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CORPORATE INFORMATION

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Cheung Kee Wee, *BBA, Chairman*

Aged 54. Joined the Group and appointed a director in 1976. Elected Chairman in 2000. Has over 30 years' experience in the property and building construction industry in Hong Kong. Brother of Messrs. Cheung Lin Wee and Cheung Ying Wai, Eric.

Mr. Cheung Lin Wee, *BFin*

Aged 48. Joined the Group and appointed a director in 1985. Has over 25 years' experience in property management. Mainly responsible for the property management activities of the Group. Brother of Messrs. Cheung Kee Wee and Cheung Ying Wai, Eric.

Mr. Cheung Ying Wai, Eric, *BSc*

Aged 44. Joined the Group and appointed a director in 1999. Mainly responsible for the general management of the Group. Brother of Messrs. Cheung Kee Wee and Cheung Lin Wee.

Non-executive Directors

Mr. John Ho, *LLB*

Aged 60. Appointed an independent non-executive director in 1994 and re-designated as a non-executive director in 2004. A practising solicitor in Hong Kong. Qualified as a solicitor and joined a major firm of solicitors in 1972. A senior partner of Messrs. John Ho & Tsui. An independent non-executive director of Wong's Kong King International (Holdings) Limited and also CEO and executive director of Hemisphere Properties Plc., a London listed company.

Mr. Ng Kwok Tung, *LIA (Dip), Chinese Law (Dip), BCom, CPA (Practising), CA, FCPA, ATIHK, MSCA*

Aged 55. Appointed an independent non-executive director in 2001 and re-designated as a non-executive director in 2004. A practising accountant in Hong Kong. A partner of Messrs. Tony Kwok Tung Ng & Co.. An independent non-executive director of Fountain Set (Holdings) Limited, Universe International Holdings Limited and Timeless Software Limited.

Independent Non-executive Directors

Mr. Lam Hon Keung, Keith, *O.B.E., J.P.*

Aged 66. Appointed a director in 1993. A Committee Member of Far East Exchange Limited (1975-86) and The Stock Exchange of Hong Kong Limited (1987-94). An ex-President of Rotary Club of Hong Kong South (1976-77) and an appointed Legislative Councillor in the year 1984. Active in community and social involvements – Chairman of the Hong Kong Buddhist Hospital, Vice Chairman of the Hong Kong Buddhist Association, a member of the Social Welfare Advisory Committee, etc. and being a director of various companies. A Fellow of the Hong Kong Institute of Directors and a member of Chartered Management Institute.

Mr. Chan Woon Kong

Aged 72. Appointed a director in 2004. Has over 40 years' extensive experience in the banking industry in Hong Kong, serving in senior management of various banks including Far East Bank Limited, First Pacific Bank Limited and The Bank of East Asia, Limited. Currently is the Senior Vice President of United Commercial Bank in Hong Kong.

Mr. Soo Hung Leung, Lincoln, *BScChE, MBA, J.P.*

Aged 61. Appointed a director in 2004. A stock broker and Chairman of Soo Pei Shao & Co. Ltd., also an independent non-executive director of Wing Lung Bank Limited and a non-executive director of Applied International Holdings Limited. A member of the HKSAR Insider Dealing Tribunal, the Committee of the Spastics Association, Chairman of the English Advisory Committee of the Baptist University, and Chairman of the HKSAR Board of Review (Film Censorship).

Senior Management

Mr. Chu Wing Man, Raymond, *MFin, BBA, LLB, FCPA, FCCA, ACIS, Company Secretary*

Aged 44. A professional accountant. Joined the Group and appointed the Company Secretary of the Company in 1998. Has over 20 years' experience in Accountancy.

CORPORATE INFORMATION (CONTINUED)

AUDIT COMMITTEE

Mr. Lam Hon Keung, Keith (*Chairman*)

Mr. John Ho

Mr. Ng Kwok Tung

Mr. Chan Woon Kong

Mr. Soo Hung Leung, Lincoln

REMUNERATION COMMITTEE

Mr. Soo Hung Leung, Lincoln (*Chairman*)

Mr. Lam Hon Keung, Keith

Mr. John Ho

Mr. Ng Kwok Tung

Mr. Chan Woon Kong

BANKERS

The Bank of East Asia, Limited

Goldman Sachs (Asia) L.L.C.

AUDITORS

PricewaterhouseCoopers

SHARE REGISTRARS

Hongkong Managers and Secretaries Limited

26th Floor

Citicorp Centre

18 Whitfield Road

Causeway Bay

Hong Kong

Telephone: (852) 2806 3606

Fax: (852) 2887 2054

REGISTERED OFFICE

Room 2500, Dominion Centre
43-59 Queen's Road East
Wanchai
Hong Kong
Telephone: (852) 2527 1821
Fax: (852) 2861 3771

STOCK CODES

The Stock Exchange of Hong Kong Limited
278
Reuters
0278.HK

WEBSITE

<http://www.wahha.com>

GROUP STRUCTURE

As at 31st March 2006

| | Effective percentage of equity held by the Group | Principal activities |
|--|---|----------------------|
| Holding Company | | |
| Wah Ha Realty Company Limited | – | Investment holding |
| Subsidiaries | | |
| Festigood Company Limited | 100 | Property development |
| Galy Property Management Limited | 100 | Property management |
| Khanman Property Limited | 100 | Dormant |
| Tai Kong Shan Realty Limited | 100 | Property investment |
| Tinpoly Realty Limited | 100 | Property investment |
| Wah Ha Construction Company Limited | 100 | Building contractor |
| Wah Ha Real Estate Agency Limited | 100 | Property agency |
| WH Properties Limited | 100 | Dormant |
| Associated Companies | | |
| Cantake Land Investment Company Limited | 25 | Property development |
| Chase Good Development Limited | 25 | Property development |
| Daily Eagle Development Limited | 25 | Property development |
| Eastern Tailor Enterprises Limited | 25 | Property investment |
| Fu Kung San Realty Limited | 50 | Investment holding |
| Fullion Realty Limited | 50 | Property investment |
| Fupoly Properties Limited | 25 | Property investment |
| Hinquand Enterprise Limited | 50 | Property investment |
| Kam Lee Wah Realty Limited | 50 | Property investment |
| Keneva Company Limited | 25 | Property development |
| Kin Yuen Hing Investment Company Limited | 50 | Property development |
| Mass Collection Company Limited | 50 | Property development |
| Remadour Estate Limited | 25 | Property investment |
| Sing Mei Properties Limited | 25 | Property investment |
| Star Fortune Investments Limited | 50 | Provision of finance |
| Sun Prince Godown Limited | 50 | Property investment |
| Sun Tai Tsuen Godown Company Limited | 50 | Property investment |
| Wah Ha Property Development Limited | 50 | Property investment |

All companies are incorporated in Hong Kong.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Members of Wah Ha Realty Company Limited (the “Company”) will be held at Room 2500, Dominion Centre, 43-59 Queen’s Road East, Wanchai, Hong Kong on Friday, 25th August 2006 at 12:00 noon for the following purposes:

1. To receive, consider and adopt the Audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31st March 2006.
2. To declare a final dividend for the year ended 31st March 2006.
3. To re-elect Directors and fix the Directors’ fees.
4. To re-appoint Messrs. PricewaterhouseCoopers as Auditors of the Company and authorise the Board to fix their remuneration.
5. As special business, to consider and, if thought fit, pass with or without modifications, the following resolutions as Ordinary Resolutions:

(A) **“THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase issued shares of HK\$0.65 each (“Shares”) in the capital of the Company subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”), be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of Shares of the Company in issue at the date of this resolution and the said approval shall be limited accordingly; and
- (c) for the purposes of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:
 - (i) the conclusion of the next Annual General Meeting of the Company;

NOTICE OF ANNUAL GENERAL MEETING *(CONTINUED)*

- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Companies Ordinance to be held; and
 - (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.”
- (B) **“THAT** the general mandate unconditionally given to the Directors to issue and dispose of additional shares not exceeding 20% of the existing issued share capital of the Company be and is hereby renewed until whichever is the earlier of:
 - (a) the conclusion of the next Annual General Meeting of the Company;
 - (b) the expiration of the period within which the next Annual General Meeting of the Company is required by the Companies Ordinance to be held; and
 - (c) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.”
- (C) **“THAT** conditional upon the passing of the Resolutions Nos. 5(A) and 5(B), the general mandate granted to the Directors to issue and dispose of additional shares pursuant to Resolution No. 5(B) be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Resolution No. 5 (A), provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company at the date of passing this resolution.”

By Order of the Board
Raymond Chu Wing Man
Company Secretary

Hong Kong, 28th July 2006

Notes:

- (i) A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.
- (ii) To be valid, the 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 lodged with the Company's registered office, Room 2500, Dominion Centre, 43-59 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof.
- (iii) The Register of Members of the Company will be closed from Friday, 18th August 2006 to Friday, 25th August 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars, Hongkong Managers and Secretaries Limited, 26th Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong for registration not later than 4:00 p.m. on Thursday, 17th August 2006.
- (iv) Concerning the above proposed Ordinary Resolution No. 5, approval is being sought from the Shareholders to give general mandate to the Directors to issue and repurchase shares of the Company pursuant to Section 57B of the Companies Ordinance and the Listing Rules. The Directors wish to state that they have no immediate plans to issue any new shares or to repurchase any shares of the Company.
- (v) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
- (vi) Detailed information regarding Resolutions Nos. 3 and 5 are set out in the Circular to the Shareholders dated 28th July 2006.

CHAIRMAN'S STATEMENT

RESULTS

The profit attributable to equity holders of the Company for the year ended 31st March 2006 amounted to HK\$40,271,882 (2005 restated: HK\$50,315,179). Earnings per share for the year was HK33.3 cents (2005 restated: HK41.6 cents).

DIVIDENDS

The Board has resolved to recommend a final dividend of HK4 cents (2005: HK4 cents) per share for the year ended 31st March 2006 to shareholders whose names appear on the Register of Members of the Company on 25th August 2006. No interim dividend had been declared or paid (2005: nil) during the year. Total dividend for the year will amount to HK4 cents (2005: HK4 cents) per share.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

In the year, the Group has adopted a number of new or revised HKFRSs and relevant comparative figures for 2005 have correspondingly been restated. Amongst the various new or revised accounting standards adopted, the impact from HKAS 40 "Investment Property" alone was a HK\$20.33 million (2005: HK\$31.53 million) increase in profit. After deducting the related deferred taxation charge, the net profit increased by about HK\$16.77 million (2005: HK\$25.81 million). The aggregate impact of adopting new or revised HKFRSs was an increase in the Group's net profit for the current year by HK\$16.22 million (2005: HK\$25.26 million). Further details of the new or revised accounting standards adopted and their impacts are shown in Note 2(b) to the financial statements.

The Group's turnover for the year ended 31st March 2006 amounted to HK\$12.72 million, representing an increase of about 58.5% from the previous year. This increase was explained by the higher interest income of HK\$5.48 million as a result of rising interest rate and the slight improvement in construction supervision fee income of HK\$0.12 million. However, this increase was partly offset by the reductions in rental income, dividend income and management fee income of HK\$0.19 million, HK\$0.42 million and HK\$0.30 million respectively.

For the year under review, the Group's profit attributable to shareholders was HK\$40.27 million, 20.0% lower than the HK\$50.32 million (as restated) of the last year. Earnings per share was HK33.3 cents as compared with the HK41.6 cents (as restated) of last year. The decrease was partly explained by the reduction in the share of the costs of investment properties recouped in the current year for HK\$4.42 million. There was no profit from sale of investment property recorded for the current year whereas a corresponding profit of HK\$2.13 million was reported last year. Neglecting these and the aforesaid impact from the adoption of new or revised accounting standards as detailed in Note 2(b) to the financial statements, the Group's net profit was HK\$5.54 million higher than that of the last year. This significant improvement was mainly attributable to the higher interest income of HK\$5.48 million as a result of rising interest rates.

BUSINESS REVIEW

Property Investment, Development, Management and Building Contractor

The Group's Rental Business benefited from the solid performance of the property market in Hong Kong. Similar to last year, the 25-storey Horizon Plaza at Ap Lei Chau is currently fully occupied and most of the luxury residential units are rented out with satisfactory returns. However, a moderate decrease of 5.1% in rental income was recorded due to increased vacancy in the course of obtaining better leasing terms from replacement tenants. Given the sustained improvements in market condition and anticipated better rental rates, the results from this segment look promising in the foreseeable future.

Save as disclosed in Post Balance Sheet Event below, during the year under review and up to the date of this report, the Group did not acquire or dispose of any property.

For the year under review, the turnover of the Group's Property Management Business dropped slightly to HK\$1.14 million (2005: HK\$1.16 million) which was in line with the expenditure level of the serviced parties. A corresponding reduction in profit by HK\$0.03 million was recorded.

