



**WINFAIR INVESTMENT COMPANY LIMITED**  
**ANNUAL REPORT 2005/2006**

(Stock Code : 0287)

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# CORPORATE INFORMATION

## **EXECUTIVE DIRECTORS**

Mr. Ng See Wah  
Mr. Ng Tai Wai  
Mr. Soo Cho Ling

## **NON-EXECUTIVE DIRECTORS**

Mr. Ng Tai Keung  
Mr. So Kwok Leung

## **INDEPENDENT NON-EXECUTIVE DIRECTORS**

Mr. Heng Kwoo Seng  
Mr. Ng Chi Yeung, Simon  
Ms. Chan Suit Fei, Esther

## **AUDITORS**

Wong Brothers & Co.  
Certified Public Accountants

## **SOLICITORS**

Allen & Overy  
Lo, Wong & Tsui

## **PRINCIPAL BANKERS**

The Hongkong and Shanghai Banking Corporation Limited  
DBS Bank (Hong Kong) Limited

## **COMPANY SECRETARY**

Mr. Lam Ping Kwan, Clement  
(Resigned on 12 July 2006)  
Ms. Miamoona Ma  
(Appointed on 12 July 2006)

## **QUALIFIED ACCOUNTANT**

Ms. Miamoona Ma

## **SHARE REGISTRAR**

Computershare Hong Kong Investor Services Limited  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

## **REGISTERED OFFICE**

5th Floor, Lee Kiu Building  
51 Jordan Road  
Kowloon

# DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Ng See Wah**, aged 76, is the chairman of the company. He is the co-founder of the group and has extensive experience in property development and investment. He is responsible for the development of the corporate policy and the overall management of the group. He is the father of Mr. Ng Tai Keung and Mr. Ng Tai Wai who are also directors of the company. In addition, he is a director and shareholder of Rheingold Holdings Limited, a company holding 3,370,500 shares of the company.

**Mr. Ng Tai Wai**, aged 45, was appointed on 2 November 1987 as director of the company. He is responsible for the general administration and financial management of the group. He is the son of Mr. Ng See Wah, chairman of the company. In addition, he is a director and shareholder of Rheingold Holdings Limited, a company holding 3,370,500 shares of the company.

**Mr. Soo Cho Ling**, aged 77, is one of the founders of the group and has extensive experience in property investment and securities dealing. He is the father of Mr. So Kwok Leung who is also a director of the company.

## NON-EXECUTIVE DIRECTORS

**Mr. Ng Tai Keung**, aged 49, was appointed on 28 October 1985 as director of the company. He has solid experience in fund management. He is the son of Mr. Ng See Wah, chairman of the company.

**Mr. So Kwok Leung**, aged 48, was appointed on 28 October 1985 as director of the company. In previous years, he was responsible for the sale of properties developed by the group. He is the son of Mr. Soo Cho Ling, director of the company.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Heng Kwoo Seng**, aged 58, is the managing partner of Morison Heng, Chartered Accountants and Certified Public Accountants. He is a fellow member of The Institute of Chartered Accountants in England & Wales, an associate member of The Hong Kong Institute of Certified Public Accountants. He is currently the Vice Chairman of The Hong Kong Hainan Commercial Association. He is an independent non-executive directors of various public companies, being Lee & Man Holding Limited, Lee & Man Paper Manufacturing Limited, China Fire Safety Enterprise Group Holdings Limited, Tack Fat Group International Limited, Soundwill Holdings Limited, SIM Technology Group Limited and Minth Group Limited. Mr. Heng is also the company secretary of AEON Stores (Hong Kong) Co., Limited and China Life Insurance Company Limited, which are listed on The Stock Exchange of Hong Kong Limited. He has been appointed as independent non-executive director of the company since 1 October 1995.

# DIRECTORS AND SENIOR MANAGEMENT

**Mr. Ng Chi Yeung, Simon**, aged 48, is qualified as a solicitor in Hong Kong, England and Wales, an advocate and solicitor in Singapore, and a barrister in the Australian Capital Territory. He is the solicitor of Rowland Chow, Chan & Co., a law firm in Hong Kong. He is also an independent non-executive director of two other publicly listed companies in Hong Kong, namely, Ngai Lik Industrial Holdings Limited and Kith Holdings Limited. Mr. Ng holds a bachelor degree from the Manchester Metropolitan University in the United Kingdom and a master degree in Chinese and Comparative Law. He has been appointed as independent non-executive director of the company since 1 October 1995.

**Ms. Chan Suit Fei, Esther**, aged 48, is an associate member of The Hong Kong Institute of Company Secretaries and holds a higher diploma in Company Secretary and Administration from The Hong Kong Polytechnic University. She is a chartered secretary and has over 20 years experience in corporate advisory services and secretarial practice. She is currently a director of a secretarial service company. She has been appointed as independent non-executive director of the company since 28 September 2004.

## COMPANY SECRETARY

**Mr. Lam Ping Kwan, Clement**, aged 70, was appointed as the company secretary of the company on 1 October 1994 and resigned on 12 July 2006. He was formerly an Assistant Registrar of the Registrar General's Department in Hong Kong. He is a partner of Charles Yeung Clement Lam Liu & Yip, Solicitors.

**Ms. Mimoona Ma**, aged 32, is appointed as the company secretary of the company on 12 July 2006. Ms. Ma is also the qualified accountant of the company.

## QUALIFIED ACCOUNTANT

**Ms. Mimoona Ma**, aged 32, has been appointed as the qualified accountant of the company since 1 October 2004. She is also appointed as the company secretary of the company on 12 July 2006. She holds a Bachelor Degree in Business Administration, and is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. She has a number of years of experience in auditing, taxation and accounting services. She is the Head of the Accounting Department and responsible for financial management and reporting, and reviewing the group's internal controls.

# CHAIRMAN'S STATEMENT

On behalf of the board, I am delighted to report the group's financial results and activities for the year ended 31 March 2006.

## RESULTS AND DIVIDENDS

For the year under review, the turnover of the group decreased by about HK\$7,249,661, or 26%, to HK\$20,337,326. The decrease was mainly due to the drop in the sales of share investments for short-term during the year. The group's profit for the year, however, increased from HK\$20,440,607 to HK\$32,967,667, representing an increase of about 61%. The increase in profit was mainly due to the increase in the write-back of provision for impairment loss on properties held for or under development by HK\$13,274,864. The adoption of the new accounting policies for the group's investment properties has also brought the group an additional profit of HK\$2,295,000 for the year, which arose from increase in the fair value of the group's investment properties.

In January 2006, an interim dividend of 2 cents per share was paid. The board now recommends a final dividend of 10 cents per share, absorbing a total of HK\$4,000,000. Subject to the approval by the shareholders, such dividend will be payable on 6 September 2006.

## REVIEW OF OPERATIONS

### Property development

The development project at Castle Peak Road is completed and the relevant occupancy permit was issued in June 2006. By reference to the open market value appraised by an independent surveyor, the group fully wrote back the provision for impairment loss on the project of HK\$17,405,000 during the year. At present, the group does not have other significant projects under development.

### Property investment

The revenue from the property leasing business was increased by HK\$3,236,779 (or 47%) to HK\$10,098,247. The increase was mainly due to the additional rental income from the commercial properties that were acquired in March 2005, and the improvement in the occupancy rate of the investment properties.

During the year under review, there was no change in the investment property portfolio of the group. As mentioned before, there were changes in the accounting policies for the group's investment properties following the issue of the new accounting standard, HKAS 40 "Investment Property" by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The group elects to apply HKAS 40 from 1 April 2005 onwards. As a result of the application of HKAS 40, the surplus on revaluation of the group's investment properties of HK\$2,295,000 for the year is recognised in the group's income statement. The revaluation surplus and the additional rental income from the afore-mentioned commercial properties have surged up the property leasing result by HK\$5,687,788 (134%) to HK\$9,922,039.

# CHAIRMAN'S STATEMENT

## **Share investments and dividend income**

The revenue and results of the securities investment business were decreased by HK\$10,486,440 (or 51%) and HK\$5,046,550 (or 38%) to HK\$10,239,079 and HK\$8,246,535 respectively. The decrease was mainly due to decrease in sales of share investments held for short-term during the year and the absence of write-back of provision for diminution in value of long-term investments as in the last year. To strengthen the group's liquidity position after the acquisition of the commercial properties in March 2005, the group sold certain long-term share investments and realized a profit of HK\$4,091,095 during the year.

On 1 April 2005, the group initially applied the new accounting standards HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial instruments: Recognition and Measurement" issued by the HKICPA, which have resulted in changes of the measurement basis of the group's share investments and their classification in the balance sheet. At 31 March 2006, the group's portfolios of long-term and short-term share investments had unrealized gain of HK\$15,411,507 and HK\$552,234 respectively, which were taken up to the equity and the profit or loss for the year respectively according to the new accounting standards. As at the balance sheet date, the group's share investments, holding for short-term and long-term purposes, had an aggregate fair value of HK\$80,314,975.

## **Liquidity and financial resources**

The group maintained a healthy gearing level of about 10%, which is taken as bank borrowings to total shareholders' equity. In May 2006, the group completed the sale of several parcels of agricultural land in Lau Fau Shan to a third party and the group's liquidity position is further strengthened. The management is confident that the group is able to maintain sound liquidity position to meet its future operating and project development expenditure, and loan repayment obligations.

## **PROSPECTS**

Recently, the Central Government has launched the Qualified Domestic Institutional Investors ("QDII") scheme to allow the mainland investors to invest in offshore markets via approved institutions. In the long-term, we believe that QDII will have favourable stimulus to the Hong Kong securities market. Benefited from the continual economic growth, we foresee that there will be a slightly increase in commercial property rentals which is favourable to our property leasing business. Regarding the property development project at Castle Peak Road, we expect that it will generate contribution to the group's results in the coming financial year. While seeking for increasing the shareholders' wealth, the group will closely monitor the performance of its assets portfolio and cautiously evaluate the risk and return associated with each investment opportunity.

# CHAIRMAN'S STATEMENT

## **APPRECIATION**

Taking this opportunity, I would like to extend my deepest gratitude to our company secretary, Mr. Lam Ping Kwan, Clement, for his dedication to the group in the past 12 years. Also, I appreciate the support and co-operation of my fellow directors and staff of the group and thank them for their dedicated services and contribution.

**Ng See Wah**

*Chairman*

Hong Kong, 12 July 2006

# CORPORATE GOVERNANCE REPORT

The company is committed to maintaining highest standards of corporate governance practice emphasizing transparency, independence and accountability. The board believes that good corporate governance practice better safeguards the assets and protects the interests of the shareholders of the company.

The company has devised and adopted its own code of practice which essentially follows all Code Provisions and the relevant Recommended Best Practices under the Code on Corporate Governance Practices ("the Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except the deviations described below.

