



英皇集團（國際）有限公司
Emperor International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 163)

◀ Annual Report 2006/2007 ▶



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CORPORATE INFORMATION

DIRECTORS

Luk Siu Man, Semon* (*Chairperson*)
 Wong Chi Fai (*Managing Director*)
 Fan Man Seung, Vanessa (*Managing Director*)
 Cheung Ping Keung
 Mok Fung Lin, Ivy
 Wan Chi Keung, Aaron**
 Chan Man Hon, Eric**
 Liu Hing Hung**

* *Non-executive Director*

** *Independent Non-executive Directors*

COMPANY SECRETARY

Mok Fung Lin, Ivy, LL.B. (Hons.) P.C.LL, MBA

QUALIFIED ACCOUNTANT

Li Kim Ming, AHKSA

AUDIT COMMITTEE

Chan Man Hon, Eric (*Chairman*)
 Wan Chi Keung, Aaron
 Liu Hing Hung

REMUNERATION COMMITTEE

Wong Chi Fai (*Chairman*)
 Wan Chi Keung, Aaron
 Liu Hing Hung

AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

Clarendon House
 Church Street
 Hamilton HM11
 Bermuda

PRINCIPAL OFFICE

28th Floor
 Emperor Group Centre
 288 Hennessy Road
 Wanchai
 Hong Kong

REGISTRAR (in Bermuda)

Butterfield Fund Services (Bermuda) Limited
 Rosebank Centre
 11 Bermudiana Road
 Pembroke HM08
 Bermuda

REGISTRAR (in Hong Kong)

Secretaries Limited
 26th Floor
 Tesbury Centre
 28 Queen's Road East
 Wanchai
 Hong Kong

BANKERS

The Hongkong and Shanghai Banking
 Corporation Limited
 Fubon Bank (Hong Kong) Limited
 The Bank of East Asia, Limited
 Wing Hang Bank, Limited
 Chong Hing Bank Limited
 Nanyang Commercial Bank, Limited
 Hang Seng Bank Limited

AMERICAN DEPOSITARY BANK

The Bank of New York Mellon
 Investor Services
 P.O. Box 11258
 Church Street Station
 New York, NY 10286-1258

WEBSITE

<http://www.emp163.com>

STOCK CODE

163

CHAIRPERSON'S STATEMENT

For the 12 months ended 31st March, 2007, Emperor International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") recorded turnover of approximately HK\$408.5 million, a growth of 25% compared with HK\$325.7 million in the previous year. Net profit reached HK\$487.7 million (2006: HK\$532.4 million).

The Group's businesses benefited from an improving economy in Hong Kong and showed steady growth in turnover, while its investment properties continued to record substantial revaluation gains.

The Group also enjoyed contributions from associate company Emperor Entertainment Hotel Limited ("EEH"), whose flagship gaming project in Macau, the Grand Emperor Hotel, commenced business in January 2006. The associate company contributed approximately HK\$94.9 million during the year, 64% up from HK\$57.9 million previously.

OPERATION REVIEW

Property Development and Investment

Property development and investment is the Group's core business, with rental income from investment properties being one of the Group's main income contributors during the year. Turnover from investment property leases rose 26% to approximately HK\$164.7 million, compared with HK\$130.5 million in 2006.

The Group's investment property portfolio mainly consists of shops and offices in Hong Kong and Macau. A continuously improving economy and property market had resulted in satisfactory increment in rental rates and values of the properties. The Group maintained a high overall occupancy rate for its retail properties, which are mainly located at prime locations.

In line with an improving property market in Hong Kong, the Group recorded a revaluation gain of HK\$259.0 million (2006: HK\$370.7 million) from investment properties and HK\$79.0 million from its Repulse Bay development site (2006: HK\$104.0 million).

The Group recorded a gain of HK\$63.4 million on disposal of investment properties and HK\$3.7 million from disposal of other properties, realising the gains resulted from an improved market. Profits from operations excluding the revaluation gain was HK\$185.0 million, compared with HK\$121.7 million previously.

Land supply is limited and land acquisition costs are high while there is an increasing demand for new flats in Hong Kong. With the management's property expertise, the Group has been able to identify and acquire several urban sites, and thus expanding its land bank. The sites range from approximately 4,000 to 10,000 square feet in size and are planned to be redeveloped into mid- to high-end residential or composite complexes, which are in growing demand and provide developers with lucrative returns.

The Group made positive and significant progress in its property development projects in Hong Kong as well as in Mainland China. In Hong Kong, the Group has a multi-function beach-front leisure and recreation complex in Repulse Bay under construction. The 151,000 square feet project is in an advanced stage of development with superstructure works in progress. It is expected to generate long-term rental income for the Group upon its completion, currently targeted to be in early 2008.

CHAIRPERSON'S STATEMENT

Property Development and Investment – continued

In China, the Group has a commercial/residential composite development project underway in Xiamen. The Phase II development of Riverside Garden at Xiamen is expected to be completed in late 2008, with pre-sale of residential units commencing later this year in 2007. The Group is optimistic toward the sales of the residential units in Xiamen which recorded one of the highest growth in the property markets of mainland cities.

During the year, the Group announced the acquisition of an 88,420 square feet site along Chang'an Avenue East in Beijing. The Group plans to develop the site into a comprehensive commercial complex, comprising a retail podium with high-end entertainment hot spots and a Grade-A office tower. The investment marks the Group's expansion into the Beijing property market. Clearance work will commence in the immediate future.

Hotel

The Group's Emperor (Happy Valley) Hotel recorded a steady improvement during the year. Turnover for the hotel rose 10% to approximately HK\$69.5 million from HK\$63.3 million in 2006. Revenue mainly came from the hotel's 150 guest rooms as well as food and beverage from the karaoke lounge and coffee shop.

Profits doubled to HK\$8.3 million, from HK\$4.1 million previously following a change of targeted customers from tour groups to corporate clients who came to the territory for attending trade shows and frequent individual travellers.

To better serve the corporate market, the hotel had been upgrading the inroom amenities and increased the number of non-smoking rooms. It had also revamped the online booking operations and established cooperation with various Internet travel agents. With the continued efforts to target high-yield corporate clients, the hotel has boosted its average room rate with hotel occupancy standing at approximately 90%. The hotel saw a revenue mix of corporate business and tour groups of 60:40, against 40:60 previously, which would be more stable and balanced for the Group in the long run.

Securities brokerage, financing and consultancy

The Group ran a securities and futures brokerage operation which provides retail investors with brokerage services on securities, futures and options trading on exchanges in Hong Kong, Japan and the United States. This operation provides financing for initial public offerings and stock purchases, as well as other types of loans and advances to its clients. It also provides consultancy and advisory services in financing and mergers and acquisitions.

