



華廈置業有限公司

WAH HA REALTY COMPANY LIMITED

WAH HA REALTY COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 278)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH 2006

The Board of Directors of Wah Ha Realty Company Limited (the “Company”) announces that the consolidated results of the Company and its subsidiaries (the “Group”) and its associated companies for the year ended 31st March 2006, with comparative figures for the previous year, are as follows:–

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2006

	Note	2006 HK\$	2005 HK\$ (Restated)
Turnover	2	12,719,895	8,025,886
Direct costs		(564,470)	(449,052)
Gross profit		12,155,425	7,576,834
Other gains – net	4	3,220,624	3,705,782
Changes in fair value of investment properties		3,350,000	5,000,000
Administrative expenses		(4,639,443)	(4,414,292)
Operating profit	5	14,086,606	11,868,324
Share of profits less losses of associated companies		27,325,420	39,546,835
Profit before income tax		41,412,026	51,415,159
Income tax expense	6	(1,140,144)	(1,099,980)
Profit attributable to equity holders of the Company		40,271,882	50,315,179
Dividends	7	4,838,400	4,838,400
Earnings per share (basic and diluted)	8	33.3 cents	41.6 cents

CONSOLIDATED BALANCE SHEET

As at 31st March 2006

	<i>Note</i>	2006 HK\$	2005 HK\$ (Restated)
ASSETS			
Non-current assets			
Investment properties		29,500,000	26,150,000
Investments in associated companies		135,311,647	109,236,227
Amounts due from associated companies		101,130,980	107,130,376
Available-for-sale financial assets		250,448	–
Long-term investments		–	250,448
Deferred income tax assets		136,737	171,489
		<u>266,329,812</u>	<u>242,938,540</u>
Current assets			
Properties held for sale		6,199,548	6,250,498
Trade and other receivables	9	56,931,897	61,162,766
Tax recoverable		141,058	9,521
Short-term investments		140,902,932	130,010,613
Cash and cash equivalents		110,980,630	97,473,287
		<u>315,156,065</u>	<u>294,906,685</u>
Total assets		<u>581,485,877</u>	<u>537,845,225</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		78,624,000	78,624,000
Reserves		474,261,746	438,828,264
Total equity		<u>552,885,746</u>	<u>517,452,264</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		4,299,851	3,649,150
Current liabilities			
Trade and other payables	10	23,739,901	14,583,274
Amounts due to related companies		200,664	2,135,089
Tax payable		359,715	25,448
		<u>24,300,280</u>	<u>16,743,811</u>

Total liabilities	<u>28,600,131</u>	<u>20,392,961</u>
Total equity and liabilities	<u>581,485,877</u>	<u>537,845,225</u>
Net current assets	<u>290,855,785</u>	<u>278,162,874</u>
Total assets less current liabilities	<u>557,185,597</u>	<u>521,101,414</u>

NOTES:–

(1) BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies.

(b) Changes in accounting policies

The adoption of new/revised HKFRSs

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

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKAS-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets

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

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

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

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

Summary of effects of changes in accounting policies

Consolidated income statements

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

Consolidated balance sheets

	Effect of adopting new HKFRSs			Total HK\$
	HKAS 17 HK\$	HKAS 40 HK\$	HKAS-Int 21 HK\$	
As at 31st March 2006				
Increase/(decrease) in:				
ASSETS				
Investments in associated companies	(6,347,317)	–	(10,984,301)	(17,331,618)
Deferred income tax assets	136,737	–	–	136,737
Properties held for sale	(1,030,886)	–	–	(1,030,886)
Total assets	<u>(7,241,466)</u>	<u>–</u>	<u>(10,984,301)</u>	<u>(18,225,767)</u>
EQUITY				
Retained profits	(7,197,800)	85,818,002	(15,219,701)	63,400,501
Investment properties revaluation reserve	–	(85,818,002)	–	(85,818,002)
Total equity	<u>(7,197,800)</u>	<u>–</u>	<u>(15,219,701)</u>	<u>(22,417,501)</u>
LIABILITIES				
Deferred income tax liabilities	(43,666)	–	4,235,400	4,191,734
Total liabilities	<u>(43,666)</u>	<u>–</u>	<u>4,235,400</u>	<u>4,191,734</u>
As at 31st March 2005				
Increase/(decrease) in:				
ASSETS				
Investments in associated companies	(5,838,886)	–	(8,013,676)	(13,852,562)
Deferred income tax assets	171,489	–	–	171,489
Properties held for sale	(979,936)	–	–	(979,936)
Total assets	<u>(6,647,333)</u>	<u>–</u>	<u>(8,013,676)</u>	<u>(14,661,009)</u>
EQUITY				
Retained profits	(6,647,333)	65,493,002	(11,662,826)	47,182,843
Investment properties revaluation reserve	–	(65,493,002)	–	(65,493,002)
Total equity	<u>(6,647,333)</u>	<u>–</u>	<u>(11,662,826)</u>	<u>(18,310,159)</u>
LIABILITIES				
Deferred income tax liabilities	–	–	3,649,150	3,649,150
Total liabilities	<u>–</u>	<u>–</u>	<u>3,649,150</u>	<u>3,649,150</u>