## **CORPORATE GOVERNANCE PRACTICE**

Save for the exceptions below, the company has complied with all the Code Provisions set out in the Code throughout the year ended 31 March 2006:

1. The group has not designated any chief executive officer. In normal practice, prior approvals by all executive directors are required for all strategic decisions and are confirmed in formal board meeting or under written resolutions subsequently. The group believes that the existing organization and decision making procedures are adequate for the group to cope with the ever-changing economic environment;
2. The non-executive and independent non-executive directors of the company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the company;
3. Directors appointed to fill casual vacancy are not subject to election by shareholders at the first general meeting after their appointment. They will hold office until the next annual general meeting in which they are eligible for re-election;
4. Formal procedures for directors to seek independent professional advice had not been adopted by the company until 16 December 2005; and
5. The company has arranged to make available the terms of reference of Audit Committee and Remuneration Committee on request. However, the terms are not provided on website as the company does not have its own corporate website.

# CORPORATE GOVERNANCE REPORT

## **DIRECTORS' SECURITIES TRANSACTIONS**

The company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. After having made specific enquiry of all directors, the directors of the company have complied with the required standard set out in the Model Code.

## **BOARD OF DIRECTORS**

As at 31 March 2006, the board comprised eight directors, including three executive directors (one of them is chairman of the board), two non-executive directors and three independent non-executive directors. Biographical details of the directors are set out in the section "Directors and Senior Management" on pages 3 to 4.

The board is responsible for formulation of the group's strategy, overseeing the management of the business and affairs of the company. The board has delegated the following responsibilities to the management which is under the leadership of the three executive directors. These responsibilities include implementation of the decisions of the board; supervision and monitoring of the daily operation; monitoring and safeguarding the group's assets, and making recommendations for the group's development. As company's normal practice, prior approvals by all three executive directors are required for all strategic decisions such as acquisition and disposal of the group's assets. The major decisions are then confirmed in formal board meetings or under written resolutions. The management reports to the board their work and business decision in regular meetings. The key and important decisions including approval of interim and annual results, directors' report, corporate governance report, dividend policy and nomination of directors are fully discussed at board meetings. Other issues reserved to the full board for decision includes any matters involving a conflict of interest for a substantial shareholder or director, major transactions involving acquisition or disposals of assets, investment and capital projects, treasury policies, risk management policies and key human resources issues.

More than one-third of the board members are independent non-executive directors and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise.

The board held four full board meetings during the year with 100% attendance rate.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS *(Continued)*

The number of full board meetings and committee meetings attended by each director during the year is set out in the following table:

	Scheduled board meetings	Audit committee meetings	Remuneration committee meetings
<b>Executive directors</b>			
Mr. Ng See Wah <i>(i)</i>	4/4	N/A	N/A
Mr. Ng Tai Wai	4/4	N/A	2/2
Mr. Soo Cho Ling	4/4	N/A	N/A
<b>Non-executive directors</b>			
Mr. Ng Tai Keung	4/4	2/2	N/A
Mr. So Kwok Leung	4/4	N/A	N/A
<b>Independent non-executive directors</b>			
Mr. Heng Kwoo Seng <i>(ii)</i>	4/4	2/2	2/2
Mr. Ng Chi Yeung, Simon <i>(iii)</i>	4/4	2/2	2/2
Ms. Chan Suit Fei, Esther	4/4	N/A	2/2

*(i)* Chairman of the board

*(ii)* Chairman of audit committee

*(iii)* Chairman of remuneration committee

*(iv)* 4/4 denotes attendance of 4 out of total of 4 meetings

*(v)* N/A — not applicable

Regarding the full board meetings, the directors received at least 14 days prior written notice of the meeting and an agenda with supporting papers no less than 3 days prior to the meeting. With respect to other adhoc meetings, the directors will be given as much notice as is reasonable and practicable in the circumstances. The company secretary and the qualified accountant attended all the full board meetings to report matters arising from corporate governance, statutory compliance, accounting and finance.

# CORPORATE GOVERNANCE REPORT

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

Mr. Ng See Wah is the chairman of the board and none of directors is designated as chief executive officer.

The chairman directed the company secretary to draw up the agenda for each board meeting. With the assistance of the directors, the company secretary and the qualified accountant, the chairman ensured that all directors were properly briefed on the issues discussed at the board meetings and all directors received adequate, complete and reliable information in a timely manner.

The role of chief executive officer was jointly performed by the three executive directors. The responsibilities include: providing leadership of the management; implementing and reporting to the board on the company's strategy; monitoring the performance of day-to-day management; establishing, maintaining and periodically reviewing proper internal controls, disclosures and procedures; and discharging the duties delegated by the board.

## **NON-EXECUTIVE DIRECTORS**

The non-executive and independent non-executive directors of the company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the company.

## **REMUNERATION COMMITTEE**

The remuneration committee, consisting of three independent non-executive directors and one executive director, has been established since 15 December 2004. The committee shall review the remuneration package of the executive directors, non-executive directors and senior management, and make appropriate recommendations to the board. Remuneration payable to directors of the company for the year was determined on mutual agreement basis. Staff remuneration is determined by the group's management by reference to their qualification, work experience and performance.

The chairman of the remuneration committee is Mr. Ng Chi Yeung, Simon and the committee members are Mr. Heng Kwoo Seng, Mr. Ng Tai Wai and Ms. Chan Suit Fei, Esther.

During the year, two meetings of the committee were held with 100% attendance rate. Individual attendance of member is shown page on 10 in the section "Board of directors". The committee suggested the company to set up a retirement policy, and the matter will be further discussed in the coming board meetings.

# CORPORATE GOVERNANCE REPORT

## NOMINATION OF DIRECTORS

No nomination committee has been set up, and hence the nomination and selection processes are performed by the board.

New appointment of directors is first considered by any one of the directors. His/her recommendations are then put to the board for decision. Thereafter, all newly appointed directors are subject to election by shareholders at the annual general meeting in their first year of appointment.

At each annual general meeting, one-third of the directors (if the number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation and offer themselves for re-election.

In considering the new appointment or re-appointment of directors, the board will base its decision on criteria such as integrity, independence, experience, skill and the ability to commit time and effort to carry out his/her duties and responsibilities, etc.

During the year, the issue of rotation of directors was considered in one of the regular board meetings with 100% attendance rate. Attendance of individual member is shown on page 10 in the section "Board of directors". The board reviewed the adequacy of the size and composition of the board and conducted an annual review of the independence of the independent non-executive directors. The board received the independence confirmation from all independent non-executive directors.

## AUDITORS' REMUNERATION

An analysis of remuneration in respect of audit and non-audit services provided by the auditors during the year ended 31 March 2006 is as follows:

	<i>HK\$</i>
Audit fee	128,000
Taxation service fee	30,000
Review of interim accounts	<u>26,000</u>
Total	<u><u>184,000</u></u>

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE

The audit committee consists of two independent non-executive directors and one non-executive director. The terms of reference of the audit committee align with the Code Provisions set out in the Code.

The chairman of the audit committee is Mr. Heng Kwoo Seng and the committee members are Mr. Ng Tai Keung and Mr. Ng Chi Yeung, Simon.

During the year, two meetings were held with 100% attendance rate. Attendance of individual member is shown on page 10 in the section "Board of directors".

The work performed by the audit committee during the year included the following:

- review of and discussion with the management the accounting principles and practices adopted by the group and other financial reporting matters;
- review of the annual report and interim report for the completeness, accuracy and truth and fairness of the financial statements of the group;
- review of the results of external audit and discussion with the external auditors on any significant audit findings and issues;
- discussion of the effectiveness of the system of internal controls of the group.

## ACCOUNTABILITY

The directors acknowledge their responsibility for preparing the financial statements of the company which give a true and fair view. The directors consider that the financial statements have been prepared in conformity with the generally accepted accounting standards in Hong Kong, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgement of the board and management with an appropriate consideration of materiality.

The directors, having made appropriate enquires, are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the company's ability to continue as going concern. Accordingly, the directors have prepared the financial statements of the company on a going concern basis.

The board has conducted a review of the effectiveness of the system of internal controls, including financial, operational and compliance controls and risk management functions.

# DIRECTORS' REPORT

The directors have pleasure in submitting their report and the audited financial statements of the company and of the group for the year ended 31 March 2006.

## PRINCIPAL ACTIVITIES

The principal activities of the company and its subsidiaries are property and share investments, property development and securities dealing. There were no significant changes in the nature of the activities during the year.

An analysis of the group's performance for the year by business segments is set out in note 6 to the financial statements.

## FINANCIAL STATEMENTS

The results of the group for the year ended 31 March 2006 and the state of affairs of the company and of the group at that date are set out in the financial statements on pages 20 to 61.

## DIVIDENDS

An interim dividend of HK\$0.02 per share totalling HK\$800,000 was paid during the year.

The directors now recommend that a final dividend of HK\$0.1 per share on 40,000,000 shares in issue totalling HK\$4,000,000 be payable in respect of the year ended 31 March 2006.

## NON-CURRENT ASSETS

The movements in property, plant and equipment and investment properties during the year are set out in notes 13 and 14 to the financial statements respectively.

## BANK BORROWINGS

An analysis of the group's bank borrowings is set out in note 21 to the financial statements.

## RESERVES

The movements in reserves of the group and the company during the year are set out in note 25 to the financial statements.

## SUBSIDIARIES

The particulars of the subsidiaries of the company as at 31 March 2006 are set out in note 17 to the financial statements.

# DIRECTORS' REPORT

## **DIRECTORS**

The directors who held office during the year and up to the date of this report are:

### **Executive directors:**

Ng See Wah  
Ng Tai Wai  
Soo Cho Ling

### **Non-executive directors:**

Ng Tai Keung  
So Kwok Leung

### **Independent non-executive directors:**

Heng Kwo Seng  
Ng Chi Yeung, Simon  
Chan Suit Fei, Esther

In accordance with articles 110 and 111 of the company's articles of association, Mr. Ng Chi Yeung Simon, Mr. Ng Tai Keung and Mr. So Kwok Leung retire by rotation and, being eligible, offer themselves for re-election.

The company has received confirmation from each of the independent non-executive directors as regards their independence to the company for the year and considers that each of the independent non-executive directors is independent to the company.

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2006, the interests and short positions of the directors of the company in the shares, underlying shares and debentures of the company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the directors had taken or deemed to have under the 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 as otherwise notified to the company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

	Number of shares held				Total
	Personal interests	Family interests	Corporate interests	Other interests	
<i>Executive directors:</i>					
Ng See Wah	7,941,423	910,000	3,370,500*	—	12,221,923
Ng Tai Wai	3,899,077	—	3,370,500*	—	7,269,577
Soo Cho Ling	5,008,423	250,000	—	—	5,258,423
<i>Non-executive directors:</i>					
Ng Tai Keung	259,000	—	—	—	259,000
So Kwok Leung	5,961,077	—	—	—	5,961,077
<i>Independent non-executive directors:</i>					
Heng Kwoo Seng	—	—	—	—	—
Ng Chi Yeung, Simon	—	—	—	—	—
Chan Suit Fei, Esther	—	—	—	—	—

\* 3,370,500 shares attributable to Mr. Ng See Wah and Mr. Ng Tai Wai were held by Rheingold Holdings Limited, a company beneficially owned by Mr. Ng See Wah and Mr. Ng Tai Wai.