The segment experienced a growth in both turnover and profit. Turnover rose 22% to HK\$155.3 million (2006: HK\$127.6 million) and profit climbed 12% to HK\$73.1 million (2006: HK\$65.1 million).

As part of the Group's plan to redefine itself as a property player, the Group had spun off the brokerage and financing operations to Emperor Capital Group Limited ("ECG") which became separately listed on the main board of the Stock Exchange of Hong Kong Limited on 24 April 2007. The shares of ECG were mainly distributed to shareholders of the Group by way of special dividend and subscribed by the Group's shareholders by a preferential offer. The spin-off was structured to unlock the value for the Group's shareholders and enable the brokerage and financing operations to grow as a separate listed entity.

CHAIRPERSON'S STATEMENT

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2007, the total external borrowings (excluding payables) amounted to approximately HK\$2,737.1 million and the Group maintained a debt to total assets ratio of 34% (measured by total external borrowings as a percentage to the total asset value of the Group). In addition to its share capital and reserves, the Group made use of cashflow generated from operations, bank borrowings and unsecured loans from a shareholder and related companies to finance its operations. The Group's bank borrowings were denominated in Hong Kong Dollars and their interest rates followed market rates. The Group's bank balances and cash were mostly Hong Kong dollars. The Group had no material exposure to fluctuations in exchange rates. Besides, the Group had no material contingent liabilities as at the year end date.

STAFF COSTS

The total cost incurred for staff including directors' emoluments amounted to HK\$131.8 million during the year as compared with HK\$296 million in the last corresponding year. The number of staff was approximately 300 as at the end of the year.

ASSETS PLEDGED

Assets with carrying value of HK\$4,909.0 million were pledged as security for banking facilities.

PROSPECTS

The Group has transformed into a property investor and developer following the earlier disposal and discontinuation of non-core businesses and the spin-off of the brokerage and financing operations after the end of the reporting year. With regard to property investment, the Group will continue to look for acquisition opportunities of good quality high-street shops and shopping malls at prime locations in light of an improving retail property market.

In order to achieve higher yields from rental income, the Group will also continue to improve the asset quality of its investment properties, by replacing non-core premises with properties that have a higher prospect for capital and rental gain, and by upgrading the quality of tenants as well as by implementing value-added improvement schemes on its properties.

The Group will carry on the construction of its Repulse Bay multi-function complex. The project is currently undergoing curtainwalling and internal finishing. The complex is expected to be completed in 2008.

With regard to property development, the Group has acquired controlling shares of several urban sites in Hong Kong to redevelop them into high-quality residential or commercial/residential projects. Those sites were bought at the lower range of average market prices, and have since appreciated in value.

In China, the Group hopes to receive revenue in the following financial year from the pre-sales of its Xiamen residential project, which is expected to be completed in late 2008. The Group plans to commence the clearance of existing structures and units at the Beijing site. The Grade-A office tower to be erected on site is expected to be completed in late 2010.

The management will continue to explore opportunities to expand its land bank and development portfolio in Hong Kong, Macau and in Mainland China.

CHAIRPERSON'S STATEMENT

PROSPECTS – continued

In June 2007, the Group announced a placement of 282,634,000 shares to raise approximately HK\$607.6 million from a number of strategic investors. The proceed of placing shares, representing 20% of existing issued capital, would be used to fund its property projects and as working capital for its expansion. As part of the corporate restructuring and subject to shareholders' approval, the Group would increase its stake in EEH from 34.8% to approximately 41.4%, while EEH's effective interest in Grand Emperor Hotel would be lifted to 50% from 45% with 100% interest in the management of two VIP rooms in the hotel. The restructuring would help to streamline the Group's holding structure and increase corporate transparency. The Group expects to receive substantial contribution from its gaming platform.

Looking ahead, the Group expects to enjoy ongoing profit contributions from EEH as well as strong cash-flows through its dividend distribution. The Group will also closely monitor the performance of all its business segments to maximise returns for its shareholders and investors.

BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES

LUK SIU MAN, SEMON

Chairperson

Aged 51, graduated from The University of Toronto with a Bachelor's Degree in Commerce. She has worked in the banking industry for almost 10 years. She is also the chairperson of Emperor Entertainment Hotel Limited and Emperor Entertainment Group Limited, the shares of which are listed on the Main Board and Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange") respectively. She joined the Company in June 1999.

WONG CHI FAI

Managing Director

Aged 51, is an associate of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. He has over 20 years' experience in finance and management spanning a diverse range of businesses from manufacturing to property investment and development. He is also a director of Emperor Entertainment Hotel Limited and Emperor Entertainment Group Limited, the shares of which are listed on the Main Board and GEM of the Stock Exchange respectively. He joined the Company in 1991.

FAN MAN SEUNG, VANESSA

Managing Director

Aged 44, is a lawyer by profession in Hong Kong and a registered accountant. She also holds a Master's Degree in Business Administration. She is also a director of Emperor Entertainment Hotel Limited and Emperor Entertainment Group Limited, the shares of which are listed on the Main Board and GEM of the Stock Exchange respectively. She joined the Company in 1990.

CHEUNG PING KEUNG

Executive Director

Aged 52, is a Chartered Valuation Surveyor and a fellow of both the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Surveyors. He is also an Accredited Canadian Appraiser. He graduated from University of London with a Bachelor's Degree (Hons) in Arts. Mr. Cheung currently heads the Property Department and supervises all functions of the Property Department, including, property development, marketing and management. He has over 30 years experience in professional general practice surveying as well as property development and marketing in Hong Kong, Macau, Mainland China and Canada. Mr. Cheung joined the Company in 2005.

MOK FUNG LIN, IVY

Executive Director and Company Secretary

Aged 42, is a lawyer by profession in Hong Kong and the United Kingdom, and holds a Master's Degree in Business Administration. She is also a director of Emperor Entertainment Hotel Limited, the shares of which are listed on Main Board of the Stock Exchange. She joined the Company in 1993 as Legal Consultant and was appointed executive director of the Company in February 2000.

BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES

WAN CHI KEUNG, AARON

Independent Non-executive Director

Aged 57, is an associate of the Institution of Business Agents, the Land Institute (London), the Chartered Institute of Arbitrators and a fellow of The Institute of Administrative Accounting. He is engaged in the business of property valuation and property auction and has over 25 years' related experience. Mr. Wan, a Justice of Peace, was awarded The Bronze Bauhinia Star in 2004 for his outstanding service over a long period of time. Currently, Mr. Wan is an independent non-executive director of Lee & Man Holding Limited, a company listed on the Main Board of the Stock Exchange. He was appointed independent non-executive director of the Company in March 2006.

