Hon Kwok Land Investment Company, Limited

Stock Code : 160

Annual Report 2005/2006

CONTENTS

DIRECTORS

James Sai-Wing Wong *(Chairman)*
Madeline May-Lung Wong
Herman Man-Hei Fung *(Vice-Chairman)*
Zuric Yuen-Keung Chan
Dennis Kwok-Wing Cheung
Daniel Chi-Wai Tse*
Patrick Yen-Tse Tsai*
Kenneth Kin-Hing Lam*

* *Independent non-executive directors*

AUDIT COMMITTEE

Daniel Chi-Wai Tse
Patrick Yen-Tse Tsai
Kenneth Kin-Hing Lam

SECRETARY

Wendy Yuk-Ying Chan

PRINCIPAL BANKERS

The Bank of East Asia, Limited
CITIC Ka Wah Bank Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Shanghai Commercial Bank Limited
Standard Chartered Bank (Hong Kong) Limited

AUDITORS

Ernst & Young

REGISTRARS

Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Hong Kong

REGISTERED OFFICE

18th Floor
Hang Seng Building
77 Des Voeux Road Central
Hong Kong

Tel : (852) 2523-7177
Fax : (852) 2845-1629
E-mail : general@chinneyhonkwok.com

STOCK CODE

SEHK 160

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hon Kwok Land Investment Company, Limited (the "Company") will be held at Chater Rooms I-II, Function Room Level (B1), The Ritz-Carlton Hong Kong, 3 Connaught Road Central, Hong Kong on Wednesday, 20th September, 2006 at 10:30 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors of the Company for the year ended 31st March, 2006.

2. To declare a final dividend.

3. To elect directors and to authorise the directors to fix their remuneration.

4. To re-appoint auditors and to authorise the directors to fix the remuneration of the auditors.

5. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

   "**THAT** the exercise by the directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares of HK$1.00 each in the capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe for shares, which would or might require shares to be allotted, issued or dealt with, whether during or after the end of the Relevant Period be and is hereby generally and unconditionally approved, provided that, otherwise than pursuant to: (a) a rights issue where shares of the Company are offered for a period fixed by the directors to shareholders on a fixed record date in proportion to their then holdings of shares (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any legal restrictions under the laws of the relevant place, or the requirements of the relevant regulatory body or any stock exchange in that place); or (b) any scrip dividend or similar arrangement providing for the allotment of securities in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company; or (c) the exercise of any options under any share option scheme of the Company or similar arrangement for the grant or issue to the employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (d) the exercise of conversion rights attaching to the existing convertible guaranteed bonds; or (e) a specific authority granted by the shareholders of the Company in general meeting, the additional shares allotted, issued or dealt with (including shares agreed conditionally or unconditionally to be allotted, issued or dealt with, whether pursuant to an option or otherwise) shall not in aggregate exceed 20% of the aggregate nominal amount of the issued share capital of the Company at the date of passing this Ordinary Resolution and the said approval shall be limited accordingly.

   For the purpose of this Ordinary Resolution, "Relevant Period" means the period from the passing of this Ordinary Resolution until whichever is the earlier of:

   (i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting is required by any applicable laws or the Company's Memorandum and Articles of Association to be held; and

(iii) the revocation or variation of the authority given under this Ordinary Resolution by an ordinary resolution of the shareholders in general meeting.".

By Order of the Board
Wendy Yuk-Ying Chan
Company Secretary

Hong Kong, 31st July, 2006

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. To be valid, a proxy form, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be completed and deposited at the registered office of the Company at 18th Floor, Hang Seng Building, 77 Des Voeux Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

3. Pursuant to Article 75 of the Articles of Association, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded or, in the case of paragraph (v), required:

   (i) by the chairman of the meeting; or

   (ii) by at least three members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

   (iii) by any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

   (iv) by a member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right; or

   (v) by the relevant provisions of the Listing Rules.

CONSOLIDATED RESULTS

I am pleased to report that the Group's audited consolidated profit attributable to shareholders for the year ended 31st March, 2006 recorded a significant growth of 126% to HK$519.8 million (2005: HK$229.6 million). Earnings per share improved substantially to HK$1.30 (2005: HK$0.57). Audited net asset value per share increased to HK$5.13 as compared with HK$3.85 last year.

Project at 17-43 Beijing Nan Road, Guangzhou, Guangdong Province, PRC

DIVIDEND

The Directors recommend the payment of a final dividend of 11 cents per share for the year ended 31st March, 2006 (2005: 8 cents) to shareholders whose names appear on the Company's register of members on 20th September, 2006. It is expected that the dividend cheques will be despatched to shareholders on or before 5th October, 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 15th September, 2006 to 20th September, 2006 (both days inclusive), during which period no share transfers will be registered. In order to qualify for the final dividend, all transfers accompanied by relevant share certificates must be lodged with Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong by not later than 4:30 p.m. on 14th September, 2006.

CORPORATE EVENTS

Issue of convertible bonds

On 27th June, 2006, Hon Kwok Land Treasury IV Limited, a wholly-owned subsidiary of the Company, issued convertible bonds due June 2011 at par to five institutional investors for a principal sum of HK$280 million (the "Bonds"). The Bonds are guaranteed by the Company and bear interest at the rate of 3.5% per annum, payable semi-annually in arrears. The bondholders have the rights, at any time on or after 27th July, 2006 up to and including the seventh business date prior to 27th June, 2011 to convert the Bonds into equity shares of the Company with a nominal value of HK$1 each at an initial conversion price of HK$4 per share, subject to adjustments in certain events. For details, please refer to the Company's announcement dated 20th June, 2006.

Sale of a non-core property

On 12th June, 2006, the Group entered into a formal agreement for sale of our commercial and shopping complex, known as Plaza Ampang in Kuala Lumpur, Malaysia for a sum of Ringgit Malaysia 70 million (equivalent to HK$142.1 million). Deposits in an aggregate amount of Ringgit Malaysia 3.5 million (equivalent to HK$7.1 million) were received upon signing of the agreement and completion is scheduled to take place on or before 12th December, 2006. For details, please refer to the Company's announcement dated 12th June, 2006 and circular to the shareholders dated 4th July, 2006.

Site at the junction of Shen Nan Zhong Road and Fu Ming Road, Shenzhen, Guangdong Province, PRC

Property development joint venture in the Nanhai District, Foshan

On 17th December, 2005, the Group as vendor entered into an agreement with a Morgan Stanley real estate fund as purchaser for the sale and purchase of 50% of the issued share capital of Floralmist Holdings Ltd. ("Floralmist"), a wholly-owned subsidiary of the Company, together with associated shareholder's loan for a cash consideration of RMB133,920,000 (equivalent to about HK$128.8 million). Floralmist owned 80% equity interest in Foshan Nanhai XinDa Land Development Ltd., which in turn is the owner of a piece of vacant land in the Nanhai District of Foshan having a site area of 247,987 square meters. The land, permitted for low-density residential development at a plot ratio of not exceeding 1, was valued to be RMB267,840,000 (equivalent to HK$257.6 million) as at the date of the agreement. Completion of the sale and purchase took place on 28th February, 2006 subsequent to the Group acquiring the remaining 20% equity interest in Foshan Nanhai XinDa Land Development Ltd. For details, please refer to the Company's announcements dated 20th December, 2005 and 25th January, 2006 and circulars to the shareholders dated 11th January, 2006 and 16th February, 2006.

Property development joint venture in the Liwan District, Guangzhou

On 21st October, 2005, the Group as vendor entered into an agreement with Gateway China Fund I, a real estate fund, as purchaser for the sale and purchase of 50% of the issued share capital of Rich Central Limited ("Rich Central"), a wholly-owned subsidiary of the Company, together with associated shareholder's loan for a cash consideration of HK$45,658,619. Rich Central, through its wholly-owned subsidiaries, owns a piece of vacant land in the Liwan District of Guangzhou having a site area of 4,817 square meters and a gross floor area of 46,494 square meters. The consideration was determined by reference to the auctioned price of RMB90,500,000 (equivalent to about HK$87 million) paid by the Group in July 2005. Completion of the sale and purchase took place on 28th October, 2005. For details, please refer to the Company's announcement dated 21st October, 2005 and circular to the shareholders dated 14th November, 2005.

Construction site of Long Dong Cun at Guangshan Road Western, Tianhe District, Guangzhou, Guangdong Province, PRC

CORPORATE STRATEGY

As I reported in my Chairman's Statement for the year ended 31st March, 2005, your Group sold the entire issued share capital of an off-shore company in September 2004 which owned a piece of vacant site at Diamond Hill, Kowloon. The site was the last remaining development project of your Group in Hong Kong.

At present, your Group focuses all property development activities on major cities in Southern China, namely, Shenzhen, Guangzhou and cities in the Pearl River Delta but we do not rule out the possibility to expand further to other cities as opportunities arise. As at 31st March, 2006, the Group, including its jointly-controlled entities, has land bank with a total buildable area of about 1,000,000 square meters and completed properties with a total gross floor area of about 50,000 square meters. It is the strategy of your Group to replenish and enlarge our land bank in China through further acquisitions with a view to establishing a larger platform in the coming years.

Your Group has decided not to engage in further property development in Hong Kong for the time being, simply because the opportunities available requires greater capital than your Group can manage at this stage. However, your Group still owns a decent investment property portfolio, comprising retail/commercial buildings, serviced apartments and car parking spaces, all situated at prime locations in Hong Kong for recurrent rental income. Under the current property market conditions, it is expected that these properties will stand to benefit from potential capital appreciation. We intend to enlarge our investment property portfolio further when opportunities arise.

CHANGE OF DIRECTORS

On 31st December, 2005, Mr. William Chung-Yue Fan resigned as a non-executive director of the Company. Taking this opportunity, the Board would like to express its gratitude for his valuable contribution to the Company since 1985.

On 1st January, 2006, Mr. Dennis Kwok-Wing Cheung was appointed as executive director of the Company. Mr. Cheung joined the Group in 1995 and is primarily in charge of the Group's property activities in Mainland China. The Board expresses its warmest welcome to Mr. Cheung on his promotion.

REVIEW OF OPERATIONS

Property Development

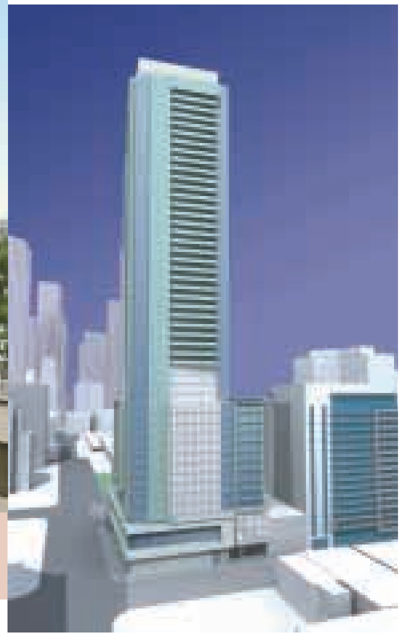
Mainland China

City Square（城市天地廣場）, a residential and commercial development in Luo Hu District, Shenzhen, was completed with the occupation permit issued in June 2005. The development comprises six towers of 2,262 units erected on an 8-storey commercial podium. The units were launched to the market for pre-sale in June 2004, with the commercial podium being retained for investment purpose. For the year ended 31st March, 2006, approximately 80% of the units were sold for an aggregate sales proceeds of about RMB1 billion. To unify the ownership of **City Square**（城市天地廣場）, the Group reached an agreement on 16th March, 2006 to buy out the 20% minority interest in Shenzhen Honkwok Huaye Development Co., Ltd., the owner of the **City Square**（城市天地廣場）project, for a cash consideration of RMB10 million (equivalent to about HK$9.6 million). The acquisition was approved by the relevant government authorities and completed on 13th June, 2006. For details, please refer to the Company's announcement dated 16th March, 2006.

City Square at Jia Bin Lu, Luo Hu District, Shenzhen, Guangdong Province, PRC

Hong Kong

The Group has ceased its property development activities in Hong Kong. As a result, turnover from sale of remaining units in past-completed projects dropped from HK$89 million to HK$45 million in the year.



One City Hall at South-West Corner of Bay Street and Dundas Street West, Toronto, Ontario, Canada
Phase I – project at site (above), Phase II – artist impression (right)

Canada

The project at the Bay Street and Dundas Street, Toronto is a two-phase development. Phase 1 of the project, in which the Group has a 75% interest, is a 16-storey building comprising 526 residential units with car park facilities. The project has been progressed to the interior and exterior fitting stage and is due for completion in September 2006. Up to 31st March, 2006, the Group has pre-sold about 85% of the units at an aggregate sales proceeds of CAD 98 million (equivalent to HK$656.6 million).

Phase 2 of the project, in which the Group has a 50% interest, is under a rezoning application to maximize the gross floor area for the development of a 50-storey mixed use building containing residential and hotel uses.

Property Investment

Hong Kong

The office market in Hong Kong continued to improve during the year. Positive rental reversions are seen for our office properties in Central and Tsimshatsui on new and renewal leases. The **Bauhinia**（寶軒）, our serviced apartment, has raised the room tariffs and maintained average occupancy at more than 90%. Overall rental income increased from HK$58 million to HK$66 million in the year.

As a result of the changes in building regulations, the Group is permitted to increase the gross floor area of **Hon Kwok Jordan Centre**（漢國佐敦中心）and **Hon Kwok TST Centre**（漢國尖沙咀中心）. Building and structural plans are under submission to construct the additional gross floor area into the existing buildings. Your Group is in the process of converting certain office floors in Tsimshatsui to retail use with a view to enhancing the rental income.

During the year, the Group purchased a portfolio of completed residential units in Kowloon with a gross floor area of about 60,000 square feet for investment. The total purchase cost was HK$234 million, which translated into an average price of about HK$3,900 per square foot. Under the current market conditions, the rental yield for those units has improved remarkably against a slight increase in re-sale price over our purchase cost.

Malaysia

Plaza Ampang, our commercial complex at Kuala Lumpur, has an average occupancy of about 65%. Rental income dropped from HK$12 million to HK$11 million in the year.

Property Revaluation

The Group annually revalues its investment properties to their fair values at year-end. During the year, the Group classified the commercial podium of **City Square**（城市天地廣場）as an investment property upon its completion. The resulting fair value changes, net of deferred tax and minority interest, of HK$337 million was credited as income in the year.