Save as disclosed above and other than certain nominee shares in subsidiaries held by the directors in trust for the company, none of the directors or their associates had any interests or short positions in any shares, underlying shares or debentures of the company or any of its associated corporations.

None of the directors, their spouses or their children under the age of 18 had any right to subscribe for the shares of the company.

# DIRECTORS' REPORT

## **DIRECTORS' INTERESTS IN CONTRACTS**

None of the directors had whether directly or indirectly any interest in significant contracts with the company or its subsidiaries during or at the end of the year.

None of the directors had any arrangement with the company or its subsidiaries to enable them to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate during or at the end of the year.

## **MANAGEMENT CONTRACTS**

None of the directors proposed for re-election at the forthcoming annual general meeting has any unexpired service contract with the company which is not determinable within one year without payment of compensation, other than statutory compensation.

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 or at the end of the year.

## **SUBSTANTIAL SHAREHOLDERS**

As at 31 March 2006, no person, other than certain directors of the company, had notifiable interest or short position in the shares or underlying shares of the company as recorded in the register maintained pursuant to section 336 of the SFO.

## **SHARE PURCHASE, SALE OR REDEMPTION**

Neither the company nor any of its subsidiaries purchased, sold or redeemed any of the company's issued shares during the year under review.

## **MAJOR CUSTOMERS AND SUPPLIERS**

In relation to the group's property leasing business, the percentages of gross rental income for the year ended 31 March 2006 attributable to the largest tenant and the five largest tenants in aggregate were 31% and 68% respectively.

None of the directors, their associates or any shareholders (who to the knowledge of the directors own more than 5% of the company's issued capital) had any beneficial interests in the group's five largest tenants.

The group had no significant purchases during the year.

## **RETIREMENT SCHEME**

Particular of the retirement scheme is set out in note 4.13 to the financial statements.

# DIRECTORS' REPORT

## **PUBLIC FLOAT**

Based on the information that is publicly available and to the best of the knowledge of the directors, as at the date of this 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 company's auditors, Messrs. Wong Brothers & Co., Certified Public Accountants, have acted as the company's auditors for the preceding three years. A resolution for their re-appointment will be proposed at the forthcoming annual general meeting.

On behalf of the board

**Ng See Wah**

*Chairman*

Hong Kong, 12 July 2006

# AUDITORS' REPORT

## **Auditors' Report to the Shareholders of**

### **WINFAIR INVESTMENT COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

We have audited the financial statements on pages 20 to 61 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 141 of the Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **BASIS OF OPINION**

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

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

### **OPINION**

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

### **Wong Brothers & Co.**

*Certified Public Accountants*

Hong Kong, 12 July 2006

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2006

	Notes	The group	
		2006 HK\$	2005 HK\$
Turnover	7	20,337,326	27,586,987
Other revenue		264,809	67,371
Administrative and general expenses		(4,555,537)	(4,780,542)
Carrying amount of financial assets at fair value through profit or loss/trading securities sold		(5,192,500)	(15,440,774)
Gain on disposal of investment securities		—	2,455,077
Gain on disposal of other securities		—	80,480
Gain on disposal of available-for-sale financial assets		4,091,095	—
Provision for diminution in value of investment securities written back		—	7,052,809
Net unrealised holding losses on trading and other securities		—	(17,411)
Fair value gain on financial assets at fair value through profit or loss		552,234	—
Provision for impairment loss on properties held for or under development written back		17,405,000	4,130,136
Fair value gain on investment properties		2,295,000	—
Finance cost		(1,116,062)	(17,606)
<b>Profit before taxation</b>	8	<b>34,081,365</b>	<b>21,116,527</b>
Taxation	11	(1,113,698)	(675,920)
<b>Profit after taxation attributable to the equity holders of parent</b>		<b>32,967,667</b>	<b>20,440,607</b>
<b>Earnings per share</b>	12	<b>0.82</b>	<b>0.51</b>

# CONSOLIDATED BALANCE SHEET

As at 31 March 2006

	Notes	2006		2005 (Restated)	
		HK\$	HK\$	HK\$	HK\$
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13		1,066,273		120,270,129
Investment properties	14		121,445,000		—
Leasehold land	15		1,611,761		1,649,244
Properties held for or under development	16		9,200,000		51,212,972
Investment securities — equity shares listed in Hong Kong			—		55,761,244
Other securities — equity shares listed in Hong Kong			—		998,200
Available-for-sale financial assets — equity shares listed in Hong Kong			76,933,350		—
			<u>210,256,384</u>		<u>229,891,789</u>
<b>Current assets</b>					
Trading securities — equity shares listed in Hong Kong			—	2,416,500	—
Financial assets at fair value through profit or loss — equity shares listed in Hong Kong			3,381,625	—	—
Properties under development	16		63,705,272	—	—
Stock of land interests			2,536,678	2,536,678	—
Trade and other receivables	18		1,486,755	1,544,314	—
Tax recoverable			32,247	98,247	—
Cash and bank balances	19		15,119,267	7,919,903	14,515,642
			<u>86,261,844</u>	<u>7,919,903</u>	<u>14,515,642</u>
<b>Current liabilities</b>					
Trade and other payables	20		5,408,455	5,101,757	—
Tax payable			97,955	54,999	—
Bank borrowings — secured	21		2,800,000	2,800,000	—
Provision for long service payments	22		2,093,000	2,086,200	(10,042,956)
			<u>(10,399,410)</u>	<u>2,086,200</u>	<u>(10,042,956)</u>
<b>Net current assets</b>			<u>75,862,434</u>		<u>4,472,686</u>
<b>Total assets less current liabilities</b>			<u>286,118,818</u>		<u>234,364,475</u>
<b>Non-current liabilities</b>					
Bank borrowings — secured	21		22,400,000	25,200,000	—
Deferred taxation	23		7,167,282	6,831,629	(32,031,629)
			<u>(29,567,282)</u>	<u>6,831,629</u>	<u>(32,031,629)</u>
<b>NET ASSETS</b>			<u>256,551,536</u>		<u>202,332,846</u>

# CONSOLIDATED BALANCE SHEET

As at 31 March 2006

	Notes	2006		2005 (Restated)	
		HK\$	HK\$	HK\$	HK\$
<b>CAPITAL AND RESERVES</b>					
Share capital	24		40,000,000		40,000,000
Reserves	25		212,551,536		158,732,846
Proposed dividend			<u>4,000,000</u>		<u>3,600,000</u>
			<u>256,551,536</u>		<u>202,332,846</u>

Approved by the board of directors on 12 July 2006

**Ng See Wah**  
Director

**Soo Cho Ling**  
Director

# BALANCE SHEET

As at 31 March 2006

	Notes	2006		2005	
		HK\$	HK\$	HK\$	HK\$
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13		24,024		2,257,549
Investment properties	14		2,260,000		—
Interest in subsidiaries	17		153,064,425		122,293,739
			<u>155,348,449</u>		<u>124,551,288</u>
<b>Current assets</b>					
Trading securities — equity shares listed in Hong Kong			—	2,416,500	
Financial assets at fair value through profit or loss — equity shares listed in Hong Kong		3,381,625		—	
Stock of land interests		2,536,678		2,536,678	
Trade and other receivables	18	139,404		126,752	
Cash at banks	19	8,949,704	15,007,411	7,749,528	12,829,458
<b>Current liabilities</b>					
Trade and other payables	20	1,232,181		1,229,063	
Provision for long service payments	22	947,300	(2,179,481)	939,000	(2,168,063)
<b>Net current assets</b>			<u>12,827,930</u>		<u>10,661,395</u>
<b>NET ASSETS</b>			<u>168,176,379</u>		<u>135,212,683</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	24		40,000,000		40,000,000
Reserves	25		124,176,379		91,612,683
Proposed dividend			4,000,000		3,600,000
			<u>168,176,379</u>		<u>135,212,683</u>

Approved by the board of directors on 12 July 2006

**Ng See Wah**  
Director

**Soo Cho Ling**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2006

	Notes	2006 HK\$	2005 HK\$
<b>At the end of the previous year</b>			
Previously reported		208,773,287	194,005,095
Prior year adjustment on adopting HKAS-Int 21	3(d)	<u>(6,440,441)</u>	<u>(6,595,330)</u>
Restated		202,332,846	187,409,765
Opening adjustments on adoption of HKAS 32 and 39	3(a)	<u>13,354,566</u>	<u>—</u>
<b>At the beginning of the year</b>		215,687,412	187,409,765
Revaluation deficit of investment properties, net of related deferred tax recognised in equity (restated)		—	(1,117,526)
Increase in fair value of available-for-sale financial assets recognised in equity		15,411,507	—
Transfer to income statement upon disposal of available-for-sale financial assets		(3,115,050)	—
Net profit for the year		32,967,667	20,440,607
Dividends paid		<u>(4,400,000)</u>	<u>(4,400,000)</u>
<b>At the end of the year</b>		<u><u>256,551,536</u></u>	<u><u>202,332,846</u></u>

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2006

	2006 HK\$	2005 HK\$
<b>Operating activities</b>		
Profit before taxation	34,081,365	21,116,527
Adjustments for:		
Loss on disposal of property, plant and equipment	11,057	1,758
Gain on disposal of investment securities	—	(2,455,077)
Gain on disposal of other securities	—	(80,480)
Gain on disposal of available-for-sale financial assets	(4,091,095)	—
Provision for diminution in value of investment securities written back	—	(7,052,809)
Net unrealised holding losses on trading and other securities	—	17,411
Fair value gain on financial assets at fair value through profit or loss	(552,234)	—
Holding gains on trading securities realised	—	1,581,483
Provision for impairment loss on properties held for or under development written back	(17,405,000)	(4,130,136)
Fair value gain on investment properties	(2,295,000)	—
Interest income	(261,194)	(67,371)
Interest expense	1,116,062	17,606
Provision for long service payments	6,800	68,200
Depreciation	56,348	82,276
Amortisation of leasehold land	37,483	37,483
	<hr/>	<hr/>
Operating profit before working capital changes	10,704,592	9,136,871
Decrease in trading securities	—	4,248,986
Increase in financial assets at fair value through profit or loss	(412,891)	—
Decrease in trade and other receivables	57,559	581,027
Increase in trade and other payables	306,698	2,118,090
	<hr/>	<hr/>
Cash generated from operations	10,655,958	16,084,974
Profits tax paid	(669,089)	(581,789)
	<hr/>	<hr/>
<b>Net cash generated from operating activities</b>	<b>9,986,869</b>	<b>15,503,185</b>

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2006

	2006 HK\$	2005 HK\$
<b>Investing activities</b>		
Purchase of property, plant and equipment	(13,549)	(50,944,175)
Increase in properties held for or under development	(4,287,300)	(12,363,440)
Purchase of investment and other securities	—	(3,147,639)
Purchase of available-for-sale financial assets	(1,516,223)	—
Proceeds from disposal of investment and other securities	—	9,271,746
Proceeds from disposal of available-for-sale financial assets	11,084,435	—
Interest received	261,194	67,371
	<u>5,528,557</u>	<u>(57,116,137)</u>
<b>Financing activities</b>		
New bank borrowings obtained	—	28,000,000
Repayment of bank borrowings	(2,800,000)	—
Dividends paid	(4,400,000)	(4,400,000)
Interest paid	(1,116,062)	(17,606)
	<u>(8,316,062)</u>	<u>23,582,394</u>
<b>Net cash (used in)/generated from investing activities</b>	<u>5,528,557</u>	<u>(57,116,137)</u>
<b>Net cash (used in)/generated from financing activities</b>	<u>(8,316,062)</u>	<u>23,582,394</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u>7,199,364</u>	<u>(18,030,558)</u>
Cash and cash equivalents at beginning of year	<u>7,919,903</u>	<u>25,950,461</u>
<b>Cash and cash equivalents at end of year, representing cash and bank balances</b>	<u><u>15,119,267</u></u>	<u><u>7,919,903</u></u>

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 1. GENERAL INFORMATION

The principal activities of the company are property and share investments, property development and securities dealings. The principal activities of the subsidiaries are set out in note 17 to the financial statements.