During the reporting year, the operating environment for the Group's Building Contractor Business has shown improvements as the demand for maintenance services was in the rising track. Turnover for this segment improved by HK\$0.12 million and a corresponding reduction in loss of HK\$0.10 million was resulted.

CHAIRMAN'S STATEMENT (CONTINUED)

Investments

During the year under review, the virtually debt-free position of the Group, coupled with the gradual increase in interest rate, resulted in a substantial increase of interest income of HK\$5.48 million. This favourable result was however reduced by the exchange loss of HK\$0.58 million of the current year (2005: exchange gain of HK\$0.23 million). Nevertheless, the Group's Investment Business performed satisfactorily with an improvement of about 72.73%.

In spite of a slight reduction in the value of the Company's investment portfolio near the year end, positive market sentiment continued throughout the year benefiting the Company's investment income. The aggregate increase in value of and the net profit from the sale of the Group's listed shares was comparable to that of last year. A slight shrinkage of HK\$0.27 million was reported.

Post Balance Sheet Event

Subsequent to the balance sheet date, two agreements for the sale of two properties were entered into with independent third parties at an aggregate consideration of HK\$32.52 million. The Company's share of the consideration amounted to HK\$16.26 million. The disposal of the two properties did not constitute any transaction subject to the reporting, announcement and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st March 2006, the Group had less than twenty employees and their remuneration are maintained at competitive levels. Total staff costs (including Directors' remuneration) amounted to HK\$3.51 million (2005: HK\$3.33 million). Remuneration policies are reviewed regularly by the Board and by the Remuneration Committee regarding Directors and senior management. Employees' salaries are determined on performance basis with reference to the market trend. In addition, discretionary bonuses are granted to eligible employees by reference to the Group's results and individual performance. Other benefits include education subsidies, medical and retirement benefits.

LIQUIDITY AND FINANCIAL RESOURCES

The Group is virtually debt-free and generally finances its operations with internally generated cash flows. The Group's cash and bank balances amounted to HK\$110.98 million at 31st March 2006. The Board believes that the Group has sufficient financial resources for its operations. The Group has no material exposure to foreign exchange rate fluctuation and material contingent liabilities.

OTHER DISCLOSURE

Other than as disclosed above, the Directors are not aware of any other material changes to the information in relation to the Group's performance and the material factors underlying its results and financial position published in the annual report for the year ended 31st March 2005.

PROSPECTS

The local economy has been strong throughout the year. Year-on-year 2006 1st Quarter GDP was reported at 8.2%. Since the end of the deflationary period, the unemployment rate has also dropped below 5%. More cities have been included into the Individual Tourist Scheme providing further boost to the local economy. In addition, the spread of avian flu in the region has not posed much difficulty on the business environment of Hong Kong. On the back of such robust economic fundamentals, the Group's property-related businesses will benefit from higher rental and occupancy rates.

It is a general consensus in the market that there is not much room left for interest rate hikes. However, the previous acts of lifting the interest rate have adversely affected the local property market in that great resistance was seen in both the turnover and prices. Accordingly, adjustments on rental rates have taken place. Globally, the persistent high prices of crude oil and heavy metals have adverse impact on the worldwide business operating environment. Increased turbulence in the global financial markets was observed and hence the overall economic growth became more uncertain. The central government has imposed certain measures so as to suppress speculating activities. The property sector and those industries with over-capacity and over investment are the major areas of concern. The local economy will at least be affected in the short run. Bearing in mind these unfavourable factors, we shall continue to closely monitor uncertainties in the market and adopt prudent financial management so as to maintain a steady operation. We are committed to bring satisfactory returns to our shareholders.

APPRECIATION

I would like to take this opportunity to express my gratitude to all our board members for their invaluable contribution and to extend my appreciation to our shareholders for their continued support and our staff for their hard work and dedication.

Cheung Kee Wee
Chairman

Hong Kong, 13th July 2006

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report together with the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31st March 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Group are investment holding, property development and investment, property management and building contractor.

SEGMENT INFORMATION

An analysis of the Group’s turnover and results by principal activities for the year is shown in Note 30 to the financial statements.

RESULTS

Results of the Group for the year ended 31st March 2006 are shown on page 33.

DIVIDEND

No interim dividend had been declared or paid during the year (2005: nil). The Directors have resolved to recommend at the forthcoming Annual General Meeting of the Company to be held on Friday, 25th August 2006 a final dividend of HK4 cents (2005: HK4 cents) per share to be paid on Wednesday, 30th August 2006 to the shareholders whose names appear on the Register of Members of the Company on Friday, 25th August 2006. Total dividend for the year will amount to HK4 cents (2005: HK4 cents) per share.

PARTICULARS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Particulars of subsidiaries and associated companies of the Company are shown in Notes 15 and 16 to the financial statements respectively.

FIVE YEAR FINANCIAL SUMMARY

A summary of the Group’s results and of its assets and liabilities for the past five financial years is shown on page 82.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are shown in Note 24 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31st March 2006, the Company's reserves available for distribution to its shareholders as calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance amounted to HK\$316,655,193 (2005 restated: HK\$307,728,283).

PROPERTIES

Details of the movements in investment properties are shown in Note 14 to the financial statements.

Details of the properties held by the Group for investment and sale purposes are shown on pages 84 to 88.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 23 to the financial statements.

DIRECTORS

The Directors during the year and at the date of this report are:

Executive Directors

Mr. Cheung Kee Wee (*Chairman*)

Mr. Cheung Lin Wee

Mr. Cheung Ying Wai, Eric

Non-executive Directors

Mr. John Ho

Mr. Ng Kwok Tung

Independent Non-executive Directors

Mr. Lam Hon Keung, Keith

Mr. Chan Woon Kong

Mr. Soo Hung Leung, Lincoln

In accordance with Article 103(A) of the Company's Articles of Association, Messrs. Cheung Ying Wai, Eric, Chan Woon Kong and Soo Hung Leung, Lincoln will retire by rotation at the Company's forthcoming Annual General Meeting and they, being eligible, offer themselves for re-election.

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORS' SERVICE CONTRACTS

No Directors proposed for election at the forthcoming Annual General Meeting has a service contract, which is not determinable within one year without payment of compensation (other than statutory compensation), with the Company or its subsidiaries.

The term of office of each Director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 2 to 3.

REMUNERATION OF DIRECTORS AND OF THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and of the five highest paid individuals in the Group are shown in Note 9 to the financial statements. No contribution to pension scheme for Directors and past Directors was paid for the year.

There was no compensation paid during the year or receivable by Directors for the loss of office as a Director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save for those "Significant Related Party Transactions" described in Note 29 to the financial statements and the section "Connected Transactions" below, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st March 2006, the interests and short positions of the Directors and Chief Executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in Ordinary Shares of the Company

| Name of Director | Personal Interests | Corporate Interests | Other Interests | Total | % of issued share capital |
|-----------------------|--------------------|------------------------------|-------------------------------|------------|---------------------------|
| Cheung Kee Wee | – | 1,705,360 <i>(Note 1)</i> | 87,391,440 <i>(Note 2)</i> | 89,096,800 | 73.66 |
| Cheung Lin Wee | 572,000 | – | 87,391,440 <i>(Note 2)</i> | 87,963,440 | 72.72 |
| Cheung Ying Wai, Eric | 396,000 | – | 13,444,837 <i>(Note 3)</i> | 13,840,837 | 11.44 |

Notes:

- (1) These shares were held by a company of which Mr. Cheung Kee Wee ("CKW") and his spouse in aggregate owned 50% interest. Therefore, CKW was deemed to be interested in these shares under the SFO.

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Long Positions in Ordinary Shares of the Company (continued)

(2)* The 87,391,440 shares of CKW and Mr. Cheung Lin Wee ("CLW") related to the same block of shares in the Company. CKW and CLW are two of the three executors (the "Executors") under the Will of Mr. Cheung Kung Hai, deceased ("CKH") who held 87,391,440 shares before his death. Under the Will of CKH in which CKW and CLW are also two of the beneficiaries, the assets are to be held on trust for sale. The Executors however have right of appropriation of the assets to the beneficiaries in specie and there is hence a possibility that shares will be distributed to beneficiaries. To avoid double counting, the number of shares that may contingently be allocated to CKW and CLW respectively have not been added to these numbers of shares.

(3)* CKH held 87,391,440 shares before his death. Under the Will of CKH in which Mr. Cheung Ying Wai, Eric ("CYW") is one of the beneficiaries, there is a possibility that these 13,444,837 shares will be allocated to CYW.

* Since probate has not been granted and the Executors are not yet registered as holders of the shares in question, strictly speaking, a trust of the shares has not yet been legally constituted.

Save as disclosed above, as at 31st March 2006, none of the Directors or Chief Executives of the Company or any of their associates had or were deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

So far as is known to the Directors or Chief Executives of the Company, as at 31st March 2006, the following Shareholders (other than Directors or Chief Executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company were as follows:

Long Positions in Ordinary Shares of the Company

| | Number of shares | % of issued share capital |
|--|---------------------|---------------------------|
| Substantial Shareholders: | | |
| Cheung Kung Hai, deceased | 87,391,440 | 72.25 |
| Chin Lan Hong | 99,387,040 (Note 1) | 82.17 |
| Kung So Ha, Anne | 89,096,800 (Note 2) | 73.66 |
| Wu Suet Yi, Rita | 87,963,440 (Note 3) | 72.72 |
| Hoh Kwok Hing, Corinne | 13,840,837 (Note 4) | 11.44 |
| Person other than Substantial Shareholders: | | |
| Megabest Securities Limited | 11,295,600 (Note 5) | 9.34 |

Notes:

- (1)* Out of the 99,387,040 shares, 11,295,600 shares were held by Megabest Securities Limited ("Megabest") of which Madam Chin Lan Hong ("CLH") was interested in the entire issued share capital, through the chain of ownership being described in Note (5) below; 700,000 shares were held under her personal interests; and 87,391,440 shares related to the same block of shares as described in "Other Interests" of CKW and CLW respectively under the heading of "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures", as CLH together with CKW and CLW are the Executors under the Will of CKH who held 87,391,440 shares before his death. Under the Will of CKH, CLH is also one of the beneficiaries. To avoid double counting, the number of shares which may contingently be allocated to CLH has not been added to this number of shares.

REPORT OF THE DIRECTORS (CONTINUED)

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

(continued)

Long Positions in Ordinary Shares of the Company (continued)

- (2) Ms. Kung So Ha, Anne is the wife of CKW and was taken to be interested in these shares in which her spouse was interested under the SFO.
 - (3) Ms. Wu Suet Yi, Rita is the wife of CLW and was taken to be interested in these shares in which her spouse was interested under the SFO.
 - (4) Ms. Hoh Kwok Hing, Corinne is the wife of CYW and was taken to be interested in these shares in which her spouse was interested under the SFO.
 - (5) These 11,295,600 shares held by Megabest related to the same block of shares as described in Note (1). These shares were held by Megabest through its wholly owned subsidiary, Profit-taking Company Inc., which in turn held the entire issued share capital of Pullfield Company Limited, the registered owner of the said 11,295,600 shares of the Company.
- * Since probate has not been granted and the Executors are not yet registered as holders of the shares in question, strictly speaking, a trust of the shares has not yet been legally constituted.

Save as disclosed above, as at 31st March 2006, the Company has not been notified by any person (other than Directors or Chief Executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company had not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers and five largest suppliers of the Group accounted for less than 30% by value of the Group's total turnover and revenue purchases respectively.

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group during the year ended 31st March 2006, which also constitute connected transactions but they were exempt from all the reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules, are disclosed in Note 29 to the financial statements.

DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

As at 31st March 2006, the Group had provided financial assistance to its affiliated companies amounting to HK\$155,819,794 in aggregate which exceeded 8% under the assets ratio as defined under the Listing Rules.

In accordance with the requirements under Rule 13.22 of the Listing Rules, a combined balance sheet of and the Group's attributable interest in these affiliated companies as at 31st March 2006 are set forth below:

| | Combined Balance Sheet HK\$ | Group's Attributable Interests HK\$ |
|----------------------------------|-----------------------------------|--|
| Non-current assets | 743,957,454 | 184,220,964 |
| Current assets | 219,082,135 | 67,049,957 |
| Current liabilities | (222,391,106) | (64,517,773) |
| Net current (liabilities)/assets | (3,308,971) | 2,532,184 |
| Non-current liabilities | (513,178,065) | (111,396,050) |
| Net assets | 227,470,418 | 75,357,098 |

REPORT OF THE DIRECTORS (CONTINUED)

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 23 to 30.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for reappointment.