CHAN MAN HON, ERIC

Independent Non-executive Director

Aged 50, graduated from the University of Hong Kong with a Bachelor's Degree in Laws in 1978. He also holds a Master's Degree in Business Administration from the Chinese University of Hong Kong. He is a practising solicitor and a consultant of Vincent T.K. Cheung, Yap & Co. Currently, he is a non-executive director of South East Asia Properties & Finance Limited and an independent non-executive director of Global Bio-Chem Technology Group Company Limited, the shares of both companies are listed on the Main Board of the Stock Exchange. He was appointed independent non-executive director of the Company in February 2001.

LIU HING HUNG

Independent Non-executive Director

Aged 43, holds a Master's Degree in Business Administration. He is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong and also a member of the Society of Chinese Accountants and Auditors. He now runs a professional accountancy firm in Hong Kong and has over ten years of experience in accounting, taxation, auditing and corporate finance. He is also an independent non-executive director of Shimao International Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange. He was appointed independent non-executive director of the Company in September 2004.

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Company for the year ended 31st March, 2007.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are property development and investment, provision of securities brokerage, financing services, consultancy and advisory services and hotel operations.

RESULTS AND DIVIDEND

The results of the Group and appropriations of the Company for the year ended 31st March, 2007 are set out in the consolidated income statement on page 28 and note 15 to the consolidated financial statements, respectively. An interim dividend of HK\$0.04 per share was paid to the shareholders during the year. The directors propose a final dividend of HK\$0.06 per share.

INVESTMENT PROPERTIES

During the year, the Group acquired investment properties at a cost of approximately HK\$232 million.

As at 31st March, 2007, the Group revalued all of its investment properties on an open market value basis. The change in fair value amounting to approximately HK\$259 million has been credited to the consolidated income statement.

Details of changes in the investment properties of the Group are set out in note 17 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$18 million.

Details of changes in the property, plant and equipment of the Group are set out in note 18 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out on pages 31 and 32.

DIRECTORS' REPORT

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Non-executive director:

Luk Siu Man, Semon (*Chairperson*)

Executive directors:

Wong Chi Fai (*Managing Director*)

Fan Man Seung, Vanessa (*Managing Director*)

Mok Fung Lin, Ivy

Cheung Ping Keung

(*appointed on 8th February, 2007*)

Chan Pak Lam, Tom

(*resigned on 23rd April, 2007*)

Independent non-executive directors:

Wan Chi Keung, Aaron

Chan Man Hon, Eric

Liu Hing Hung

The term of office of each director, including the independent non-executive directors, is the period up to his/her retirement by rotation in accordance with the Bye-laws of the Company.

In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr. Cheung Ping Keung would retire at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

In accordance with Bye-laws 87(2) and 87(3) of the Company's Bye-laws, Ms. Fan Man Seung, Vanessa, Mr. Chan Man Hon, Eric and Mr. Liu Hing Hung would retire by rotation at the forthcoming annual general meeting. All of them being eligible, offer themselves for re-election.

None of the directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31st March, 2007, the interests and short positions of the directors and chief executives and their associates in the shares, underlying shares and debentures of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") of the issued share capital of the Company were as follows:

(a) Long position interests in the Company

(i) Ordinary shares of HK\$0.01 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage
Ms. Luk Siu Man, Semon ("Ms. Semon Luk") (Note 1)	Family	813,301,411	57.55%

(ii) Share options

Name of director	Capacity	Number of options held	Number of underlying shares
Mr. Wong Chi Fai (Note 2)	Beneficial owner	10,000,000	10,000,000
Ms. Fan Man Seung, Vanessa (Note 2)	Beneficial owner	10,000,000	10,000,000

Note:

- 813,301,411 shares, representing 57.55% of the shares of the Company, were registered in the name of Charron Holdings Limited ("Charron"). The entire issued share capital of Charron was indirectly held by The A&A Unit Trust. The A&A Unit Trust was a unit trust under The Albert Yeung Discretionary Trust ("Trust"), a discretionary trust set up by Mr. Yeung Sau Shing, Albert ("Mr. Albert Yeung"). Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the total of 813,301,411 shares held by Charron. By virtue of the aforesaid interest of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and director of the Company) was also deemed to be interested in the above 813,301,411 shares.
- The share options were granted to the directors under the existing share option scheme of the Company.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES – continued

(b) Long position interests in associated corporations

(i) Ordinary shares

Name of director	Name of associated corporation	Capacity	Number of issued ordinary share(s) held	Percentage of the issued share capital
Ms. Semon Luk	Charron (Note 1)	Family	1	100%
Ms. Semon Luk	Jumbo Wealth Limited ("Jumbo Wealth") (Note 1)	Family	1	100%
Ms. Semon Luk	Surplus Way Profits Limited ("Surplus Way") (Note 2)	Family	1	100%
Ms. Semon Luk	Emperor Entertainment Group Limited ("EEG") (Note 2)	Family	203,054,000	78.09%
Ms. Semon Luk	Emperor Entertainment Hotel Limited ("EEH") (Note 3)	Family	323,391,555	34.82%
Ms. Semon Luk	Nova Strategic Limited ("Nova Strategic") (Note 4)	Family	10	10%

(ii) Share options

Name of director	Name of associated corporation	Capacity	Number of options held	Number of underlying shares
Mr. Wong Chi Fai (Note 5)	EEH (Note 3)	Beneficial owner	5,000,000	5,000,000
Ms. Fan Man Seung, Vanessa (Note 5)	EEH (Note 3)	Beneficial owner	5,000,000	5,000,000

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES – continued

(b) Long position interests in associated corporations – continued

Notes:

1. Charron was the registered owner of 813,301,411 shares as at 31st March, 2007, representing 57.55% of the total issued share capital of the Company. The entire issued share capital of Charron was held by Jumbo Wealth on trust for The A&A Unit Trust, a unit trust under the Trust. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the share capital of Charron and Jumbo Wealth. By virtue of the aforesaid interests of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and director of the Company) was also deemed to be interested in the share capital of Charron and Jumbo Wealth respectively.
2. EEG is a company with its shares listed in Hong Kong: 78.09% of the shares of EEG were registered in the name of Surplus Way. The entire issued share capital of Surplus Way was held by Jumbo Wealth in trust for The A&A Unit Trust, a unit trust under the Trust. By virtue of the interests of The A&A Unit Trust in Charron and Surplus Way, both Surplus Way and EEG were associated corporations of the Company. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the share capital of Surplus Way and EEG respectively. By virtue of the aforesaid interests of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and a director of the Company) was also deemed to be interested in the share capital of Surplus Way and EEG respectively.
3. EEH is a company with its shares listed in Hong Kong: 34.82% of the shares of EEH were registered in the name of Worthly Strong Investment Limited (“Worthly Strong”) as at 31st March, 2007. The entire issued share capital of Worthly Strong was held by the Company. By virtue of the interest of the Company in EEH, EEH was an indirect associated corporation of the Company. Charron was the registered owner of 813,301,411 shares, representing 57.55% of the total issued share capital of the Company. The entire issued share capital of Charron was held by Jumbo Wealth on trust for The A&A Unit Trust, which is a unit trust under the Trust. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the 323,391,555 shares in the share capital of EEH. By virtue of the aforesaid interest of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and director of the Company) was also deemed to be interested in the share capital of EEH.
4. Nova Strategic was owned as to 90% by EEH and as to 10% by Lion Empire Investments Limited (“Lion Empire”). The entire issued share capital of Lion Empire was held by The A&S Unit Trust, a unit trust under the Trust, of which Mr. Albert Yeung was the founder. Mr. Albert Yeung was deemed to be interested in the shares of Nova Strategic held by Lion Empire. By virtue of the aforesaid interests of Mr. Albert Yeung, Ms. Semon Luk was also deemed to be interested in the shares of Nova Strategic held by Lion Empire.
5. The share options were granted to the directors under the existing share option scheme of EEH.