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

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

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

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

2. TURNOVER

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

3. SEGMENT INFORMATION

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

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

	Property investment, development and management and building contractor	Investments	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Year ended 31st March 2006			
Turnover	<u>5,164,618</u>	<u>7,555,277</u>	<u>12,719,895</u>
Segment results	<u>6,627,847</u>	<u>10,709,554</u>	17,337,401
Unallocated costs			<u>(3,250,795)</u>
Operating profit			14,086,606
Share of profits less losses of associated companies	27,325,420	–	<u>27,325,420</u>
Profit before income tax			41,412,026
Income tax expense			<u>(1,140,144)</u>
Profit attributable to the equity holders of the Company			<u>40,271,882</u>
Segment assets	328,746,173	141,481,279	470,227,452
Unallocated assets			<u>111,258,425</u>
Total assets			<u>581,485,877</u>
Segment liabilities	23,821,860	118,705	23,940,565
Unallocated liabilities			<u>4,659,566</u>
Total liabilities			<u>28,600,131</u>
Year ended 31st March 2005			
Turnover	<u>5,528,010</u>	<u>2,497,876</u>	<u>8,025,886</u>
Segment results	<u>8,578,804</u>	<u>6,200,253</u>	14,779,057
Unallocated costs			<u>(2,910,733)</u>

Operating profit			11,868,324
Share of profits less losses of associated companies	39,546,835	–	<u>39,546,835</u>
Profit before income tax			51,415,159
Income tax expense			<u>(1,099,980)</u>
Profit attributable to the equity holders of the Company			<u><u>50,315,179</u></u>
Segment assets	309,831,350	130,359,578	440,190,928
Unallocated assets			<u>97,654,297</u>
Total assets			<u><u>537,845,225</u></u>
Segment liabilities	16,569,408	148,955	16,718,363
Unallocated liabilities			<u>3,674,598</u>
Total liabilities			<u><u>20,392,961</u></u>

4. OTHER GAINS – NET

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

5. OPERATING PROFIT

	2006	2005
	<i>HK\$</i>	<i>HK\$</i>
Operating profit is stated after crediting:		
Gross rental income		
Investment properties	624,961	931,850
Other properties	2,915,058	2,798,197
Less: related outgoings	<u>(513,520)</u>	<u>(398,102)</u>

and after charging:

Staff costs (including Directors' remuneration)	3,507,840	3,334,763
Auditors' remuneration	326,000	313,000
Amortisation of leasehold land	50,950	50,950

6. INCOME TAX EXPENSE

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

	2006	2005
	HK\$	HK\$
Current income tax		
Hong Kong profits tax	454,691	233,896
Deferred income tax	685,453	866,084
	1,140,144	1,099,980

7. DIVIDENDS

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

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

8. EARNINGS PER SHARE

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

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

The Company has no dilutive potential ordinary shares.

9. TRADE AND OTHER RECEIVABLES

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Trade receivables		
Below 60 days	112,554	341,567
Over 60 days	44,469	4,754
	<u>157,023</u>	<u>346,321</u>
Other receivables	1,931,951	3,000,323
Amounts due from associated companies	54,688,814	57,681,368
Prepayments and utility deposits	154,109	134,754
	<u>56,931,897</u>	<u>61,162,766</u>

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

10. TRADE AND OTHER PAYABLES

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Trade payables		
Below 90 days	141,407	35,533
Over 90 days	10	10
	<u>141,417</u>	<u>35,543</u>
Other payables	3,257,814	604,063
Amounts due to associated companies	18,704,102	12,983,763
Rental and utility deposits received	915,718	739,595
Accrued expenses	720,850	220,310
	<u>23,739,901</u>	<u>14,583,274</u>

DIVIDENDS

The Board has resolved to recommend a final dividend of HK4 cents (2005: HK4 cents) per share for the year ended 31st March 2006. No interim dividend had been declared or paid (2005: nil) during the year. Total dividend for the year will amount to HK4 cents (2005: HK4 cents) per share. Subject to the approval of the shareholders at the forthcoming annual general meeting, the proposed final dividend of HK4 cents per share will be payable on Wednesday, 30th August 2006 to shareholders whose names appear on the Register of Members of the Company on Friday, 25th August 2006.