OVERVIEW

The mainland economy is showing no signs of slowing, with GDP growth in excess of 10% in the first half of 2006. There have been measures from the Central Government to cool the over-heated property market. These measures are aimed to control soaring property prices, so as to pave the way for the healthier development of the property market. The fundamentals of the mainland property market remain promising, as the economy continues to be robust and there are strong housing demand as a result of urbanization and increase in disposable income of the mainlanders. The Group views the recent austerity measures as an opportunity to replenish its land bank at lower costs as developers or investors of less financial strength may be forced to dispose of their properties in a softening property market under tightened credit.

The Group has achieved remarkable results during the year. Taking this opportunity, I would like to express my appreciation to my fellow directors for their advice and to all staff for their dedication and hard work.

James Sai-Wing Wong
Chairman

Hong Kong, 24th July, 2006

DIRECTORS

James Sai-Wing Wong

Aged 68, was appointed as the Managing Director of the Company in 1985 and became the Chairman in 1990. He is the Chairman of Chinney Investments, Limited ("Chinney Investments"), a director of Chinney Holdings Limited ("Chinney Holdings") and Lucky Year Finance Limited ("Lucky Year"), all being substantial shareholders of the Company. He is also the Chairman of Chinney Alliance Group Limited ("Chinney Alliance"). Except Chinney Holdings and Lucky Year, all the other companies are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He was appointed a Justice of the Peace for Hong Kong in 1987.

Madeline May-Lung Wong

Aged 66, was appointed as a director of the Company in 1985. She is a director of Chinney Investments, Chinney Holdings and Lucky Year, all being substantial shareholders of the Company. She is also a director of HKR International Limited. Chinney Investments and HKR International Limited are both listed on the Stock Exchange.

Herman Man-Hei Fung

Aged 68, was appointed as the General Manager of the Company in 1986, a director of the Company in 1988 and Managing Director in 1991. Mr. Fung stepped down from the executive post of Managing Director on 31st October, 2002 and became the Vice-Chairman since 1st November, 2002. He is the Managing Director of Chinney Investments and a director of Chinney Holdings and Lucky Year, all being substantial shareholders of the Company. He is also a non-executive director of Chinney Alliance. Chinney Investments and Chinney Alliance are both listed on the Stock Exchange. He has actively participated in the property investment and development business for the past 35 years and has extensive experience in finance, marketing, construction and general administration of the real estate business.

Zuric Yuen-Keung Chan

Aged 52, was appointed as a director of the Company in December 2003. He has 32 years experience in the construction industry. He is a member of the Chartered Institute of Building, the Hong Kong Society of Builders and the Hong Kong Institute of Construction Managers.

Dennis Kwok-Wing Cheung

Aged 55, joined the Company in 1995 and was appointed as an Executive Director of the Company in January 2006. He has over 18 years experience in property development in The People's Republic of China (the "PRC"). He holds a Master's degree in Business Administration and a Diploma in Chinese Law from the University of East Asia, Macau and is a member of the Certified General Accountants Association of Ontario, Canada.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Daniel Chi-Wai Tse

Aged 71, was appointed as an independent non-executive director of the Company in 1993. He is the Council Chairman of the University of Macau and the Honorary Advisor of the School of Chinese Medicine of the Hong Kong Baptist University. He retired as the President and Vice-Chancellor of the Hong Kong Baptist University in June 2001. He holds a Ph.D. in Physics from the University of Pittsburgh, USA. He was appointed a Justice of the Peace for Hong Kong in 1977 and was awarded a Gold Bauhinia Star in 1998.

Patrick Yen-Tse Tsai

Aged 80, was appointed as an independent non-executive director of the Company in 1998. He was previously a board member of the Airport Authority and retired in May 2002. He previously retired as the Deputy Chairman of Cathay Pacific Airways Limited, a director of Hong Kong Dragon Airlines Limited and the chairman of Cathay Pacific Catering Services (H.K.) Limited in June 1998.

Kenneth Kin-Hing Lam

Aged 52, was appointed as an independent non-executive director of the Company in 2004. He is the Deputy Chairman and director of Quam Limited, which is listed on the Stock Exchange, and also the managing director of Quam Capital (Holdings) Limited. He has worked for a Dutch international bank for 10 years as the head of its PRC and corporate banking operations. He has more than 24 years experience in corporate finance and banking. He holds a Bachelor's Degree in Economics and Computer Science from the University of Western Ontario, Canada and a Master's Degree in Business Administration from the Chinese University of Hong Kong.

SENIOR MANAGEMENT

Peter Chi-Chung Luk

Aged 41, joined the Company in 1994 and is the Director-Finance of the Company. He has 19 years experience in the accounting field. He holds a Bachelor's Degree in Mathematics from The University of Hong Kong and a Master's Degree in Business Administration from the Australian Graduate School of Management. He is also a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.

Kenneth Yiu-Bun Yuen

Aged 53, joined the Company in 2002 and is the Director-Asset Management and the Deputy General Manager of the Company. He is also the General Counsel of Chinney Investments which is listed on the Stock Exchange. He has 16 years experience in the legal field and had served as Deputy Presiding Officer in the Labour Tribunal. He graduated from the University of Toronto, Canada and obtained his Master's Degree in Economics from the University of Western Ontario, Canada. He further studied law at the University of Hong Kong. He is a qualified solicitor in Hong Kong, England and Australia.

SENIOR MANAGEMENT *(Continued)*

Jason Chi-Kit Tso

Aged 41, joined the Company in 1998 and is the Deputy General Manager of Hon Kwok Land Investment (China) Limited. He has 18 years experience in the field of architecture, project management and property development. He is an Authorized Person under the list of architects. He holds a Bachelor's Degree in Architecture from The University of Hong Kong and is a member of the Hong Kong Institute of Architects.

Chi-Kin Lam

Aged 51, joined the Company in 2003 and is the Senior Property Manager of the Company. He has 21 years experience in large scale parking facilities and property services management. He is a chartered member of the Chartered Institute of Logistics and Transport.

Thomas Hang-Cheong Ma

Aged 40, joined the Company in 1994 and is the Financial Controller of the Company. He has 17 years experience in the accounting field. He holds a Bachelor's Degree in Accountancy from the City University of Hong Kong and is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

The board of directors of the Company (the "Board") is committed to maintain and ensure high standards of corporate governance and is continuously reviewing and improving the corporate governance practices and standards of the Group to ensure that business activities and decision making processes are regulated in a proper manner.

In the opinion of the Board, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year under review, except for the deviations as disclosed in this report and the CG Code provision C.2 in respect of internal controls (which is applicable to the accounting periods commencing on or after 1st July, 2005).

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for directors' securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the year.

BOARD OF DIRECTORS

The directors of the Company during the year ended 31st March, 2006 were:

Executive Directors

James Sai-Wing Wong *(Chairman)*	
Dennis Kwok-Wing Cheung	Appointed on 1st January, 2006

Non-Executive Directors

Madeline May-Lung Wong	
Herman Man-Hei Fung *(Vice-Chairman)*	
Zuric Yuen-Keung Chan	
William Chung-Yue Fan	Resigned on 31st December, 2005

Independent Non-Executive Directors

Daniel Chi-Wai Tse
Patrick Yen-Tse Tsai
Kenneth Kin-Hing Lam

Details of background and qualifications of each director are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 11 to 13 of this annual report.

The Board is responsible for the overall strategic development of the Group. It also monitors the financial performance and the internal controls of the Group's business operations. Executive directors are responsible for running the Group and executing the strategies adopted by the Board. The day-to-day running of the Company is delegated to the management with divisional/department heads responsible for different aspects of the business/functions.

Non-executive directors (including the independent non-executive directors) serve the relevant function of bringing independent judgement on the development, performance and risk management of the Group through their contributions in board meetings.

The Board considers that each independent non-executive director of the Company is independent in character and judgement. The Company has received from each independent non-executive director a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules.

The Board meets at least twice each year at approximately half a year interval to discuss the Group's business development, operation and financial performance. Notice of at least 14 days is given to all directors for all regular board meetings to give all directors an opportunity to attend. All regular board meetings adhere to a formal agenda in which a schedule of matters is addressed to the Board. All directors have access to board papers and related materials, and are provided with adequate information which enable the Board to make an informed decision on the matters to be discussed and considered at the board meetings. Minutes of board meetings are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any director.

To the best knowledge of the directors, there is no financial, business and family relationship among the members of the Board except that James Sai-Wing Wong and Madeline May-Lung Wong are partners in several investments (including their interests in the Company).

During the year under review, two full board meetings were held. As business operations were under the management and supervision of the executive directors of the Company, who had from time to time held meetings to resolve all material business or management issues, thus only two full board meetings were held for the year ended 31st March, 2006.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the chairman and chief executive officer were not performed by separate individuals as is stipulated in CG Code provision A.2.1. James Sai-Wing Wong, the Chairman of the Company, assumes the role of the Chairman and also the chief executive officer who is responsible for overseeing the function of the Board and formulating overall strategies of and organising the implementation structure for the Company and also managing the Group's overall business operations. Given the nature of the Group's businesses which require considerable market expertise, the Board believed that the vesting of the two roles for the time being provides the Group with stable and consistent leadership and allows for more effective planning and implementation of long term business strategies. The Board will continuously review the effectiveness of the structure to balance the power and authority of the Board and the management.

NON-EXECUTIVE DIRECTORS

The non-executive directors of the Company are not appointed for a specific term as stipulated in CG Code provision A.4.1, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company (the "Articles of Association"). The Articles of Association do not require the directors to retire by rotation at least once every three years. However, in accordance with article 104 of the Articles of Association, at each annual general meeting of the Company, one-third of the directors for the time being (or, if their number is not three or a multiple of three, then the number nearest one-third), other than the one who holds the office as executive chairman or managing director, shall retire from office by rotation. The Board will ensure the retirement of each director, other than the one who holds the office as executive chairman or managing director, by rotation at least once every three years in order to comply with the CG Code provisions.

The Chairman will not be subject to retirement by rotation as stipulated in CG Code provision A.4.2 as the Board considered that the continuity of office of the Chairman provides the Group with a strong and consistent leadership and is of great importance to the smooth operations of the Group.

All directors appointed to fill a casual vacancy is subject to re-election by shareholders at the next following annual general meeting of the Company instead of at the first general meeting after their appointment as stipulated in CG Code provision A.4.2.

At the forthcoming annual general meeting, in accordance with the Articles of Association, Herman Man-Hei Fung, Dennis Kwok-Wing Cheung and Daniel Chi-Wai Tse are subject to retirement by rotation.

REMUNERATION OF DIRECTORS

The Remuneration Committee was established in December 2005. The Remuneration Committee comprises three members, James Sai-Wing Wong, Daniel Chi-Wai Tse and Patrick Yen-Tse Tsai. The Chairman of the Remuneration Committee is James Sai-Wing Wong.

The Remuneration Committee's function is to review and recommend to the Board on the remuneration packages of the executive directors.

CG Code provision B.1.3 stipulates that the terms of reference of the Remuneration Committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The Company adopted the terms of reference of the Remuneration Committee in December 2005 but deviated from the CG Code as the duties of the committee are to review (as opposed to determine) and to make recommendation to the Board on the remuneration of the directors (as opposed to the remuneration of directors and senior management).

REMUNERATION OF DIRECTORS *(Continued)*

During the year under review, no Remuneration Committee meeting was held and the first Remuneration Committee was held in July 2006, during which the existing pay of all directors have been reviewed individually.

AUDIT COMMITTEE

The Audit Committee was established in 2001. The Audit Committee currently comprises three members, Patrick Yen-Tse Tsai, Daniel Chi-Wai Tse and Kenneth Kin-Hing Lam. All of them are independent non-executive directors. William Chung-Yue Fan ceased to be a member of the audit committee upon his resignation as a non-executive director of the Company in December 2005. The Chairman of the Audit Committee is Patrick Yen-Tse Tsai. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management in the Audit Committee.

The Audit Committee's functions include:

- to review and monitor financial reporting and the reporting judgement contained in them; and
- to review financial and internal controls, accounting policies and practices with management and external auditors.

The Audit Committee held two meetings during the year under review, which were attended by the external auditors, Ernst & Young.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with management and the external auditors the financial reporting matters, both for the interim results for the six months ended 30th September, 2005 and the annual results for the year ended 31st March, 2006.

ATTENDANCE AT MEETINGS OF THE BOARD AND AUDIT COMMITTEE

	Number of meetings attended For the year ended 31st March, 2006	
	Board meetings	**Audit Committee meetings**
Number of meetings held for the year ended 31st March, 2006	2	2
James Sai-Wing Wong	2	N/A
Madeline May-Lung Wong	0	N/A
William Chung-Yue Fan (resigned on 31st December, 2005)	1	2
Herman Man-Hei Fung	2	N/A
Zuric Yuen-Keung Chan	2	N/A
Dennis Kwok-Wing Cheung (appointed on 1st January, 2006)	N/A	N/A
Daniel Chi-Wai Tse	0	2
Patrick Yen-Tse Tsai	1	2
Kenneth Kin-Hing Lam	1	2

NOMINATION OF DIRECTORS

The Board is responsible for considering the suitability of a candidate to act as a director, and approving and terminating the appointment of a director. During the year under review, the Company has not established a nomination committee. The Chairman is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The Chairman will propose the appointment of such candidates to the Board for consideration and the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of his qualifications, experience and background.

AUDITORS' REMUNERATION

For the year ended 31st March, 2006, the Group had engaged the Group's external auditors, Ernst & Young, to provide the following services and their respective fees charged are set out as below:

	Fee paid/payable
	HK$'000
Types of services	
Audit services	1,533
Non-audit services (tax compliance services and other services)	103
	1,636

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

The directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out on page 30 of this annual report.

INVESTOR RELATIONS

The Company has disclosed all necessary information to the shareholders in compliance with the Listing Rules. The Board hosts the annual general meeting each year to meet the shareholders and answer their enquiries.

At present, the Company does not maintain a website. The terms of reference of the Remuneration Committee and Audit Committee are available from the Company Secretary on request rather than available on the Company's website as stipulated in CG Code provisions B.1.4 and C.3.4.

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31st March, 2006.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides management services to its subsidiaries. Its subsidiaries are mainly engaged in property development and investment. There have been no changes in the nature of the Group's principal activities during the year. Further details of the Company's principal subsidiaries are set out in note 17 to the financial statements.

FINANCIAL RESULTS

The Group's profit for the year ended 31st March, 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 31 to 105.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to HK$2,171 million as at 31st March, 2006 (2005: HK$1,434 million), of which approximately 18% of the debts were due and repayable within one year. The increase was mainly due to new bank loans being drawn to partly finance the acquisition of properties.

