, 2006	Exercisable period	Exercise price per share (subject to adjustment) HK$
Directors of the Company	4 April 2006	–	75,000,000	–	–	75,000,000	4 April 2006 – 3 April 2016	0.90
Other employees of the Group	4 April 2006	–	11,000,000	–	–	11,000,000	4 April 2006 – 3 April 2016	0.90
		–	86,000,000	–	–	86,000,000		
Exercisable at the end of the year						17,200,000		

32. SHARE OPTIONS (continued)

Note:

The interests are by virtue of 75,000,000 share options accepted by the common directors and 11,000,000 share options accepted by the employees of the Company on 4 April 2006, would entitle the relevant directors and employees to subscribe for shares in the Company at an exercise price of HK$0.90 per share. The share options are exercisable in whole or in part at the staggered manner within 5 options period, commencing 4 April 2006, 4 April 2007, 4 April 2008, 4 April 2009 and 4 April 2010 respectively and all ending on 3 April 2016.

No share option was outstanding under the New Scheme at 1 May 2004 and 30 April 2005.

The estimated fair values of the options granted are HK$18,542,000 of which HK$4,287,000 was charged to the consolidated income statement during the year.

These fair values were calculated using the Binomial model. The inputs into the model were as follows:

	2006
Closing share price at the date of offer	HK$0.90
Exercise price	HK$0.90
Expect volatility	40%
Expected life	10 years
Risk-free rate	4.58%
Expected dividend yield	5%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous one year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

33. ACQUISITION OF SUBSIDIARIES

For the year ended 30 April 2006

(i) On 30 March 2006, the Company acquired 100% equity interest in New Direction at a consideration of HK$650,595,000 which was settled by the issue of 599,765,384 ordinary shares of the Company (note a) and incurred cost of HK$2,848,000. New Direction owns 70% equity interest in 北京新松房地產開發有限公司, a company established in the PRC and engaged in properties development project in Beijing. This acquisition has been accounted for by the purchase method of accounting.

33. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 30 April 2006 (continued)

Details of the net assets acquired in respect of the acquisition of New Direction are summarised below:

	2006			
	Acquiree's carrying amount before combination	**Fair value adjustments**	**Fair value**	**2005**
	HK$'000	HK$'000	HK$'000	HK$'000
NET ASSETS ACQUIRED				
Plant and equipment	235	–	235	–
Available-for-sale investment	9,471	–	9,471	–
Long-term receivable	270,831	–	270,831	–
Interest in an associate	–	–	–	209,945
Properties under development	663,168	223,152	886,320	–
Trade and other receivables	76,731	–	76,731	–
Advances to suppliers	123,716	–	123,716	–
Tax recoverable	14,519	–	14,519	–
Amounts due from related companies	32	–	32	–
Pledged bank deposits	6,239	–	6,239	–
Bank balances and cash	7,577	–	7,577	55
Accruals and other payables	(389,431)	–	(389,431)	–
Advances from customers	(614,994)	–	(614,994)	–
Tax payable	(14,519)	–	(14,519)	–
Amounts due to related companies	(15,237)	–	(15,237)	–
Secured bank borrowings	(17,259)	–	(17,259)	–
Deferred tax liabilities	–	(73,640)	(73,640)	–
	121,079	149,512	270,591	210,000
Minority interests			(81,177)	
			189,414	
Represented by:				
Equity instruments of the Company (note a)			650,595	–
Cost directly attributable to the acquisition of New Direction			(2,848)	–
Deemed distribution to the controlling shareholder (note b)			(458,333)	–
Convertible note liability component			–	187,317
Convertible note equity component			–	22,683
			189,414	210,000
Net cash inflow arising on acquisition:				
Cash paid			–	–
Cost directly attributable to the acquisition of New Direction			(2,848)	–
Bank balances and cash acquired			7,577	55
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries			4,729	55

33. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 30 April 2006 (continued)

The subsidiary acquired during the year contributed HK$429,418,000 to the Group's revenue and HK$7,855,000 to the Group's profit.

If the acquisition had been completed on 1 May 2005, total group's revenue for the period would have been HK$671,140,000, and profit for the year would have been HK$115,736,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 May 2005, nor is it intended to be a projection of future results.