On behalf of the Board

Cheung Kee Wee

Chairman

Hong Kong, 13th July 2006

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board of Directors of the Company (the “Board”) believes that good and high standard of corporate governance practices are increasingly important for maintaining and promoting investor confidence and for the continued growth of the Group. The Company has made continued efforts to maintain and improve the quality of corporate governance so as to ensure an effective board, sound internal control, and transparency and accountability to its shareholders (the “Shareholders”).

The Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 to the Listing Rules which contains the principles of good corporate governance came into effect on 1st January 2005. The Company has reviewed the CG Code and has taken appropriate steps to fulfill the code provisions as mentioned therein. Throughout the financial year ended 31st March 2006, the Company has complied with most of the code provisions as set out in the CG Code, except for certain deviations of the code provisions in respect of the roles of Chairman and Chief Executive Officer (“CEO”) of the Company (i.e. A.2.1); and service term of its Non-executive Directors (“NEDs”) (i.e. A.4.1). The considered reasons for the aforesaid deviations will be discussed in the later part of this report.

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 to the Listing Rules as the code of conduct regarding directors’ securities transactions in the Company. All Directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the year ended 31st March 2006.

THE BOARD

The Board, led by the Chairman, is responsible for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising the Company’s affairs.

The Chairman of the Board is responsible for the leadership and effective running of the Board, while the Executive Directors (“EDs”) and the Board Committees of the Company are delegated with the authority to manage the business of the Group in all aspects effectively. With the assistance of the Company Secretary, the Chairman approves Board meeting agenda and ensures that the Directors are properly briefed and timely receive adequate and reliable information on all Board matters.

CORPORATE GOVERNANCE REPORT (CONTINUED)

THE BOARD (continued)

EDs are responsible for different business and functional divisions of the Group in accordance with their respective areas of expertise. Daily operations and administration are delegated to the management under supervision which is given clear directions as to their powers in particular with respect to the circumstances under which they should report back to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Board currently comprises a total of eight members, of whom three are EDs including Chairman of the Board, two are NEDs and three are Independent Non-executive Directors (the "INEDs"). More than one third of the Board is INEDs and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise. The Board has received from each INED an annual written confirmation of independence pursuant to Rule 3.13 of the Listing Rules and is satisfied with their independence up to the date of this report.

The Board includes a balanced composition of EDs, NEDs and INEDs so that there is a strong independent element on the Board to exercise independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointment and standards of conduct. Biographical details of the Directors and the relationship among the Directors are set out on pages 2 and 3 of this annual report .

The Board meets regularly and held four meetings at approximately quarterly intervals in the financial year 2005/2006, details of individual attendance of each Director at the meetings are set forth below:–

| Directors | Meetings Attended/Held |
|--|-------------------------------|
| <i>Executive Directors</i> | |
| Cheung Kee Wee (Chairman) | 4/4 |
| Cheung Lin Wee | 4/4 |
| Cheung Ying Wai, Eric | 4/4 |
| <i>Non-executive Directors</i> | |
| John Ho | 1/4 |
| Ng Kwok Tung | 4/4 |
| <i>Independent Non-executive Directors</i> | |
| Lam Hon Keung, Keith | 4/4 |
| Chan Woon Kong | 3/4 |
| Soo Hung Leung, Lincoln | 3/4 |

To enable Directors to make informed decisions on matters to be considered at the Board and Board Committee meetings, board papers and related materials are given to the Directors not less than three days before the intended date of a Board or Board Committee meeting.

Directors need to declare their interest in the matters to be passed in the resolution, if applicable. If a substantial shareholder or a Director has a material conflict of interest in a matter to be considered by the Board, the matter will be dealt with pursuant to applicable rules and regulations and, if appropriate, an independent Board committee will be set up to deal with the matter.

In addition to the physical Board meetings, certain issues are dealt with by way of circular written resolutions, so that all Directors can note and comment thereon before the Board's approval on the matters.

Directors are kept informed in a timely manner of any major changes that may affect the Group's business as well as changes in relevant rules and regulations. They have full access to the Company Secretary and key officers of the Company Secretarial Department for relevant information on the Group. They are also able to obtain independent professional advice by written procedure adopted by the Company at the expense of the Company in appropriate circumstances.

THE COMPANY SECRETARY

The Company Secretary is responsible to the Board for ensuring that the procedure and all applicable rules and regulations are strictly and fully complied with and that activities of the Board are running efficiently and effectively by assisting the Chairman to prepare agendas for meetings and by preparing and disseminating Board papers and relevant materials to the Directors and Board Committees members in a timely and comprehensive manner.

The Company Secretary attends all Board meetings and advises on corporate governance and statutory compliance, if appropriate. Draft and final versions of minutes of meetings of the Board and the Board Committees are circulated to all Directors concerned for comments and records respectively. All the minutes record in sufficient detail the matters considered and decisions reached by the Board and the Board Committees of the Company, are kept by the Company Secretary which are open for inspection at any reasonable time on reasonable notice by any Director.

The Company Secretary also advises the Directors on their obligations for disclosure of interests in securities, connected transactions and price-sensitive information and ensures that the standards and disclosures required by the Listing Rules are observed and, where required, reflected in the annual report of the Directors.

CORPORATE GOVERNANCE REPORT (CONTINUED)

CHAIRMAN AND CEO

Under the code provision A.2.1 of the CG Code, the roles of the Chairman and CEO should be separate and should not be performed by the same individual. Mr. Cheung Kee Wee is the Chairman of the Board and there is not a post of CEO in the Company. The roles of the CEO are performed by all the EDs with clear division of responsibilities under the leadership of the Chairman. The Board considers that this arrangement allows contributions from all EDs with different expertise and can ensure the balance of power and authority between the Board and the management of the Group. The Board therefore believes that this structure can enable the Group to make and implement decisions promptly and efficiently and is beneficial to the business prospect of the Group.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Company has not established a Nomination Committee. The nomination and selection process of Directors is performed by the Board in accordance with the Company's Articles of Association.

When considering a potential director who is recommended by the EDs, the Board will take into consideration certain criteria such as the candidate's professional knowledge and experience, integrity and personal skills, possible conflicts of interests and time commitment to the Company. A newly appointed director will receive reference materials of the Company such as interim and annual reports with a view to familiarizing him/her with the business operation of the Company and the corporate structure of the Group. The Directors are also kept informed of the updated legal and other regulatory requirements and the business and governance policies of the Company.

Under the code provision A.4.1 of CG Code, NEDs should be appointed for a specific term and subject to re-election. All the five NEDs of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting ("AGM") of the Company in accordance with the Company's Articles of Association (the "Company's Articles").

In accordance with Article 94 of the Company's Articles, a newly appointed director is subject to re-election by the Shareholders at the next following AGM of the Company after his/her appointment, but shall not be taken into account in determining the Directors who are to retire by rotation and re-election at the AGM in accordance with Article 103(A) of the Company's Articles.

There are eight Directors including five NEDs of the Company for the time being. As one-third of them shall retire from office by rotation at each AGM, each of them shall retire at least once every three years. The Board is of the view that the current practice of appointing Directors which include NEDs without specific terms but otherwise subject to retirement by rotation and re-election by the Shareholders at the AGM is reasonable and appropriate to the needs of the Company.

The Company may by ordinary resolution remove a Director before the expiration of his/her period of office notwithstanding anything in the Company's Articles or in any agreement between the Company and such Director. Special notice is required of a resolution to remove a Director or to appoint somebody in place of a Director so removed at the general meeting at which he/she is removed in accordance with the Companies Ordinance.

During the year ended 31st March 2006, there was no change in the Board composition. The names and biographical details of the Directors who will offer themselves for re-election at the forthcoming AGM of the Company are set out in the circular dated 28th July 2006 to the Shareholders to assist them in making an informed decision on the Directors' elections.

REMUNERATION COMMITTEE

Remuneration Committee of the Company was established on 20th May 2005. The Committee consists of three INEDs, namely Messrs. Soo Hung Leung, Lincoln (Chairman), Lam Hon Keung, Keith and Chan Woon Kong and two NEDs, namely Messrs. John Ho and Ng Kwok Tung. The Company Secretary of the Company is the secretary of the Committee.

The principal responsibilities of the Remuneration Committee, under its terms of reference which was prepared on terms no less exacting than those set out in the CG Code and adopted on 20th May 2005, is to assist the Board to develop and administer a formal and transparent procedure for setting policy on the remuneration of all the Directors and senior management of the Company and for fixing their remuneration packages. The adopted terms of reference of the Committee are posted on the Company's website.

The Remuneration Committee has met once during the financial year ended 31st March 2006 with a full attendance. During such meeting, the remuneration package of the EDs was reviewed by reference to the Company's performance and profitability as well as the remuneration level of certain listed corporations of similar size in the real estate sector. While the remuneration of EDs is one of the lowest amongst the said corporations, the Committee resolved that the existing remuneration package of EDs would remain unchanged. Details of the emoluments of Directors are set out in the Note 9 to the financial statements on page 60 of the annual report.

REMUNERATION OF AUDITORS

For the year ended 31st March 2006, the remuneration paid and payable to Messrs. PricewaterhouseCoopers, the Company's external auditors, for audit services to the Group amounted to HK\$326,000 and for non-audit services amounted to HK\$78,000.

CORPORATE GOVERNANCE REPORT (CONTINUED)

AUDIT COMMITTEE

The Audit Committee of the Company was established in December 1998 and currently consists of three INEDs, namely Messrs. Lam Hon Keung, Keith (Chairman), Chan Woon Kong and Soo Hung Leung, Lincoln and two NEDs, namely Messrs. John Ho and Ng Kwok Tung. The Committee members possess sufficient financial and accounting experience and expertise to discharge their duties. The Company Secretary acts as the secretary of the Committee.

The operation of the Audit Committee is guided by its written terms of reference which was approved by the Board and is subject to review by the Board from time to time. The terms of reference of the Audit Committee were revised and adopted on 1st January 2005 by reference to the requirements of the CG Code of the Listing Rules and the guidelines published by the Hong Kong Institute of Certified Public Accountants. They are posted on the Company's website.

The major duties of the Audit Committee as set out in its terms of reference include:–

1. recommendation to the Board on the appointment, reappointment and removal of the external auditors, and approval of their terms of engagement;
2. reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of audit process in accordance with applicable standard.
3. monitoring the integrity of financial statements of the Company and the Company's annual report and financial statements, interim report and quarterly report (if applicable), and reviewing significant financial reporting judgments contained in them;
4. oversight of the Company's financial controls, internal control and risk management systems; and
5. reviewing the financial information of the Company.

During the financial year ended 31st March 2006, two meetings of the Audit Committee were held in July 2005 and in December 2005 respectively with the external auditors of the Company for discussion and review of the reporting of financial and other information to the Shareholders (including the 2004/2005 final results and 2005/2006 interim results of the Company before they were submitted to the Board for approval), the accounting principles and practices adopted by the Group and the issue on internal control of the Company. The Committee also keeps under review the independence of the external auditors of the Company.

The financial statements of the Company for the year ended 31st March 2006 have been reviewed and discussed by the Audit Committee together with the external auditors of the Company at a meeting held in early July 2006.

ACCOUNTABILITY AND AUDIT

The Board was provided with explanation and information by the management of the Company, so that Directors have an informed assessment of the financial and other information of the Company put before the Board for approval.

All the Directors have acknowledged their responsibilities for preparing and reviewing the Company's financial statements and ensure that the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st March 2006 and of the profit and cash flows of the Group for the year then ended. In preparing the Company's financial statements for the year ended 31st March 2006, the Board has selected suitable accounting policies and principles generally accepted in Hong Kong and applied them consistently, has made prudent and reasonable judgements and estimates, and has prepared the financial statements on a going concern basis. The statement by the auditors of the Company regarding their reporting responsibilities on the financial statements of the Company and the Group is set out in the "Report of the Auditors" on pages 31 and 32 of the annual report.

The Board endeavors to ensure a balanced, clear and understandable assessment of the Group's position and prospects extends to annual and interim reports, other price-sensitive announcements and financial disclosures of the Company required under the Listing Rules and other applicable rules, and report to regulators as well as to information required to be disclosed pursuant to statutory requirements. Accordingly, due authorisation will be made on the publication of relevant announcements and reports as and when the occasion arises.

INTERNAL CONTROL

The Board has conducted an annual review of the effectiveness of the system of internal control of the Group and the issue was being discussed at the Board meeting held in March 2006. Some recommendations and appropriate measures are to be taken to enhance the Group's system of internal control accordingly.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

COMMUNICATION WITH THE SHAREHOLDERS

The Company's AGM is one of the principal communication channels between the Company and the Shareholders as it provides a forum for the Shareholders to raise questions and comments and exchange views with the Board.