Total cash and bank balances was HK$447 million as at 31st March, 2006 (2005: HK$354 million). The Group had a total of HK$245 million committed but undrawn banking facilities at year end available for its working capital purposes.

Total shareholders' fund as at 31st March, 2006 was approximately HK$2,055 million (2005 (restated): HK$1,542 million). The increase was mainly due to the contribution from the current year's profit attributable to shareholders.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK$1,724 million over the total shareholders' fund of approximately HK$2,055 million, was 84% as at 31st March, 2006 (2005: 70%).

Subsequent to the year end, the Group entered into an agreement to dispose of an investment property in Malaysia for a cash consideration of approximately HK$142 million, completion of which is scheduled to take place before the end of 2006. In addition, the Group issued 3.5% guaranteed convertible bonds due 2011 with a principal sum of HK$280 million at par. These events have further strengthened the financial position of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Funding and treasury policies

The Group adopts a prudent funding and treasury policy. Surplus funds are primarily maintained in the form of cash deposits with leading banks.

Acquisition and development of properties are financed partly by internal resources and partly by secured bank loans. Repayments of bank loans are scheduled to match asset lives and project completion dates. Borrowings are mainly denominated in Hong Kong dollars, Renminbi and Canadian dollars and bear interest at floating rates, except for the Renminbi loan facilities.

Foreign currency exposure is monitored closely by the management and hedged to the extent desirable. As at 31st March, 2006, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

Pledge of assets

Properties and bank balances with an aggregate carrying value of HK$3,573 million as at 31st March, 2006 were pledged to secure certain banking facilities of the Group.

Contingent liabilities

Particulars of the contingent liabilities of the Group are set out in note 35 of the financial statements.

Employees and remuneration policies

The Group, not including its jointly-controlled entities, employed approximately 360 employees as at 31st March, 2006. Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually with discretionary bonuses being paid depending on individual performance. The Group also provides other benefits including medical cover, provident fund, personal accident insurance and educational subsidies to all eligible staff.

DIVIDEND

The directors recommend the payment of a final dividend of 11 cents per ordinary share for the year ended 31st March, 2006 (2005: 8 cents per ordinary share) to shareholders whose names appear on the Company's register of members on 20th September, 2006.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated as appropriate, is set out on page 106. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 14 to the financial statements.

PROPERTIES UNDER DEVELOPMENT

Details of movements in the properties under development of the Group during the year are set out in note 15 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 16 to the financial statements.

PARTICULARS OF PROPERTIES

Particulars of the major properties held by the Group are set out on pages 107 to 110.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31st March, 2006, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance, amounted to HK$390,641,000. In addition to the retained profits of the Company, the Company's share premium account, in the amount of HK$161,410,000, may be distributed in the form of fully paid bonus shares.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

James Sai-Wing Wong	
Madeline May-Lung Wong	
Herman Man-Hei Fung	
Zuric Yuen-Keung Chan	
Daniel Chi-Wai Tse*	
Patrick Yen-Tse Tsai*	
Kenneth Kin-Hing Lam*	
Dennis Kwok-Wing Cheung	(appointed on 1st January, 2006)
William Chung-Yue Fan	(resigned on 31st December, 2005)

* *Independent non-executive directors*

DIRECTORS *(Continued)*

In accordance with article 95 of the Company's articles of association, Dennis Kwok-Wing Cheung will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

In accordance with article 104 of the Company's articles of association, Herman Man-Hei Fung and Daniel Chi-Wai Tse will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

DETAILS OF RETIRING DIRECTORS TO BE RE-ELECTED

(a) Dennis Kwok-Wing Cheung

Aged 55, was appointed as an executive director of the Company in January 2006. Mr. Cheung was not appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting.

Mr. Cheung has over 18 years experience in property development in The People's Republic of China (the "PRC"). He holds a Master's degree in Business Administration and a diploma in Chinese Law from the University of East Asia, Macau and is a member of the Certified General Accountants Association of Ontario, Canada. Mr. Cheung did not hold any directorship in other listed companies in the last three years.

At the date of this report, Mr. Cheung did not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"). Other than his capacity as a director of the Company and certain subsidiaries of the Group, Mr. Cheung does not have any other business relationship with any directors, senior management or substantial or controlling shareholders of the Company.

There is no service contract entered into between the Company and Mr. Cheung. However, Mr. Cheung has an employment contract with the Company. He is currently entitled to an annual salary of HK$1,560,000 plus a discretionary bonus to be determined by the Board.

Save as disclosed above, there is no other information relating to Mr. Cheung which is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules and there is no other matter that need to be brought to the attention of the shareholders of the Company.

DETAILS OF RETIRING DIRECTORS TO BE RE-ELECTED *(Continued)*

(b) Herman Man-Hei Fung

Aged 68, was appointed as a director of the Company in 1988 and is currently the Vice-Chairman of the Company. Mr. Fung was not appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting.

Mr. Fung has actively participated in the property investment and development business for the past 35 years and has extensive experience in finance, marketing, construction and general administration of the real estate business. Mr. Fung is also a director of Chinney Investments, Limited ("Chinney Investments") and Chinney Alliance Group Limited, which are both listed on the Stock Exchange.

At the date of this report, Mr. Fung did not have any interests in the shares of the Company within the meaning of Part XV of the SFO. Mr. Fung is a director of Chinney Investments, Chinney Holdings Limited ("Chinney Holdings") and Lucky Year Finance Limited ("Lucky Year"), all of which are substantial shareholders of the Company. Other than his capacity as a director of the Company and certain subsidiaries of the Group and a director of Chinney Investments, Chinney Holdings and Lucky Year, Mr. Fung does not have any other business relationship with any directors, senior management or substantial or controlling shareholders of the Company.

No service contract has been signed between the Company and Mr. Fung. He is not entitled to any remuneration from the Company.

Save as disclosed above, there is no other information relating to Mr. Fung which is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules and there is no other matter that need to be brought to the attention of the shareholders of the Company.

(c) Daniel Chi-Wai Tse

Aged 71, was appointed as an independent non-executive director of the Company in 1993. Dr. Tse was not appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting.

Dr. Tse is the Council Chairman of the University of Macau and the Honorary Advisor of the School of Chinese Medicine of the Hong Kong Baptist University. He retired as the President and Vice-Chancellor of the Hong Kong Baptist University in June 2001. He holds a Ph.D. in Physics from the University of Pittsburgh, USA. He was appointed a Justice of the Peace for Hong Kong in 1977 and was awarded a Gold Bauhinia Star in 1998. Dr. Tse did not hold any directorship in other listed companies in the past three years.

DETAILS OF RETIRING DIRECTORS TO BE RE-ELECTED *(Continued)*

(c) Daniel Chi-Wai Tse *(Continued)*

At the date of this report, Dr. Tse did not have any interests in shares of the Company within the meaning of Part XV of the SFO. Other than his capacity as a director of the Company, he does not have any business relationship with any directors, senior management or substantial or controlling shareholders of the Company.

No service contract has been signed between the Company and Dr. Tse. He is entitled to a director's fee of HK$50,000 per annum.

Save as disclosed above, there is no other information relating to Dr. Tse which is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules and there is no other matter that need to be brought to the attention of the shareholders of the Company.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 11 to 13.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31st March, 2006, the interests and short positions of the directors of the Company in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(a) Long positions in ordinary shares of the Company

Name of director	*Note*	Nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
James Sai-Wing Wong	*1*	Corporate	235,370,553	58.81
Madeline May-Lung Wong	*1*	Corporate	235,370,553	58.81

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

(b) Long positions in ordinary shares of associated corporations

Name of director	*Notes*	Name of associated corporation	Nature of interest	Number of ordinary shares held	Percentage of the associated corporation's issued share capital
James Sai-Wing Wong	*2*	Chinney Investments	Corporate	306,959,324	55.67
	3	Chinney Holdings	Corporate	9,900,000	99.00
			Personal	100,000	1.00
		Lucky Year	Personal	10,000	50.00
Madeline May-Lung Wong	*2*	Chinney Investments	Corporate	306,959,324	55.67
	3	Chinney Holdings	Corporate	9,900,000	99.00
		Lucky Year	Personal	10,000	50.00
Zuric Yuen-Keung Chan		Chinney Contractors Company Limited	Personal	2,645	13.95

Notes:

1. These shares are beneficially held by Chinney Investments which is a subsidiary of Chinney Holdings. More than one-third of the equity capital of Chinney Holdings is owned by Lucky Year of which James Sai-Wing Wong and Madeline May-Lung Wong are directors and have beneficial interests therein.

2. These shares are beneficially held by Chinney Holdings. By virtue of note 1, James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in these shares.

3. These shares are held by Lucky Year. By virtue of note 1, James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in these shares.

Save as disclosed above, as at 31st March, 2006, none of the directors of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded in the register kept by the Company under Section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

(a) In December 2003, Lucky Year extended the cash security arrangement in favour of the Company for a further period of 30 months. Pursuant to the arrangement, Lucky Year pledged its deposits with certain banks in relation to bank loans of HK$150 million granted by the banks to the Company. In consideration for the provision of cash security, the Group agreed to counter-indemnify Lucky Year and pay a commission of 1.75% per annum on the average principal amount of the cash security outstanding during the terms of the bank loans to Lucky Year. The Group provides no security to Lucky Year or other connected persons in connection with the arrangement. The above facilities have been extended for a further period of 30 months upon maturity in July 2006.

    Commission paid to Lucky Year during the year amounted to HK$2,625,000 (2005: HK$2,625,000).

(b) Fan & Fan, Solicitors provide legal and other professional services to the Group and receive normal professional fees for such services. The total fees paid by the Group during the year amounted to approximately HK$349,000 (2005: HK$463,000).

James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in transaction (a) above because they are directors of and have beneficial interests in Lucky Year.

William Chung-Yue Fan is deemed to be interested in transaction (b) above by virtue of his capacity as a consultant of Fan & Fan.

Save as disclosed above, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS’ REMUNERATION

The directors’ fees are subject to shareholders’ approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

The remuneration of the directors of the Company are reviewed by the Remuneration Committee having regard to the Company’s operating results, individual performance and comparable market statistics.

MANAGEMENT CONTRACTS

The Company has entered into a management contract with Chinney Investments for the provision of general corporate management services. The contract is for an unspecified duration and may be terminated by either party by giving the other party a two-month written notice.

During the year, the Company paid a management fee of HK$6,000,000 to Chinney Investments (2005: HK$6,000,000). James Sai-Wing Wong, Madeline May-Lung Wong, William Chung-Yue Fan and Herman Man-Hei Fung, the directors of the Company, are also the directors of Chinney Investments.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31st March, 2006, so far as is known to the directors of the Company, the following substantial shareholders and other persons (other than the directors of the Company) had interests or short positions of 5% or more in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Chinney Investments	Directly beneficially owned	235,370,553	58.81
Chinney Holdings	Through a controlled corporation	235,370,553	58.81
Lucky Year	Through a controlled corporation	235,370,553	58.81
DJE Investment S.A.	Directly beneficially owned	20,102,000	5.02
Dr. Jens Ehrhardt Kapital AG	Through a controlled corporation	20,102,000	5.02
Dr. Jens Alfred Karl Ehrhardt	Through a controlled corporation	20,102,000	5.02

All the interests stated above represent long positions. Chinney Investments, Chinney Holdings and Lucky Year are deemed to be interested in the same parcel of shares by virtue of Section 316 of the SFO. DJE Investment S.A., Dr. Jens Ehrhardt Kapital AG and Dr. Jens Alfred Karl Ehrhardt are deemed to be interested in the same parcel of shares by virtue of Section 316 of the SFO.

Save as disclosed herein, as at 31st March, 2006, none of the substantial shareholders or other persons (other than the directors of the Company) had registered an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year, Madeline May-Lung Wong was a director of HKR International Limited whose group's businesses consist of property development and property investment. In this respect, Madeline May-Lung Wong is regarded as being interested in a competing business of the Group.

Save as disclosed above, none of the directors of the Company is interested in any business, apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

There were no purchases, sales or redemptions of the Company's shares by the Company or any of its subsidiaries during the year ended 31st March, 2006.

CONNECTED TRANSACTIONS

During the year, the Company and the Group had the following connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

(a) On 24th January, 2006, a wholly-owned subsidiary of the Group, Orient States Limited ("Orient States") entered into an agreement with Shenzhen Yujianye Development Co., Ltd. for the acquisition of its 20% equity interest in Foshan Nanhai XinDa Land Development Ltd. ("Foshan Nanhai"), at a cash consideration of RMB53.6 million (equivalent to approximately HK$51.5 million). Foshan Nanhai is a company incorporated in the PRC and was 80% owned by Orient States before the acquisition. The above transaction constituted a connected and discloseable transaction to the Company under the Listing Rules, details of which were set out in a circular to the shareholders dated 16th February, 2006.

(b) On 16th March, 2006, a wholly-owned subsidiary of the Group, Hopmate International Development Limited ("Hopmate") entered into an agreement with Neimenggu Huaye Property Co., Ltd. for the acquisition of its 20% equity interest in Shenzhen Honkwok Huaye Development Co., Ltd. ("Honkwok Huaye"), at a cash consideration of RMB10 million (equivalent to approximately HK$9.6 million). Honkwok Huaye is a company incorporated in the PRC and was 80% owned by Hopmate before the acquisition. The above transaction constituted a connected transaction to the Company under the Listing Rules, details of which were set out in an announcement dated 16th March, 2006. As the applicable percentage ratios as defined in the Listing Rules were less than 25% and the consideration was less than HK$10 million, the transaction was subject only to the reporting and announcement requirements.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, purchases from the Group's five largest suppliers accounted for 43% of the total purchases for the year. Purchases from the Group's largest supplier included therein totalled 19%. Sales to the Group's five largest customers accounted for less than 30% of the total sales for the year.

None of the directors of the Company, their associates or any shareholders (which, to the best knowledge of the directors, owned more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 38 to the financial statements.