Save as disclosed above, as at 31st March, 2007, none of the directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

SHARE OPTIONS

The Company adopted a share option scheme (the “Scheme”) on 9th September, 2003. Particulars of the scheme and details of movements in the number of share options are set out in note 40 to the consolidated financial statements:

Save as disclosed above, at no time during the year was the Company, or any of its subsidiaries a party to any arrangements to enable any director or chief executive of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REPORT

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2007, so far as is known to any director or chief executive of the Company, the following persons or corporations (other than a director or chief executive of the Company) who had interests and short positions in the shares, underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company were as follows:

Long position in ordinary shares of HK\$0.01 each of the Company

Name of shareholder	Capacity/ Nature of interests	Number of ordinary shares interested or deemed to be interested (long position)	Approximate percentage holding
Charron (<i>Note</i>)	Beneficial owner	813,301,411	57.55%
Jumbo Wealth (<i>Note</i>)	Trustee	813,301,411	57.55%
GZ Trust Corporation ("GZ Trust") (<i>Note</i>)	Trustee	813,301,411	57.55%
Mr. Albert Yeung (<i>Note</i>)	Founder of the Trust	813,301,411	57.55%
Penta Investment Advisers Ltd.	Investment manager	253,524,000	17.94%
John Zwaanstra	Interest in a controlled corporation	253,524,000	17.94%
Mercurius GP LLC	Founder of Mercurius Partners Trust	127,224,000	9.00%
Penta Japan Fund, Ltd.	Interest in a controlled corporation	127,224,000	9.00%
Todd Zwaanstra	Trustee of Mercurius Partners Trust	127,224,000	9.00%

DIRECTORS' REPORT

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS – continued

Long position in ordinary shares of HK\$0.01 each of the Company – continued

Note:

The shares were registered in the name of Charron. The entire issued share capital of Charron was held by Jumbo Wealth on trust for The A&A Unit Trust, a unit trust under the Trust, the trustee of which was GZ Trust. GZ Trust was deemed to be interested in the 813,301,411 shares held by Charron as trustee of the Trust. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the 813,301,411 shares held by Charron.

The above 813,301,411 shares held by Charron, were the same shares as those set out under section (a) of the paragraph headed of "Directors' and Chief Executives' Interests and Short Positions in Securities" above.

Save as disclosed above, as at 31st March, 2007, the directors or chief executives of the Company were not aware of any other person or corporation (other than the directors and chief executives of the Company) who had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or as otherwise notified to the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31st March, 2007, the interests of directors or their respective associates in the business which are considered to compete or are likely to compete, either directly or indirectly, with the business of the Group ("Competing Business") as required to be disclosed pursuant to the Listing Rules were as follows:

Name	Name of Company	Nature of interests	Competing business
Ms. Semon Luk, Director and her associate	Certain subsidiaries of the Trust of which Albert Yeung, associate of Semon Luk, was the founder	Substantial shareholder	Property development and investment
Fan Man Seung, Vanessa, Director	Bacchus International Limited and its subsidiaries	Directors and substantial shareholder	Property investment

Save as disclosed above, as at 31st March, 2007, none of the directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with business of the Group.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

During the year, the Group had the following transactions with directors or companies in which certain directors have beneficial interests:

- (a) Under a tenancy agreement dated 21st April, 2004 for a term from 2nd May, 2004 to 31st March, 2007, the Group leased certain properties to Beauty Royal Limited, which is owned as to 72% by Diamond Palace Limited, a company owned by a discretionary trust set up by Mr. Albert Yeung, a deemed substantial shareholder of the Company. The aggregate rental income received for the year, on normal commercial terms, was approximately HK\$2,592,000.
- (b) Under a tenancy agreement commenced 10th May, 2005 and ended 9th May, 2007, the Group leased certain properties to King Success Corporation Limited which is owned by a discretionary trust set up by Mr. Albert Yeung. The aggregate rental income received for the year, on normal commercial terms, was approximately HK\$2,690,400.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had the following transactions with connected persons as defined in the Listing Rules:

Name of counterparty	Nature of transaction	Terms	Amount for
			the year ended 31st March, 2007 HK\$'000
Emperor Connection Limited (note 1)	Car park rentals received	Lease can be terminated by either party giving one month's written notice	187
	Operating lease rentals received	1st April, 2005 to 31st March, 2008 (exclusive of rates, management fees and other outgoings charges)	1,993
	Management fees received	1st April, 2005 to 31st March, 2008	630
Strong Time Investment Limited (note 3)	Operating lease rentals received	20th January, 2006 to 31st March, 2008 (exclusive of rates, management fees and other outgoings charges)	2,448
	Management fees received	20th January, 2006 to 31st March, 2008	643
Beauty Royal Limited (note 4)	Operating lease rentals received	20th January, 2006 to 15th July, 2009 (exclusive of rates, management fees and other outgoings charges)	3,948
	Management fees received	20th January, 2006 to 31st March, 2008	250
Global Food Culture Trading Limited (note 5)	Operating lease rentals received	1st December, 2005 to 31st March, 2008 (exclusive of rates, management fees and other outgoings charges)	780
	Management fees received	1st December, 2005 to 31st March, 2008	223