## 2. BASIS OF PREPARATION

The financial statements have been prepared on the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss, and in accordance with the Hong Kong Financial Reporting Standards ("HKFRS"), which includes Hong Kong Accounting Standards ("HKAS") and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the Hong Kong Companies Ordinance, and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## 3. ADOPTION OF NEW AND REVISED HKFRS

The accounting policies adopted for the preparation of the current year's financial statements are consistent with those set out in the group's annual financial statements for the year ended 31 March 2005 except that the group has changed certain accounting policies following the adoption of the new and revised HKFRS, HKAS and the applicable interpretations, including Hong Kong (SIC) Interpretations ("HKAS-Int"), on 1 April 2005.

The major changes to the accounting policies which are relevant to the group's operations are summarised as follows:

### (a) Share investments

In prior years, share investments, other than the investments in subsidiaries, held on continuing basis for an identified long-term purpose were classified as investment securities in the balance sheet and stated at cost less provision for diminution in value unless there is evidence that the decline in value is temporary. Other share investments were classified as trading securities or other securities, as appropriate, and stated at fair value. Changes in fair value of such securities were recognised in the profit or loss.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 3. ADOPTION OF NEW AND REVISED HKFRS *(Continued)*

### (a) Share investments *(Continued)*

The adoption of HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement" has resulted in a change of the accounting policy for the group's share investments. For investment securities and other securities, they are re-classified as "available-for-sale financial assets" in the balance sheet and carried at fair value. Changes in fair value of these securities are recognised in the equity. When the securities are sold, the cumulative gain or loss previously recognised in equity is recognised in the profit or loss in the period of disposal. For trading securities, they are re-classified as "financial assets at fair value through profit or loss" and stated at fair value as before.

In accordance with the transitional provisions under HKAS 39, the group applied HKAS 39 from 1 April 2005 onwards and adjustment is made to the relevant opening balances as at 1 April 2005. The effects on the financial statements of the group on adopting HKAS 39 are set out in note 3.1 below.

### (b) Leases

In prior years, owner-occupied property was classified under property, plant and equipment in the balance sheet and depreciation was made on a straight-line basis over the expected useful life of the property at an annual rate of 2.5%.

Pursuant to the requirements of HKAS 17 "Leases", the group has split the owner-occupied property into the land portion and building portion based on their fair value at inception and the leases of land and buildings are accounted for separately. The lease of land is accounted for as operating lease, with the up-front payment of lease premium amortised over the period of the lease and the unamortised lease premium on the balance sheet re-classified as "leasehold land". Whereas the lease of buildings is accounted for as finance lease and the cost of the buildings is depreciated over the expected useful life of the buildings on a straight line basis at an annual rate of 2.5%.

The new accounting policy for owner-occupied property is applied retrospectively and comparative figures have been restated accordingly. There was no material adjustment required to the net assets of the group as at 31 March 2005 or the group's results for the periods prior to that date. The effects on the financial statements of the group on adopting HKAS 17 are set out in note 3.1 below.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 3. ADOPTION OF NEW AND REVISED HKFRS *(Continued)*

### (c) Investment properties

In prior years, changes in fair value of investment properties were recognised in the investment property revaluation reserve unless the balance of this reserve was insufficient to cover a deficit, in which case the excess of the deficit over the balance of the investment property revaluation reserve was charged to the income statement. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment property revaluation reserve was transferred to the profit or loss.

Following the adoption of HKAS 40 "Investment Property", changes in the fair value of investment properties are recognised in the profit or loss. Gains or losses on retirement or disposal of investment property are determined as the difference between the net disposal proceeds and its carrying amount and recognised in the profit or loss in the period of retirement or disposal.

In accordance with the transitional provisions under HKAS 40, the group elects to apply HKAS 40 from 1 April 2005 onwards. Adjustments are made to the relevant opening balances as at 1 April 2005. The effects on the financial statements of the group on adopting HKAS 40 are set out in note 3.1 below.

### (d) Deferred tax

In prior years, deferred tax on changes of fair value of investment properties was recognised on the basis that the recovery of the carrying amount was through sale and was calculated at the tax rate applicable on sale.

Following the adoption of HKAS-Int 21 "Income Taxes — Recovery of Revalued Non-Depreciable Assets", the deferred tax arising from revaluation of the investment properties is recognised on the basis that the recovery of the carrying amount of the properties would be through use and calculated at the profits tax rate.

The change in the accounting policy for deferred tax has been applied retrospectively and comparative figures are restated accordingly. The effects on the group's financial statements on adopting HKAS-Int 21 are set out in note 3.1 below.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 3. ADOPTION OF NEW AND REVISED HKFRS (Continued)

### 3.1 Effects of adoption of new and revised HKFRS

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

#### (a) On consolidated results for the year

		The group	
	Notes	2006 HK\$	2005 HK\$
Increase in amortisation expense in respect of leasehold land	3(b)	37,483	37,483
Decrease in depreciation on property, plant and equipment	3(b)	(37,483)	(37,483)
Fair value gain on investment properties less related deferred tax	3(c)	1,893,375	—
		<u>1,893,375</u>	<u>—</u>

#### (b) On consolidated net assets at balance sheet date

		The group	
	Notes	2006 HK\$	2005 HK\$
Increase in net assets on taking up the increase in fair value of available-for-sale financial assets	3(a)	15,411,507	—
Decrease in net assets on taking up deferred tax arising from revaluation of investment properties	3(d)	(543,386)	(6,440,441)
		<u>14,868,121</u>	<u>(6,440,441)</u>

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 3. ADOPTION OF NEW AND REVISED HKFRS (Continued)

### 3.1 Effects of adoption of new and revised HKFRS (Continued)

#### (c) On consolidated balance sheet items and net assets at 31 March 2005 and 1 April 2005

	As at	Effects of adjustments		As at	Effects of opening		As at
	31 March 2005 (previously reported)	on adopting		31 March 2005 (restated)	adjustments on adopting		1 April 2005
	HK\$	HKAS 17 (Note 3b)	-Int 21 (Note 3d)	HK\$	HKAS 39 (Note 3a)	HKAS 40 (Note 3c)	HK\$
<b>Non-current assets</b>							
Property, plant and equipment							
— Leasehold properties	2,537,298	(2,537,298)		—			—
— Leasehold buildings	—	888,054		888,054			888,054
— Leasehold improvement	171,310			171,310			171,310
— Furniture, fixtures and equipment	60,765			60,765			60,765
— Investment properties	119,150,000			119,150,000	(119,150,000)		—
<b>Sub-total</b>	<b>121,919,373</b>	<b>(1,649,244)</b>		<b>120,270,129</b>	<b>(119,150,000)</b>		<b>1,120,129</b>
Investment properties	—			—	119,150,000		119,150,000
Leasehold land	—	1,649,244		1,649,244			1,649,244
Investment securities	55,761,244			55,761,244	(55,761,244)		—
Other securities	998,200			998,200	(998,200)		—
Available-for-sale financial assets	—			—	70,114,010		70,114,010
Properties held for or under development	51,212,972			51,212,972			51,212,972
<b>Current assets</b>							
Trading securities	2,416,500			2,416,500	(2,416,500)		—
Financial assets at fair value through profit or loss	—			—	2,416,500		2,416,500
Others	12,099,142			12,099,142			12,099,142
<b>Current liabilities</b>	<b>(10,042,956)</b>			<b>(10,042,956)</b>			<b>(10,042,956)</b>
<b>Non-current liabilities</b>							
Deferred taxation	(391,188)		(6,440,441)	(6,831,629)			(6,831,629)
Others	(25,200,000)			(25,200,000)			(25,200,000)
<b>Net assets</b>	<b>208,773,287</b>			<b>202,332,846</b>			<b>215,687,412</b>

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 3. ADOPTION OF NEW AND REVISED HKFRS (Continued)

### 3.1 Effects of adoption of new and revised HKFRS (Continued)

#### (c) On consolidated balance sheet items and net assets at 31 March 2005 and 1 April 2005 (Continued)

	As at	Effects of adjustments		As at	Effects of opening		As at
	31 March 2005 (previously reported) HK\$	on adopting HKAS 17 HK\$ (Note 3b)	HKAS 31 -Int 21 HK\$ (Note 3d)	31 March 2005 (restated) HK\$	adjustments on adopting HKAS 39 HK\$ (Note 3a)	HKAS 40 HK\$ (Note 3c)	1 April 2005 HK\$
<b>Capital and reserves</b>							
Share capital	40,000,000			40,000,000			40,000,000
Capital reserve	251,046			251,046			251,046
Investment property revaluation reserve	28,186,983		(6,440,441)	21,746,542	(21,746,542)		—
Retained profits	136,735,258			136,735,258	13,354,566	21,746,542	171,836,366
Proposed dividend	3,600,000			3,600,000			3,600,000
	<u>208,773,287</u>			<u>202,332,846</u>			<u>215,687,412</u>

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 3. ADOPTION OF NEW AND REVISED HKFRS (Continued)

### 3.2 Standards, interpretations and amendment not effective

The HKICPA has issued the following new standards, interpretations and amendments which are not effective for the group's and the company's financial statements for the year ended 31 March 2006:

Accounting/financial reporting standards		Effective for accounting period beginning on or after
HKAS 1 Amendment	Capital Disclosures	1 January 2007
HKAS 19 Amendment	Employee Benefits — Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2006
HKAS 21 Amendment	The Effects of Changes in Foreign Exchange Rates — Net Investment in a Foreign Operation	1 January 2006
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions	1 January 2006
HKAS 39 Amendment	The Fair Value Option	1 January 2006
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement and Insurance Contracts — Financial Guarantee Contracts	1 January 2006
HKFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2006
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HKAS 1 (Revised 11/05)	Presentation of Financial Statements	1 January 2006
HKAS 27 (Revised 11/05)	Consolidated and Separate Financial Statements	1 January 2006
HKFRS 3 (Revised 11/05)	Business Combinations	1 January 2006
<b>Interpretations</b>		
HKFRS-Int 4	Determining whether an Arrangement contains a Lease	1 January 2006
HKFRS-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2006
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment	1 December 2005
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies	1 March 2006
HK(IFRIC)-Int 8	Scope of HKFRS 2	1 May 2006
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives	1 June 2006

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 3. ADOPTION OF NEW AND REVISED HKFRS *(Continued)*

### 3.2 Standards, interpretations and amendment not effective *(Continued)*

The group and the company have not early adopted the above standards, interpretations and amendments in the financial statements for the year ended 31 March 2006. The group has already commenced an assessment of the related impact to the group but is not yet in a position to state whether any substantial changes to group's accounting policies and presentation of the financial statements will be resulted.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Basis of consolidation

The consolidated financial statements include the financial statements of the company and all subsidiaries made up to 31 March. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective date of acquisition or disposal respectively.