AUDITORS

Ernst & Young retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Herman Man-Hei Fung
Vice-chairman

Hong Kong, 24th July, 2006

ERNST & YOUNG
安永會計師事務所

To the members
Hon Kwok Land Investment Company, Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 31 to 105 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 141 of the Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March, 2006 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong, 24th July, 2006

CONSOLIDATED INCOME STATEMENT

Year ended 31st March, 2006

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
REVENUE	5	**1,059,427**	176,212
Cost of sales		**(736,109)**	(129,277)
Gross profit		**323,318**	46,935
Other income	5	**12,814**	8,747
Fair value gains on investment properties, net	5	**243,657**	–
Change in fair value of completed properties transferred to investment properties	5	**220,661**	–
Gain on disposal of subsidiaries	5	**56,161**	233,662
Administration expenses		**(42,727)**	(35,597)
Other operating expenses, net		**(3,499)**	(3,553)
Finance costs	6	**(63,438)**	(18,386)
Share of profits and losses of jointly-controlled entities	18	**219**	4,102
Write off of debts due from a jointly-controlled entity		**–**	(3,873)
PROFIT BEFORE TAX	7	**747,166**	232,037
Tax	10	**(162,520)**	(1,737)
PROFIT FOR THE YEAR		**584,646**	230,300
Attributable to:			
Equity holders of the parent	11	**519,754**	229,616
Minority interests		**64,892**	684
		584,646	230,300
DIVIDEND – proposed final	12	**44,026**	32,019
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	13	**HK$1.30**	HK$0.57

BALANCE SHEETS

31st March, 2006

		Group		Company	
		2006	2005	**2006**	2005
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
			(Restated)		
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	**23,540**	4,391	**157**	132
Properties under development	*15*	**1,209,884**	548,730	**–**	–
Investment properties	*16*	**1,971,631**	1,327,000	**–**	–
Interests in subsidiaries	*17*	**–**	–	**8**	1,196,813
Investments in jointly-controlled entities	*18*	**29,357**	27,210	**–**	–
Interest in an associate	*19*	**–**	14,857	**–**	–
Available-for-sale equity investment/ long term investment	*20*	**–**	50,563	**–**	–
Total non-current assets		**3,234,412**	1,972,751	**165**	1,196,945
CURRENT ASSETS					
Amounts due from subsidiaries	*17*	**–**	–	**2,233,779**	–
Amounts due from jointly-controlled entities	*18*	**129,257**	5,928	**6**	–
Tax recoverable		**456**	404	**–**	–
Properties held for sale	*21*	**988,871**	1,108,460	**–**	–
Trade receivables	*22*	**127,346**	7,540	**–**	–
Prepayments, deposits and other receivables		**63,201**	89,263	**976**	903
Loans to minority interests	*23*	**86,114**	39,747	**–**	–
Pledged deposits	*24*	**40,200**	62,800	**–**	25,000
Cash and cash equivalents	*24*	**406,454**	291,074	**4,515**	104,121
Total current assets		**1,841,899**	1,605,216	**2,239,276**	130,024
CURRENT LIABILITIES					
Amounts due to subsidiaries	*17*	**–**	–	**896,130**	–
Loans from minority interests	*23*	**76,674**	–	**–**	–
Trade payables and accrued liabilities	*25*	**195,639**	78,561	**3,864**	3,038
Interest-bearing bank borrowings	*26*	**395,168**	131,745	**1,680**	1,680
Amounts due to related companies	*36*	**2,478**	1,970	**–**	–
Customer deposits		**126,868**	307,637	**–**	–
Tax payable		**51,914**	1,833	**–**	–
Total current liabilities		**848,741**	521,746	**901,674**	4,718
NET CURRENT ASSETS		**993,158**	1,083,470	**1,337,602**	125,306
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,227,570**	3,056,221	**1,337,767**	1,322,251

31st March, 2006

	Notes	Group 2006 HK$'000	Group 2005 HK$'000 (Restated)	Company 2006 HK$'000	Company 2005 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,227,570**	3,056,221	**1,337,767**	1,322,251
NON-CURRENT LIABILITIES					
Loans from minority interests	23	**–**	53,720	–	–
Interest-bearing bank borrowings	26	**1,775,807**	1,302,254	**161,340**	163,020
Deferred tax liabilities	27	**103,446**	4,109	–	–
Total non-current liabilities		**1,879,253**	1,360,083	**161,340**	163,020
Net assets		**2,348,317**	1,696,138	**1,176,427**	1,159,231
EQUITY					
Equity attributable to equity holders of the parent					
Issued capital	28	**400,239**	400,239	**400,239**	400,239
Reserves	29	**1,610,565**	1,109,919	**732,162**	726,973
Proposed final dividend	12	**44,026**	32,019	**44,026**	32,019
		2,054,830	1,542,177	**1,176,427**	1,159,231
Minority interests		**293,487**	153,961	**–**	–
Total equity		**2,348,317**	1,696,138	**1,176,427**	1,159,231

James Sai-Wing Wong
Director

Herman Man-Hei Fung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31st March, 2006

		Attributable to equity holders of the parent										
		Issued share capital	Share premium account	Special capital reserve	Capital redemption reserve	Asset revaluation reserve	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Minority interests	Total equity
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April, 2004:												
As previously reported		400,239	161,410	223,480	10	6,243	(70,749)	524,174	24,014	1,268,821	22,682	1,291,503
Prior year adjustments	*2.4(b)*	–	–	–	–	(5,088)	–	–	–	(5,088)	–	(5,088)
As restated		400,239	161,410	223,480	10	1,155	(70,749)	524,174	24,014	1,263,733	22,682	1,286,415
Revaluation surplus of investment properties	*16*	–	–	–	–	57,913	–	–	–	57,913	–	57,913
Deferred tax arising from deficit on revaluation	*27*	–	–	–	–	3,567	–	–	–	3,567	–	3,567
Exchange realignment		–	–	–	–	–	11,362	–	–	11,362	–	11,362
Total income and expense for the year recognised directly in equity		–	–	–	–	61,480	11,362	–	–	72,842	–	72,842
Profit for the year		–	–	–	–	–	–	229,616	–	229,616	684	230,300
Total income and expense for the year		–	–	–	–	61,480	11,362	229,616	–	302,458	684	303,142
Strike-off of subsidiaries		–	–	–	–	–	–	–	–	–	7,483	7,483
Capital injection by minority shareholders		–	–	–	–	–	–	–	–	–	123,112	123,112
Final 2004 dividend declared		–	–	–	–	–	–	–	(24,014)	(24,014)	–	(24,014)
Proposed final 2005 dividend	*12*	–	–	–	–	–	–	(32,019)	32,019	–	–	–
At 31st March, 2005		400,239	161,410*	223,480*	10*	62,635*	(59,387)*	721,771*	32,019	1,542,177	153,961	1,696,138
At 1st April, 2005:												
As previously reported		400,239	161,410	223,480	10	65,260	(59,387)	721,771	32,019	1,544,802	153,961	1,698,763
Prior year adjustments	*2.4(b)*	–	–	–	–	(2,625)	–	–	–	(2,625)	–	(2,625)
Opening adjustments	*2.4(b)*	–	–	–	–	(62,635)	–	62,635	–	–	–	–
As restated		400,239	161,410	223,480	10	–	(59,387)	784,406	32,019	1,542,177	153,961	1,696,138
Exchange realignment		–	–	–	–	–	24,918	–	–	24,918	4,131	29,049
Total income and expense for the year recognised directly in equity		–	–	–	–	–	24,918	–	–	24,918	4,131	29,049
Profit for the year		–	–	–	–	–	–	519,754	–	519,754	64,892	584,646
Total income and expense for the year		–	–	–	–	–	24,918	519,754	–	544,672	69,023	613,695
Acquisition of subsidiaries	*30*	–	–	–	–	–	–	–	–	–	39,131	39,131
Capital injection by minority shareholders		–	–	–	–	–	–	–	–	–	50,000	50,000
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	–	(18,628)	(18,628)
Final 2005 dividend declared	*12*	–	–	–	–	–	–	–	(32,019)	(32,019)	–	(32,019)
Proposed final 2006 dividend	*12*	–	–	–	–	–	–	(44,026)	44,026	–	–	–
At 31st March, 2006		**400,239**	**161,410***	**223,480***	**10***	**– ***	**(34,469)***	**1,260,134***	**44,026**	**2,054,830**	**293,487**	**2,348,317**

* *These reserve accounts comprise the consolidated reserves of HK$1,610,565,000 (2005: HK$1,109,919,000, as restated) in the consolidated balance sheet.*

Year ended 31st March, 2006

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**747,166**	232,037
Adjustments for:			
Finance costs	6	**63,438**	18,386
Share of profits and losses of jointly-controlled entities		**(219)**	(4,102)
Write-off of debts due from a jointly-controlled entity	7	**–**	3,873
Interest income	5	**(6,286)**	(2,388)
Depreciation	7	**1,401**	1,076
Gain on disposal of items of property, plant and equipment	7	**–**	(40)
Gain on disposal of subsidiaries	5	**(56,161)**	(233,662)
Fair value gains on investment properties, net	5	**(243,657)**	–
Change in fair value of completed properties transferred to investment properties	5	**(220,661)**	–
Operating profit before working capital changes		**285,021**	15,180
Increase in properties under development		**(234,964)**	(457,353)
Increase in properties held for sale		**(14,292)**	(211,647)
Decrease/(increase) in trade receivables		**(119,806)**	101,454
Decrease/(increase) in prepayments, deposits and other receivables		**44,575**	(60,147)
Increase in trade payables and accrued liabilities		**75,431**	30,220
Increase in amounts due to related companies		**508**	1,169
Increase/(decrease) in customer deposits		**(181,522)**	235,934
Decrease in amounts due to fellow subsidiaries		**–**	(2,829)
Exchange differences		**(681)**	6,184
Cash used in operations		**(145,730)**	(341,835)
Hong Kong profits tax paid		**–**	(66)
Overseas taxes paid		**(13,192)**	(674)
Net cash outflow from operating activities		**(158,922)**	(342,575)

CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

Year ended 31st March, 2006

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
Net cash outflow from operating activities		**(158,922)**	(342,575)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**2,661**	2,388
Purchases of items of property, plant and equipment		**(2,644)**	(542)
Proceeds from disposal of items of property, plant and equipment		**–**	40
Additions to investment properties	16	**(6,743)**	(3,212)
Decrease in pledged deposits		**22,600**	49,297
Increase in/(repayment of) loans from jointly-controlled entities		**(1,515)**	3,259
Acquisition of subsidiaries	30	**(214,434)**	–
Disposal of subsidiaries	31	**171,745**	400,171
Acquisition of minority interests		**(51,712)**	–
Purchase of an available-for-sale equity investment/a long term investment		**–**	(50,563)
Increase in loans to minority interests		**(46,367)**	(39,747)
Net cash inflow/(outflow) from investing activities		**(126,409)**	361,091
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(81,471)**	(43,428)
Increase in bank loans		**708,835**	442,873
Repayment of bank loans		**(247,005)**	(429,236)
Dividend paid		**(32,019)**	(24,014)
Capital injection from minority shareholders		**50,000**	123,112
Dividends paid to minority shareholders		**(18,628)**	–
Increase in loans from minority interests		**20,999**	10,800
Net cash inflow from financing activities		**400,711**	80,107
NET INCREASE IN CASH AND CASH EQUIVALENTS		**115,380**	98,623
Cash and cash equivalents at beginning of year		**291,074**	192,451
CASH AND CASH EQUIVALENTS AT END OF YEAR		**406,454**	291,074
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**404,424**	190,897
Non-pledged time deposits with original maturity of less than three months when acquired		**2,030**	100,177
		406,454	291,074

1. CORPORATE INFORMATION

Hon Kwok Land Investment Company, Limited is a limited liability company incorporated in Hong Kong. The registered office and the principal place of business of the Company is located at 18th Floor, Hang Seng Building, 77 Des Voeux Road Central, Hong Kong.

During the year, the Group was involved mainly in property development and property investment activities.

The immediate holding company of the Group is Chinney Investments, Limited, a company incorporated and listed in Hong Kong.

In the opinion of the directors, the ultimate holding company of the Group is Lucky Year Finance Limited ("Lucky Year"), an international business company incorporated in the British Virgin Islands ("BVI").

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st March, 2006. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

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

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

The adoption of HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 23, 27, 28, 31, 33, 37 and 38, HKFRSs 2 and 5 and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

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

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

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

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

(a) HKAS 17 – Leases

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

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings should be separated into leasehold land and buildings and to be accounted for separately. Leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, while buildings continue to be classified as part of property, plant and equipment.

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

(a) HKAS 17 – Leases *(Continued)*

In accordance with HKAS 17, since the Group's lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

In prior years, leasehold land held for property development purpose was included as part of the Group's properties under development. With the adoption of HKAS 17, leasehold land included in the Group's properties under development and held under operating leases, are stated at cost. There is no amortisation on the operating leases because the amortisation charges would be capitalised as part of the development costs. The leasehold land continues to be classified as part of the Group's properties under development. The directors consider that this is a fairer presentation of the Group's investments in property development projects.

The adoption of HKAS 17 has no effect on the consolidated income statement for the years ended 31st March, 2006 and 2005 and the consolidated balance sheet as at those dates.

(b) HKASs 32 and 39 – Financial Instruments

In prior years, the Group classified its investment in unlisted equity securities as long term investment, which was held for non-trading purposes and was stated at cost less any impairment losses. Upon the adoption of HKAS 39, this investment held by the Group at 1st April, 2005 in the amount of HK$50,563,000 was designated as an available-for-sale investment under the transitional provisions of HKAS 39. The adoption of HKAS 39 has not resulted in any change in the measurement of the investment in unlisted equity securities. Comparative amount has been reclassified for presentation purposes.

(c) HKAS 40 – Investment Property

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

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

(c) HKAS 40 – Investment Property *(Continued)*

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. The Group has taken advantage of the transitional provisions of HKAS 40 to adjust the effect of adopting the standard to the opening balance of retained profits rather than restating the comparative amounts to reflect the changes retrospectively for the earlier period presented in the financial statements.

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

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

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

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

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

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

(d) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets *(Continued)*

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1st April, 2005 the carrying amounts of accumulated amortisation with a corresponding adjustment to the cost of goodwill and to derecognise at 1st April, 2005 the carrying amounts of negative goodwill (including that remaining in the consolidated capital reserve) against retained profits. Goodwill previously eliminated against the retained earnings remains eliminated against the retained profits and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The change in accounting policy has had no effect on the consolidated income statement, retained profits and the consolidated balance sheet since the Group has no remaining goodwill or negative goodwill as at 1st April, 2004 and 1st April, 2005.

(e) HK(SIC)-Int 21 – Income Taxes – Recovery of Revalued Non-depreciable Assets

In prior periods, deferred tax arising on the revaluation of investment properties was recognised based on the tax rate that would be applicable upon the sale of the investment properties.