(ii) On 28 February 2006, the Group completed the acquisition of 100% equity interest in Lucky Merit at a consideration of HK$436,652,000, which was settled by the issue of 499,221,153 ordinary shares of the Company (note a). Lucky Merit owns 40% equity interest in Beijing Jinma, a 45% owned subsidiary of the Group. The acquisition in Lucky Merit gives rise to a deemed distribution (note b) to the controlling shareholder of HK$248,945,000, cost directly attributable to the acquisition of Lucky Merit of HK$2,330,000 and a special reserve of HK$18,653,000. The difference between the fair value of the consideration and the fair value of net assets attributable to the additional interest in the subsidiary being acquired from a minority shareholder is considered as deemed distribution to the controlling shareholder. Due to the acquisition of the additional interest in Beijing Jinma, the minority interest was decreased by HK$166,723,000.

Note:

(a) Pursuant to the sales and purchase agreements for the acquisition of Lucky Merit and New Direction, 499,221,153 and 599,765,384 ordinary shares of the Company with par value of HK$0.01 each were issued respectively. The fair values of the shares issued for the acquisition of Lucky Merit and New Direction amount to approximately HK$434,322,000 and HK$647,747,000 respectively determined using the published prices available at the dates of the acquisition.

(b) Lucky Merit and New Direction are acquired from a controlling shareholder. The deemed distribution represents the difference between the fair value of the consideration and the fair value of the net assets acquired.

For the year ended 30 April 2005

On 12 August 2004, the Company acquired 100% equity interest in Top Fair for a consideration of HK$210 million. This acquisition has been accounted for by the purchase method of accounting. Details of the net assets acquired are summarised in note 16.

34. DISPOSAL OF SUBSIDIARIES

For the year ended 30 April 2006

In October 2005, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire interest in Spot On Assets Limited ("Spot On") together with its 100% direct interest in a subsidiary, Best Modern Properties Limited, and its indirect 39% interest in an associate, Shanghai Xin Yao Property Development Company Limited, for a consideration of HK$180,000,000. The disposal was completed in October 2005. A gain of disposal of HK$90,019,000 arose from this disposal.

In October 2005, the Group entered into a sales and purchase agreement with an independent third party to dispose of the entire interest in Neo-China Industrial Limited and its 26.12% interest in an associate, 新疆光正鋼結構工程技術有限公司, for a consideration of HK$35,000,000. The disposal was completed in October 2005. A gain of disposal of HK$34,999,000 arose from this disposal.

For the year ended 30 April 2005

In March 2005, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire interest in Noble Time Development Inc. together with its 42% interest in subsidiary, Newshine Development Limited and its 14.7% interest in associate, Beijing New Shine Garden Property Development Company Limited, for a consideration of HK$123,000,000. The disposal was completed in June 2005. A gain of HK$100,011,000 arose on the disposal of the entire interest in Noble Time Development Inc..

34. DISPOSAL OF SUBSIDIARIES (continued)

For the year ended 30 April 2005 (continued)

Details of the net assets disposed of in respect of the disposal of subsidiaries are summarised below:

	2006	2005
	HK$'000	HK$'000
NET ASSETS DISPOSED OF		
Interests in associates	**42,040**	40,969
Trade and other receivables	**–**	6
Bank balances and cash	**3**	–
Other payables	**(2)**	–
Amounts due to group companies	**(156,162)**	–
Minority interests	**–**	(17,765)
	(114,121)	23,210
Attributable goodwill	**47,941**	–
Attributable capital reserve	**–**	(221)
	(66,180)	22,989
Gain on disposal of subsidiaries	**125,018**	100,011
	58,838	123,000

34. DISPOSAL OF SUBSIDIARIES (continued)

For the year ended 30 April 2005 (continued)

	2006 HK$'000	2005 HK$'000
Satisfied by:		
Cash consideration	**215,000**	358
Deposit received	**–**	122,642
Waiver of amounts due to the Company by the subsidiaries	**(156,162)**	–
	58,838	123,000
Net cash inflow arising on disposal:		
Cash received	**215,000**	358
Bank balances and cash disposed of	**(3)**	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**214,997**	358

The subsidiaries disposed of during the year did not contribute significantly to the Group's results and cash flows.