At the 2005 AGM of the Company, the Chairman of the Board, Chairman of the Remuneration Committee and members of the Audit Committee of the Company were present and available to answer questions raised by the Shareholders at the meeting. A separate resolution was proposed at the AGM on each substantially separate issue, such as the re-election of individual Directors.

The Company has other means of communication with the Shareholders, including the publication of annual and interim reports, circulars, press announcements and availability of updated and key information about the Group on the Company's website.

VOTING BY POLL

The Company regularly informs the Shareholders of the procedures for voting by poll and ensures that it complies with the requirements about voting by poll as contained in the Listing Rules and the Company's Articles.

Since 2004, the Company has disclosed in its AGM circular to the Shareholders the rights of shareholders and the procedures for demanding a poll in compliance with the requirements of the Listing Rules about voting by poll at a general meeting.

At the commencement of the 2005 AGM of the Company, the Shareholders were given an explanation of the rights and procedures for demanding and conducting a poll before putting a resolution to the vote on a show of hands in accordance with Article 74 of the Company's Articles.

Save as disclosed above, the Company has complied with all the code provisions as set out in the CG Code throughout the financial year ended 31st March 2006.

REPORT OF THE AUDITORS

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888
www.pwchk.com

AUDITORS' REPORT TO THE SHAREHOLDERS OF WAH HA REALTY COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 33 to 81 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of Directors and Auditors

The Hong Kong 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 Hong Kong 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 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 circumstances of the Company and the Group, 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.

REPORT OF THE AUDITORS *(CONTINUED)*

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and 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 Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 13th July 2006

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2006

| | Note | 2006 HK\$ | 2005 HK\$ (Restated) |
|--|------|--------------------|----------------------------|
| Turnover | 5 | 12,719,895 | 8,025,886 |
| Direct costs | | (564,470) | (449,052) |
| Gross profit | | 12,155,425 | 7,576,834 |
| Other gains – net | 6 | 3,220,624 | 3,705,782 |
| Changes in fair value of investment properties | | 3,350,000 | 5,000,000 |
| Administrative expenses | | (4,639,443) | (4,414,292) |
| Operating profit | 7 | 14,086,606 | 11,868,324 |
| Share of profits less losses of associated companies | 8 | 27,325,420 | 39,546,835 |
| Profit before income tax | | 41,412,026 | 51,415,159 |
| Income tax expense | 11 | (1,140,144) | (1,099,980) |
| Profit attributable to equity holders of the Company | | 40,271,882 | 50,315,179 |
| Dividends | 12 | 4,838,400 | 4,838,400 |
| Earnings per share (basic and diluted) | 13 | 33.3 cents | 41.6 cents |

CONSOLIDATED BALANCE SHEET

As at 31st March 2006

| | Note | 2006 HK\$ | 2005 HK\$ (Restated) |
|--|------|--------------------|----------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Investment properties | 14 | 29,500,000 | 26,150,000 |
| Investments in associated companies | 16 | 135,311,647 | 109,236,227 |
| Amounts due from associated companies | 16 | 101,130,980 | 107,130,376 |
| Available-for-sale financial assets | 17 | 250,448 | – |
| Long-term investments | 18 | – | 250,448 |
| Deferred income tax assets | 25 | 136,737 | 171,489 |
| | | 266,329,812 | 242,938,540 |
| Current assets | | | |
| Properties held for sale | 19 | 6,199,548 | 6,250,498 |
| Trade and other receivables | 20 | 56,931,897 | 61,162,766 |
| Tax recoverable | | 141,058 | 9,521 |
| Short-term investments | 21 | 140,902,932 | 130,010,613 |
| Cash and cash equivalents | 22 | 110,980,630 | 97,473,287 |
| | | 315,156,065 | 294,906,685 |
| Total assets | | 581,485,877 | 537,845,225 |
| EQUITY | | | |
| Capital and reserves attributable to the Company's equity holders | | | |
| Share capital | 23 | 78,624,000 | 78,624,000 |
| Reserves | 24 | 474,261,746 | 438,828,264 |
| Total equity | | 552,885,746 | 517,452,264 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred income tax liabilities | 25 | 4,299,851 | 3,649,150 |
| Current liabilities | | | |
| Trade and other payables | 26 | 23,739,901 | 14,583,274 |
| Amounts due to related companies | 27 | 200,664 | 2,135,089 |
| Tax payable | | 359,715 | 25,448 |
| | | 24,300,280 | 16,743,811 |
| Total liabilities | | 28,600,131 | 20,392,961 |
| Total equity and liabilities | | 581,485,877 | 537,845,225 |
| Net current assets | | 290,855,785 | 278,162,874 |
| Total assets less current liabilities | | 557,185,597 | 521,101,414 |

Cheung Kee Wee
Director

Cheung Lin Wee
Director

BALANCE SHEET

As at 31st March 2006

| | Note | 2006 HK\$ | 2005 HK\$ (Restated) |
|--|------|--------------------|----------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Investment properties | 14 | 29,500,000 | 26,150,000 |
| Investments in subsidiaries | 15 | 110,346 | 110,346 |
| Investments in associated companies | 16 | 2,640,618 | 2,640,618 |
| Amounts due from associated companies | 16 | 101,130,980 | 107,130,376 |
| Available-for-sale financial assets | 17 | 250,448 | – |
| Long-term investments | 18 | – | 250,448 |
| | | 133,632,392 | 136,281,788 |
| Current assets | | | |
| Properties held for sale | 19 | 875,421 | 883,709 |
| Trade and other receivables | 20 | 56,205,678 | 58,539,112 |
| Short-term investments | 21 | 140,902,932 | 130,010,613 |
| Cash and cash equivalents | 22 | 103,660,185 | 91,928,700 |
| | | 301,644,216 | 281,362,134 |
| Total assets | | 435,276,608 | 417,643,922 |
| EQUITY | | | |
| Capital and reserves attributable to the Company's equity holders | | | |
| Share Capital | 23 | 78,624,000 | 78,624,000 |
| Reserves | 24 | 316,655,193 | 307,728,283 |
| Total equity | | 395,279,193 | 386,352,283 |
| LIABILITIES | | | |
| Non-current Liabilities | | | |
| Deferred income tax liabilities | 25 | 4,299,851 | 3,606,934 |
| Current liabilities | | | |
| Trade and other payables | 26 | 35,237,849 | 27,582,305 |
| Amounts due to related companies | 27 | 100,000 | 102,400 |
| Tax payable | | 359,715 | – |
| | | 35,697,564 | 27,684,705 |
| Total liabilities | | 39,997,415 | 31,291,639 |
| Total equity and liabilities | | 435,276,608 | 417,643,922 |
| Net current assets | | 265,946,652 | 253,677,429 |
| Total assets less current liabilities | | 399,579,044 | 389,959,217 |

Cheung Kee Wee
Director

Cheung Lin Wee
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March 2006

| | Note | 2006 HK\$ | 2005 HK\$ (Restated) |
|--|------|--------------------------|----------------------------|
| Cash flows from operating activities | | | |
| Operating profit | | 14,086,606 | 11,868,324 |
| Net realised and unrealised gains on financial assets at fair value through profit or loss | | (3,735,434) | – |
| Net realised and unrealised gains on investments | | – | (3,327,341) |
| Gain on disposal of an associated company | | – | (43,673) |
| Amortisation of leasehold land | | 50,950 | 50,950 |
| Changes in fair value of investment properties | | (3,350,000) | (5,000,000) |
| Operating profit before working capital changes | | 7,052,122 | 3,548,260 |
| Decrease/(increase) in trade and other receivables (Decrease)/increase in net amounts due to related companies | | 1,238,315 (1,934,425) | (75,011) 725,020 |
| Increase in trade and other payables | | 3,436,288 | 132,676 |
| Net cash generated from operations | | 9,792,300 | 4,330,945 |
| Hong Kong profits tax paid | | (251,961) | (218,555) |
| Dividends paid to shareholders | | (4,838,400) | (7,257,600) |
| Net cash generated from/(used in) operating activities | | 4,701,939 | (3,145,210) |
| Cash flows from investing activities | | | |
| Dividend received from associated companies | | 1,250,000 | 84,645 |
| Decrease in net amounts due from associated companies | | 14,712,289 | 33,220,299 |
| Proceeds from disposal of investments | | 962,755,788 | 569,580,757 |
| Purchase of investments | | (969,912,673) | (583,148,675) |
| Net cash generated from investing activities | | 8,805,404 | 19,737,026 |
| Net increase in cash and cash equivalents | | 13,507,343 | 16,591,816 |
| Cash and cash equivalents at beginning of year | | 97,473,287 | 80,881,471 |
| Cash and cash equivalents at end of year | 22 | 110,980,630 | 97,473,287 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2006

| | Note | 2006 HK\$ | 2005 HK\$ (Restated) |
|--|------|---------------------|----------------------------|
| Total equity at beginning of year, as previously reported | | 555,942,653 | 506,614,893 |
| Effect of adopting | | | |
| HKAS 17 | 24 | (6,647,333) | (6,096,869) |
| HKAS-Int 21 | 24 | (11,662,826) | (5,943,109) |
| Adjustment on investments in associated companies | 24 | (20,180,230) | (20,180,230) |
| Total equity at beginning of year, as restated | | 517,452,264 | 474,394,685 |
| Profit for the year | 24 | 40,271,882 | 50,315,179 |
| Dividends | 24 | (4,838,400) | (7,257,600) |
| Total equity at end of year | | 552,885,746 | 517,452,264 |

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Wah Ha Realty Company Limited (the “Company”) is a limited liability company incorporated in Hong Kong. The address of its registered office is Room 2500, Dominion Centre, 43-59 Queen’s Road East, Wanchai, Hong Kong.

The principal activities of the Company are investment holding and property investment. The activities of the subsidiaries and associated companies are shown in Notes 15 and 16 to the financial statements respectively.

The consolidated financial statements are presented in Hong Kong dollars (HK\$), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 13th July 2006.

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and investment properties which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(b) Changes in accounting policies

The adoption of new/revised HKFRSs

In the current year, the Group adopted the new/revised standards and interpretations of HKFRSs below, which are relevant to its operations. The 2005 comparatives have been amended as required, in accordance with the relevant requirements.

| | |
|-------------------|--|
| HKAS 1 | Presentation of Financial Statements |
| HKAS 7 | Cash Flow Statements |
| HKAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors |
| HKAS 10 | Events after the Balance Sheet Date |
| HKAS 17 | Leases |
| HKAS 21 | The Effects of Changes in Foreign Exchange Rates |
| HKAS 24 | Related Party Disclosures |
| HKAS 27 | Consolidated and Separate Financial Statements |
| HKAS 28 | Investments in Associates |
| HKAS 32 | Financial Instruments: Disclosure and Presentation |
| HKAS 33 | Earnings per Share |
| HKAS 36 | Impairment of 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 |
| HKAS-Int 4 | Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases |
| HKAS-Int 15 | Operating Leases – Incentives |
| HKAS-Int 21 | Income Taxes – Recovery of Revalued Non-Depreciable Assets |

The adoption of HKASs 1, 7, 8, 10, 21, 24, 27, 28, 33, 36, HKAS-Int 4 and 15 did not result in substantial changes to the Group's accounting policies and had no material effect on the financial statements except for certain changes in presentation and disclosures as required by HKASs 1 and 24.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies (continued)

The adoption of HKAS 17, 32, 39, 40 and HKAS-Int 21 has resulted in significant changes to the Group's accounting policies. The change to the Group's accounting policies and the effect of adopting these new policies are set out below:

- (i) The adoption of HKAS 17 has resulted in a change in accounting policy relating to reclassification of leasehold land from properties held for sale to operating leases. The up-front prepayments made for leasehold land are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was classified under properties held for sale and stated at the lower of cost and net realisable value.
- (ii) The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets.
- (iii) The adoption of HKAS 40 has resulted in a change in the accounting policy on investment properties by which the changes in fair values are recorded in the income statement. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.
- (iv) The adoption of HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred income tax liabilities arising from the revaluation of investment properties. Such deferred income tax liabilities are measured on the basis of tax consequences that would follow from the recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

All changes in these accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards adopted by the Group require or permit retrospective application other than HKASs 32 and 39 which do not permit retrospective application.