All significant intra-group transactions and balances have been eliminated on consolidation.

### 4.2 Subsidiaries

A subsidiary is a company in which the company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities. Investments in subsidiaries are carried at cost less impairment loss where appropriate.

### 4.3 Property, plant and equipment

Property, plant and equipment are stated at cost less aggregate depreciation and impairment losses where appropriate. The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the assets. When assets are sold or retired, their cost and aggregate depreciation/impairment losses are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 4.3 Property, plant and equipment *(Continued)*

Depreciation is provided to write off the cost less residual value of each property, plant and equipment, over its expected useful life at the following annual rates and methods:

Leasehold buildings	—	2.5% straight-line basis
Leasehold improvement	—	10% reducing balance method
Furniture, fixtures and equipment	—	10% reducing balance method

### 4.4 Investment properties

Investment properties are land and/or buildings which are owned or held under leasehold interest to earn rental income and/or for capital appreciation, and stated at fair values. Gains or losses arising from changes in the fair values are taken to the income statement. All property interests held under operating leases, which would otherwise meet the definition of investment properties, are classified and accounted for as investment properties.

Gain or loss on retirement or disposal of an investment property is determined as the difference between the net disposal proceeds and the carrying amount, and is recognised in the income statement in the period of retirement or disposal.

### 4.5 Leasehold land

Leasehold land represents the up-front payments to acquire long-term interests in lessee occupied properties. The land is stated at cost less amortisation and impairment loss, if any. Amortisation is calculated on the cost of the land over the term of the lease on a straight-line basis.

### 4.6 Properties held for or under development

Properties held for or under development are stated at cost less impairment loss where appropriate. Cost comprises land cost, development costs and other direct costs incurred during the development period.

### 4.7 Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- Investment in subsidiaries
- Property, plant and equipment
- Leasehold land
- Properties held for or under development

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 4.7 Impairment of assets *(Continued)*

If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its net selling price and value in use. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment loss is reversed if there has been a change in the estimates resulting in an increase of the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

### 4.8 Available-for-sale financial assets

Available-for-sale financial assets are share investments, other than investment in subsidiaries, held for long-term or designated as such on initial acquisition. They are initially measured at fair value plus transaction costs, and thereafter at each balance sheet date the fair value is re-measured. Changes in the fair value are recognised in the equity. When the share investments are sold, the cumulative gain or loss previously recognised in equity is recognised in the profit or loss in the period of disposal.

The group assesses at each balance sheet date whether there is objective evidence that the available-for-sale financial assets are impaired. A significant or prolonged decline in the fair value of the shares below its cost is considered as an indicator to determine whether the shares are impaired. If any such evidence exists, the cumulative losses (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 profit or loss) are removed from equity and recognised in the profit or loss. Such losses shall not be reversed through profit or loss.

### 4.9 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are share investments held by the group for short-term or designated as such upon acquisition, except those do not have a quoted market price in an active market and whose fair value cannot be reliably measured. They are carried in the balance sheet at fair value and changes therein are recognised in the profit or loss. When the share investments are sold, the gain or loss representing the difference between the net disposal proceeds and the carrying amount of the share investments is recognised in the profit or loss in the period of disposal.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 4.10 Stock of land interests

Stock of land interests is stated at the lower of cost and market value.

### 4.11 Taxation

Taxation represents the sum of the current income tax and deferred tax.

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted in full, using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are not recognised for taxable temporary differences arising on investments in subsidiaries where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, and taxable temporary differences arising on the initial recognition (other than in a business combination) of assets and liabilities that affects neither the taxable profit nor the accounting profit.

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

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

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 4.12 Interest-bearing bank borrowings

Interest-bearing bank borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing bank borrowings are stated at amortised cost with any difference between the cost and the redemption value being recognised in profit or loss over the period of the bank borrowings using the effective interest method.

### 4.13 Employee benefits

Salaries and other short-term employee benefits are recognised as an expense in the period during which the employees render services to the group.

The group operates a mandatory provident fund scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all eligible employees. The scheme is a defined contribution scheme administered by independent trustees. Under the scheme, the employer and employees are required to make contributions to the scheme at 5% of the employees' relevant income, subject to a maximum of monthly contribution of HK\$1,000. Contributions to the scheme vest immediately and are recognised as an expense in the income statement as incurred.

### 4.14 Revenue recognition

Sales of financial assets at fair value through profit or loss and trading securities are recognised on trade date basis.

Rental income from investment properties under operating leases is recognised on a straight-line basis over the lease term.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

Interest income on bank deposits is recognised on a time proportion basis.

### 4.15 Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. 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, and bank overdrafts.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 4.16 Related parties

The parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Key management personnel also classified as related parties are those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, including any director (whether executive or otherwise) of the company.

## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's activities are exposed to various financial risks: price risk, credit risk, cash flow interest rate risk and liquidity risk. The group manages and monitors the exposure to such risk to ensure that appropriate measures are implemented on a timely and effective manner. No derivative financial instruments are used to hedge any exposures to these risks.

### (a) Price risk

The group is exposed to share price risk as the group holds portfolios of listed shares for long-term and short-term. The group keeps close monitoring of the performance of the share price to minimize the exposure to share price risk.

### (b) Credit risk

Credit risk is the risk of counterparties defaulting. The carrying amounts of cash at banks, trade and other receivables represent the group's maximum exposure to the credit risk attributable to these financial assets.

The group monitors its receivables on an ongoing basis and cash deposits are placed with reputable financial institutions to minimize exposure to credit risk.

### (c) Cash flow interest rate risk

The group is exposed to cash flow interest rate risk as the group has floating rate bank borrowings and its surplus funds placed with banks at floating interest rates. Interest rate risk arises from changes in market interest rates which affects the group's level of interest expense and income. The group periodically reviews the market interest rates and managed the risk on an ongoing basis.

### (d) Liquidity risk

The group adopts prudent liquidity risk management policy. An optimum level of cash and bank balances are always maintained to ensure that the group can operate effectively and efficiently.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 6. SEGMENT INFORMATION

### Business segments

For management purposes, the group identifies three principal business segments: securities investments, property leasing and property development. These segments are the basis on which the group reports its primary segment information.

Principal activities of each segment are as follows:

Securities investments	—	securities investments for short-term and long-term
Property leasing	—	letting of properties
Property development	—	developing properties

Segment information about these businesses is presented below:

	Securities investments		Property leasing		Property development		Consolidated total	
	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$	HK\$	HK\$	(Restated) HK\$	HK\$	HK\$	HK\$	(Restated) HK\$
<b>INCOME STATEMENT</b>								
Segment revenue	<u>10,239,079</u>	<u>20,725,519</u>	<u>10,098,247</u>	<u>6,861,468</u>	<u>—</u>	<u>—</u>	<u>20,337,326</u>	<u>27,586,987</u>
Segment results	4,155,440	3,785,199	7,627,039	4,234,251	17,344,868	4,080,374	29,127,347	12,099,824
Provision for diminution in value of investment securities written back	—	7,052,809	—	—	—	—	—	7,052,809
Gain on disposal of investment securities	—	2,455,077	—	—	—	—	—	2,455,077
Gain on disposal of available-for-sale financial assets	4,091,095	—	—	—	—	—	4,091,095	—
Fair value gain on investment properties	—	—	2,295,000	—	—	—	2,295,000	—
Results before interest, tax and corporate expenses	<u>8,246,535</u>	<u>13,293,085</u>	<u>9,922,039</u>	<u>4,234,251</u>	<u>17,344,868</u>	<u>4,080,374</u>	<u>35,513,442</u>	<u>21,607,710</u>
Interest income							261,194	67,371
Interest expenses							(1,116,062)	(17,606)
Unallocated corporate expenses							(577,209)	(540,948)
Profit before taxation							34,081,365	21,116,527
Taxation							(1,113,698)	(675,920)
Profit after taxation							<u>32,967,667</u>	<u>20,440,607</u>

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 6. SEGMENT INFORMATION (Continued)

### Business segments (Continued)

	Securities investments		Property leasing		Property development		Consolidated total	
	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$	HK\$	HK\$	(Restated) HK\$	HK\$	HK\$	HK\$	(Restated) HK\$
<b>BALANCE SHEET</b>								
<b>Assets:</b>								
Segment assets	95,549,017	67,335,789	127,927,620	125,683,643	73,009,344	51,289,752	296,485,981	244,309,184
Tax recoverable	—	—	32,247	98,247	—	—	32,247	98,247
	<u>95,549,017</u>	<u>67,335,789</u>	<u>127,959,867</u>	<u>125,781,890</u>	<u>73,009,344</u>	<u>51,289,752</u>	<u>296,518,228</u>	<u>244,407,431</u>
<b>Liabilities:</b>								
Segment liabilities	1,194,418	1,236,612	3,234,882	3,104,945	2,143,991	1,948,844	6,573,291	6,290,401
Tax payable and deferred taxation	—	—	7,265,237	6,886,628 <sup>(1)</sup>	—	—	7,265,237	6,886,628 <sup>(1)</sup>
Bank borrowings-secured	—	—	25,200,000	28,000,000	—	—	25,200,000	28,000,000
Unallocated corporate liabilities	—	—	—	—	—	—	928,164	897,556
	<u>1,194,418</u>	<u>1,236,612</u>	<u>35,700,119</u>	<u>37,991,573</u>	<u>2,143,991</u>	<u>1,948,844</u>	<u>39,966,692</u>	<u>42,074,585</u>
<b>OTHER INFORMATION</b>								
Capital expenditure	—	—	13,549	50,944,175	4,287,300	12,363,440	4,300,849	63,307,615
Purchase of investment and other securities	—	3,147,639	—	—	—	—	—	3,147,639
Purchase of available-for-sale financial assets	1,516,223	—	—	—	—	—	1,516,223	—
Depreciation	2,589	4,249	53,759	78,027	—	—	56,348	82,276
Amortisation of leasehold land	—	—	37,483	37,483	—	—	37,483	37,483
Impairment loss on properties held for or under development written back	—	—	—	—	17,405,000	4,130,136	17,405,000	4,130,136
Unrealised holding losses on trading and other securities	—	(17,411)	—	—	—	—	—	(17,411)
Fair value gain on financial assets at fair value through profit or loss	552,234	—	—	—	—	—	552,234	—
Provision for long service payments	8,051	—	(1,251)	68,200	—	—	6,800	68,200

<sup>(1)</sup> The amounts are restated on adopting HKAS-Int 21.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 6. SEGMENT INFORMATION (Continued)

### Geographical segments

The group has all its operating activities carried out in Hong Kong and hence no geographical analysis of financial information is provided.