35. COMMITMENTS

	2006 HK$'000	2005 HK$'000
Development expenditure of properties in the PRC contracted for but not provided in the consolidated financial statements	**285,220**	321,744
Capital expenditure in respect or of acquisitions of subsidiaries contracted for but not provided for in the consolidated financial statements	**364,817**	–
	650,037	321,744

36. CONTINGENT LIABILITIES

(i) As at 30 April 2006, the Group gave a guarantee in favour of Phoenix Satellite Television Company Limited ("Phoenix Satellite TV"), under which the Group guaranteed the due performance of Oasiscity Limited, a wholly own subsidiary of the Group, of its obligations under the subscription and shareholders' agreement related to a joint development property project.

(ii) The Group has given guarantees to banks amounting to approximately HK$672,074,000 (2005: HK$704,389,000) in respect of certain facilities granted to the buyers of subsidiaries' completed properties.

(iii) A subsidiary together with two associates of the Group have been named as joint defendants in a court action in the PRC in respect of an alleged breach of contractual undertakings for an amount of HK$35,976,000. The subsidiary and its legal counsel are strongly resisting this claim and the directors are of the opinons that settlement of the claim is remote. Accordingly, no provision for any potential liability has been made in the consoldiated financial statements.

(iv) The following contingent liabilities arise from interests in associates:

	2006	2005
	HK$'000	HK$'000
Share of contingent liabilities of associates arising from guarantees given to banks in respect of bank facilities utilised by buyers of associates' properties	**38,553**	–

(v) The State Administration of Taxation of the PRC issued a circular as Guo Shui Han 2004 No. 938 on 2 August 2004 to strengthen the levy of land appreciation tax on property developers. In the opinion of the directors, land appreciation tax shall not be levied in respect of properties already completed and full provision for land appreciation tax has not been made in the finanical statements. The Group has not, however, been able to secure written confirmation of those individual city policies, and the directors consider that the chance that full land appreciation tax might be levied is less than probable in accordance with the rule of State Administration of Taxation. Should such levies take place, land appreciation tax would be approximatley HK$26,013,000 (2005: HK$26,013,000).

37. MAJOR NON-CASH TRANSACTIONS

The consideration for the purchase of Lucky Merit and New Direction that occurred during the year was settled by issue of ordinary shares of the Company. Further details of the acquisitions are set out in note 33.

38. PLEDGE OF ASSETS

As at 30 April 2006, the Group pledged 30% equity interest in Phoenix Real Property Limited to Phoenix Satellite TV. Details of this are set out in note 42(a). The Group also has pledged bank deposits. Details of this are set out in note 20.

Included in the properties under development with a carrying amount of approximately HK$331,258,000 (2005: HK$142,899,000) has been pledged as security for bank borrowings of the Group.

39. OPERATING LEASE COMMITMENTS

As lessee

	2006 HK$'000	2005 HK$'000
Minimum lease payments paid under operating leases during the year for premises	**2,715**	1,370

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

	2006 HK$'000	2005 HK$'000
Within one year	**1,717**	471
In the second to fifth year inclusive	**457**	108
Over five years	**360**	–
	2,534	579

Operating lease payments represent rentals payable by the Group for its office properties. Leases are negotiated for an average term of 3 years.

40. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, and the contribution by employees is at 5%. The maximum contribution for each employee is limited to HK$12,000 per annum.

Employees of subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions.

The total cost charged to the consolidated income statement of HK$707,000 (2005: HK$287,000) represents contributions payable to the schemes by the Group for the year.

41. BALANCE SHEET OF THE COMPANY

	2006 HK$'000	2005 HK$'000 (restated)
Non-current assets		
Plant and equipment	**1,086**	709
Investments in subsidiaries	**510,314**	25,368
Amounts due from subsidiaries	**712,377**	546,151
	1,223,777	572,228
Current assets		
Other receivables	**134,589**	501
Bank balances and cash	**101,408**	413
	235,997	914
Current liabilities		
Dividend payable	**23,121**	–
Accruals and other payables	**6,262**	1,458
Amount due to a shareholder	**1,947**	7,298
Amounts due to subsidiaries	**28,037**	–
Convertible note	**99,307**	–
	158,674	8,756
Net current assets (liabilities)	**77,323**	(7,842)
Total assets less current liabilities	**1,301,100**	564,386
Non-current liability		
Convertible note	**–**	93,954
NET ASSETS	**1,301,100**	470,432
Capital and reserves		
Share capital	**40,793**	24,836
Reserves	**1,260,307**	445,596
Equity attributable to the equity holders of the Company	**1,301,100**	470,432