DIRECTORS' REPORT

CONTINUING CONNECTED TRANSACTIONS – continued

Name of counterparty	Nature of transaction	Terms	Amount for
			the year ended 31st March, 2007 HK\$'000
Hong Kong Daily News Limited (note 5)	Operating lease rentals received	1st April, 2006 to 31st March, 2008 (exclusive of rates, management fees and other outgoings charges)	4,654
Hong Kong Daily Offset Printing Company Limited (note 5)	Operating lease rentals received	1st April, 2006 to 31st March, 2008 (exclusive of rates, management fees and other outgoings charges)	600
Ulferts of Sweden (Far East) Limited (note 5)	Operating lease rentals received	1st April, 2006 to 31st March, 2008 (exclusive of rates, management fees and other outgoings charges)	7,474
	Management fees received	1st April, 2006 to 31st March, 2008	733

Notes:

- (1) Emperor Connection Limited is a indirect wholly-owned subsidiary of EEG.
- (2) EEG is a company with its shares listed in Hong Kong: 78.09% of the shares of EEG were registered in the name of Surplus Way. The entire issued share capital of Surplus Way was held by Jumbo Wealth in trust for The A&A Unit Trust, a unit trust under the Trust. By virtue of the interests of The A&A Unit Trust in Charron and Surplus Way, both Surplus Way and EEG were associated corporations of the Company. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the share capital of Surplus Way and EEG respectively. By virtue of the aforesaid interests of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and a director of the Company) was also deemed to be interested in the share capital of Surplus Way and EEG respectively.
- (3) Strong Time Investments Limited is a signing agent of a company owned by a discretionary trust set up by a family member of Mr. Albert Yeung, a deemed substantial shareholder of the Company as at 31st March, 2007 and spouse of Ms. Semon Luk.
- (4) Beauty Royal Limited, which is owned as to 72% by Diamond Palace Limited, a company owned by a discretionary trust set up by Mr. Albert Yeung, a deemed substantial shareholder of the Company.
- (5) Global Food Culture Trading Limited, Hong Kong Daily News Limited, Hong Kong Daily Offset Printing Company Limited and Ulferts of Sweden (Far East) Limited are companies owned by the Trust in which Mr. Albert Yeung, the deemed substantial shareholder of the Company, is the founder.

DIRECTORS' REPORT

CONTINUING CONNECTED TRANSACTIONS – continued

The directors of the Company considered that the renting of the office premises and car parking spaces would consolidate the operations of the Group into the same premises which would enhance the efficiency of management of the Group. The transactions are fair and reasonable and in the interests of the shareholders of the Company.

The directors of the Company engaged the auditors of the Company to perform certain agreed upon procedures in respect of continuing connected transactions of the Group. The procedures were performed solely to assist the directors of the Company to evaluate in accordance with Rule 14A.38 of the Listing Rules, whether the continuing connected transactions entered into by the Group for the year ended 31st March, 2007:

- (a) have received the approval of the directors of the Company;
- (b) have been entered into in accordance with the terms of the relevant agreement governing such transactions;
- (c) have not exceeded the relevant cap amount for the financial year ended 31st March, 2007 disclosed in previous announcements; and
- (d) have been entered into in accordance with the pricing policies of the Company with reference to similar transactions with independent third parties.

The independent non-executive directors have reviewed the continuing connected transactions and the report of the auditors and have confirmed that the transactions have been entered into by the Company in the ordinary course of its business, on normal commercial terms, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Save as disclosed above, no contracts of significance to which the Company, or any of its holding companies, fellow subsidiaries and subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES OF THE COMPANY

The contributed surplus of the Company represents the aggregate of (a) the difference between the consolidated net assets of the Company's subsidiaries and the nominal value of the Company's shares issued pursuant to the group reorganisation effective in December 1991; (b) the surplus arising on reduction of share capital effective in March 2003 and (c) the subsequent dividends paid and bonus issues by way of capitalisation of contributed surplus;

Under the Companies Act in 1981 of Bermuda, the contributed surplus of the Company is available for distribution to shareholders. However, a company cannot declare or pay a dividend or make a distribution out of contributed surplus if there are reasonable grounds for believing that:

- (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The Company's reserves available for distribution to shareholders as at 31st March, 2007 represent the aggregate of contributed surplus and accumulated profits amounting to HK\$1,300,001,000 (2006: HK\$1,412,419,000).

DONATIONS

During the year, the Group made charitable donations amounting to approximately HK\$6,447,000.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

During the year, the aggregate amount of purchases and services received attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases and services received.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on page 21 to 25.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the directors of the Company as at the date of this report, the Company maintained the prescribed public float under the Listing Rules.

DIRECTORS' REPORT

POST BALANCE SHEET EVENTS

Details of post balance sheet events are set out in note 48 to the consolidated financial statements.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Luk Siu Man, Semon
Chairperson

Hong Kong
18th July, 2007

CORPORATE GOVERNANCE REPORT

The directors of the Company (“Directors” or “Board”) continue to strive to maintain a solid, transparent and sensible framework of corporate governance. The Company has fully compliant with all the provisions of the Code on Corporate Governance Practice (the “Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the financial year ended 31st March, 2007 except with the deviation from Code provision A.4.1 in respect of the requirement for the appointment of Non-executive Directors for a specific term.

THE BOARD

The Board is responsible to lead and control the business operations of the Group and to protect the shareholders’ assets. It formulates strategic directions, oversees the operations and monitors the financial performance of the Group.

As at 31st March, 2007, the Board comprised nine Directors, with one Non-executive Director who is also the Chairperson of the Company, two Managing Directors, three Executive Directors and three Independent Non-executive Directors. One Executive Director has resigned from the Company in April, 2007 following the spun-off of Emperor Capital Group Limited from the Group. The biographies of the Directors are set out on pages 7 to 8 of this report under the “Biographies of Directors and Senior Executives” Section.

The Company has received a confirmation of independence from each of the Independent Non-executive Directors. The Board considers each of them to be independent by reference to the factors stated in the Listing Rules. The Independent Non-executive Directors have been expressly identified as such in all corporate communications of the Company that disclose the names of Directors.

Ms. Luk Siu Man, Semon has been appointed as the Chairperson since 1999. The Chairperson is responsible to set the agenda for each Board meeting, taking into account any matters proposed by the Directors. With the support of the Company Secretary, the Chairperson ensures all Board members work effectively and discharge his/her responsibility by providing timely, reliable and sufficient information on issues to be discussed at Board meetings. The Board members are properly briefed of the issues discussed and the meeting material is dispatched to the Directors before the meetings.

The Independent Non-executive Directors, are all professionals with valuable experience in property related industry or legal or accounting, contribute impartial view and making independent judgement on issues to be discussed at Board meetings.

The experienced management team implements the decisions from the Board, manages the businesses of the Group within the delegated power and authority by the Board and proposes management and investment proposals for the Board to approve. The team assumes full accountability to the Board for all operations of the Group.