## 7. TURNOVER

	The group	
	2006	2005
	HK\$	HK\$
Sales of financial assets at fair value through profit or loss/trading securities	7,161,130	17,788,641
Gross rental income from investment properties	10,098,247	6,861,468
Dividend income from share investments listed in Hong Kong	3,077,949	2,936,878
	<u>20,337,326</u>	<u>27,586,987</u>

## 8. PROFIT BEFORE TAXATION

	The group	
	2006	2005
	HK\$	HK\$
<b>Profit before taxation is stated after charging:</b>		
Auditors' remuneration	128,000	122,000
Amortisation of leasehold land	37,483	37,483
Depreciation	56,348	82,276
Loss on disposal of property, plant and equipment	11,057	1,758
Interest on bank borrowings	1,116,062	17,606
Staff costs, including contribution to mandatory provident fund of HK\$43,531 (2005: HK\$32,320) and directors' remuneration	3,018,207	2,885,144
Direct operating expenses in respect of investment properties	<u>505,234</u>	<u>668,709</u>
<b>And after crediting:</b>		
Interest income from bank deposits	<u>261,194</u>	<u>67,371</u>

Direct operating expenses in respect of investment properties that did not generate rental income during the year were immaterial.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 9. DIRECTORS' REMUNERATION

The remuneration of the directors is as follows:

	2006			Total HK\$
	Fees HK\$	Salaries and other benefits HK\$	Other emoluments Mandatory provident fund contribution HK\$	
Executive directors —				
Ng See Wah	12,000	774,780	—	786,780
Ng Tai Wai	12,000	420,000	12,000	444,000
Soo Cho Ling	12,000	774,780	—	786,780
Non-executive directors —				
Ng Tai Keung	12,000	—	—	12,000
So Kwok Leung	12,000	—	—	12,000
Independent non-executive directors —				
Heng Kwoo Seng	60,000	—	—	60,000
Ng Chi Yeung, Simon	60,000	—	—	60,000
Chan Suit Fei, Esther	60,000	—	—	60,000
	<u>240,000</u>	<u>1,969,560</u>	<u>12,000</u>	<u>2,221,560</u>

	2005			Total HK\$
	Fees HK\$	Salaries and other benefits HK\$	Other emoluments Mandatory provident fund contribution HK\$	
Executive directors —				
Ng See Wah	12,000	774,780	—	786,780
Ng Tai Wai	12,000	404,528	12,000	428,528
Soo Cho Ling	12,000	774,780	—	786,780
Non-executive directors —				
Ng Tai Keung	12,000	—	—	12,000
So Kwok Leung	12,000	—	—	12,000
Independent non-executive directors —				
Heng Kwoo Seng	60,000	—	—	60,000
Ng Chi Yeung, Simon	60,000	—	—	60,000
Chan Suit Fei, Esther	30,000	—	—	30,000
	<u>210,000</u>	<u>1,954,088</u>	<u>12,000</u>	<u>2,176,088</u>

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 10. EMPLOYEES' EMOLUMENTS

Among the five highest paid individuals of the group, three (2005: three) are executive directors whose emoluments are set out in note 9 to the financial statements. The emoluments of the other two (2005: two) individuals are as follows:

	The group	
	2006	2005
	HK\$	HK\$
Salaries	563,696	498,036
Mandatory provident fund contribution	22,900	20,320
	<u>586,596</u>	<u>518,356</u>

The aggregate emoluments of each employee are within the emolument band ranging from HK\$Nil to HK\$1,000,000.

## 11. TAXATION

	The group	
	2006	2005
	HK\$	HK\$
<b>Current tax</b>		
Provision for Hong Kong Profits Tax for current year	786,000	630,000
Over-provision for prior year	(7,955)	(1)
	<u>778,045</u>	<u>629,999</u>
<b>Deferred tax</b>	335,653	45,921
	<u>1,113,698</u>	<u>675,920</u>

Provision for Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) on the estimated assessable profit for the year.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 11. TAXATION (Continued)

### Reconciliation between tax expense and accounting profit at applicable tax rate

	The group	
	2006	2005
	HK\$	HK\$
Profit before taxation	<u>34,081,365</u>	<u>21,116,527</u>
Notional tax expense on profit before taxation, calculated at Hong Kong Profits Tax rate of 17.5% (2005: 17.5%)	5,964,239	3,695,392
Tax effect of non-deductible expenses	23,812	53,321
Tax effect of non-taxable revenue	(4,346,168)	(2,938,708)
Tax effect of unused current tax losses not recognised	—	18,658
Tax effect of unused tax losses and unrecognised deductible temporary differences utilised in current year	(490,718)	(160,696)
Others	<u>(37,467)</u>	<u>7,953</u>
Tax expense	<u>1,113,698</u>	<u>675,920</u>

## 12. EARNINGS PER SHARE

The calculation of earnings per share is based on the consolidated profit after tax of HK\$32,967,667 (2005: HK\$20,440,607) and on 40,000,000 shares (2005: 40,000,000 shares) in issue during the year.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 13. PROPERTY, PLANT AND EQUIPMENT

The group	Investment properties HK\$	Leasehold buildings HK\$	Leasehold improvement HK\$	Furniture, fixtures and equipment HK\$	Total HK\$
<b>Cost/valuation</b>					
At 1 April 2004 (Restated)	69,480,000	1,315,636	570,900	201,705	71,568,241
Additions	50,942,415	—	—	1,760	50,944,175
Disposals	—	—	—	(2,680)	(2,680)
Revaluation deficit	(1,272,415)	—	—	—	(1,272,415)
At 31 March 2005	119,150,000	1,315,636	570,900	200,785	121,237,321
Opening adjustment on adopting HKAS 40	(119,150,000)	—	—	—	(119,150,000)
At 1 April 2005	—	1,315,636	570,900	200,785	2,087,321
Additions	—	—	—	13,549	13,549
Disposals	—	—	—	(30,669)	(30,669)
At 31 March 2006	—	1,315,636	570,900	183,665	2,070,201
<b>Aggregate depreciation</b>					
At 1 April 2004 (Restated)	—	371,091	380,556	134,191	885,838
Charge for the year (Restated)	—	56,491	19,034	6,751	82,276
Written back on disposals	—	—	—	(922)	(922)
At 31 March 2005 and at 1 April 2005	—	427,582	399,590	140,020	967,192
Charge for the year	—	32,891	17,131	6,326	56,348
Written back on disposals	—	—	—	(19,612)	(19,612)
At 31 March 2006	—	(460,473)	(416,721)	(126,734)	( 1,003,928)
<b>Net book value</b>					
At 31 March 2006	—	855,163	154,179	56,931	1,066,273
At 31 March 2005	119,150,000	888,054	171,310	60,765	120,270,129

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 13. PROPERTY, PLANT AND EQUIPMENT (Continued)

The company	Investment properties HK\$	Furniture, fixtures and equipment HK\$	Total HK\$
<b>Cost/valuation</b>			
At 1 April 2004	2,300,000	57,976	2,357,976
Disposals	—	(2,680)	(2,680)
Revaluation deficit	(70,000)	—	(70,000)
At 31 March 2005	2,230,000	55,296	2,285,296
Opening adjustment on adopting HKAS 40	(2,230,000)	—	(2,230,000)
At 1 April 2005	—	55,296	55,296
Additions	—	5,049	5,049
Disposals	—	(10,678)	(10,678)
At 31 March 2006	—	49,667	49,667
<b>Aggregate depreciation</b>			
At 1 April 2004	—	25,608	25,608
Provided for the year	—	3,061	3,061
Written back on disposals	—	(922)	(922)
At 31 March 2005 and 1 April 2005	—	27,747	27,747
Provided for the year	—	2,669	2,669
Written back on disposals	—	(4,773)	(4,773)
At 31 March 2006	—	(25,643)	(25,643)
<b>Net book value</b>			
At 31 March 2006	—	24,024	24,024
At 31 March 2005	2,230,000	27,549	2,257,549

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 14. INVESTMENT PROPERTIES

	The group		The company	
	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$
<b>Fair value</b>				
At the beginning of the year	119,150,000	—	2,230,000	—
Increase in fair value	2,295,000	—	30,000	—
At the end of the year	<u>121,445,000</u>	<u>—*</u>	<u>2,260,000</u>	<u>—*</u>

\* See note 13 for the carrying amounts at 31 March 2005.

All the investment properties of the group are situated in Hong Kong and held under following lease terms:

	The group		The company	
	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$
Medium term leases	114,475,000	112,140,000	2,260,000	2,230,000
Long leases	6,970,000	7,010,000	—	—
	<u>121,445,000</u>	<u>119,150,000</u>	<u>2,260,000</u>	<u>2,230,000</u>

The group's investment properties were revalued on 31 March 2006 by RHL Appraisal Limited, an independent firm of professional surveyors, on an open market value basis.