Upon the adoption of HK(SIC)-Int 21, deferred tax arising on the revaluation of the Group's investment properties is determined depending on whether the properties will be recovered through use or through sale. The Group has determined that its investment properties will be recovered through use, and accordingly the profits tax rate has been applied to the calculation of deferred tax.

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

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

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

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

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

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

HKFRS 7 requires disclosures relating to financial instruments and incorporates many of the disclosure requirements of HKAS 32. This HKFRS shall be applied for annual periods beginning on or after 1st January, 2007.

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

The HKAS 19 Amendment, HKAS 21 Amendment, HKAS 39 Amendment regarding cash flow hedge accounting of forecast intragroup transactions, HKFRSs 1 and 6 Amendments, HKFRS 6, HK(IFRIC)-Int 5, HK(IFRIC)-Int 6, HK(IFRIC)-Int 7, HK(IFRIC)-Int 8 and HK(IFRIC)-Int 9 do not apply to the activities of the Group. HK(IFRIC)-Int 6 and HK(IFRIC)-Int 7 would be applied for annual periods beginning on or after 1st December, 2005 and 1st March, 2006 respectively. HK(IFRIC)-Int 8 and HK(IFRIC)-Int 9 would be applied for annual periods beginning on or after 1st May, 2005 and 1st June, 2006 respectively.

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

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheet

At 1st April, 2005

Effect of new policies (Increase/(decrease))	Effect of adopting HKASs 32# and 39* Changes in classification of equity investments HK$'000	HKAS 40* Surplus on revaluation of investment properties HK$'000	HK(SIC)-Int 21# Deferred tax on revaluation of properties HK$'000	Total HK$'000
Assets				
Available-for-sale equity investment	50,563	–	–	50,563
Long term investment	(50,563)	–	–	(50,563)
				–
Liabilities/equity				
Deferred tax liabilities	–	–	2,625	2,625
Asset revaluation reserve	–	(62,635)	(2,625)	(65,260)
Retained profits	–	62,635	–	62,635
				–

At 31st March, 2006

Effect of new policies (Increase/(decrease))	Effect of adopting HKASs 32# and 39* Changes in classification of equity investments HK$'000	HKAS 40* Surplus on revaluation of investment properties HK$'000	HK(SIC)-Int 21# Deferred tax on revaluation of properties HK$'000	Total HK$'000
Liabilities/equity				
Deferred tax liabilities	–	–	101,836	101,836
Asset revaluation reserve	–	(306,292)	–	(306,292)
Retained profits	–	306,292	(101,836)	204,456
				–

* Adjustments taken effect prospectively from 1st April, 2005

Adjustments/presentation taken effect retrospectively

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

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

	Effect of adopting			
	HKASs 32# and 39*	HKAS 40*		
Effect of new policies (Increase/(decrease))	Changes in classification of equity investments	Surplus on revaluation of investment properties	HK(SIC)-Int 21# Deferred tax on revaluation of properties	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
1st April, 2004				
Asset revaluation reserve	–	–	(5,088)	(5,088)
1st April, 2005				
Asset revaluation reserve	–	(62,635)	(2,625)	(65,260)
Retained profits	–	62,635	–	62,635
				(2,625)

* Adjustments taken effect prospectively from 1st April, 2005
\# Adjustments/presentation taken effect retrospectively

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

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

	Effect of adopting			
	HKAS 1#	HKAS 40*		
Effect of new policies	Share of post-tax profits and losses of jointly-controlled entities	Surplus on revaluation of investment properties	HK(SIC)-Int 21# Deferred tax on revaluation of properties	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31st March, 2006				
Increase in other income and gains	–	243,657	–	243,657
Increase in tax	–	–	(99,211)	(99,211)
Total increase/(decrease) in profit	–	243,657	(99,211)	144,446
Effect on basic earnings per share	–	HK$0.61	HK$(0.25)	HK$0.36
Effect on diluted earnings per share	N/A	N/A	N/A	N/A
Year ended 31st March, 2005				
Decrease in share of profits and losses of jointly-controlled entities	(165)	–	–	(165)
Decrease in tax	165	–	–	165
Total increase/(decrease) in profit	–	–	–	–
Effect on basic earnings per share	–	–	–	–
Effect on diluted earnings per share	N/A	N/A	N/A	N/A

* Adjustments taken effect prospectively from 1st April, 2005
# Adjustments/presentation taken effect retrospectively

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is a company, other than a jointly-controlled entity, in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

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

Joint ventures

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

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

A joint venture is treated as:

(a) a subsidiary, if the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors;

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Jointly-controlled entities

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

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

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

Associates

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

The Group's share of the post-acquisition results and reserves of associate is included in the consolidated income statement and consolidated reserves, respectively. The Group's interest in an associate is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Company's interest in an associate are treated as non-current assets and are stated at cost less any impairment losses.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

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

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

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates and jointly-controlled entities, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

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

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

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

Goodwill previously eliminated against the consolidated reserves

Prior to the adoption of Statement of Standard Accounting Practice 30 "Business Combinations" in 2001, goodwill arising on acquisition was eliminated against the consolidated retained profits in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against the consolidated retained profits and is not recognised in profit or loss when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

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

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

The excess for associates and jointly-controlled entities is included in the Group's share of the associates' and jointly-controlled entities' profit or loss in the period in which the investments are acquired.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

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

(b) the party is an associate;

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

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

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

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

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Impairment of assets

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets *(Continued)*

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

Property, plant and equipment and depreciation

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

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

Leasehold land and buildings	5% or over the unexpired terms of the leases
Leasehold improvements	20%
Furniture and equipment	20%
Motor vehicles	20%

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Properties under development

Properties under development are stated at cost and include the cost of land, construction, financing and other related expenses, less any impairment losses.

Investment properties

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

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

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

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

Properties held for sale

Properties held for sale, consisting of completed properties and properties under development in respect of which the Group has established pre-sale programmes, are classified under current assets and are stated at the lower of cost and net realisable value. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to management estimates based on prevailing market conditions, on an individual property basis.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Applicable to the year ended 31st March, 2005:

The Group classified its equity investments, other than subsidiaries, associates and jointly-controlled entities, as long term investments.

Long term investments

Long term investments in unlisted equity security is stated at cost less any impairment losses. Where the circumstances and events which led to an impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged and any appreciation in fair value are credited to the income statement to the extent of the amount previously charged.

Applicable to the year ended 31st March, 2006:

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

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

Financial assets at fair value through profit or loss

Financial assets classified as held for trading or so designated are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

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

Available-for-sale financial assets

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

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

Fair value

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

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

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

Assets carried at amortised cost

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Assets carried at amortised cost (Continued)

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

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

Assets carried at cost

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

Available-for-sale financial assets

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

Interest-bearing loans and borrowings

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

Cash and cash equivalents

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

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Revenue recognition

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

(a) income from the sale of properties, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties sold;

(b) rental income, on a time proportion basis over the lease terms;

(c) property management income, on an accrual basis, in the period in which services are rendered; and

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

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

Employee benefits

Paid leave carried forward

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

Retirement benefits schemes

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Income tax

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

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

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

Dividends

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

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

Operating lease commitments – Group as lessor

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

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

Estimation uncertainty

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

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual lives of the property, plant and equipment of similar nature and functions. Management may change the depreciation rate where useful lives are different from the previous estimated lives.

Current income taxes and deferred income taxes

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

4. SEGMENT INFORMATION

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

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

(a) the property development segment develops properties for sale;

(b) the property investment segment holds investment properties for the generation of rental income; and

4. SEGMENT INFORMATION *(Continued)*

(c) the "others" segment comprises miscellaneous rental income generated from properties held by the Group other than investment properties and property management service fee income.

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

During the current and prior years, there were no intersegment transactions.

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31st March, 2006 and 2005.

	Property development		Property investment		Others		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
						(Restated)		(Restated)
Segment revenue:								
Sales to external customers	**970,198**	99,827	**77,264**	70,061	**11,965**	6,324	**1,059,427**	176,212
Segment results	**484,758**	(7,877)	**294,671**	46,839	**1,738**	4,541	**781,167**	43,503
Interest income							**6,286**	2,388
Unallocated gains							**623**	1,072
Unallocated expenses							**(33,852)**	(30,431)
Finance costs							**(63,438)**	(18,386)
Gain on disposal of subsidiaries							**56,161**	233,662
Share of profits and losses of jointly-controlled entities	**502**	4,175	**–**	–	**(283)**	(73)	**219**	4,102
Write-off of debts due from a jointly-controlled entity	**–**	(3,873)	**–**	–	**–**	–	**–**	(3,873)
Profit before tax							**747,166**	232,037
Tax							**(162,520)**	(1,737)
Profit for the year							**584,646**	230,300

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Property development		Property investment		Others		Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)		(Restated)				(Restated)
Assets and liabilities										
Segment assets	**2,485,932**	1,836,852	**1,990,630**	1,335,345	**2,275,166**	2,121,252	**(2,281,141)**	(2,117,755)	**4,470,587**	3,175,694
Investments in jointly-controlled entities	**29,357**	27,210	**-**	–	**-**	–	**-**	–	**29,357**	27,210
Amounts due from jointly-controlled entities	**129,257**	5,928	**-**	–	**-**	–	**-**	–	**129,257**	5,928
Interest in an associate	**-**	14,857	**-**	–	**-**	–	**-**	–	**-**	14,857
Unallocated assets									**447,110**	354,278
Total assets									**5,076,311**	3,577,967
Segment liabilities	**1,578,929**	1,429,520	**1,005,243**	1,066,924	**21,954**	9,478	**(2,281,141)**	(2,117,755)	**324,985**	388,167
Unallocated liabilities									**2,403,009**	1,493,662
Total liabilities									**2,727,994**	1,881,829
Other segment information:										
Depreciation	**919**	630	**130**	115	**352**	331	**-**	–	**1,401**	1,076
Fair value gains on investment properties, net recognised in the income statement	**-**	–	**243,657**	–	**-**	–	**-**	–	**243,657**	–
Change in fair value of completed properties transferred to investment properties	**220,661**	–	**-**	–	**-**	–	**-**	–	**220,661**	–
Capital expenditure	**1,706**	31	**154**	–	**784**	511	**-**	–	**2,644**	542
Revaluation surplus of investment properties recognised in asset revaluation reserve	**-**	–	**-**	(57,913)	**-**	–	**-**	–	**-**	(57,913)

4. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31st March, 2005 and 2006.

	Hong Kong		Mainland China		Malaysia		Canada		Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**123,045**	153,745	**925,518**	10,694	**10,864**	11,773	**-**	-	**-**	-	**1,059,427**	176,212
Other segment information:												
Segment assets	**2,813,774**	2,372,568	**2,492,111**	1,515,875	**145,858**	144,919	**604,212**	422,378	**(979,644)**	(877,773)	**5,076,311**	3,577,967
Capital expenditure	**926**	74	**1,706**	468	**12**	-	**-**	-	**-**	-	**2,644**	542

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents income from the sale of properties, gross rental income and property management income during the year.

An analysis of revenue, other income and gains is as follows:

	Notes	**2006** **HK$'000**	2005 HK$'000
Revenue			
Sale of properties		**970,198**	99,827
Gross rental income	7	**86,571**	73,657
Property management income		**2,658**	2,728
		1,059,427	176,212
Other income			
Bank interest income	7	**2,481**	2,152
Interest income from mortgage loans receivable	7	**180**	232
Other interest income		**3,625**	4
Other property management income		**3,542**	4,152
Others		**2,986**	2,207
		12,814	8,747
Gains			
Fair value gains on investment properties, net	7, 16	**243,657**	–
Change in fair value of completed properties transferred to investment properties	7	**220,661**	–
Gain on disposal of subsidiaries	7, 31	**56,161**	233,662
		520,479	233,662
		533,293	242,409

6. FINANCE COSTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**79,849**	42,033
Interest on bank loans wholly repayable after five years	**2,891**	977
	82,740	43,010
Less: Amounts capitalised under property development projects	**(19,302)**	(24,624)
	63,438	18,386

7. PROFIT BEFORE TAX

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

		2006	2005
	Note	***HK$'000***	*HK$'000*
Cost of properties sold		**701,317**	106,610
Depreciation		**1,401**	1,076
Minimum lease payments under operating leases on land and buildings		**1,367**	1,692
Auditors' remuneration		**1,533**	1,142
Employee benefits expense (including directors' remuneration (note 8)):			
Wages, salaries, allowances and benefits in kind		**16,864**	14,283
Pension scheme contributions		**841**	654
		17,705	14,937
Write-off of debts due from a jointly-controlled entity		**–**	3,873
Gross rental income	5	**(86,571)**	(73,657)
Less: Outgoing expenses		**34,792**	22,667
		(51,779)	(50,990)
Bank interest income	5	**(2,481)**	(2,152)
Interest income from mortgage loans receivable	5	**(180)**	(232)
Gain on disposal of items of property, plant and equipment		**–**	(40)
Fair value gains on investment properties, net	5	**(243,657)**	–
Change in fair value of completed properties transferred to investment properties	5	**(220,661)**	–
Gain on disposal of subsidiaries	5	**(56,161)**	(233,662)
Foreign exchange differences, net		**(152)**	(450)

At the balance sheet date, the amount of forfeited pension scheme contributions available to the Group for future utilisation was not significant.

8. DIRECTORS' REMUNERATION

Details of directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, are as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Fees	**150**	138
Other emoluments:		
Salaries, allowances and benefits in kind	**360**	–
Discretionary performance related bonuses	**500**	–
Pension scheme contributions	**27**	–
	887	–
	1,037	138

(a) Independent non-executive directors

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

	2006	2005
	HK$'000	*HK$'000*
Daniel Chi-Wai Tse	**50**	50
Patrick Yen-Tse Tsai	**50**	50
Kenneth Kin-Hing Lam	**50**	38
	150	138

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

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2006					
James Sai-Wing Wong*	–	–	–	–	–
Madeline May-Lung Wong	–	–	–	–	–
Herman Man-Hei Fung	–	–	–	–	–
Zuric Yuen-Keung Chan	–	–	–	–	–
Dennis Kwok-Wing Cheung* (note (i))	–	360	500	27	887
William Chung-Yue Fan	–	–	–	–	–
	–	360	500	27	887
2005					
James Sai-Wing Wong*	–	–	–	–	–
Madeline May-Lung Wong	–	–	–	–	–
Herman Man-Hei Fung	–	–	–	–	–
Zuric Yuen-Keung Chan	–	–	–	–	–
William Chung-Yue Fan	–	–	–	–	–
	–	–	–	–	–

* *Executive director*

Note:

(i) Prior to his appointment as director, his remuneration is included in note 9.