CLOSURE OF REGISTER OF MEMBERS

The Transfer Books and Register of Members of the Company will be closed from Friday, 18th August 2006 to Friday, 25th August 2006, both days inclusive, during which period no transfer of shares will be registered.

To qualify for the above-mentioned final dividend, all transfers must be lodged with the Company's Registrars, Hongkong Managers and Secretaries Limited at 26th Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong not later than 4:00 p.m. on Thursday, 17th August 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

In the year, the Group has adopted a number of new or revised HKFRSs and relevant comparative figures for 2005 have correspondingly been restated. Amongst the various new or revised accounting standards adopted, the impact from HKAS 40 Investment Property alone was a HK\$20.33 million (2005: HK\$31.53 million) increase in profit. After deducting the related deferred taxation charge, the net profit increased by about HK\$16.77 million (2005: HK\$25.81 million). The aggregate impact of adopting new or revised HKFRSs was an increase in the Group's net profit for the current year by HK\$16.22 million (2005: HK\$25.26 million). Further details of the new or revised accounting standards adopted and their impacts are shown in Note 1(b) above.

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

For the year under review, the Group's profit attributable to shareholders was HK\$40.27 million, 20.0% lower than the HK\$50.32 million (as restated) of the last year. Earnings per share was HK33.3 cents as compared with the HK41.6 cents (as restated) of last year. The decrease was partly explained by the reduction in the share of the costs of investment properties recouped in the current year for HK\$4.42 million. There was no profit from sale of investment property recorded for the current year whereas a corresponding profit of HK\$2.13 million was reported last year. Neglecting these and the aforesaid impact from the adoption of new or revised accounting standards as detailed in Note 1(b), the Group's net profit was HK\$5.54 million higher than that of the last year. This significant improvement was mainly attributable to the higher interest income of HK\$5.48 million as a result of rising interest rates.

BUSINESS REVIEW

Property Investment, Development, Management and Building Contractor

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

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

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

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

Investments

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

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

Post Balance Sheet Event

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

EMPLOYMENT AND REMUNERATION POLICIES

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

LIQUIDITY AND FINANCIAL RESOURCES

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

OTHER DISCLOSURE

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

PROSPECTS

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

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

CORPORATE GOVERNANCE

The Company is committed to maintain high standards of corporate governance. During the year ended 31st March 2006, save as disclosed in the Company's interim report for the six months ended 30th September 2005 regarding the deviations from the code provisions A.2.1 and A.4.1 of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), the Company has complied with the code provisions set out in the CG Code.

The Company has adopted the Model Code for Securities Transactions by Directors (“Model Code”) set out in Appendix 10 to the Listing Rules as its Code of Conduct for dealing in securities of the Company by the Directors. All Directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year.

Details of the principal corporate governance practices as adopted by the Company and of the deviations from the code provisions A.2.1 and A.4.1 of the CG Code are set out in the Corporate Governance Report contained in the Company’s 2006 Annual Report.

AUDIT COMMITTEE

The audit committee of the Company has been established since December 1998. As at the date hereof, the audit committee consists of the three Independent Non-executive Directors, namely Messrs. Lam Hon Keung, Keith (Chairman), Chan Woon Kong and Soo Hung Leung, Lincoln and the two Non-executive Directors, namely Messrs. John Ho and Ng Kwok Tung, with written terms of reference in compliance with the Listing Rules. The audit committee has reviewed the Group’s financial statements for the year ended 31st March 2006 and has no reservation on the accounting treatments adopted by the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s issued shares during the year.

ISSUANCE OF ANNUAL REPORT

The Company’s 2006 Annual Report will be published and dispatched to the Shareholders on or before 31st July 2006.

ANNUAL GENERAL MEETING AND RELEVANT NOTICE

It is proposed that the 2006 annual general meeting of the Company will be held on Friday, 25th August 2006. Notice of the annual general meeting will be published and dispatched to the Shareholders on or before 31st July 2006.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors of the Company comprises Messrs. Cheung Kee Wee, Cheung Lin Wee and Cheung Ying Wai, Eric as Executive Directors, Messrs. John Ho and Ng Kwok Tung as Non-executive Directors and Messrs. Lam Hon Keung, Keith, Chan Woon Kong and Soo Hung Leung, Lincoln as Independent Non-executive Directors.

By Order of the Board
Raymond Chu Wing Man
Company Secretary

Hong Kong, 13th July 2006

Please also refer to the published version of this announcement in China Daily.