42. INVESTMENTS IN SUBSIDIARIES

Particulars of the Company's subsidiaries at 30 April 2006 are set out below:

Name	Place of incorporation/ registration and operation	Particulars of issued share capital/ registered capital	Percentage of issued share capital/ registered capital held	Principal activities
Directly held by the Company				
Active Power Development Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	Investment holding
Far Eagle Investments Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	Investment holding
Glorious Star Development Limited	Islands/Hong Kong	1 ordinary share of US$1	100%	Inactive
High Step Trading Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	Investment holding
Sano Group Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	Investment holding
Indirectly held by the Company				
Lucky Merit Development Limited ("Lucky Merit")	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	Investment holding
Neo-China Property Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	Investment holding
Neo-China Technology Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	Investment holding

42. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operation	Particulars of issued share capital/ registered capital	Percentage of issued share capital/ registered capital held	Principal activities
New Direction Development Limited ("New Direction")	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	Investment holding
Oasiscity Limited ("Oasiscity")	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	Investment holding
Phoenix Real Property Limited ("Phoenix Real Property", note a)	British Virgin Islands/Hong Kong	100 ordinary shares of US$1 each	100%	Investment holding
Shenzhen Phoenix Real Estates Company Limited ("Shezhen Phoenix", notes a and b)	The PRC	US$10,000,000	100%	
Sunkit Development Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	100%	Investment holding
Top Fair Limited	British Virgin Islands/Hong Kong	50,000 ordinary shares of US$1 each	100%	Investment holding
Wellink Services Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Inactive
中新方圓科技(深圳)有限公司 (note c)	The PRC	HK$10,000,000	100%	Inactive
中置(北京)企業管理有限公司 (note c)	The PRC	HK$30,000,000	100%	Investment holding
北京金馬文華園房地產開發有限公司("Beijing Jinma, note b")	The PRC	US$12,000,000	85%	Property development
新松房地產開發有限公司 (note b)	The PRC	RMB140,000,000	70%	Property development

42. INVESTMENTS IN SUBSIDIARIES (continued)

Notes:

(a) In October 2003, Oasiscity entered into a subscription and shareholders' agreement ("Agreement") with Phoenix Satellite TV and Phoenix Real Property in relation to the joint development of a property project (the "Phoenix Tower") in Shenzhen, the PRC.

Pursuant to the Agreement, Oasiscity subscribed for 60 new shares at par value of US$1 each issued by Phoenix Real Property, representing 60% of its enlarged issued share capital. Upon the issue of the new shares, Oasiscity executed a share charge in favour of Phoenix Satellite TV, under which it charges 30 new shares of Phoenix Real Property, representing 30% of the enlarged issued share capital, as security for the due performance of the Group's obligations under the Agreement. In addition, Oasiscity paid approximately HK$4.7 million to Phoenix Satellite TV in accordance with the terms of the Agreement.

Furthermore, pursuant to the Agreement, Oasiscity will increase its shareholding interests to 100% in Phoenix Real Property upon providing further financing for the development of Phoenix Tower and fulfillment of certain other terms and conditions in future.

Oasiscity, through its interest in Phoenix Real Property, the 90% shareholder of Shenzhen Phoenix, will be responsible for the implementation of the property project of Phoenix Tower, with the cooperation of Phoenix Satellite TV and Beijing Honda Construction Company Limited ("Honda"), the other 10% shareholder of Shenzhen Phoenix.

Under the Agreement, Phoenix Satellite TV and Honda, will have the property right over 25,000 square metres, in aggregate, of the self-use area of the Phoenix Tower.

Oasiscity will be responsible for providing all the required financing for the development of Phoenix Tower in future and in return it will has ownership title over all the saleable floor area of Phoenix Tower and the remaining portion of the self-use area after allowed for the entitlement of Phoenix Satellite TV and Honda as mentioned above. As Oasiscity is entitled to 100% of the results of Phoenix Real Property and Shenzhen Phoenix ultimately, they are therefore classified as wholly owned subsidiaries of the Group.

The development of Phoenix Tower commenced during the year ended 30 April 2004 and was expected to be completed in late 2006. If the development of Phoenix Tower cannot meet the timetable as stated in the Agreement, the Group needs to pay a penalty of approximately HK$33,000 to Phoenix Satellite TV each day until completion of the property project.