Summary of effects of changes in accounting policies

Consolidated income statements

| | Effect of adopting new HKFRSs | | | | Total HK\$ |
|---|-------------------------------|-----------------|-----------------|---------------------|---------------|
| | HKAS 1 HK\$ | HKAS 17 HK\$ | HKAS 40 HK\$ | HKAS-Int 21 HK\$ | |
| Year ended 31st March 2006 | | | | | |
| Increase/(decrease) in: | | | | | |
| Operating profit | – | (50,950) | 3,350,000 | – | 3,299,050 |
| Share of profits less losses of associated companies | (3,005,861) | (508,431) | 16,975,000 | (2,970,625) | 10,490,083 |
| Profit before income tax | (3,005,861) | (559,381) | 20,325,000 | (2,970,625) | 13,789,133 |
| Income tax expense | (3,005,861) | (8,914) | – | 586,250 | (2,428,525) |
| Profit attributable to equity holders of the Company | – | (550,467) | 20,325,000 | (3,556,875) | 16,217,658 |
| Earnings per share (basic and diluted, HK cents) | – | (0.5) | 16.8 | (2.9) | 13.4 |
| Year ended 31st March 2005 | | | | | |
| Increase/(decrease) in: | | | | | |
| Operating profit | – | (50,950) | 5,000,000 | – | 4,949,050 |
| Share of profits less losses of associated companies | (1,975,077) | (508,431) | 26,532,380 | (4,844,717) | 19,204,155 |
| Profit before income tax | (1,975,077) | (559,381) | 31,532,380 | (4,844,717) | 24,153,205 |
| Income tax expense | (1,975,077) | (8,916) | – | 875,000 | (1,108,993) |
| Profit attributable to equity holders of the Company | – | (550,465) | 31,532,380 | (5,719,717) | 25,262,198 |
| Earnings per share (basic and diluted, HK cents) | – | (0.5) | 26.1 | (4.7) | 20.9 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies (continued)

Summary of effects of changes in accounting policies (continued)

Consolidated balance sheets

| | Effect of adopting new HKFRSs | | | Total HK\$ |
|---------------------------------|-------------------------------|-----------------|---------------------|---------------------|
| | HKAS 17 HK\$ | HKAS 40 HK\$ | HKAS-Int 21 HK\$ | |
| As at 31st March 2006 | | | | |
| Increase/(decrease) in: | | | | |
| ASSETS | | | | |
| Investments in | | | | |
| associated companies | (6,347,317) | – | (10,984,301) | (17,331,618) |
| Deferred income tax assets | 136,737 | – | – | 136,737 |
| Properties held for sale | (1,030,886) | – | – | (1,030,886) |
| Total assets | (7,241,466) | – | (10,984,301) | (18,225,767) |
| EQUITY | | | | |
| Retained profits | (7,197,800) | 85,818,002 | (15,219,701) | 63,400,501 |
| Investment properties | | | | |
| revaluation reserve | – | (85,818,002) | – | (85,818,002) |
| Total equity | (7,197,800) | – | (15,219,701) | (22,417,501) |
| LIABILITIES | | | | |
| Deferred income tax liabilities | (43,666) | – | 4,235,400 | 4,191,734 |
| Total liabilities | (43,666) | – | 4,235,400 | 4,191,734 |

| | Effect of adopting new HKFRSs | | | Total HK\$ |
|--|-------------------------------|-----------------|---------------------|---------------------|
| | HKAS 17 HK\$ | HKAS 40 HK\$ | HKAS-Int 21 HK\$ | |
| As at 31st March 2005 | | | | |
| Increase/(decrease) in: | | | | |
| ASSETS | | | | |
| Investments in | | | | |
| associated companies | (5,838,886) | – | (8,013,676) | (13,852,562) |
| Deferred income tax assets | 171,489 | – | – | 171,489 |
| Properties held for sale | (979,936) | – | – | (979,936) |
| Total assets | (6,647,333) | – | (8,013,676) | (14,661,009) |
| EQUITY | | | | |
| Retained profits | (6,647,333) | 65,493,002 | (11,662,826) | 47,182,843 |
| Investment properties revaluation reserve | – | (65,493,002) | – | (65,493,002) |
| Total equity | (6,647,333) | – | (11,662,826) | (18,310,159) |
| LIABILITIES | | | | |
| Deferred income tax liabilities | – | – | 3,649,150 | 3,649,150 |
| Total liabilities | – | – | 3,649,150 | 3,649,150 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Standards, interpretations and amendments to standards that are not yet effective

The HKICPA has issued certain new standards, amendments and interpretations which are not yet effective for the current year. Those which are relevant to the Group's operations are as follows:

| | | Effective for accounting periods beginning on or after |
|---------------------|---|---|
| HKAS 19 (Amendment) | Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures | 1st January 2006 |
| HKAS 39 (Amendment) | Financial Instruments: Recognition and Measurement – The Fair Value Option | 1st January 2006 |
| HKFRS-Int 4 | Determining whether an Arrangement contains a Lease | 1st January 2006 |
| HKAS 1 (Amendment) | Presentation of Financial Statements – Capital Disclosures | 1st January 2007 |
| HKFRS 7 | Financial Instruments: Disclosures | 1st January 2007 |

The Group has not early adopted the above standards, interpretations and amendments in the financial statements for the year ended 31st March 2006. The Group has already commenced an assessment of the related impact but is not yet in a position to analyse and quantify the effect of these on the Group's financial statements.

(d) Group accounting

(i) Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31st March.

Subsidiaries are those entities in which the Company, directly or indirectly, controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered as an indicator of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Group accounting (continued)

(ii) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated companies, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated companies.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

(e) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. All subsidiaries and associated companies of the Group have Hong Kong dollars as their functional currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognised in the income statement, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in the investments revaluation reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

(f) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value and is not depreciated. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, alternative valuation methods such as recent prices on less active markets or discounted cash flow projections are used. These valuations are performed at least annually by external valuers.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflow that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement.

(g) Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Financial assets

Prior to 1st April 2005

The Group classified its investments in securities, other than subsidiaries and associated companies, as long-term investments, held-to-maturity investments and short-term investments as follows:

(i) *Long-term investments*

Investments held for long-term specific purposes are included under non-current assets and carried at cost less provision. Provision is made when, in the opinion of the Directors, there is impairment in value other than temporary in nature.

(ii) *Held-to-maturity securities*

Held-to-maturity securities are stated in the balance sheet at cost plus/less any discount/premium amortised to date. The discount or premium is amortised over the period to maturity and included as interest income/expense in the profit and loss account. Provision is made when there is diminution in value other than temporary in nature.

The carrying amounts of individual held-to-maturity securities or holdings of the same securities are reviewed at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when the carrying amounts are not expected to be recovered and are recognised in the profit and loss account as an expense immediately.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

(h) Financial assets (continued)

(iii) Short-term investments

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are included under current assets and are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of short-term investments are recognised in the profit and loss account.

All purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the assets. Cost of purchase includes transaction costs. Profits or losses on disposal of investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

From 1st April 2005 onwards

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of sale in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for those with maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet (Note 2(i)).

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories of financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

Regular purchases and sales of investments are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. All other financial assets are initially recognised at fair value plus transaction costs. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement as "gains and losses on financial assets through profit or loss" in the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

(h) Financial assets (continued)

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in the income statement, and other changes in carrying amount are recognised in equity. Changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as “gains and losses from available-for-sale financial assets”.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of receivables is described in Note 2(i).

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(j) Properties held for sale

The leasehold land component is measured at cost less accumulated amortisation and impairment losses, and the building component is carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less selling expenses.

(k) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

2 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(l) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(m) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(n) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Rentals applicable to operating leases net of any incentives received from the lessors are charged to the profit and loss account on a straight-line basis over the lease terms.

(o) Revenue recognition

Sales of completed properties are recognised upon completion of the sales agreements.

Management fee income is recognised when services are rendered.

Rental income is recognised over the periods of the respective leases on a straight-line basis.

Interest income is recognised on a time proportion basis using the effective interest rate method.

Dividend income is recognised when the right to receive payment is certain.

(p) Employee benefits

The Group participates in a defined contribution scheme. The Group's contributions under the scheme are charged to the income statement as incurred. The amount of the Group's contributions is based on specified percentages of the basic salaries of employees.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

2 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(q) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's Directors/shareholders.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to various types of risk which include price risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects it may have on the Group's financial performance.

(a) Financial risk factors

(i) *Price risk*

The Group's equity securities are exposed to price risk as they are classified either as available-for-sale financial assets or as financial assets at fair value through profit or loss. The Group's investment properties and properties held for sale are exposed to price risk as their values vary with the property market conditions.

(ii) *Credit risk*

The Group has no significant credit risk. It has policies in place to ensure that rental deposits are required from tenants prior to commencement of leases, and sales proceeds are received before the assignment of properties are executed. In addition, the Group's cash is held with highly-rated financial institutions.

(iii) *Liquidity risk*

The Group has no bank borrowings as at 31st March 2006. In order to maintain flexibility, the Group has maintained adequate amounts of cash and cash equivalents and short term highly liquid investments.

(b) Fair value estimation

The carrying amounts of trade and other receivables, cash and cash equivalents and trade and other payables are assumed to approximate their fair values. The fair value of other financial assets for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

(a) Estimate of fair value for investment properties

The Group's investment properties, which are leased to third parties, were revalued at 31st March 2006 by an independent qualified professional property valuer, C S Surveyors Limited, on an open market value basis with reference to recent transaction prices of units in the same building and/or similar properties.

(b) Estimate of net realisable value of properties held for sale

Management reviews the recoverable amount of properties held for sale at each reporting date. The recoverable amount is the estimated selling price of the properties less costs to sell. Management makes estimates in determining the recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 TURNOVER

| | 2006 HK\$ | 2005 HK\$ |
|-------------------------------------|-------------------|------------------|
| Rental income | 3,540,019 | 3,730,047 |
| Management fee income | 1,287,762 | 1,585,613 |
| Interest income | 6,741,673 | 1,260,071 |
| Dividend income | | |
| Listed investments | 500,241 | 231,821 |
| Unlisted investments | 313,363 | 1,005,984 |
| Construction supervision fee income | 336,837 | 212,350 |
| | 12,719,895 | 8,025,886 |

6 OTHER GAINS – NET

| | 2006 HK\$ | 2005 HK\$ |
|---|------------------|------------------|
| Net realised and unrealised gains on financial assets at fair value through profit or loss | 3,735,434 | – |
| Net realised and unrealised gains on investments | – | 3,327,341 |
| Net exchange (loss)/gain | (581,157) | 226,704 |
| Gain on disposal of an associated company | – | 43,673 |
| Sundries | 66,347 | 108,064 |
| | 3,220,624 | 3,705,782 |

7 OPERATING PROFIT

| | 2006 | 2005 |
|---|-----------|-----------|
| | HK\$ | HK\$ |
| Operating profit is stated after crediting: | | |
| Gross rental income | | |
| Investment properties | 624,961 | 931,850 |
| Other properties | 2,915,058 | 2,798,197 |
| Less: related outgoings | (513,520) | (398,102) |
| and after charging: | | |
| Staff costs (including Directors' remuneration) | 3,507,840 | 3,334,763 |
| Auditors' remuneration | 326,000 | 313,000 |
| Amortisation of leasehold land | 50,950 | 50,950 |

8 SHARE OF PROFITS LESS LOSSES OF ASSOCIATED COMPANIES

The Group's share of results of associated companies included the Group's share of fair value gains on investment properties held by associated companies amounting to HK\$17,850,000 (2005: HK\$31,831,133).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of each of the Directors of the Company are set out below:

| | Fees | |
|--|----------------|--------------|
| | 2006 HK\$ | 2005 HK\$ |
| Executive Directors | | |
| Mr. Cheung Kee Wee | 50,000 | 50,000 |
| Mr. Cheung Lin Wee | 50,000 | 50,000 |
| Mr. Cheung Ying Wai, Eric | 50,000 | 50,000 |
| Non-executive Directors | | |
| Mr. John Ho | 50,000 | 50,000 |
| Mr. Ng Kwok Tung | 50,000 | 50,000 |
| Independent Non-executive Directors | | |
| Mr. Lam Hon Keung, Keith | 50,000 | 50,000 |
| Mr. Chan Woon Kong | 50,000 | 50,000 |
| Mr. Soo Hung Leung, Lincoln | 50,000 | 50,000 |
| Directors' fees | 400,000 | 400,000 |

No other emoluments were paid and none of the Directors has waived the right to receive their emoluments for the years ended 31st March 2006 and 2005.

Details of the emoluments paid to the five individuals, who are not Directors, whose emoluments were the highest in the Group are:

| | 2006 HK\$ | 2005 HK\$ |
|---|------------------|--------------|
| Salaries and other emoluments | 1,179,429 | 1,472,882 |
| Contributions to retirement benefits scheme | 44,600 | 69,011 |
| | 1,224,029 | 1,541,893 |

The emoluments of each of the five individuals are below HK\$1,000,000 for the years ended 31st March 2006 and 2005.

10 RETIREMENT BENEFITS SCHEME

The Group participates in a defined contribution scheme which covers all the employees of the Group and certain related companies. The assets of the scheme are held in a trust fund separated from the Group and the related companies. Contributions to the scheme are based on a percentage of employee salary depending upon the length of service of the employee and charged to the income statement in the year to which they relate. The charge for the scheme for the year was HK\$158,113 (2005: HK\$161,295).