The Board sets up the Audit Committee and Remuneration Committee on 23rd September, 2004 and 19th July, 2005 respectively. The members of the Committees consist of mainly Independent Non-executive Directors. Clear written terms of reference are given to these two Committees and details of these two Committees are set out in the paragraphs “Audit Committee” and “Remuneration Committee” below.

CORPORATE GOVERNANCE REPORT

THE BOARD – continued

Code provision A.4.1 requires non-executive directors be appointed for a specific term. However, the Non-executive Directors of the Company were not appointed for a specific term. Pursuant to bye-law 87(1) of the Bye-laws of the Company, one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting provided that every Director shall be subject to retirement at least once every three years. The Board is of the opinion that the appointment of non-executive directors without specific term but otherwise subject to retirement by rotation and re-election by shareholders is reasonable.

The Company has not established a nomination committee. During the financial year ended 31st March, 2007, the Board has appointed an additional executive director to the Board after considering his past experience, qualifications and overall integrity. An induction on a director's responsibilities under statute and common law, as well as the Group's business and operations, was provided to the newly appointed director upon his appointment.

The Board held six meetings during the financial year 2006-2007 with the attendance of each Director as follows:

Number of meetings		6
Non-executive Directors		
Luk Siu Man, Semon (<i>Chairperson</i>)	5/6	83%
Managing Directors		
Wong Chi Fai	3/6	50%
Fan Man Seung, Vanessa	5/6	83%
Executive Directors		
Cheung Ping Keung*	1/6	16%
Chan Pak Lam, Tom**	5/6	83%
Mok Fung Lin, Ivy	5/6	83%
Independent Non-executive Directors		
Wan Chi Keung, Aaron	6/6	100%
Chan Man Hon, Eric	5/6	83%
Liu Hing Hung	4/6	67%

Note: * Mr. Cheung Ping Keung was appointed as director of the Company on 8th February, 2007.

** Mr. Chan Pak Lam, Tom resigned as director of the Company on 23rd April, 2007.

Board meeting notice was sent to the Directors at least 14 days prior to the meeting. The Directors also have access to the advice and services of the Company Secretary and key officers of the Company Secretarial team regarding the Board procedures, and all applicable rules and regulations in respect of meetings are followed. Draft and final versions of the minutes of Board meetings and Board committee meetings, drafted in sufficient details by the secretary of the meetings, were circulated to the Directors for their comment and record respectively. An original copy of such minutes, being kept by the Company Secretary, is open for inspection at any reasonable time on reasonable notice by any Directors. A procedure has been approved by the Board to enable Directors to seek independent professional advice at the Company's expenses in appropriate circumstances.

CORPORATE GOVERNANCE REPORT

THE BOARD – continued

The Company has adopted a code of conduct regarding securities transactions by directors and senior executives on no less terms than the required standard of dealings set out in Appendix 10 of the Listing Rules. Having made specific enquiry to all Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings and the code of conduct.

REMUNERATION COMMITTEE

The Remuneration Committee consists of three members. It is chaired by the Managing Director, Mr. Wong Chi Fai with two Independent Non-executive Directors, Mr. Liu Hing Hung and Mr. Wan Chi Keung, Aaron. The major responsibility of the Remuneration Committee is assisting the Board to attract, retain and motivate the high calibre executives, and making recommendations on the establishment of a formal and transparent procedure for developing remuneration policy. Details of the remuneration of each of the Directors for the year ended 31st March, 2007 are set out in note 12 to the consolidated financial statements. The specific written terms of reference of the Remuneration Committee are available in the Company's website: www.emp163.com.

The Remuneration Committee has convened a meeting in September 2006, which was attended by all Committee members. The task performed by the Remuneration Committee including (i) reviewed and endorsed the remuneration structure of the Directors; (ii) reviewed the market data of directors' remuneration; and (iii) recommended to the Board the annual directors' fees.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge that it is their responsibility to prepare the accounts of the Group and other financial disclosures required under the Listing Rules.

Management has provided information and explanation to the Board to enable it to make an informed assessment of the financial and other Board decisions.

Audit Committee

The Audit Committee consists of three Independent Non-executive Directors, namely Messrs. Chan Man Hon, Eric (Chairman of the Audit Committee), Liu Hing Hung and Wan Chi Keung, Aaron. They possess accounting, banking and other professional expertise. The Board has adopted a revised terms of reference on 19th December, 2006, which is updated to reflect the current requirements of the Listing Rules. The revised terms of reference has been set out in the Company's website: www.emp163.com. The Audit Committee is primarily responsible for making recommendations to the Board on the appointment and removal of the external auditors, to approve the remuneration and terms of engagement of external auditor, review financial information and oversight of the financial reporting system and internal control procedures.

The Audit Committee convened four meetings during the financial year ended 31st March, 2007 with the attendance as follows:

Number of meetings		4
Chan Man Hon, Eric	3/4	75%
Wan Chi Keung, Aaron	3/4	75%
Liu Hing Hung	3/4	75%

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT – continued

Audit Committee – continued

The members attend most of the Committee meetings. Draft and final versions of minutes were circulated to Committee members for their review and record respectively. The summary of work performed by the Audit Committee during the financial year ended 31st March, 2007 is set out below:

- i. Reviewed with the external auditors and senior management of the audit plans for the financial years ended 31st March, 2006 and 2007;
- ii. Reviewed with the senior management and/or the external auditors the accounting principles and practices adopted by the Group, the accuracy and fairness of the annual and interim financial statements for the financial year ended 31st March, 2007;
- iii. Reviewed the impact to the Group in respect of the amendments to the accounting principles with the external auditors;
- iv. Reviewed the revised terms of reference of audit committee and recommended to the Board for adoption;
- v. Approved the scope of internal control;
- vi. Determined the external auditor's independence and reviewed the effectiveness of the audit process;
- vii. Approved the audit fees for the financial year 2005-2006 and consider the re-election of auditors;
- viii. Meeting with the external auditors and review their work and findings relating to the annual audit; and
- ix. Annual review of the non-exempt continuing connected transactions

Internal Control

The Board is responsible for maintaining and reviewing the effectiveness of the Group's internal control system. The internal control system is implemented to minimize the risks to which the Group is exposed and used as a management tool for the day-to-day operation of business. The system can only provide reasonable but not absolute assurance against misstatements or losses.

During the financial year ended 31st March, 2007, the Company has formulated an internal self-assessment process of all material controls including financial, operational and compliance controls and risk management functions and the internal audit department is assigned with the task to perform regular reviews on selected systems of the Group and will report audit review findings or irregularities, if any, to management and advise on the implementation of necessary steps of systems to enhance operational or financial controls. Audit Committee is charged with the task to evaluate the effectiveness of the system.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT – continued

Internal Control – continued

During the year under review, the management has analyzed the control environment and risk assessment, identified the various control systems implemented and agreed with the Audit Committee on the scope of review. The approach of the review includes conducting interviews with relevant management and staff members, reviewing relevant documentation of the internal control system and evaluating findings on any deficiencies in the design of the internal controls and developing recommendations for improvement, where appropriate.