There were no arrangements under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year include a director (2005: Nil) who was appointed during the year and whose remuneration since his appointment as director is included in note 8. Details of the remuneration of the five highest paid employees are set out below:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**5,083**	4,834
Pension scheme contributions	**276**	255
	5,359	5,089

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2006	2005
HK$1 to HK$1,000,000	**2**	3
HK$1,000,001 to HK$1,500,000	**3**	2
	5	5

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2006	2005
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong	**62**	12
Current – Elsewhere	**63,121**	1,623
Deferred (note 27)	**99,337**	102
Total tax charge for the year	**162,520**	1,737

A reconciliation of the tax expense applicable to profit before tax using the statutory rates to the tax expense at the effective tax rates is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Profit before tax	**747,166**	232,037
Tax at the statutory rate of 17.5% (2005: 17.5%)	**130,754**	40,606
Effect of different rates for companies operating in other jurisdictions	**59,358**	205
Income not subject to tax	**(10,969)**	(40,970)
Expenses not deductible for tax	**5,543**	2,160
Tax losses utilised from previous periods	**(2,885)**	(967)
Tax losses not recognised	**4,074**	1,363
Profits and losses attributable to jointly-controlled entities	**(38)**	(718)
Previously unrecognised tax losses now recognised as deferred tax assets	**(22,324)**	–
Others	**(993)**	58
	162,520	1,737

In the previous year, the share of tax attributable to a jointly-controlled entity amounting to HK$165,000 was included in "Share of profits and losses of jointly-controlled entities" on the face of the consolidated income statement.

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The profit from ordinary activities attributable to equity holders of the parent for the year ended 31st March, 2006 dealt with in the financial statements of the Company was HK$49,215,000 (2005: HK$35,535,000) (note 29(b)).

12. DIVIDEND

	2006	2005
	HK$'000	*HK$'000*
Proposed final – 11 cents (2005: 8 cents) per ordinary share	**44,026**	32,019

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of HK$519,754,000 (2005: HK$229,616,000) and the 400,238,501 (2005: 400,238,501) ordinary shares in issue during the year.

Diluted earnings per share amounts for the years ended 31st March, 2006 and 31st March, 2005 have not been disclosed, as no diluting events existed during these years.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings	Leasehold improvements	Furniture and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31st March, 2006					
At 31st March, 2005 and at 1st April, 2005:					
Cost	2,531	5,634	9,526	1,401	19,092
Accumulated depreciation	(617)	(5,629)	(8,144)	(311)	(14,701)
Net carrying amount	1,914	5	1,382	1,090	4,391
At 1st April, 2005, net of accumulated depreciation	1,914	5	1,382	1,090	4,391
Additions	17,738	215	1,473	956	20,382
Acquisition of subsidiaries (note 30)	–	–	119	40	159
Disposal of subsidiaries (note 31)	–	–	(79)	–	(79)
Depreciation provided during the year	(245)	(24)	(810)	(322)	(1,401)
Exchange realignment	53	–	16	19	88
At 31st March, 2006, net of accumulated depreciation	**19,460**	**196**	**2,101**	**1,783**	**23,540**
At 31st March, 2006:					
Cost	20,339	5,856	10,740	2,710	39,645
Accumulated depreciation	(879)	(5,660)	(8,639)	(927)	(16,105)
Net carrying amount	**19,460**	**196**	**2,101**	**1,783**	**23,540**

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

Group

	Leasehold land and buildings	Leasehold improvements	Furniture and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31st March, 2005					
At 1st April, 2004:					
Cost	2,531	5,634	9,422	964	18,551
Accumulated depreciation	(503)	(5,619)	(7,403)	(101)	(13,626)
Net carrying amount	2,028	15	2,019	863	4,925
At 1st April, 2004, net of accumulated depreciation	2,028	15	2,019	863	4,925
Additions	–	–	105	437	542
Depreciation provided during the year	(114)	(10)	(742)	(210)	(1,076)
At 31st March, 2005, net of accumulated depreciation	1,914	5	1,382	1,090	4,391
At 31st March, 2005:					
Cost	2,531	5,634	9,526	1,401	19,092
Accumulated depreciation	(617)	(5,629)	(8,144)	(311)	(14,701)
Net carrying amount	1,914	5	1,382	1,090	4,391

The leasehold land and buildings are situated in Mainland China and held under long term leases.

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

Company

	Leasehold improvements *HK$'000*	Furniture and equipment *HK$'000*	Total *HK$'000*
31st March, 2006			
At 31st March, 2005 and at 1st April, 2005:			
Cost	5,347	5,784	11,131
Accumulated depreciation	(5,343)	(5,656)	(10,999)
Net carrying amount	4	128	132
At 1st April, 2005, net of accumulated depreciation	4	128	132
Additions	–	82	82
Depreciation provided during the year	(4)	(53)	(57)
At 31st March, 2006, net of accumulated depreciation	**–**	**157**	**157**
At 31st March, 2006:			
Cost	5,347	5,866	11,213
Accumulated depreciation	(5,347)	(5,709)	(11,056)
Net carrying amount	**–**	**157**	**157**

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

Company

	Leasehold improvements *HK$'000*	**Furniture and equipment** *HK$'000*	**Total** *HK$'000*
31st March, 2005			
At 1st April, 2004:			
Cost	5,347	5,710	11,057
Accumulated depreciation	(5,339)	(5,514)	(10,853)
Net carrying amount	8	196	204
At 1st April, 2004, net of accumulated depreciation	8	196	204
Additions	–	74	74
Depreciation provided during the year	(4)	(142)	(146)
At 31st March, 2005, net of accumulated depreciation	4	128	132
At 31st March, 2005:			
Cost	5,347	5,784	11,131
Accumulated depreciation	(5,343)	(5,656)	(10,999)
Net carrying amount	4	128	132

15. PROPERTIES UNDER DEVELOPMENT

Group

	Cost	**Development expenditure**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1st April, 2005	540,570	8,160	548,730
Additions	162,432	96,118	258,550
Acquisition of subsidiaries (note 30)	505,321	89,433	594,754
Disposal of subsidiaries (note 31)	(207,547)	(2,265)	(209,812)
Exchange realignment	16,475	1,187	17,662
At 31st March, 2006	**1,017,251**	**192,633**	**1,209,884**

The additions to development expenditure included interest expense and other borrowing costs totalling HK$490,000 (2005: HK$1,827,000) that were incurred and capitalised during the year.

Details of the properties under development are as follows:

	2006	2005
	HK$'000	*HK$'000*
Medium term leases:		
Hong Kong	**3,582**	3,582
Long term leases:		
Mainland China	**1,206,302**	545,148
	1,209,884	548,730

Certain of the Group's properties under development with an aggregate carrying value of HK$716,334,000 (2005: Nil) at the balance sheet date were pledged to the Group's bankers to secure the banking facilities granted to the Group as detailed in note 26(a)(ii) to the financial statements.

Further particulars of the Group's properties under development are included in "Particulars of Properties" on pages 107 to 110.

16. INVESTMENT PROPERTIES

Group

	2006	2005
	HK$'000	*HK$'000*
Carrying amount at 1st April	**1,327,000**	1,265,875
Additions, at cost	**6,743**	3,212
Transfer from completed properties	**394,231**	–
Net profit from a fair value adjustment (note 5)	**243,657**	–
Revaluation surplus arising during the year and credited to the asset revaluation reserve	**–**	57,913
Carrying amount at 31st March	**1,971,631**	1,327,000
Analysis by type and location:		
Long term leasehold land and buildings in Hong Kong	**950,000**	785,000
Medium term leasehold land and buildings in Hong Kong	**487,800**	399,900
Medium term leasehold land and buildings in Mainland China	**394,231**	–
Freehold land and buildings in Malaysia	**139,600**	142,100
	1,971,631	1,327,000

At the balance sheet date, all of the investment properties were revalued at open market value, based on their existing use, by Savills Valuation and Professional Services Limited except for the investment property located in Malaysia whose carrying amount at the balance sheet was stated by reference to its subsequent disposal value. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 33(a) to the financial statements.

Certain of the Group's investment properties with an aggregate carrying value of HK$1,832,031,000 (2005: HK$1,327,000,000) at the balance sheet date were pledged to the Group's bankers to secure the banking facilities granted to the Group as detailed in note 26(a)(i) to the financial statements.

Further particulars of the Group's investment properties are included in "Particulars of Properties" on pages 107 to 110.

17. INTERESTS IN SUBSIDIARIES

	Company 2006 HK$'000	Company 2005 HK$'000
Unlisted shares, at cost	**8**	8
Due from subsidiaries	**2,945,999**	2,863,265
Due to subsidiaries	**(896,130)**	(973,222)
	2,049,877	1,890,051
Less: Provision for impairment on amounts due from subsidiaries	**(712,220)**	(693,238)
	1,337,657	1,196,813

The balances with subsidiaries are unsecured, interest-free, and repayable on demand.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Chinney Property Management Limited	Hong Kong	HK$100	–	100	Property management
Cosmos Wealth Development Limited	Hong Kong	HK$1,000	–	100	Property development
CP Parking Limited (formerly CP Management Limited)	Hong Kong	HK$2	–	100	Carpark management
Debest Development Limited	Hong Kong	HK$2	–	100	Property development
Full Yip Development Limited	BVI/ Hong Kong	US$1	–	100	Property holding and letting

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries are as follows: *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guangzhou Honkwok Fuqiang Land Development Ltd.*#	PRC/ Mainland China	RMB183,795,038	–	48^	Property development
Guangzhou Honkwok Hengsheng Land Development Ltd.*#	PRC/ Mainland China	RMB220,000,000	–	60	Property development
Guangzhou Hua Yin Land Development Co., Ltd.*#	PRC/ Mainland China	RMB8,000,000	–	90	Property development
Hon Cheong Limited	Hong Kong	HK$2	–	100	Property holding and letting
Hon Kwok Land Investment (China) Limited	Hong Kong	HK$2	100	–	Investment holding
Hon Kwok Land Investment (Shenzhen) Co., Ltd.*#	PRC/ Mainland China	HK$30,000,000	–	100	Property development
Hon Kwok Project Management Limited	Hong Kong	HK$2	100	–	Project management
Hon Kwok Treasury Limited	Hong Kong	HK$2	–	100	Financing
Honour Well Development Limited	Hong Kong	HK$2	–	100	Property holding and letting

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries are as follows: *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Island Parking Limited	BVI/ Hong Kong	US$10	–	100	Property holding and letting
King Capital Development Limited	Hong Kong	HK$2	–	100	Property holding and letting
King Champion Limited	Hong Kong	HK$2	–	100	Property holding and letting
Lido Parking Limited	BVI/ Hong Kong	US$1	–	100	Property holding and letting
One City Hall Place Limited*	Canada	C$100	–	75	Property development
Shenzhen Guanghai Investment Co., Ltd.*#	PRC/ Mainland China	RMB200,000,000	–	80	Property development
Shenzhen Honkwok Huaye Development Co., Ltd.*#	PRC/ Mainland China	RMB50,000,000	–	80	Property development
Spark Eagle Development Limited	Hong Kong/ Malaysia	HK$2	100	–	Property holding and letting

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries are as follows: *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Star World Property Limited	Hong Kong	HK$2	–	100	Property development
Victory Venture Development Limited	Hong Kong	HK$2	–	100	Property development
Wise Pacific Investment Limited	Hong Kong	HK$10,000	–	60	Money lending

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

These subsidiaries are registered in the PRC as foreign enterprises with business duration between 15 to 50 years.

^ Guangzhou Honkwok Fuqiang Land Development Limited is a subsidiary of a wholly-owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary of the Group by virtue of the Company's control over its board of directors.

During the year, the Group acquired Shenzhen Guanghai Investment Co., Ltd. and Guangzhou Hua Yin Land Development Co., Ltd. from independent third parties (note 30 (a) and (b), respectively).

During the year, the Group disposed of 50% of the issued share capital of Rich Central Limited and assigned related shareholder's loans amounting to HK$44,963,000, for a cash consideration of HK$45,659,000. In addition, the Group disposed of 50% of the issued share capital of Floralmist Holdings Ltd. during the year and assigned related shareholder's loans amounting to HK$73,207,000 for a cash consideration of HK$128,532,000. Further details of these disposals are included in note 31 to the financial statements.

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore, the above list contains only the particulars of subsidiaries which principally affected the results for the year or formed a substantial portion of the net assets of the Group.

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted shares, at cost	**–**	–	**–**	–
Share of net assets	**13,071**	27,210	**–**	–
Goodwill on acquisition	**16,286**	–	**–**	–
	29,357	27,210	**–**	–
Amounts due from jointly-controlled entities	**129,257**	5,928	**6**	–
	158,614	33,138	**6**	–

The amounts due from jointly-controlled entities included in the Group's current assets of HK$129,257,000 (2005: HK$5,928,000) are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these amounts due from jointly-controlled entities approximate to their fair values.

Particulars of the principal jointly-controlled entities are as follows:

		Percentage of			
Name	**Place of incorporation**	**Ownership interest**	**Voting power**	**Profit sharing**	**Principal activities**
2012829 Ontario Inc.	Canada	50	50	50	Property development
Hunnewell Limited	Hong Kong	50	50	50	Property development
King Success Limited	Hong Kong	50	50	50	Property development
Foshan Nanhai XinDa Land Development Ltd.	PRC	50	50	50	Property development
Guangzhou Lian Cheng Real Estate Co., Ltd.	PRC	50	50	50	Property development

All of the above interests in jointly-controlled entities are indirectly held by the Group.

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(Continued)*

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

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	2006	2005
	HK$'000	*HK$'000*
Share of the jointly-controlled entities' assets and liabilities:		
Total non-current assets	**107,983**	2,795
Total current assets	**52,880**	44,319
Total current liabilities	**(147,792)**	(19,904)
Net assets	**13,071**	27,210
Share of the jointly-controlled entities' results:		
Total revenue	**3,605**	4,892
Total expenses	**(3,386)**	(790)
Profit	**219**	4,102

In prior year, the Group and its joint venture partner wrote off the debts which were non-recoverable from a jointly-controlled entity. The corresponding debit of HK$3,873,000 was recognised as write off of debts due from a jointly-controlled entity whilst the corresponding credit of HK$3,873,000 was recognised as share of profits of jointly-controlled entities.