11 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year.

| | 2006 | 2005 |
|--|------------------|------------------|
| | HK\$ | HK\$ |
| Current income tax | | |
| Hong Kong profits tax | 454,691 | 233,896 |
| Deferred income tax (<i>Note 25</i>) | 685,453 | 866,084 |
| | 1,140,144 | 1,099,980 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 INCOME TAX EXPENSE (continued)

The income tax expense on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong, the country in which the Group operates, as follows:

| | 2006 HK\$ | 2005 HK\$ |
|--|--------------------|--------------|
| Profit before income tax, excluding share of profits less losses of associated companies | 14,086,606 | 11,868,324 |
| Calculated at a tax rate of 17.5% (2005: 17.5%) | 2,465,156 | 2,076,957 |
| Under/(over) provision in prior years | 1,002 | (2,604) |
| Income not subject to tax | (1,333,424) | (1,041,972) |
| Expenses not deductible for tax purposes | 117,944 | 100,870 |
| Net decrease in unrecognised tax losses | (148,002) | (33,159) |
| Temporary differences not recognised | (3,299) | (2,100) |
| Others | 40,767 | 1,988 |
| Income tax expense | 1,140,144 | 1,099,980 |

12 DIVIDENDS

| | 2006 HK\$ | 2005 HK\$ |
|---|------------------|--------------|
| Proposed final of HK4 cents (2005: HK4 cents) per share | 4,838,400 | 4,838,400 |

At a meeting held on 13th July 2006, the Board of Directors proposed a final dividend of HK4 cents per share. This proposed dividend will be accounted for as an appropriation of retained profits for the year ending 31st March 2007.

13 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

| | 2006 HK\$ | 2005 HK\$ |
|--|--------------------|--------------|
| Profit attributable to equity holders of the Company | 40,271,882 | 50,315,179 |
| Weighted average number of ordinary shares in issue | 120,960,000 | 120,960,000 |
| Basic earnings per share (HK cents) | 33.3 | 41.6 |

The Company has no dilutive potential ordinary shares.

14 INVESTMENT PROPERTIES

| | Group and Company | |
|----------------------|-------------------|--------------|
| | 2006 HK\$ | 2005 HK\$ |
| Valuation | | |
| At beginning of year | 26,150,000 | 21,150,000 |
| Fair value gains | 3,350,000 | 5,000,000 |
| At end of year | 29,500,000 | 26,150,000 |

The properties are held under leases of over 50 years in Hong Kong and are stated at valuation made on an open market value basis on 31st March 2006 and 2005 by C S Surveyors Limited, an independent qualified professional property valuer.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 SUBSIDIARIES

| | Company | |
|--------------------------|----------------|---------|
| | 2006 | 2005 |
| | HK\$ | HK\$ |
| Unlisted shares, at cost | 110,346 | 110,346 |

Particulars of the subsidiaries, all of which are wholly-owned by the Company, are as follows:

| Name | Principal activities | Particulars of issued share capital |
|-------------------------------------|----------------------|---------------------------------------|
| Festigood Company Limited | Property development | 2 Ordinary shares of HK\$1 each |
| Galy Property Management Limited | Property management | 2 Ordinary shares of HK\$1 each |
| Khanman Property Limited | Dormant | 2 Ordinary shares of HK\$100 each |
| Tai Kong Shan Realty Limited | Property investment | 100,000 Ordinary shares of HK\$1 each |
| Tinpoly Realty Limited | Property investment | 4 Ordinary shares of HK\$10 each |
| Wah Ha Construction Company Limited | Building contractor | 2 Ordinary shares of HK\$1 each |
| Wah Ha Real Estate Agency Limited | Property agency | 1,000 Ordinary shares of HK\$10 each |
| WH Properties Limited | Dormant | 100 Ordinary shares of HK\$1 each |

All subsidiaries are incorporated and operate in Hong Kong and are held directly by the Company.

16 ASSOCIATED COMPANIES

| | 2006 HK\$ | 2005 HK\$ |
|--|--------------------------|--------------|
| Investments in associated companies | | |
| Group – share of net assets | 135,311,647 | 109,236,227 |
| Company – unlisted shares, at cost | 2,640,618 | 2,640,618 |
| | | |
| | Group and Company | |
| | 2006 | 2005 |
| | HK\$ | HK\$ |
| Amounts due from associated companies | | |
| – Non-current portion | 101,130,980 | 107,130,376 |
| – Current portion (<i>Note 20</i>) | 54,688,814 | 57,681,368 |
| | | |
| | 155,819,794 | 164,811,744 |
| Amounts due to associated companies (<i>Note 26</i>) | (18,704,102) | (12,983,763) |
| | | |
| | 137,115,692 | 151,827,981 |

The Group's share of assets, liabilities and results of the associated companies are summarised as follows:

(a) Results

| | 2006 HK\$ | 2005 HK\$ |
|---------------------|--------------|--------------|
| Revenues | 20,797,111 | 33,045,261 |
| Profit for the year | 27,325,420 | 39,546,835 |
| Dividend | 1,250,000 | 84,645 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 ASSOCIATED COMPANIES (continued)

(b) Net assets

| | 2006 HK\$ | 2005 HK\$ |
|-------------|--------------------|---------------|
| Assets | 319,880,537 | 296,967,796 |
| Liabilities | (184,568,890) | (187,731,569) |
| Net assets | 135,311,647 | 109,236,227 |

Particulars of the associated companies and amounts receivable/(payable) are as follows:

| Name | Principal activities | Amounts receivable/ (payable) by the Group | | Particulars of issued share capital | Effective percentage of equity held by the Group |
|--|-------------------------|---|--------------|---|--|
| | | 2006 HK\$ | 2005 HK\$ | | |
| Cantake Land Investment Company Limited | Property development | 42,998,920 | 42,803,920 | 6,000,000 shares of HK\$1 each | 25 |
| Chase Good Development Limited | Property development | 14,561,803 | 15,481,803 | 4 shares of HK\$1 each | 25 |
| Daily Eagle Development Limited | Property development | (13,400,178) | (9,394,839) | 4 shares of HK\$1 each | 25 |
| Eastern Tailor Enterprises Limited | Property investment | 16,526,919 | 18,101,919 | 10,000 shares of HK\$1 each | 25 |
| Fu Kung San Realty Limited | Investment holding | (2,407,610) | (1,052,610) | 100 shares of HK\$10 each | 50 |

| Name | Principal activities | Amounts receivable/ (payable) by the Group | | Particulars of issued share capital | Effective percentage of equity held by the Group |
|--|----------------------|---|-------------|---|--|
| | | 2006 | 2005 | | |
| | | HK\$ | HK\$ | | |
| Fullion Realty Limited | Property investment | 46,284 | 36,284 | 4 shares of HK\$10 each | 50 |
| Fupoly Properties Limited | Property investment | – | – | 10,000 shares of HK\$10 each | 25 |
| Hinquand Enterprise Limited | Property investment | 17,536,760 | 19,201,760 | 1,000 shares of HK\$10 each | 50 |
| Kam Lee Wah Realty Limited | Property investment | 38,506 | 71,760 | 100,000 shares of HK\$1 each | 50 |
| Keneva Company Limited | Property development | 38,307,400 | 38,607,400 | 20 shares of HK\$10 each | 25 |
| Kin Yuen Hing Investment Company Limited | Property development | 10,291,056 | 11,809,056 | 200,000 shares of HK\$1 each | 50 |
| Mass Collection Company Limited | Property development | (2,896,314) | (2,536,314) | 2 shares of HK\$1 each | 50 |
| Remadour Estate Limited | Property investment | 7,264,502 | 8,386,495 | 10,000 shares of HK\$1 each | 25 |
| Sing Mei Properties Limited | Property investment | – | – | 69,513 shares of HK\$100 each | 25 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 ASSOCIATED COMPANIES (continued)

Particulars of the associated companies and amounts receivable/(payable) are as follows:
(continued)

| Name | Principal activities | Amounts receivable/ (payable) by the Group | | Particulars of issued share capital | Effective percentage of equity held by the Group |
|--------------------------------------|----------------------|---|--------------------|---|--|
| | | 2006 HK\$ | 2005 HK\$ | | |
| Star Fortune Investments Limited | Provision of finance | 558,525 | 859,824 | 2 shares of HK\$1 each | 50 |
| Sun Prince Godown Limited | Property investment | 2,725,575 | 3,150,575 | 100,000 shares of HK\$10 each | 50 |
| Sun Tai Tsuen Godown Company Limited | Property investment | 2,721,469 | 3,146,469 | 100,000 shares of HK\$10 each | 50 |
| Wah Ha Property Development Limited | Property investment | 2,242,075 | 3,154,479 | 10 shares of HK\$10 each | 50 |
| | | 137,115,692 | 151,827,981 | | |

- (i) The amounts receivable and payable are unsecured, interest free and have no specific repayment terms. The Group has not provided any guarantees in respect of any borrowings or facilities of the associated companies and has not entered into any agreements to make further advances to the associated companies.
- (ii) All associated companies are incorporated and operate in Hong Kong and are held directly by the Company except Sing Mei Properties Limited which is 50% owned by Fu Kung San Realty Limited.

17 AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | Group and Company 2006 HK\$ |
|--------------------------|-----------------------------------|
| Unlisted shares, at cost | 250,448 |

The Directors of the Company are of the opinion that the fair value of the available-for-sale financial assets cannot be reliably measured since there are no recent market transactions between knowledgeable, willing parties on an arm's length basis and future cash flows available from the available-for-sale financial assets cannot be determined reliably. Accordingly, the available-for-sale financial assets are stated at cost.

18 LONG-TERM INVESTMENTS

| | Group and Company 2005 HK\$ |
|--------------------------|-----------------------------------|
| Unlisted shares, at cost | 250,448 |

Long-term investments as at 1st April 2005 have been accounted for as available-for-sale financial assets in accordance with HKASs 32 and 39 (Note 2(h)).

19 PROPERTIES HELD FOR SALE

| | Group | | Company | |
|---|------------------|-----------|----------------|---------|
| | 2006 | 2005 | 2006 | 2005 |
| | HK\$ | HK\$ | HK\$ | HK\$ |
| Leasehold land in Hong Kong, held on leases of between 10 to 50 years | 2,297,541 | 2,348,491 | 382,814 | 391,102 |
| Development costs | 3,902,007 | 3,902,007 | 492,607 | 492,607 |
| | 6,199,548 | 6,250,498 | 875,421 | 883,709 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|--|--------------|--------------|--------------|--------------|
| | 2006 HK\$ | 2005 HK\$ | 2006 HK\$ | 2005 HK\$ |
| Trade receivables | | | | |
| Below 60 days | 112,554 | 341,567 | 28,230 | 18,700 |
| Over 60 days | 44,469 | 4,754 | 36,003 | 3 |
| | 157,023 | 346,321 | 64,233 | 18,703 |
| Other receivables | 1,931,951 | 3,000,323 | 469,598 | 348,965 |
| Amounts due from subsidiaries | – | – | 857,817 | 483,574 |
| Amounts due from associated companies (Note 16) | 54,688,814 | 57,681,368 | 54,688,814 | 57,681,368 |
| Prepayments and utility deposits | 154,109 | 134,754 | 125,216 | 6,502 |
| | 56,931,897 | 61,162,766 | 56,205,678 | 58,539,112 |

Trade debtors represent rental receivable which is normally due for payment upon presentation of debit note at the beginning of each rental period (normally on a monthly basis).

The amounts due from subsidiaries are unsecured, interest free and payable on demand.

21 SHORT-TERM INVESTMENTS

| | Group and Company | |
|--|-------------------|--------------|
| | 2006 HK\$ | 2005 HK\$ |
| Unlisted held-to-maturity securities, at amortised cost | 69,721,820 | 105,134,311 |
| Financial assets at fair value through profit or loss/short term investments, at fair value | | |
| Listed shares – Hong Kong | 8,886,411 | 12,815,023 |
| Listed shares – Overseas | 7,628,926 | 4,604,565 |
| Unlisted quoted investment fund | 261,042 | 7,456,714 |
| Unlisted bonds | 15,217,743 | – |
| Unlisted equity linked notes | 39,186,990 | – |
| | 140,902,932 | 130,010,613 |

The weighted average effective interest rate on unlisted held-to-maturity securities of the Group and the Company are 4.58% (2005: 2.67%). The carrying amounts of held-to-maturity securities approximate their fair values.

22 CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|--------------------------|--------------------|--------------|--------------------|--------------|
| | 2006 HK\$ | 2005 HK\$ | 2006 HK\$ | 2005 HK\$ |
| Cash at bank | 6,473,669 | 5,452,747 | 790,528 | 1,499,118 |
| Short-term bank deposits | 104,506,961 | 92,020,540 | 102,869,657 | 90,429,582 |
| | 110,980,630 | 97,473,287 | 103,660,185 | 91,928,700 |

The weighted average effective interest rate on short-term bank deposits of the Group and the Company are 3.84% and 3.85% (2005: 1.83% and 1.82%) respectively. These deposits have maturity periods of less than three months (2005: less than three months).