(b) These companies were established in the PRC in the form of sino-foreign equity joint ventures.

(c) These companies were established in the PRC in the form of wholly owned foreign enterprises.

43. RELATED PARTIES TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

	Management fee expense		Interest income	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
A related company	**1,977**	433	**–**	–
An associate	**–**	–	**24,660**	17,594

The controlling shareholder of the Company, Mr. Li Song Xiao, has beneficiary interest in the above related company.

Details of the balances with related parties as at balance sheet date are set out in the balance sheet and relevant notes to the consolidated financial statements.

A group entity had entered into agreements with Beijing Newshine Decoration Company Limited ("Newshine Decoration") with a total considerations of RMB145,065,000 prior to the group entity became a subsidiary of the Company. Pursuant to the agreements, Newshine Decoration will provide decoration services for the properties under development held by the group entity. At 30 April 2006, RMB127,113,000 (2005: RMB93,641,000) has been paid to Newshine Decoration and was included in advances to suppliers account. The controlling shareholder of the Company, Mr. Li Song Xiao, has beneficiary interest in Newshine Decoration.

During the year ended 30 April 2006, a group entity had entered into agreements with 北京新松沃克建築裝飾工程有限公司 ("北京新松沃克"), with a total consideration of RMB2,361,000. Pursuant to the agreements, 北京新松沃克 provides decoration services for the properties under development held by the group entity. At 30 April 2006, RMB1,281,000 has been paid to 北京新松沃克 and was included in property under development. The controlling shareholder of the Company, Mr. Li Song Xiao, has beneficiary interest in 北京新松沃克.

43. RELATED PARTIES TRANSACTIONS

Compensation of key management personnel

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

	2006	2005
	HK$'000	HK$'000
Short-term benefits	**7,049**	3,180
Other long-term benefits	**182**	48
Share-based payments	**4,287**	–
	11,518	3,228

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

44. POST BALANCE SHEET EVENTS

(a) On 22 May 2006, the Group entered an equity transfer agreement with an independent third party for acquisition of additional 25% equity interest in Beijing New Shine Land for a consideration of approximately HK$125,000,000. Prior to the acquisition, the Group held 25% equity interest in Beijing New Shine Land and subsequent to the acquisition, the Group is entitled to 50% equity interest in Beijing New Shine Land. Details of the acquisition of 25% equity interest in Beijing New Shine Land are included in a circular of the Company dated 15 June 2006.

(b) The Group has signed a memorandum of understanding ("the MOU") during the year with two shareholders of Chongqing China Enterprises for the possible acquisition of 70% equity interest in Chonging China Enterprises at a consideration of approximately HK$405,865,000. The Group executed the MOU on 26 May 2006 through successfully tendering the right to acquire 70% interest in Chongqing China Enterprises in Shanghai United Assets and Equity Exchange. The transfer of 70% equity interest has been completed in July 2006 and Chongqing China Enterprises became a subsidiary of the Group accordingly. In the view point of directors, it is impracticable to disclose the assets and liabilities of the subsidiary as of the date of completion.

Details of the acquisition of 70% interest in Chongqing China Enterprises are included in a circular of the Company dated 26 June 2006.

44. POST BALANCE SHEET EVENTS (continued)

(c) The Company has entered into a conditional subscription agreement with J.P. Morgan Securities Limited, and BOCI Asia Limited, in connection with the issue by the Company of zero coupon convertible bonds due 2011 ("the Bonds") with an aggregated principal amount of HK$1,340,000,000. The Bonds are convertible into ordinary shares at an initial conversion price of HK$1.5048 per share which is at a premium of approximately 32 per cent over the closing price of the share of the Company on the Stock Exchange on 12 May 2006. The issue of the Bonds was completed on 12 June 2006. Details of the Bonds issued are included in an announcement of the Company on 15 May 2006.

(d) On 26 June 2006, the Group entered into a sale and purchase agreement with Mr. Li Song Xiao, the chairman and controlling shareholder of the Group, to acquire the entire interest in DIVO Success Limited and Lead Mix Limited, which own certain properties in Tianjin, the PRC, for a consideration of HK$845,263,700. The consideration is to be satisfied by the allotment and issue of 1,243,034,853 ordinary shares at HK$0.01 each of the Company at an issue price of HK$0.68 each. Details of the acquisition is included in the circular dated 20 July 2006.