19. INTEREST IN AN ASSOCIATE

	Group	
	2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	**–**	–
Share of net assets	**–**	6,156
Due from an associate	**–**	8,701
	–	14,857

In prior year, the amount due from the associate was unsecured, interest-free, and had no fixed terms of repayment.

The total investment costs in the associate will be fully recovered from the relevant authority and are therefore classified as receivable under current assets.

19. INTEREST IN AN ASSOCIATE *(Continued)*

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of registration and operations	Percentage of ownership interest attributable to the Group	Principal activity
Guangzhou Li Du Property Development Co., Ltd.	Registered capital of RMB52,000,000	PRC/Mainland China	49	Dormant

20. AVAILABLE-FOR-SALE EQUITY INVESTMENT/LONG TERM INVESTMENT

	Group	
	2006	2005
	HK$'000	*HK$'000*
Unlisted equity investment, at cost	–	50,563

In the previous year, the Group acquired a 90% equity interest in Guangzhou Hua Yin Land Development Co., Ltd., a company operating in Mainland China, and the Group had intended to dispose of 45% equity interest of the company to an independent third party. The management considered they exercised no control or significant influence on the company and, accordingly, the results of the company were not consolidated into that of the Group for the year ended 31st March, 2005.

During the year ended 31st March, 2006, a debt assignment programme of the company was completed. The plan for a partial disposal of the company was abandoned and management considered that full control on the company has now been obtained. Accordingly, the Group has consolidated the results of the company in the current year.

In the opinion of the directors, the fair value of the unlisted available-for-sale equity investment could not be reliably measured because the probabilities of the various measures within the range could not be reasonably assessed in estimating the fair value, and hence this investment was stated at cost less any impairment losses.

21. PROPERTIES HELD FOR SALE

Included in the balances are completed properties amounted to HK$433,390,000 (2005: HK$149,062,000) and incomplete properties with established pre-sale programmes amounted to HK$555,481,000 (2005: HK$959,398,000).

Properties held for sale included interest expense and other borrowing costs totalling HK$18,812,000 (2005: HK$22,797,000) that were incurred and capitalised during the year.

Certain of the Group's properties held for sale with an aggregate carrying value of HK$984,559,000 (2005: HK$380,546,000) at the balance sheet date were pledged to secure the Group's bank borrowings, as further detailed in note 26(a)(iii) to the financial statements.

22. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the balance sheet date, based on invoice/contract date, is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Current to 30 days	**126,529**	5,800
31 to 60 days	**570**	677
61 to 90 days	**228**	481
Over 90 days	**19**	582
	127,346	7,540

Monthly rent in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. The balance of consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. Overdue trade debts are followed up closely by management and are provided for in full in case of non-recoverability. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The Company had no trade receivables at the balance sheet date (2005: Nil).

The carrying amounts of trade receivables approximated to their fair values at the balance sheet date.

23. BALANCES WITH MINORITY INTERESTS

The balances with the minority shareholders of subsidiaries are unsecured, have no fixed terms of repayment and are interest-free, except for the loans to the minority shareholders of subsidiaries totalling HK$86,114,000 (2005: HK$39,747,000) at the balance sheet date which bear interest at normal commercial rates.

The carrying amounts of the balances with minority interests approximated to their fair values at the balance sheet date.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**404,424**	190,897	**4,515**	3,944
Time deposits	**42,230**	162,977	**–**	125,177
	446,654	353,874	**4,515**	129,121
Less: Pledged time deposits pledged for bank loans (note 26(a)(iv))	**(40,200)**	(62,800)	**–**	(25,000)
Cash and cash equivalents	**406,454**	291,074	**4,515**	104,121

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of less than 3 months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

25. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in trade payables and accrued liabilities are trade payables of HK$3,703,000 (2005: HK$3,304,000). An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Current to 30 days	**3,703**	3,304

The Company had no trade payables included in trade payables and accrued liabilities at the balance sheet date (2005: Nil).

The trade payables are non-interest-bearing and are normally settled on 30-day terms. The carrying amounts of trade payables and accrued liabilities approximate to their fair values at the balance sheet date.

26. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	Group **2006** ***HK$'000***	Group 2005 *HK$'000*	Company **2006** ***HK$'000***	Company 2005 *HK$'000*
Current						
Bank loans – unsecured	5.8	2007	**290,500**	33,750	**–**	–
Bank loans – secured	5.0 – 5.8	2007	**104,668**	97,995	**1,680**	1,680
			395,168	131,745	**1,680**	1,680
Non-current						
Bank loans – unsecured	4.6 – 5.8	2007 – 2009	**204,000**	618,780	**150,000**	150,000
Bank loans – secured	4.6 – 5.8	2007 – 2011	**1,571,807**	683,474	**11,340**	13,020
			1,775,807	1,302,254	**161,340**	163,020
			2,170,975	1,433,999	**163,020**	164,700

26. INTEREST-BEARING BANK BORROWINGS *(Continued)*

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Analysed into:				
Bank loans repayable:				
Within one year or on demand	**395,168**	131,745	**1,680**	1,680
In the second year	**673,744**	591,887	**1,680**	151,680
In the third to fifth years, inclusive	**1,051,363**	667,352	**159,660**	11,340
Beyond five years	**50,700**	43,015	**–**	–
	2,170,975	1,433,999	**163,020**	164,700

Notes:

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

(i) mortgages over certain of the Group's investment properties, which had an aggregate carrying value at the balance sheet date of HK$1,832,031,000 (2005: HK$1,327,000,000);

(ii) mortgages over certain of the Group's properties under development, which had an aggregate carrying value at the balance sheet date of HK$716,334,000 (2005: Nil);

(iii) mortgages over certain of the Group's properties held for sale, which had an aggregate carrying value at the balance sheet date of HK$984,559,000 (2005: HK$380,546,000);

(iv) the pledge of certain of the Group's time deposits amounting to HK$40,200,000 (2005: HK$62,800,000) and cash deposits equivalent to HK$150,000,000 (2005: HK$150,000,000) provided by the ultimate holding company of the Group; and

(v) assignments of rental income.

(b) Irrevocable and unconditional guarantees have been given by the Company in respect of borrowings of certain subsidiaries. In addition, the Company has subordinated its loans to certain subsidiaries in favour of the relevant lending banks.

(c) Except for a bank loan denominated in Canadian dollar equivalent to HK$291,432,000 and certain bank loans denominated in RMB equivalent to HK$562,500,000, all other bank borrowings at the balance sheet date were in Hong Kong dollar.

26. INTEREST-BEARING BANK BORROWINGS *(Continued)*

Other interest rate information:

	Group			
	2006		2005	
	Fixed rate	**Floating rate**	Fixed rate	Floating rate
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Bank loans – unsecured	**250,000**	**244,500**	374,280	278,250
Bank loans – secured	**312,500**	**1,363,975**	23,393	758,076

	Company			
	2006		2005	
	Fixed rate	**Floating rate**	Fixed rate	Floating rate
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Bank loans – unsecured	**–**	**150,000**	–	150,000
Bank loans – secured	**–**	**13,020**	–	14,700

The carrying amounts of the Group's and the Company's current and non-current bank borrowings approximated to their fair values at the balance sheet date.

27. DEFERRED TAX

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

Group

	2006		
	Accelerated tax depreciation	**Revaluation of properties**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
At 1st April, 2005:			
As previously reported	**1,484**	**–**	**1,484**
Prior year adjustment	**–**	**2,625**	**2,625**
As restated	**1,484**	**2,625**	**4,109**
Deferred tax charged to the income statement during the year (note 10)	**126**	**99,211**	**99,337**
At 31st March, 2006	**1,610**	**101,836**	**103,446**

27. DEFERRED TAX *(Continued)*

Group

	2005		
	Accelerated tax depreciation	Revaluation of properties	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1st April, 2004:			
As previously reported	1,382	1,104	2,486
Prior year adjustment	–	5,088	5,088
As restated	1,382	6,192	7,574
Deferred tax charged to the income statement during the year (note 10)	102	–	102
Deferred tax credited to equity during the year	–	(3,567)	(3,567)
At 31st March, 2005 (restated)	1,484	2,625	4,109

At the balance sheet date, the Group had unrecognised taxable temporary difference of HK$28,686,000 (2005: HK$114,324,000) and unrecognised tax losses of HK$923,316,000 (2006: HK$1,277,773,000) available to offset against future profits. The taxable temporary difference and tax losses have not been recognised as it is uncertain that there will be sufficient future taxable profit available against the utilisation of these temporary differences.

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

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

28. SHARE CAPITAL

	2006	2005
	HK$'000	*HK$'000*
Authorised:		
1,750,000,000 shares of HK$1.00 each	**1,750,000**	1,750,000
Issued and fully paid:		
400,238,501 shares of HK$1.00 each	**400,239**	400,239

Pursuant to a court order dated 17th October, 2000, the nominal value of the shares of the Company was adjusted from HK$0.50 to HK$0.10 by way of a capital reduction. The authorised share capital of the Company was restored to its original amount of HK$1,750,000,000 by the creation of an additional 14,000,000,000 new shares of HK$0.10 each at the same time.

As a result of the capital reduction, a credit of HK$533,658,876 based on the 1,334,147,191 shares of the Company then in issue was transferred from the share capital account to a special capital reserve account. The Company has undertaken that the special capital reserve:

(a) shall not be treated as a realised profit; and

(b) shall, for so long as the Company remains a listed company (as defined in the Companies Ordinance), be treated as an undistributable reserve of the Company for the purposes of Section 79C of the Companies Ordinance or any statutory re-enactment or modification thereof,

provided always that the amount standing to the credit of the special capital reserve may be reduced by (i) the aggregate of any increase in the issued share capital or in the share premium account of the Company resulting from an issue of shares for cash or other new consideration; or (ii) upon a capitalisation of distributable reserves after the capital reduction.

In the prior year, new shares were issued upon a rights issue and a share placement. Resulting from the issue of shares, HK$310,179,000, representing the amount of shares issued together with the corresponding premium, was released from the special capital reserve and credited to retained profits.

29. RESERVES

(a) Group

The amount of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 34 of the financial statements.

(b) Company

	Note	Share premium account HK$'000	Special capital reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1st April, 2004		161,410	223,480	647	10	337,910	723,457
Profit for the year		–	–	–	–	35,535	35,535
Proposed final 2005 dividend	12	–	–	–	–	(32,019)	(32,019)
At 31st March, 2005		161,410	223,480	647	10	341,426	726,973
Profit for the year		–	–	–	–	49,215	49,215
Proposed final 2006 dividend	12	–	–	–	–	(44,026)	(44,026)
At 31st March, 2006		**161,410**	**223,480**	**647**	**10**	**346,615**	**732,162**

30. BUSINESS COMBINATION

(a) During the current year, the Group acquired a 80% interest in Shenzhen Guanghai Investment Co., Ltd. from an independent third party. Shenzhen Guanghai Investment Co., Ltd. engages in property development in Mainland China. The purchase consideration for the acquisition was in the form of cash, with HK$197,539,000 paid for the acquisition.

30. BUSINESS COMBINATION *(Continued)*

The fair values of the identifiable assets and liabilities of Shenzhen Guanghai Investment Co., Ltd. as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	Fair value recognised on acquisition HK$'000	Carrying amount HK$'000
Property, plant and equipment	14	101	101
Properties under development	15	480,530	480,530
Cash and bank balances		5,644	5,644
Prepayments and other receivables		4,811	4,811
Trade payables and accrued liabilities		(18)	(18)
Bank loan		(254,808)	(254,808)
Minority interests		(38,462)	(38,462)
Loans from minority interests		(259)	(259)
		197,539	197,539
Satisfied by cash		197,539	

Since its acquisition, Shenzhen Guanghai Investment Co., Ltd. had no contribution to the Group's turnover and consolidated profit for the year ended 31st March, 2006.

Had the combination taken place at the beginning of the year, there would have been no material change to the revenue and the profit of the Group for the year.

(b) In the previous year, the Group acquired a 90% equity interest in Guangzhou Hua Yin Land Development Co., Ltd., a company operating in Mainland China, and the Group had intended to dispose of 45% equity interest of the company to an independent third party. The management considered they exercised no control or significant influence on the company and, accordingly, the results of the company were not consolidated into that of the Group for the year ended 31st March, 2005.

During the year ended 31st March, 2006, a debt assignment programme of the company was completed. The plan for a partial disposal of the company was abandoned and management considered that full control on the company has now been obtained. Accordingly, the Group has consolidated the results of the company in the current year.

30. BUSINESS COMBINATION *(Continued)*

The fair values of the identifiable assets and liabilities of Guangzhou Hua Yin Land Development Co., Ltd. as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	Fair value recognised on acquisition HK$'000	Carrying amount HK$'000
Property, plant and equipment	14	58	58
Properties under development	15	114,224	114,224
Cash and bank balances		3,444	3,444
Prepayments and other receivables		338	338
Trade payables and accrued liabilities		(40,849)	(40,849)
Minority interests		(669)	(669)
		76,546	76,546
Available-for-sale equity investment/ long term investment		(50,563)	
		25,983	
Satisfied by cash		25,983	

Since its acquisition, Guangzhou Hua Yin Land Development Co., Ltd. had no contribution to the Group's turnover and consolidated profit for the year ended 31st March, 2006.

Had the combination taken place at the beginning of the year, there would have been no material change to the revenue and the profit of the Group for the year.

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

	HK$'000
Cash consideration	223,522
Cash and bank balances acquired	(9,088)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	214,434

31. DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed of 50% of the issued share capital of Rich Central Limited and assigned related shareholder's loans amounting to HK$44,963,000, for a cash consideration of HK$45,659,000. In addition, the Group disposed of 50% of the issued share capital of Floralmist Holdings Ltd. during the year and assigned related shareholder's loans amounting to HK$73,207,000 for a cash consideration of HK$128,532,000.