As at 31 March 2006, the investment properties of the group with an aggregate carrying value of HK\$53,060,000 (2005: HK\$52,000,000) were pledged to a bank to secure general banking facilities granted to the group.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 15. LEASEHOLD LAND

	The group	
	2006	2005
		(Restated)
	HK\$	HK\$
<b>Cost</b>		
At the beginning and end of the year	<u>2,443,324</u>	<u>2,443,324</u>
<b>Aggregate amortisation</b>		
At the beginning of the year	794,080	756,597
Provided for the year	<u>37,483</u>	<u>37,483</u>
At the end of the year	<u>(831,563)</u>	<u>(794,080)</u>
<b>Net book value</b>	<u><u>1,611,761</u></u>	<u><u>1,649,244</u></u>

The leasehold land is situated in Hong Kong and held under medium term leases.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 16. PROPERTIES HELD FOR OR UNDER DEVELOPMENT

	The group	
	2006	2005
	HK\$	HK\$
Cost at beginning of year	88,055,836	75,692,396
Additions	4,287,300	12,363,440
Cost at end of year	92,343,136	88,055,836
Provision for impairment loss	(19,437,864)	(36,842,864)
	<u>72,905,272</u>	<u>51,212,972</u>
Classification in the balance sheet		
Non-current	9,200,000	51,212,792
Current	63,705,272	—
	<u>72,905,272</u>	<u>51,212,792</u>

The properties held for or under development are situated in Hong Kong and held under medium term leases. Provision for impairment loss is calculated by reference to the open market value of the properties at the balance sheet date as appraised by independent firm of professional surveyors.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 17. INTEREST IN SUBSIDIARIES

	The company	
	2006	2005
	HK\$	HK\$
Unlisted investments at cost	6,481,102	6,481,102
Advances to subsidiaries		
— Interest free	174,109,195	177,297,785
— Interest bearing	25,189,388	23,021,788
	<u>205,779,685</u>	<u>206,800,675</u>
Advances from subsidiaries		
— Interest free	(21,976,885)	(29,233,260)
	<u>183,802,800</u>	<u>177,567,415</u>
Provision for loss	(30,738,375)	(55,273,676)
	<u>153,064,425</u>	<u>122,293,739</u>

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 17. INTEREST IN SUBSIDIARIES (Continued)

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

Subsidiary	Place of incorporation/ operation	Principal activity	Issued share capital HK\$	Percentage of holding directly
Hing Full Far East Development Limited	Hong Kong	Dormant	10,000	100%
Hing Lung Properties Limited	Hong Kong	Property development	10,000	100%
Hing Shing Far East Development Limited	Hong Kong	Share investment	10,000	100%
Konchoy Limited	Hong Kong	Property investment	2	100%
Wang Fung Far East Development Limited	Hong Kong	Property investment/ development	10,000	100%
Winful Far East Limited	Hong Kong	Property investment/ development	100	100%
Yick Fu Investment Company Limited	Hong Kong	Property investment	1,800,000	100%
YLH Limited	Hong Kong	Property investment	10,000	100%

Advances among group companies are unsecured and carry no fixed term of repayment. For the period before 31 August 2005, interest was charged on interest bearing advances at prime rate less 3% per annum. Thereafter, interest is charged at 2% per annum.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 18. TRADE AND OTHER RECEIVABLES

	The group		The company	
	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$
Rental receivables	507,839	336,749	10,000	—
Deposits and prepayments	546,444	454,366	125,728	126,752
Other receivables	432,472	753,199	3,676	—
	<u>1,486,755</u>	<u>1,544,314</u>	<u>139,404</u>	<u>126,752</u>

The rental receivables of the group and the company were current and within normal credit period.

## 19. CASH AND BANK BALANCES

	The group		The company	
	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$
Time deposits	13,572,385	6,020,914	7,593,372	6,020,914
Current account and cash	1,546,882	1,898,989	1,356,332	1,728,614
	<u>15,119,267</u>	<u>7,919,903</u>	<u>8,949,704</u>	<u>7,749,528</u>

The time deposits have a term for 7 days to 2 weeks (2005: 7 days) and bear interest at 4.1% to 4.3% (2005: 2.375%) per annum.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 20. TRADE AND OTHER PAYABLES

	The group		The company	
	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$
Rental deposits received	1,882,750	1,707,150	38,000	34,000
Receipts in advance	26,393	54,784	—	—
Construction cost payable	409,662	602,358	—	—
Retention money payable	1,616,829	1,228,986	—	—
Unclaimed dividends	928,164	894,556	928,164	894,556
Accrued expenses	544,657	613,923	266,017	300,507
	<u>5,408,455</u>	<u>5,101,757</u>	<u>1,232,181</u>	<u>1,229,063</u>

## 21. BANK BORROWINGS — SECURED

	The group	
	2006	2005
	HK\$	HK\$
<b>Current portion</b>		
Repayable within one year	<u>2,800,000</u>	<u>2,800,000</u>
<b>Long-term portion</b>		
Repayable after one year but not exceeding two years	2,800,000	2,800,000
Repayable after two years but not exceeding five years	8,400,000	8,400,000
Repayable after five years	11,200,000	14,000,000
	<u>22,400,000</u>	<u>25,200,000</u>
	<u>25,200,000</u>	<u>28,000,000</u>

The bank borrowings bear interest at the lower of prime rate less 2.7% or 1% above Hong Kong Interbank Offered Rate per annum. The directors consider the carrying amount of the bank borrowings approximates to their fair value.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 22. PROVISION FOR LONG SERVICE PAYMENTS

	The group		The company	
	2006 HK\$	2005 HK\$	2006 HK\$	2005 HK\$
Balance at beginning of year	2,086,200	2,018,000	939,000	939,000
Provision for the year	6,800	68,200	8,300	—
Balance at end of year	<u>2,093,000</u>	<u>2,086,200</u>	<u>947,300</u>	<u>939,000</u>

Provision for long service payments is made for all employees, including the directors, who had worked under continuous contract for a minimum of five years as at the balance sheet date, and is calculated in accordance with the provisions of the Employment Ordinance. The employees will only be entitled to the long service payments when the conditions under the Employment Ordinance are met upon termination of employment.

## 23. DEFERRED TAXATION

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and its movements are as follows:

Deferred tax arising from:	Property revaluation surplus HK\$	Accelerated depreciation allowances HK\$	Unused tax losses HK\$	Total HK\$
At 1 April 2004 (restated)	6,595,330	345,267	—	6,940,597
Charged/(credited) to income statement	—	134,819	(88,898)	45,921
Credited to equity	(154,889)	—	—	(154,889)
At 31 March 2005 and 1 April 2005	6,440,441	480,086	(88,898)	6,831,629
Charged/(credited) to income statement	543,386	134,464	(342,197)	335,653
At 31 March 2006	<u>6,983,827</u>	<u>614,550</u>	<u>(431,095)</u>	<u>7,167,282</u>

There was no material deferred tax to be recognised and accounted for by the company at the balance sheet date.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 23. DEFERRED TAXATION (Continued)

### Deferred tax assets unrecognised

Deferred tax asset is not recognised in respect of the following items as it is uncertain if there will be sufficient future profits to allow the benefit of the deferred tax asset to be utilised:

	The group		The company	
	2006	2005 (Restated)	2006	2005 (Restated)
	HK\$	HK\$	HK\$	HK\$
Unused tax losses	4,162,339	5,890,945	4,162,339	5,890,945
Deficit on revaluation of investment properties	13,726,500	14,802,001	—	—
	<u>17,888,839</u>	<u>20,692,946</u>	<u>4,162,339</u>	<u>5,890,945</u>

## 24. SHARE CAPITAL

	2006		2005	
	No. of shares	Amount HK\$	No. of shares	Amount HK\$
<b>Authorised</b>				
Ordinary shares of HK\$1 each	<u>60,000,000</u>	<u>60,000,000</u>	<u>60,000,000</u>	<u>60,000,000</u>
<b>Issued and fully paid</b>				
Ordinary shares of HK\$1 each	<u>40,000,000</u>	<u>40,000,000</u>	<u>40,000,000</u>	<u>40,000,000</u>

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 25. RESERVES

The group	Notes	Capital reserve HK\$	Investment property revaluation reserve HK\$	Retained profits HK\$	Total HK\$
<b>At 31 March 2004</b>					
Previously reported		251,046	29,459,398	120,694,651	150,405,095
Prior year adjustment on adopting HKAS-Int 21	3(d)	—	(6,595,330)	—	(6,595,330)
Restated		251,046	22,864,068	120,694,651	143,809,765
Revaluation deficit of investment properties, net of related deferred tax, as restated		—	(1,117,526)	—	(1,117,526)
Net profit for the year		—	—	20,440,607	20,440,607
Dividends	26	—	—	(4,400,000)	(4,400,000)
<b>At 31 March 2005 (restated)</b>		251,046	21,746,542	136,735,258	158,732,846
Opening adjustment on adopting:					
— HKAS 32 and HKAS 39	3(a)	—	—	13,354,566	13,354,566
— HKAS 40	3(c)	—	(21,746,542)	21,746,542	—
<b>At 1 April 2005</b>		251,046	—	171,836,366	172,087,412
Net profit for the year		—	—	32,967,667	32,967,667
Increase in fair value of available- for-sale financial assets		—	—	15,411,507	15,411,507
Transfer to income statement upon disposal of available- for-sale financial assets		—	—	(3,115,050)	(3,115,050)
Dividends	26	—	—	(4,800,000)	(4,800,000)
<b>At 31 March 2006</b>		<u>251,046</u>	<u>—</u>	<u>212,300,490</u>	<u>212,551,536</u>

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 25. RESERVES (Continued)

The company	Notes	Investment property revaluation reserve HK\$	Retained profits HK\$	Total HK\$
<b>At 1 April 2004</b>		485,848	67,795,342	68,281,190
Net profit for the year	27	—	27,801,493	27,801,493
Dividends	26	—	(4,400,000)	(4,400,000)
Deficit on revaluation of investment properties		(70,000)	—	(70,000)
<b>At 31 March 2005</b>		415,848	91,196,835	91,612,683
Opening adjustment on adopting HKAS 40	3(c)	(415,848)	415,848	—
<b>At 1 April 2005</b>		—	91,612,683	91,612,683
Net profit for the year	27	—	37,363,696	37,363,696
Dividends	26	—	(4,800,000)	(4,800,000)
<b>At 31 March 2006</b>		<u>—</u>	<u>124,176,379</u>	<u>124,176,379</u>

Distributable reserves of the company at the balance sheet date, calculated under section 79B of the Companies Ordinance amounted to HK\$128,176,379 (2005: HK\$94,796,835).

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 26. DIVIDENDS

	2006 HK\$	2005 HK\$
Dividends attributable to the year —		
Interim dividend at HK\$0.02 (2005: HK\$0.02) per share paid during the year	800,000	800,000
Final dividend at HK\$0.10 (2005: HK\$0.09) per share proposed after the balance sheet date	<u>4,000,000</u>	<u>3,600,000</u>
	<u><u>4,800,000</u></u>	<u><u>4,400,000</u></u>

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

## 27. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

	The company	
	2006 HK\$	2005 HK\$
Profit attributable to the shareholders and dealt with in the financial statements of the company, including dividend income from subsidiaries of HK\$10,800,000 (2005: HK\$10,800,000)	<u><u>37,363,696</u></u>	<u><u>27,801,493</u></u>

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2006

## 28. CAPITAL COMMITMENTS

	The group	
	2006 HK\$	2005 HK\$
Capital expenditures in respect of properties under development outstanding at the balance sheet date were as follows:		
Contracted but not provided for	<u>260,000</u>	<u>4,000,000</u>

The company had no significant capital commitments at the balance sheet date.

## 29. OPERATING LEASE ARRANGEMENTS

At the balance sheet date, the total future minimum lease receipts under non-cancellable operating leases for the following periods were:

	The group		The company	
	2006 HK\$	2005 HK\$	2006 HK\$	2005 HK\$
Not later than one year	9,774,177	9,003,779	228,000	121,000
Later than one year and not later than five years	<u>5,562,942</u>	<u>11,243,987</u>	<u>135,000</u>	—
	<u>15,337,119</u>	<u>20,247,766</u>	<u>363,000</u>	<u>121,000</u>

The operating leases normally run from one to three years.