23 SHARE CAPITAL

| | Company | |
|-------------------------------------|--------------|--------------|
| | 2006 HK\$ | 2005 HK\$ |
| <i>Authorised:</i> | | |
| 150,000,000 shares of HK\$0.65 each | 97,500,000 | 97,500,000 |
| <i>Issued and fully paid:</i> | | |
| 120,960,000 shares of HK\$0.65 each | 78,624,000 | 78,624,000 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24 RESERVES

Group

| | Asset revaluation reserve HK\$ | Investment properties revaluation reserve HK\$ | Retained profits HK\$ | Total HK\$ |
|--|---|--|-----------------------------|--------------------|
| At 31st March 2004, as previously reported | 20,180,230 | 33,960,622 | 373,850,041 | 427,990,893 |
| Effect of adopting | | | | |
| HKAS 17 | – | – | (6,096,869) | (6,096,869) |
| HKAS 40 | – | (33,960,622) | 33,960,622 | – |
| HKAS-Int 21 | – | – | (5,943,109) | (5,943,109) |
| Adjustment on investments in associated companies (<i>Note</i>) | (20,180,230) | – | – | (20,180,230) |
| At 31st March 2004, as restated | – | – | 395,770,685 | 395,770,685 |
| Profit for the year, as restated | – | – | 50,315,179 | 50,315,179 |
| 2004 final dividend | – | – | (7,257,600) | (7,257,600) |
| At 31st March 2005, as restated | – | – | 438,828,264 | 438,828,264 |
| Representing: | | | | |
| Retained profits | – | – | 433,989,864 | 433,989,864 |
| 2005 proposed final dividend | – | – | 4,838,400 | 4,838,400 |
| | – | – | 438,828,264 | 438,828,264 |
| At 31st March 2005, as previously reported | 20,180,230 | 65,493,002 | 391,645,421 | 477,318,653 |
| Effect of adopting | | | | |
| HKAS 17 | – | – | (6,647,333) | (6,647,333) |
| HKAS 40 | – | (65,493,002) | 65,493,002 | – |
| HKAS-Int 21 | – | – | (11,662,826) | (11,662,826) |
| Adjustment on investments in associated companies (<i>Note</i>) | (20,180,230) | – | – | (20,180,230) |
| At 31st March 2005, as restated | – | – | 438,828,264 | 438,828,264 |
| Profit for the year | – | – | 40,271,882 | 40,271,882 |
| 2005 final dividend | – | – | (4,838,400) | (4,838,400) |
| At 31st March 2006 | – | – | 474,261,746 | 474,261,746 |
| Representing: | | | | |
| Retained profits | – | – | 469,423,346 | 469,423,346 |
| 2006 proposed final dividend | – | – | 4,838,400 | 4,838,400 |
| | – | – | 474,261,746 | 474,261,746 |

Company

| | Asset revaluation reserve HK\$ | Investment properties revaluation reserve HK\$ | Retained profits HK\$ | Total HK\$ |
|--|---|--|-----------------------------|--------------------|
| At 31st March 2004, as previously reported | 23,600,000 | 15,852,285 | 292,138,368 | 331,590,653 |
| Effect of adopting | | | | |
| HKAS 17 | – | – | (192,183) | (192,183) |
| HKAS 40 | – | (15,852,285) | 15,852,285 | – |
| HKAS-Int 21 | – | – | (2,774,150) | (2,774,150) |
| Adjustment on investments in associated companies (<i>Note</i>) | (23,600,000) | – | – | (23,600,000) |
| At 31st March 2004, as restated | – | – | 305,024,320 | 305,024,320 |
| Profit for the year, as restated | – | – | 9,961,563 | 9,961,563 |
| 2004 final dividend | – | – | (7,257,600) | (7,257,600) |
| At 31st March 2005, as restated | – | – | 307,728,283 | 307,728,283 |
| Representing: | | | | |
| Retained profits | – | – | 302,889,883 | 302,889,883 |
| 2005 proposed final dividend | – | – | 4,838,400 | 4,838,400 |
| | – | – | 307,728,283 | 307,728,283 |
| At 31st March 2005, as previously reported | 23,600,000 | 20,852,285 | 290,724,169 | 335,176,454 |
| Effect of adopting | | | | |
| HKAS 17 | – | – | (199,021) | (199,021) |
| HKAS 40 | – | (20,852,285) | 20,852,285 | – |
| HKAS-Int 21 | – | – | (3,649,150) | (3,649,150) |
| Adjustment on investments in associated companies (<i>Note</i>) | (23,600,000) | – | – | (23,600,000) |
| At 31st March 2005, as restated | – | – | 307,728,283 | 307,728,283 |
| Profit for the year | – | – | 13,765,310 | 13,765,310 |
| 2005 final dividend | – | – | (4,838,400) | (4,838,400) |
| At 31st March 2006 | – | – | 316,655,193 | 316,655,193 |
| Representing: | | | | |
| Retained profits | – | – | 311,816,793 | 311,816,793 |
| 2006 proposed final dividend | – | – | 4,838,400 | 4,838,400 |
| | – | – | 316,655,193 | 316,655,193 |

Note: The adjustment relates to restatement of investments in associated companies from Directors' valuation to cost.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25 DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using a tax rate of 17.5% (2005: 17.5%).

| | Group | | Company | |
|---------------------------------|-------------|-------------|-------------|-------------|
| | 2006 | 2005 | 2006 | 2005 |
| | HK\$ | HK\$ | HK\$ | HK\$ |
| Deferred income tax assets | 136,737 | 171,489 | – | – |
| Deferred income tax liabilities | (4,299,851) | (3,649,150) | (4,299,851) | (3,606,934) |
| | (4,163,114) | (3,477,661) | (4,299,851) | (3,606,934) |

Deferred income tax assets and liabilities are offset when there is a legal right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The above assets/(liabilities) shown in the consolidated balance sheet are determined after appropriate offsetting of the relevant amounts.

A substantial portion of deferred income tax assets and liabilities will be recovered/settled after twelve months from the balance sheet date.

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Group

| | Assets/(liabilities) | | | | Total HK\$ |
|--|-----------------------|--|---|--|--------------------|
| | Tax losses HK\$ | Amortisation of leasehold land HK\$ | Accelerated depreciation allowances HK\$ | Fair value gains on investment properties HK\$ | |
| At 1st April 2004 | 50,000 | 162,573 | (50,000) | (2,774,150) | (2,611,577) |
| Credited/(charged) to income statement (Note 11) | 9,000 | 8,916 | (9,000) | (875,000) | (866,084) |
| At 31st March 2005 | 59,000 | 171,489 | (59,000) | (3,649,150) | (3,477,661) |
| Credited/(charged) to income statement (Note 11) | (59,000) | 8,914 | (49,117) | (586,250) | (685,453) |
| At 31st March 2006 | – | 180,403 | (108,117) | (4,235,400) | (4,163,114) |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25 DEFERRED INCOME TAX (continued)

Company

| | Assets/(liabilities) | | | | Total HK\$ |
|---|-----------------------|--|---|--|--------------------|
| | Tax losses HK\$ | Amortisation of leasehold land HK\$ | Accelerated depreciation allowances HK\$ | Fair value gains on investment properties HK\$ | |
| At 1st April 2004 | 50,000 | 40,766 | (50,000) | (2,774,150) | (2,733,384) |
| Credited/(charged) to income statement | 9,000 | 1,450 | (9,000) | (875,000) | (873,550) |
| At 31st March 2005 | 59,000 | 42,216 | (59,000) | (3,649,150) | (3,606,934) |
| Credited/(charged) to income statement | (59,000) | 1,450 | (49,117) | (586,250) | (692,917) |
| At 31st March 2006 | – | 43,666 | (108,117) | (4,235,400) | (4,299,851) |

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group and Company have unrecognised tax losses of HK\$934,000 and HK\$Nil respectively (2005: HK\$1,785,000 and HK\$983,000) to carry forward against future taxable income. These tax losses have no expiry date.

26 TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|--------------|--------------|--------------|--------------|
| | 2006 HK\$ | 2005 HK\$ | 2006 HK\$ | 2005 HK\$ |
| Trade payables | | | | |
| Below 90 days | 141,407 | 35,533 | 137,959 | – |
| Over 90 days | 10 | 10 | 10 | 10 |
| | 141,417 | 35,543 | 137,969 | 10 |
| Other payables | 3,257,814 | 604,063 | 847,705 | 548,955 |
| Amounts due to subsidiaries | – | – | 14,236,605 | 13,357,767 |
| Amounts due to associated companies (<i>Note 16</i>) | 18,704,102 | 12,983,763 | 18,704,102 | 12,983,763 |
| Rental and utility deposits received | 915,718 | 739,595 | 727,358 | 544,600 |
| Accrued expenses | 720,850 | 220,310 | 584,110 | 147,210 |
| | 23,739,901 | 14,583,274 | 35,237,849 | 27,582,305 |

The amounts due to subsidiaries are unsecured, interest free and payable on demand.

27 AMOUNTS DUE TO RELATED COMPANIES

The amounts payable are unsecured, interest free and payable on demand.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28 OPERATING LEASE RENTAL RECEIVABLE

The future aggregate minimum lease rental income under non-cancellable operating leases in respect of land and buildings is receivable in the following years:

| | Group | | Company | |
|---------------------------------|------------------|--------------|------------------|--------------|
| | 2006 HK\$ | 2005 HK\$ | 2006 HK\$ | 2005 HK\$ |
| First year | 4,312,895 | 3,238,280 | 3,299,900 | 2,512,300 |
| Second to fifth years inclusive | 2,166,550 | 531,700 | 2,103,500 | 181,850 |
| | 6,479,445 | 3,769,980 | 5,403,400 | 2,694,150 |

29 SIGNIFICANT RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions carried out in the normal course of the Group's business during the year, other than those disclosed elsewhere in the financial statements.

| | Note | 2006 HK\$ | 2005 HK\$ |
|--------------------------|------|----------------|--------------|
| Related companies | | | |
| Management fee income | 1 | – | 225,000 |
| Estate agency fee income | 2 | 150,000 | 200,000 |

Notes:

- (1) The Group provided management services to a related company. Fees were charged based on a fixed amount agreed between the parties.
- (2) The Group provided estate agency services to a related company at a fixed annual fee.

The key management of the Company refer to the Directors and their remuneration are set out in Note 9.

30 SEGMENT INFORMATION

The principal activities of the Group include those relating to investment holding, property development and investment, property management and building contractor. There are no other significant identifiable separate business. In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment assets consist primarily of investment properties, associated companies, short-term investments, receivables and operating cash and exclude items such as tax recoverable and deferred income tax assets. Segment liabilities comprise operating liabilities and exclude items such as tax payable and deferred income tax liabilities. In respect of geographical segment reporting, as all of the Group's operations and assets are located in Hong Kong, no geographical segment is presented.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 SEGMENT INFORMATION (continued)

| | Property investment, development and management and building contractor HK\$ | Investments HK\$ | Total HK\$ |
|---|---|---------------------|---------------|
| Year ended 31st March 2006 | | | |
| Turnover | 5,164,618 | 7,555,277 | 12,719,895 |
| Segment results | 6,627,847 | 10,709,554 | 17,337,401 |
| Unallocated costs | | | (3,250,795) |
| Operating profit | | | 14,086,606 |
| Share of profits less losses of associated companies | 27,325,420 | – | 27,325,420 |
| Profit before income tax | | | 41,412,026 |
| Income tax expense | | | (1,140,144) |
| Profit attributable to the equity holders of the Company | | | 40,271,882 |
| Segment assets | 328,746,173 | 141,481,279 | 470,227,452 |
| Unallocated assets | | | 111,258,425 |
| Total assets | | | 581,485,877 |
| Segment liabilities | 23,821,860 | 118,705 | 23,940,565 |
| Unallocated liabilities | | | 4,659,566 |
| Total liabilities | | | 28,600,131 |

| | Property investment, development and management and building contractor HK\$ | Investments HK\$ | Total HK\$ |
|---|---|---------------------|---------------|
| Year ended 31st March 2005 | | | |
| Turnover | 5,528,010 | 2,497,876 | 8,025,886 |
| Segment results | 8,578,804 | 6,200,253 | 14,779,057 |
| Unallocated costs | | | (2,910,733) |
| Operating profit | | | 11,868,324 |
| Share of profits less losses of associated companies | 39,546,835 | – | 39,546,835 |
| Profit before income tax | | | 51,415,159 |
| Income tax expense | | | (1,099,980) |
| Profit attributable to the equity holders of the Company | | | 50,315,179 |
| Segment assets | 309,831,350 | 130,359,578 | 440,190,928 |
| Unallocated assets | | | 97,654,297 |
| Total assets | | | 537,845,225 |
| Segment liabilities | 16,569,408 | 148,955 | 16,718,363 |
| Unallocated liabilities | | | 3,674,598 |
| Total liabilities | | | 20,392,961 |