		2006	2005
	Notes	***HK$'000***	*HK$'000*
Net assets disposed of:			
Goodwill		**32,572**	–
Property, plant and equipment	*14*	**79**	–
Properties under development	*15*	**209,812**	330,715
Cash and bank balances		**2,446**	–
Prepayments and other receivables		**119**	–
Bank loan and other liabilities		**(3,600)**	(164,206)
Shareholders' loans		**(236,341)**	–
		5,087	166,509
Reclassification of the remaining 50% equity interest in subsidiaries to interests in jointly-controlled entities		**(2,543)**	–
Release of exchange reserve		**(2,684)**	–
Gain on disposal of subsidiaries	*5*	**56,161**	233,662
		56,021	400,171
Assignment of shareholders' loans	*17*	**118,170**	–
		174,191	400,171
Satisfied by cash		**174,191**	400,171

31. DISPOSAL OF SUBSIDIARIES *(Continued)*

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

	2006	2005
	HK$'000	*HK$'000*
Cash consideration	**174,191**	400,171
Cash and bank balances disposed of	**(2,446)**	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**171,745**	400,171

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

32. PLEDGE OF ASSETS

Details of the Group's bank loans, which are secured by the assets of the Group, are included in note 26 to the financial statements.

33. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its properties under operating lease arrangements, with leases negotiated for terms ranging from one to six years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31st March, 2006, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**33,671**	30,444
In the second to fifth years, inclusive	**19,523**	22,730
	53,194	53,174

At the balance sheet date, the Company had no operating lease arrangement as lessor.

33. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee

The Group leases its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At 31st March, 2006, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**1,140**	2,010	**851**	1,703
In the second to fifth years, inclusive	**32**	1,003	**–**	851
	1,172	3,013	**851**	2,554

The above annual commitments under non-cancellable operating leases in respect of land and buildings involving jointly-controlled entities amounted to approximately HK$82,000 (2005: Nil).

34. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group had authorised and contracted capital commitments in respect of property development expenditure and acquisition of properties amounting to approximately HK$209,672,000 (2005: HK$545,543,000) at the balance sheet date.

There are no authorised and contracted capital commitments in respect of property development expenditure relating to jointly-controlled entities (2005: Nil).

35. CONTINGENT LIABILITIES

(a)

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to banks in connection with facilities granted to its subsidiaries	**–**	–	**1,404,023**	1,269,299

As at 31st March, 2006, the bank facilities granted to the subsidiaries, subject to guarantees given to the banks by the Company, were utilised to the extent of approximately HK$1,404,023,000 (2005: HK$1,269,299,000).

(b) On 20th April, 1996, a writ was filed against a wholly-owned subsidiary of the Group, Joint Peace Investment Limited ("Joint Peace"), regarding an alleged disparity between the pavement and the ground floor level of the building at 18-22 Percival Street, junction of Jaffe Road, Causeway Bay, Hong Kong. The amount claimed, excluding minor construction and related costs, was either HK$41,000,000 or HK$69,300,000, representing the claim for a loss of rental income or a loss of interest on the purchase price, respectively, over a period of 12 months. A defence to contest this claim was filed on 22nd July, 1996.

On 2nd December, 1997, the plaintiff of this claim was allowed to amend the Writ of Summons and the Statement of Claim dated 20th April, 1996. As advised by its solicitors, Joint Peace filed an Amended Defence in respect thereof on 30th December, 1997. On the same day, a Request for Further and Better Particulars of the Amended Statement of Claim was sent by Joint Peace's solicitors to the plaintiff's solicitors.

Following consultation with legal advisers (in their capacity as the legal advisers of Joint Peace), the directors formed the view that the amended claim was unlikely to succeed and were therefore of the opinion that no provision regarding this claim is necessary in the Group's financial statements.

The plaintiff was dissolved on 5th November, 2004 pursuant to a court order.

(c) At 31st March, 2006, the Group has given guarantees to a maximum extent of approximately HK$28,000,000 (2005: HK$11,269,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties. The entire guarantees were released subsequent to the balance sheet date.

36. RELATED PARTY TRANSACTIONS

In addition to those transactions and balances disclosed elsewhere in the financial statements, the Group had the following related party transactions during the year.

(a) During the year, the Group had transactions with companies in which James Sai-Wing Wong, Madeline May-Lung Wong and William Chung-Yue Fan, directors of the Company, have beneficial interests. The significant transactions are summarised below:

		Group	
		2006	2005
	Notes	***HK$'000***	*HK$'000*
Commission paid to the ultimate holding company	*(i)*	**2,625**	2,625
Management fees paid to the immediate holding company	*(ii)*	**6,000**	6,000
Legal and professional fees paid to a firm of solicitors to which a director of the Company is a consultant	*(iii)*	**349**	463

Notes:

(i) Commission was paid to the ultimate holding company for the provision of cash security for certain bank loans granted to the Company and was charged at a rate mutually agreed upon by both parties based on the average borrowing cost of the Group. Further details of which are included in paragraph (b) below.

(ii) Management fees were charged based on the underlying costs incurred by the immediate holding company.

(iii) The directors consider that the provision of legal and professional services was made according to the standard prices and conditions similar to those offered to other clients of the firm.

36. RELATED PARTY TRANSACTIONS *(Continued)*

(b) In December 2003, Lucky Year extended the cash security arrangement in favour of the Company for a further period of 30 months. Pursuant to the arrangement, Lucky Year pledged its deposits with certain banks in relation to the bank loans of HK$150 million granted by the banks to the Company. In consideration for the provision of cash security, the Group agreed to counter-indemnify Lucky Year and pay a commission of 1.75% per annum on the average principal amount of the cash security outstanding during the terms of the bank loans to Lucky Year. The Group provides no security to Lucky Year or other connected persons in connection with the arrangement. The above facilities have been extended for a further period of 30 months upon maturity in July 2006. Please refer to paragraph (a)(i) above for the commission paid during the year.

(c) During the year ended 31st March, 2005, the Group and its joint venture partner each wrote off the debts amounting to HK$3,873,000 which were non-recoverable from a jointly-controlled entity.

(d) The balances with the related companies are unsecured, interest-free, and have no fixed terms of repayment.

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

	2006	2005
	HK$'000	*HK$'000*
Short term employee benefits	**9,264**	7,578
Post-employment benefits	**470**	425
	9,734	8,003

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

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and overdrafts, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

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

Cash flow interest rate risk

The Group's exposure to interest rate risks relates primarily to the Group's borrowings with a floating interest rate. The interest rates and terms of repayment of the Group's borrowings are disclosed in note 26 to the financial statements. The Group's policy is to obtain the most favourable interest rates available for its borrowings. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Foreign currency risk

The monetary assets and transactions of several subsidiaries of the Group are principally denominated in RMB and Canadian dollars, which expose the Group to foreign currency risk. The Group currently has no particular hedging vehicles to hedge its exposure to foreign exchange risk profile. It is the Group's policy to monitor foreign exchange exposure and to make use of appropriate hedging measures when required.

Credit risk

The Group trades only with recognised and creditworthy third parties with diversified range, except for the sales of properties, for which no credit is given to the customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. The Group's credit risk exposure spread over a number of counterparties and customers, thus no significant concentration of credit risk.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings and other fund raising exercises. The Group will consistently maintain a prudent financing policy and ensure that it maintains sufficient cash and credit lines to meet its liquidity requirements.

38. POST BALANCE SHEET EVENTS

(a) On 16th March, 2006, the Group entered into a sale and purchase agreement with the minority shareholder of Shenzhen Honkwok Huaye Development Co., Ltd. ("Honkwok Huaye") for the acquisition of the remaining 20% equity interest in Honkwok Huaye for a cash consideration of RMB10,000,000 (equivalent to HK$9,662,000). This transaction was completed on 13th June, 2006.

(b) On 12th June, 2006, the Group entered into a sale and purchase agreement with an independent third party to dispose of an investment property situated in Kuala Lumpur, Malaysia, for a cash consideration of RM70,000,000 (equivalent to HK$142,100,000). This transaction is scheduled to be completed on the expiry of six months from the date of the sale and purchase agreement or such an earlier date as the purchaser may elect by giving three-month prior notice in writing to the Group. In the opinion of the directors, no material gain or loss on disposal would be resulted.

(c) On 27th June, 2006, the Group, through a wholly-owned subsidiary, issued an aggregate principal amount of HK$280,000,000 3.5% per annum guaranteed convertible bonds due by 2011. The initial conversion price at which a share of the Company will be issued on conversion will be HK$4.00.

39. COMPARATIVE AMOUNTS

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

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24th July, 2006.

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. The amounts for each year in the five year financial summary have been adjusted for the effects of the retrospective changes in accounting policy affecting the deferred tax liabilities, as detailed in note 2.2(e) to the financial statements.

	Year ended 31st March,				
	2006	2005	2004	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
REVENUE	**1,059,427**	176,212	330,727	473,877	639,293
PROFIT/(LOSS) FOR THE YEAR	**584,646**	230,300	134,467	(480,790)	17,413
Profit/(loss) attributable to:					
Equity holders of the parent	**519,754**	229,616	134,415	(479,144)	3,108
Minority interests	**64,892**	684	52	(1,646)	14,305
	584,646	230,300	134,467	(480,790)	17,413

	As at 31st March,				
	2006	2005	2004	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	(Restated)	(Restated)	(Restated)
ASSETS, LIABILITIES AND MINORITY INTERESTS					
TOTAL ASSETS	**5,076,311**	3,577,967	3,048,978	2,300,151	2,794,323
TOTAL LIABILITIES	**(2,727,994)**	(1,881,829)	(1,762,563)	(1,474,689)	(1,496,146)
MINORITY INTERESTS	**(293,487)**	(153,961)	(22,682)	(15,709)	(17,355)
	2,054,830	1,542,177	1,263,733	809,753	1,280,822

GROUP I – PROPERTIES HELD FOR DEVELOPMENT

Location	Use	Site area *(sq.ft.)*	Gross floor area *(sq.ft.)*	Development progress (up to 24th July, 2006)	Estimated completion date	Attributable interest of the Group *(%)*
MAINLAND CHINA						
1. Da Li District Nanhai Guangdong Province	Low density residential	2,668,340	2,668,340	Planning stage	–	50
2 Liwan District Guangzhou Guangdong Province	Commercial/ Residential	51,831	500,278	Development plan under revision	–	50
3 Dongguanzhuan Dongguanzhuan Road Tianhe District Guangzhou Guangdong Province	Residential	1,041,267	2,881,250	Planning stage	–	60
4. Long Dong Cun Guangshan Road Western Tianhe District Guangzhou Guangdong Province	Residential	113,785	2,448,890	Phase I – Superstructure work in progress for 8 residential towers Phase II – Planning stage	–	48
5. 17-43 Beijing Nan Road Guangzhou Guangdong Province	Commercial/ Residential	26,372	270,420	Planning stage	–	90
6. Junction of Shen Nan Zhong Road and Fu Ming Road Shenzhen Guangdong Province	Commercial/ Residential	84,411	1,377,280	Planning stage	–	80
CANADA						
7. South – West Corner of Bay Street and Dundas Street West Toronto, Ontario (Phase I – One City Hall)	Mainly condo development with shops and carparks	37,979	462,852	Superstructure work in progress	9/2006	75
8. South – West Corner of Bay Street and Dundas Street West Toronto, Ontario (Phase II)	Mainly condo development with commercial and carparks	36,545	222,395	Planning stage	–	50

31st March, 2006

GROUP II – COMPLETED PROPERTIES

Location	Use	Remaining unsold units	Gross floor area *(sq.ft.)*	Car parking spaces	Attributable interest of the Group *(%)*
HONG KONG					
9. **Le Village** (駿愉居) 49 Village Road Happy Valley Hong Kong	Residential	2 residential units	2,246	2	50
10. **Shun Cheong Building** (順昌大廈) 20 – 34 Hau Wo Street Kennedy Town Hong Kong	Commercial	7 ground floor shops 2 floors of commercial units	13,092	–	100
11. **Kent Place** (金濤閣) 8 Yen Chow Street Shum Shui Po Kowloon	Commercial	3 ground floor shops	3,252	–	100
12. **Kensington Plaza** (金威廣場) 98 Parkes Street Jordan Kowloon	Commercial	9 ground floor shops	6,649	–	100
13. **Fulham Court** (順發居) 140 – 146 Castle Peak Road Cheung Sha Wan Kowloon	Commercial	1 floor of commercial units	4,726	–	100
14. A portfolio of second hand properties, mainly at Laguna City (麗港城) and Sky Tower (傲雲峰)	Residential	86 residential units	59,520	2	100
MAINLAND CHINA					
15. **House W Green Mountain Village** (綠色山莊) Longgang Botanical Garden Longgang, Shenzhen Guangdong Province	Residential	1 villa	3,203	–	100
16. **City Square** (城市天地廣場) Jia Bin Lu Luo Hu District Shenzhen Guangdong Province	Residential/ Office	317 residential/ 168 office	288,497	–	80

GROUP III – PROPERTIES HELD FOR INVESTMENT

Location	Use	Gross floor area *(sq.ft.)*	No. of apartments	Car parking spaces	Ownership status	Attributable interest of the Group *(%)*
HONG KONG						
17. **Hon Kwok Jordan Centre** (漢國佐敦中心) 5, 7 & 7A Hillwood Road Tsim Sha Tsui Kowloon	Commercial/ Office	60,857	–	–	Medium term lease	100
18. **The Bauhinia and Honwell Commercial Centre** (寶軒及漢貿商業中心) 119-121 Connaught Road Central & 237-241 Des Voeux Road Central Hong Kong	Service apartments/ Commercial/ Office	122,823	112	–	Long term lease	100
19. **Yien Yieh Commercial Building** (鹽業商業大廈) 236-242 Des Voeux Road Central Hong Kong	Commercial/ Office	46,410	–	–	Long term lease	100
20. **Hon Kwok TST Centre** (漢國尖沙咀中心) 5-9 Observatory Court Tsim Sha Tsui Kowloon	Commercial/ Office	59,608	–	–	Medium term lease	100
MAINLAND CHINA						
21. **City Square** (城市天地廣場) Jia Bin Lu Luo Hu District Shenzhen Guangdong Province	Commercial podium	218,515	–	–	Medium term lease	80
MALAYSIA						
22. **Plaza Ampang** Jalan Tun Razak and Jalan Ampang Kuala Lumpur	Commercial and shopping complex	401,777	–	171	Freehold	100

31st March, 2006

GROUP IV – CARPARKS HELD FOR INVESTMENT

Location		Car parking spaces	Ownership status	Attributable interest of the Group *(%)*
23.	**Provident Centre** (和富中心) 21-53 Wharf Road North Point Hong Kong	369	Long term lease	100
24.	**Lido Garden** (麗都花園) 41-63 Castle Peak Road Sham Tseng Tsuen Wan New Territories	115	Medium term lease	100
25.	**Shining Court** (順寧居) 439 Shun Ning Road Cheung Sha Wan Kowloon	26	Medium term lease	100