COMMUNICATION WITH SHAREHOLDERS

The Company communicated with the shareholders in the following ways: (i) the holding of annual general meeting which provide an opportunity for the shareholders to raise questions to the Board on the business of the Group, if any and the issuance of annual report and/or circular as required under the Listing Rules providing up-dated information of the Group; (ii) the shareholders and investors are welcome to visit our website for the latest information of the Group; and (iii) convene press conference from time to time.

Separate resolutions are proposed at the annual general meeting on each substantial separate issues, including the election of individual directors as required under the Listing Rules.

The Chairperson and the chairman of the committees, were available at the annual general meeting held on 24th August, 2006 to answer questions from the shareholders.

Voting by Poll

The rights to demand a poll were set out in the circular dispatched to the shareholders during the year. The chairperson of the annual general meeting held on 24th August, 2006 had explained the rights and procedures to demand a poll.

AUDITOR'S REMUNERATION

During the year under review, the remuneration paid/payable to the Company's auditors, Messrs Deloitte Touche Tohmatsu, is set out as follows:–

Service rendered	fees paid/payable HK\$'000
Audit services	2,829
Non-audit services	5,780

INDEPENDENT AUDITOR'S REPORT



TO THE MEMBERS OF EMPEROR INTERNATIONAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Emperor International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 87, which comprise the consolidated balance sheet as at 31st March, 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st March, 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

18th July, 2007

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2007

	Notes	2007 HK\$'000	2006 HK\$'000
Continuing operations			
Turnover	6	408,514	325,677
Cost of sales		(26,805)	(12,696)
Direct operating expenses		(86,246)	(59,473)
Gross profit		295,463	253,508
Other income	8	9,418	11,989
Fair value change in investment properties		259,018	370,669
Gain on disposal of investment properties		63,408	–
Reversal of impairment losses – net	9	78,999	103,026
Allowance for properties held for sale		–	(1,761)
Selling and marketing expenses		(7,581)	(5,578)
Administrative expenses		(128,203)	(91,321)
Allowance for doubtful debts of margin financing and other receivables written back – net		18,550	890
Finance costs	10	(138,944)	(78,765)
Share of results of associates		95,813	58,628
Profit before taxation	11	545,941	621,285
Taxation	13	(55,325)	(87,074)
Profit for the year from continuing operations		490,616	534,211
Profit for the year from discontinued operations	14	–	2,470
Profit for the year		490,616	536,681
Attributable to:			
Equity holders of the Company		487,677	532,392
Minority interests		2,939	4,289
		490,616	536,681
Dividends	15		
– Interim paid		56,527	56,134
– Final paid		68,706	76,342
		125,233	132,476
– Final proposed		96,997	68,706
Earnings per share – basic	16		
From continuing and discontinued operations		HK\$0.36	HK\$0.47
From continuing operations		HK\$0.36	HK\$0.47

CONSOLIDATED BALANCE SHEET

At 31st March, 2007

	Notes	2007 HK\$'000	2006 HK\$'000
Non-current assets			
Investment properties	17	3,996,002	3,712,220
Property, plant and equipment	18	227,512	228,986
Properties under development	19	441,748	302,500
Deposits paid for acquisition of properties		46,675	40,410
Prepaid lease payments	20	741,875	359,180
Interests in associates	21	564,512	481,365
Amounts due from associates	22	38,717	70,495
Loans receivable	23	6,669	9,410
Intangible assets	24	771	1,431
Goodwill	25	1,940	1,940
Available-for-sale financial assets	26	138	2
Other assets	27	8,990	8,405
Deferred taxation assets	28	1,582	3,474
		6,077,131	5,219,818
Current assets			
Inventories	29	1,196	1,153
Properties held for sale	30	38,111	10,182
Properties under development	31	1,438,587	81,270
Prepaid lease payments	20	5,962	5,962
Debtors, deposits and prepayments	32	238,885	310,276
Investments in trading securities	26	139	179
Taxation recoverable		2,587	566
Pledged bank deposits		18,820	655
Bank balances – (trust accounts)	33	119,368	101,846
Bank balances (general accounts) and cash	34	130,739	89,556
		1,994,394	601,645
Current liabilities			
Creditors, customers' deposits and accrued charges	35	471,579	264,359
Amount due to ultimate holding company	36	635,927	486,204
Amounts due to minority shareholders of subsidiaries	37	21,040	21,278
Taxation payable		1,087	2,364
Secured bank borrowings – due within one year	38	1,310,206	554,048
		2,439,839	1,328,253
Net current liabilities		(445,445)	(726,608)
Total assets less current liabilities		5,631,686	4,493,210

CONSOLIDATED BALANCE SHEET

At 31st March, 2007

	Notes	2007 HK\$'000	2006 HK\$'000
Non-current liabilities			
Secured bank borrowings – due after one year	38	769,975	555,077
Deferred taxation liabilities	28	195,451	149,467
		965,426	704,544
Net assets		4,666,260	3,788,666
Capital and reserves			
Share capital	39	14,132	11,227
Reserves		4,651,714	3,780,956
Equity attributable to the equity holders of the Company		4,665,846	3,792,183
Minority interests		414	(3,517)
Total equity		4,666,260	3,788,666

The consolidated financial statements on pages 28 to 87 were approved and authorised for issue by the Board of Directors on 18th July, 2007 and are signed on its behalf by:

Wong Chi Fai
DIRECTOR

Fan Man Seung, Vanessa
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2007

	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Asset revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Other reserve HK\$'000	Contributed surplus HK\$'000	Accumulated profits HK\$'000	Total attributable to equity shareholders of the Company HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st April, 2005	11,227	1,523,155	1,494	-	60,148	247	(5)	961,568	806,164	3,363,998	(8,115)	3,355,883
Share of reserve of an associate	-	-	3,105	1,376	-	-	-	-	-	4,481	-	4,481
Exchange difference arising on translation of foreign subsidiaries	-	-	2,263	-	-	-	-	-	-	2,263	119	2,382
Surplus on reclassification of properties	-	-	-	-	16,887	-	-	-	-	16,887	-	16,887
Reversal of deferred taxation liabilities arising from depreciation attributable to revaluation surplus	-	-	-	-	231	-	-	-	-	231	-	231
Decrease in fair value of available-for-sale financial assets	-	-	-	-	-	(247)	-	-	-	(247)	-	(247)
Net expenses and income recognised directly in equity	-	-	5,368	1,376	17,118	(247)	-	-	-	23,615	119	23,734
Profit for the year	-	-	-	-	-	-	-	-	532,392	532,392	4,289	536,681
Realised upon disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	190	190
Total recognised income and expense for the year	-	-	5,368	1,376	17,118	(247)	-	-	532,392	556,007	4,598	560,605
Transfer of reserve	-	-	-	-	-	-	15	-	(15)	-	-	-
Recognition of equity-settled share based payments	-	-	-	4,654	-	-	-	-	-	4,654	-	4,654
Depreciation attributable to revaluation surplus	-	-	-	-	(1,320)	-	-	-	1,320	-	-	-
Dividends paid	-	-	-	-	-	-	-	(76,342)	-	(76,342)	-	(76,342)
- final dividend for 2005	-	-	-	-	-	-	-	(76,342)	-	(76,342)	-	(76,342)
- interim dividend for 2006	-	-	-	-	-	-	-	(56,134)	-	(56,134)	-	(56,134)
At 31st March, 2006	11,227	1,523,155	6,862	6,030	75,946	-	10	829,092	1,339,861	3,792,183	(3,517)	3,788,666