FIVE YEAR FINANCIAL SUMMARY

| | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|-----------------|------------|------------|------------|------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | (Restated) | (Restated) | (Restated) | (Restated) |
| Results | | | | | |
| Year ended 31st March | | | | | |
| Turnover | 12,720 | 8,026 | 13,251 | 14,188 | 14,703 |
| Profit/(loss) before income tax | 41,412 | 51,415 | 36,901 | (5,464) | (1,867) |
| Profit/(loss) attributable to equity holders of the Company | 40,272 | 50,315 | 36,166 | (5,681) | (1,829) |
| Dividends | 4,838 | 4,838 | 7,258 | – | 2,419 |
| Assets and liabilities | | | | | |
| As at 31st March | | | | | |
| Investment properties | 29,500 | 26,150 | 21,150 | 18,750 | 19,150 |
| Investments in associated companies | 135,312 | 109,236 | 69,731 | 53,317 | 66,758 |
| Amounts due from associated companies | 101,131 | 107,130 | 184,351 | 188,198 | 190,111 |
| Available-for-sale financial assets/Long-term investments | 250 | 250 | 250 | 250 | 250 |
| Loans receivable | – | – | – | – | 64 |
| Deferred income tax assets | 137 | 172 | 163 | 154 | 145 |
| Current assets | 315,156 | 294,907 | 264,933 | 222,202 | 181,930 |
| Total assets | 581,486 | 537,845 | 540,578 | 482,871 | 458,408 |
| Share capital | 78,624 | 78,624 | 78,624 | 78,624 | 78,624 |
| Reserves | 474,262 | 438,828 | 395,772 | 359,606 | 372,380 |
| Total equity | 552,886 | 517,452 | 474,396 | 438,230 | 451,004 |
| Deferred income tax liabilities | 4,300 | 3,649 | 2,774 | 2,354 | 2,434 |
| Current liabilities | 24,300 | 16,744 | 63,408 | 42,287 | 4,970 |
| Total liabilities | 28,600 | 20,393 | 66,182 | 44,641 | 7,404 |
| Total equity and liabilities | 581,486 | 537,845 | 540,578 | 482,871 | 458,408 |

FINANCIAL SUMMARY OF ASSOCIATED COMPANIES

A significant portion of the Group's property development and investment activities is undertaken by associated companies. However, none of the individual associated company is significant in relation to the results and net assets of the Group. To provide shareholders with information on the financial performance and position of the associated companies, the following is a summary of the aggregated results and net assets of the Group's associated companies for the year ended 31st March 2006:

| | 2006 HK\$ | 2005 HK\$ (Restated) |
|---|----------------------|----------------------------|
| Results | | |
| Revenues | 72,886,944 | 95,695,698 |
| Operating profit | 52,915,380 | 46,478,772 |
| Changes in fair value of investment properties | 54,950,000 | 119,162,266 |
| Profit before income tax | 107,865,380 | 165,641,038 |
| Income tax expense | (19,915,393) | (21,454,622) |
| Profit for the year | 87,949,987 | 144,186,416 |
| Group's share of profits less losses after income tax | 27,325,420 | 39,546,835 |
| Net assets | | |
| Non-current assets | 874,186,093 | 819,666,796 |
| Current assets | 249,704,012 | 262,894,951 |
| Net amounts due to shareholders | (594,285,166) | (646,789,744) |
| Non-current liabilities | (45,376,550) | (33,089,776) |
| Current liabilities | (37,797,045) | (31,375,474) |
| Net assets | 446,431,344 | 371,306,753 |
| Group's share of net assets | 135,311,647 | 109,236,227 |

PRINCIPAL PROPERTIES

As at 31st March 2006

(a) For investment

| Description | Lot No. | Type | Lease Term | Registered Owner |
|---|---|-------------|------------|-------------------------------------|
| Hong Kong | | | | |
| Flats B & C on 2/F, Hin Wah Building at Nos. 446-450 Hennessy Road, Causeway Bay | The Remaining Portion ("RP") of Sub-Section ("Subsec.") 1 of Section ("Sec.") A of Marine Lot No. 269; RP of Sec. A of Marine Lot No. 269; and RP of Sec. E of Marine Lot No. 201 | Commercial | Long Lease | Wah Ha Realty Company Limited |
| Flat C on 12/F, Wah Ha Factory Building at No. 8 Shipyard Lane, Quarry Bay | Subsec. 6 of Sec. E of Quarry Bay Marine Lot No. 2 and the extension thereto | Industrial | Long Lease | Wah Ha Realty Company Limited |
| Apartment B on 1/F & 2/F & 2 carparks, Repulse Bay Towers at No. 119A Repulse Bay Road, Repulse Bay | Sec. B of Rural Building Lot No. 168; RP of Sec. A of Rural Building Lot No. 168; and Sec. B of Subsec. 3 of Sec. A of Rural Building Lot No. 168 | Residential | Long Lease | Wah Ha Realty Company Limited |
| Flat 11 on G/F of Montane Mansion at King's Road, Quarry Bay | Sec. C of Inland Lot No. 8104 | Commercial | Long Lease | Wah Ha Property Development Limited |
| Unit B3, Block B including main roof & 2 carparks, Grosse Pointe Villa at No. 4 Stanley Village Road, Stanley | RP of Rural Building Lot No. 392 | Residential | Long Lease | Wah Ha Property Development Limited |

| Description | Lot No. | Type | Lease Term | Registered Owner |
|---|----------------------------------|-----------------------|--------------|---|
| G/F & 2/F, Midland Centre (82 shops) at No. 328 Queen's Road Central | Inland Lot No. 8426 | Commercial | Long Lease | Hinquand Enterprise Limited |
| Flat 2 on G/F and Basement and 2 carparks on Basement, Stewart Terrace at Nos. 81-95 Peak Road | Rural Building Lot Nos. 299-306 | Residential | Medium Lease | Wah Ha Property Development Limited |
| Flat A on 6/F & 1 carpark, Mountain Lodge at No. 44 Mount Kellett Road | Rural Building Lot No. 199 | Residential | Long Lease | Wah Ha Property Development Limited |
| Belvedere (5 townhouses & 12 carparks) at No. 41 Chung Hom Kok Road, Chung Hom Kok | Rural Building Lot No. 968 | Residential | Long Lease | Remadour Estate Limited |
| Vista Stanley (8 duplex units, 4 flats and 23 carparks) at No. 20 Stanley Village Road, Stanley | RP of Rural Building Lot No. 239 | Residential | Long Lease | Eastern Tailor Enterprises Limited |
| Horizon Plaza at No. 2 Lee Wing Street, Ap Lei Chau West, Aberdeen | Ap Lei Chau Inland Lot No. 122 | Industrial/ Godown | Medium Lease | Daily Eagle Development Limited and Double Joy Investment Company Limited |

PRINCIPAL PROPERTIES (CONTINUED)

As at 31st March 2006

(a) For investment (continued)

| Description | Lot No. | Type | Lease Term | Registered Owner |
|---|--|--------------------|--------------|---|
| New Territories | | | | |
| Agricultural Land at Yuen Long | Lots Nos. 124, 126, 156 & 158 in D.D. No. 109, Yuen Long | Agricultural | Medium Lease | Wah Ha Property Development Limited |
| Central Trading Centre at No. 9 Lok Yip Road, On Lok Tsuen, Fanling | Fanling Sheung Shui Town Lot No. 23 | Industrial/ Godown | Medium Lease | Chase Good Development Limited |
| Belair Villa (15 townhouses, 24 duplex units and 54 carparks) at No. 9 Yu Tai Road, Kai Leng, Fanling | Fanling Sheung Shui Town Lot No. 116 | Residential | Medium Lease | Cantake Land Investment Company Limited |

(b) For sale

| Description | Lot No. | Type | Approximate Gross | | Group's Effective Interest (%) |
|--|-----------------------------|--|----------------------|--|--------------------------------|
| | | | Floor Area (sq. ft.) | Registered Owner | |
| Hong Kong | | | | | |
| Shops Nos. 10, 26 & 37 on 1/F, Gold Mine Building at No. 345 Chai Wan Road, Chai Wan | Chai Wan Inland Lot No. 80 | Commercial | 773 | Kam Lee Wah Realty Limited and Kamlloyds Company Limited | 25 |
| Eight Commercial Tower (186 office/industrial units, 69 shops on G/F and 1/F & 162 carparks) at junction of Sun Yip Street and On Yip Street, Chai Wan | Chai Wan Inland Lot No. 144 | Office/Industrial Commercial (G/F & 1/F) | 238,590 36,853 | Keneva Company Limited | 25 |

| Description | Lot No. | Type | Approximate Gross | | Group's Effective Interest (%) |
|---|--|--------------------|----------------------|--|--------------------------------|
| | | | Floor Area (sq. ft.) | Registered Owner | |
| Fully Building Shop 1 on G/F, 76 Wanchai Road, Wanchai | Subsec. 1 of Sec. A of Marine Lot No. 119; RP of Sec. A of Marine Lot No. 119; RP of Subsec. 1 of Sec. B of Marine Lot No. 119; Subsec. 2 of Sec. B of Marine Lot No. 119; RP of Sec. B of Marine Lot No. 119; and RP of Subsec. 2 of Sec. A of Marine Lot No. 119 | Commercial | 379 | Fupoly Properties Limited | 25 |
| Kowloon | | | | | |
| Flat A on G/F, May Wah Court at Nos. 111 & 113 Chatham Road, Tsimshatsui | RP of Kowloon Inland Lot No. 9935 and RP of Kowloon Inland Lot No. 9936 | Commercial | 2,860 | Wah Ha Realty Company Limited | 100 |
| Flat B on 1/F & 2 carparks, Yip Win Factory Building at No. 10 Tsun Yip Lane, Kwun Tong | Kun Tong Inland Lot No. 71 | Industrial | 5,253 | Wah Ha Realty Company Limited and Aik San Realty Limited | 50 |
| New Territories | | | | | |
| Festigood Centre (4 units) at No. 8 Lok Yip Road, On Lok Tsuen, Fanling | Fanling Sheung Shui Town Lot No. 98 | Industrial/ Godown | 6,784 | Festigood Company Limited | 100 |

PRINCIPAL PROPERTIES (CONTINUED)

As at 31st March 2006

(b) For sale (continued)

| Description | Lot No. | Type | Approximate Gross | | Group's Effective Interest (%) |
|--|--|-----------------------|--|---|--------------------------------|
| | | | Floor Area (sq. ft.) | Registered Owner | |
| New Territories (continued) | | | | | |
| Delya Industrial Centre (31 units & 18 carparks) at Shek Pai Tau Road, Tuen Mun | Tuen Mun Town Lot No. 164 | Industrial/ Godown | 30,205 | Tinpoly Realty Limited and Delya Realty Limited | 50 |
| Texaco Road Industrial Centre (27 units & 7 carparks) at Nos. 256-264 Texaco Road, Tsuen Wan | Tsuen Wan Town Lots Nos. 242 and 243 | Industrial/ Godown | 74,794 | Sun Prince Godown Limited and Sun Tai Tsuen Godown Company Limited | 50 |
| Wing Kin Industrial Building (workshop on G/F & 1 carpark) at Nos. 4-6 Wing Kin Road, Kwai Chung | Kwai Chung Town Lot No. 273 | Industrial | 13,456 | Tai Kong Shan Realty Limited and Good Fully Realty Limited | 50 |
| Good Harvest Centre (18 units & 1 carpark) at No. 33 On Chuen Street, On Lok Tsuen, Fanling | Fanling Sheung Shui Town Lot No. 100 | Industrial/ Godown | 26,469 | Mass Collection Company Limited | 50 |
| Tsing Yi Industrial Centre at Nos. 1-33 Cheung Tat Road, Tsing Yi (Phase I: 11 units & 8 carparks) (Phase II: 6 units & 14 carparks) | Tsing Yi Town Lot No. 65 | Industrial/ Godown | 103,100 (Phase I: 91,644) (Phase II: 11,456) | Sing Mei Properties Limited | 25 |
| World Trade Square (159 units & 11 carparks) at No. 21 On Lok Mun Road, On Lok Tsuen, Fanling | Fanling Sheung Shui Town Lot No. 12 | Industrial/ Godown | 168,556 | Kin Yuen Hing Investment Limited and Kin Ngai Enterprises Limited | 25 |