## 30. CONTINGENT LIABILITIES

	The company	
	2006 HK\$	2005 HK\$
Corporate guarantee given in favour of a bank for banking facilities granted to a subsidiary	<u>28,000,000</u>	<u>28,000,000</u>

The group had no significant contingent liability at the balance sheet date.

# NOTES TO FINANCIAL STATEMENTS

*For the year ended 31 March 2006*

## **31. POST BALANCE SHEET EVENTS**

### **(a) Disposal of stock of land interests**

In April 2006, the company entered into a sale and purchase agreement with an independent third party for the disposal of certain parcels of land of the company at the consideration of HK\$10,369,458. The transaction was completed in May 2006. Further details of the transaction are disclosed in the company's circular dated 12 May 2006.

### **(b) Purchase of share investments**

Subsequent to the balance sheet date, the group has purchased certain share investments listed in Hong Kong totalling HK\$4,808,755. The share investments are to be held for long-term and classified as available-for-sale financial assets in the group's accounts.

# SCHEDULE OF PROPERTIES HELD BY THE GROUP

As at 31 March 2006

## (A) PROPERTIES HELD FOR OR UNDER DEVELOPMENT

	Location	Site area sq. ft.	Gross floor area sq. ft.	Lot No.	Construction progress	Expected completion date	Group's interest	Existing Use
(1)	No. 201 & 203, Castle Peak Road, Kowloon	2,269	14,000	Remaining portion of Section B of New Kowloon Inland Lot No. 2798 and Section C of New Kowloon Inland Lot No. 2798	100%	2006	100%	Interior improvement
(2)	Lot No. 2784 of D.D. 130 Lam Tei, Tuen Mun	3,470	—	Remaining portion Lot No. 2784 D.D.130	*	—	100%	Vacant
(3)	Lot No. 42RP, 122 RP and 129 RP Demarcation District No. 121, Yuen Long, New Territories	24,506	—	Lot No. 42 RP, 122 RP and 129 RP Demarcation District No. 121, Yuen Long, New Territories	*	—	100%	Vacant
(4)	Lot No. 13, Section B of Lot No. 14, Remaining Portion of Lot No. 15, Lot No. 16, Section A and Section C of Lot No. 17 in Demarcation District No. 128 and Lot No. 2148 in Demarcation District No. 129 Lau Fau Shan Yuen Long, New Territories	60,113	—	Lot No. 13, Section B of Lot No. 14, Remaining Portion of Lot No. 15, Lot No. 16, Section A and Section C of Lot No. 17 in Demarcation District No. 128 Lot No. 2148 in Demarcation District No. 129 Lau Fau Shan Yuen Long, New Territories	#	—	100%	Vacant
(5)	Lot No. 1477 in Demarcation District No. 129, Mong Tseng, Yuen Long, New Territories	8,276	—	Lot No. 1477 in Demarcation District No. 129, Mong Tseng, Yuen Long, New Territories	*	—	100%	Vacant

\* No significant development progress

# Sale completed in May 2006

# SCHEDULE OF PROPERTIES HELD BY THE GROUP

As at 31 March 2006

## (B) PROPERTIES HELD FOR INVESTMENT

	Location	Lot No.	Usage	Group's interest	Lease term
(1)	Wing Tak Building, 18-22 Fan Wa Street, Cha Kwo Ling, Kowloon:— Shops A and C on ground floor and shops B and C on basement floor	New Kowloon Inland Lot No. 4914	Commercial	100%	Medium
(2)	Winfair Building, Nos. 6-10B, New Kowloon Yuk Wah Crescent, Tsz Wan Shan, Kowloon:— Shops 1-10 on lower ground floor, shops 1-6 on ground floor, 1st and 2nd floor	Commercial Inland Lot No. 5762	Commercial	100%	Medium
(3)	Wing Shing Building, 70-82 New Kowloon Sheung Fung Street, Tsz Wan Shan, Kowloon:— Shops A and B on ground floor and Stores A and B on mezzanine floor	Commercial Inland Lot No. 5020	Commercial	100%	Medium
(4)	Lee Kiu Building, No. 51 Jordan Road, Kowloon:— Office No. A on 4th floor	Kowloon Inland Lot No. 9894	Commercial	100%	Medium
(5)	Metropolitan Factory and Warehouse Building, Nos. 30-32 Chai Wan Kok Street, Tsuen Wan, New Territories:— Flat B on 5th and 6th floor	Sec. B of Tsuen Wan Inland Lot. No. 34	Industrial	100%	Medium
(6)	No. 238 Electric Road, North Point, Hong Kong:— 4th floor	Sec. C of Inland Lot No. 1618	Residential	100%	Long

# SCHEDULE OF PROPERTIES HELD BY THE GROUP

As at 31 March 2006

## (B) PROPERTIES HELD FOR INVESTMENT *(Continued)*

	<b>Location</b>	<b>Lot No.</b>	<b>Usage</b>	<b>Group's interest</b>	<b>Lease term</b>
(7)	No. 96 Bonham Strand, Sheung Wan, Hong Kong	Sec. E. of Inland Lot No. 863	Residential & Commercial	100%	Long
(8)	No. 92 Bonham Strand, Sheung Wan, Hong Kong:— 3rd floor	RP of SS1 of Sec. F of Inland Lot No. 863	Residential	100%	Long
(9)	Pearl Oriental Tower, No. 225 Nathan Road, Kowloon:— 1st floor	Kowloon Inland Lot No. 6397	Commercial	100%	Medium
(10)	Nos. 4, 6 and 6A, Nam Kok Road, Kowloon:— Ground floor and 1st floor	Remaining Portion of New Kowloon Inland Lot Nos. 1822, 1824 and 2183	Commercial	100%	Medium
(11)	Nos. 8 and 10, Nam Kok Road, Kowloon:— Ground floor	Remaining Portion of New Kowloon Inland Lot Nos. 1936, 2278, 2279, 2280 and 2281	Commercial	100%	Medium
(12)	No. 19, Nam Kok Road, Kowloon:— Ground floor	Remaining Portion of Kowloon Inland Lot Nos. 2394, 2395 and 2678	Commercial	100%	Medium
(13)	Nos. 21 and 23, Nam Kok Road, Kowloon:— Ground floor	Remaining Portion of New Kowloon Inland Lot Nos. 2394, 2395 and 2678	Commercial	100%	Medium

# FIVE YEAR FINANCIAL SUMMARY

	(1) (Restated) 2002 HK\$'000	(1) (Restated) 2003 HK\$'000	(1) (Restated) 2004 HK\$'000	(1) (Restated) 2005 HK\$'000	2006 HK\$'000
<b>Consolidated income statement</b>					
Turnover	<u>10,058</u>	<u>13,776</u>	<u>10,736</u>	<u>27,587</u>	<u>20,337</u>
Profit/(loss) before tax	(1,971)	(11,364)	19,547	21,117	34,081
Taxation	<u>(796)</u>	<u>(1,186)</u>	<u>(1,016)</u>	<u>(676)</u>	<u>(1,114)</u>
Profit/(loss) for the year	<u>(2,767)</u>	<u>(12,550)</u>	<u>18,531</u>	<u>20,441</u>	<u>32,967</u>
<b>Consolidated balance sheet</b>					
Property, plant and equipment (2)	76,907	65,879	70,682	120,270	1,066
Investment properties (2)	—	—	—	—	121,445
Properties held for or under development	31,917	24,776	34,719	51,213	9,200
Leasehold land	1,762	1,724	1,687	1,649	1,612
Investment securities	45,975	38,972	52,072	55,761	—
Other securities	555	318	1,317	998	—
Available-for-sale financial assets	—	—	—	—	76,933
Current assets	48,436	47,565	38,875	14,516	86,262
Current liabilities	(4,268)	(5,041)	(5,002)	(10,043)	(10,399)
Non-current liabilities	<u>(6,952)</u>	<u>(5,698)</u>	<u>(6,941)</u>	<u>(32,031)</u>	<u>(29,567)</u>
<b>Net assets</b>	<u>194,332</u>	<u>168,495</u>	<u>187,409</u>	<u>202,333</u>	<u>256,552</u>

(1) Prior year adjustments have been made on application of HKAS-Int 21 and HKAS 17 in 2006.

(2) Investment properties were included under "Property, Plant and Equipment" for the years 2002 to 2005.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting of the Members of the Company will be held at Tang Room, 3rd Floor, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong, on Tuesday, 22 August 2006 at 9:00 a.m. for the following purposes:

1. To receive and consider the Reports of the Directors and of the Auditors, and the audited financial statements of the Company and of the Group for the year ended 31 March 2006.
2. To approve a Final Dividend of HK\$0.10 per share as recommended by the Directors.
3. To re-elect Directors and to fix their remuneration.
4. To re-appoint Auditors and to authorise the Board to fix their remuneration.
5. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

**"THAT**

- (a) subject to paragraph (c), pursuant to Section 57B of the Companies Ordinance, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and it is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to a Rights Issue, shall not exceed 20 percent of the aggregate nominal amount of the share capital of the Company in issue and the said approval shall be limited accordingly; and
- (d) 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

- (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 revocation or variation of the authority hereby expressly given under this Resolution by ordinary resolution of the shareholders in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the law of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

By Order of the Board  
**Mimoona MA**  
*Company Secretary*

Hong Kong, 12 July 2006

*Registered Office:*

Rooms 501-2, Lee Kiu Building  
51 Jordan Road  
Kowloon

*Notes:*

- (1) The Register of Members of the Company will be closed from Monday, 14 August 2006 to Friday, 18 August 2006, both days inclusive, during which period no transfer of shares can be registered. All transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Share Registrar, Computershare Hong Kong Investor Services Limited, 17/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 11 August 2006.
- (2) 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. In order to be valid, the proxy form must be deposited at the Company’s registered office at least 48 hours before the time appointed for holding the meeting.
- (3) A Member who is a corporation may by resolution of its Directors or other governing body authorise any of its officials or any other persons to act as its representative in the meeting and exercise the same powers on its behalf as if he had been an individual member of the Company and such corporation shall be deemed to be present in person at any such meeting if a person so authorised is present thereat.

# NOTICE OF ANNUAL GENERAL MEETING

- (4) Pursuant to Article 60 of the Articles of Association of the Company, a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by:
- (i) the chairman; or
  - (ii) not less than three members present in person or by proxy and having the right to vote at the meeting; or
  - (iii) a member or members present in person or by proxy representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
  - (iv) a member or members present in person or by proxy holding shares of the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.
- (5) Pursuant to Articles 110 and 111 of the Articles of Association of the Company, Mr. Ng Tai Keung, Mr. Ng Chi Yeung Simon and Mr. So Kwok Leung will retire by rotation from office and being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.
- (6) Details of all retiring Directors, their interests in the shares of the Company and their remuneration are set out under heading "Directors and Senior Management", "Directors' Interest in Securities" in the Directors' Report and "Directors' Remuneration" in the Notes to Financial Statements respectively in the Annual Report 2005/2006.