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2007

	Share capital	Share premium	Translation reserve	Share option reserve	Asset revaluation reserve	Investment revaluation reserve	Other reserve	Contributed surplus	Accumulated profits	Total attributable to equity shareholders of the Company	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2006	11,227	1,523,155	6,862	6,030	75,946	-	10	829,092	1,339,861	3,792,183	(3,517)	3,788,666
Share of reserve of an associate	-	-	5,228	-	-	-	-	-	-	5,228	-	5,228
Exchange difference arising on translation of foreign subsidiaries	-	-	7,406	-	-	-	-	-	-	7,406	184	7,590
Reversal of deferred taxation liabilities arising from depreciation attributable to revaluation surplus	-	-	-	-	231	-	-	-	-	231	-	231
Net expenses and income recognised directly in equity	-	-	12,634	-	231	-	-	-	-	12,865	184	13,049
Profit for the year	-	-	-	-	-	-	-	-	487,677	487,677	2,939	490,616
Total recognised income and expense for the year	-	-	12,634	-	231	-	-	-	487,677	500,542	3,123	503,665
Issue of shares	2,905	508,250	-	-	-	-	-	-	-	511,155	-	511,155
Issue of shares expenses	-	(12,801)	-	-	-	-	-	-	-	(12,801)	-	(12,801)
Depreciation attributable to revaluation surplus	-	-	-	-	(1,320)	-	-	-	1,320	-	-	-
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	808	808
Dividends paid	-	-	-	-	-	-	-	(68,706)	-	(68,706)	-	(68,706)
- final dividend for 2006	-	-	-	-	-	-	-	(68,706)	-	(68,706)	-	(68,706)
- interim dividend for 2007	-	-	-	-	-	-	-	(56,527)	-	(56,527)	-	(56,527)
At 31st March, 2007	14,132	2,018,604	19,496	6,030	74,857	-	10	703,859	1,828,858	4,665,846	414	4,666,260

The contributed surplus of the Group represents the aggregate of (a) the difference between the sum of the nominal amount of the share capital and share premium of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition; (b) the surplus arising on reduction of share capital effective in March 2003; and (c) subsequent dividend paid and bonus issues by way of capitalisation of contributed surplus.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2007

	2007 HK\$'000	2006 HK\$'000
Cash flows from operating activities		
Profit before taxation	545,941	625,099
Adjustments for:		
Gain on disposal of discontinued operations	–	(7)
Gain on disposal of intangible assets	(135)	(238)
Gain on disposal of investment properties	(63,408)	–
Loss on disposal of subsidiaries	–	107
Interest income	(5,367)	(2,716)
Interest expenses on bank and other borrowings	138,944	79,488
Release of prepaid lease payments	5,962	5,962
Share option expense	–	4,654
Depreciation and amortisation	19,277	47,673
Share of results of associates	(95,813)	(58,628)
Impairment loss on goodwill arising from acquisition of additional interest in a subsidiary	808	–
Loss on disposal of property, plant and equipment	–	2,626
Reversal of impairment losses – net	(78,999)	(103,026)
Allowance for properties held for sale	–	1,761
Gain on disposal of available-for-sale financial assets	–	(315)
Unrealised holding loss on trading securities	–	507
Change in fair value in investment properties	(259,018)	(370,669)
Allowance for doubtful debts of margin financing and other receivables written back – net	(18,550)	(808)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	189,642	231,470
Increase in inventories	(43)	(4,853)
Increase in properties under development	(1,357,317)	(3,818)
(Increase) decrease in properties held for sale	(27,929)	1,975
Decrease (increase) in debtors, deposits and prepayments	89,899	(79,533)
Decrease in trading securities	40	2,227
Increase in creditors, customers' deposits and accrued charges	8,719	27,197
	<hr/>	<hr/>
Net cash (used in) generated from operations	(1,096,989)	174,665
Interest received from bank deposits and other receivables	3,010	1,700
Hong Kong Profits Tax refunded	140	302
Hong Kong Profits Tax paid	(10,684)	(11,347)
PRC enterprise income tax refunded	28	11
	<hr/>	<hr/>
Net cash (used in) generated from operating activities	(1,104,495)	165,331

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2007

	Notes	2007 HK\$'000	2006 HK\$'000
Cash flows from investing activities			
Purchase of investment properties		(191,945)	(356,314)
Prepaid lease payments paid		(193,642)	–
Advance to associates		(133,003)	(74,180)
Deposits made on acquisition of properties		(46,675)	(40,410)
Additional costs incurred on properties under development		(33,211)	(13,286)
(Increase) decrease in pledged bank deposits		(18,165)	8,720
Increase in bank balances – (trust accounts)		(17,522)	(14,413)
Purchase of property, plant and equipment		(17,509)	(17,918)
Acquisition of additional interests in an associate		(1,452)	(21,604)
(Increase) decrease in other assets		(585)	699
Purchase of available-for-sale financial assets		(136)	–
Proceeds from disposal of investment properties		249,575	–
Repayment from associates		164,781	10,099
Dividend received from an associate		19,346	3,503
Decrease in loans receivable		2,741	10,660
Interest received from loans receivable from associates		2,357	1,016
Proceeds from disposal of intangible assets		501	969
Intangible additions		–	(696)
Proceeds from disposal of subsidiaries (net of cash and cash equivalent disposed of)	42	–	(645)
Proceeds from disposal of discontinued operations (net of cash and cash equivalent disposed of)	43	–	68,714
Proceeds from disposal of non-trading securities		–	459
Proceeds from disposal of property, plant and equipment		–	403
Net cash used in investing activities		(214,544)	(434,224)
Cash flows from financing activities			
New bank loans raised		5,369,784	2,377,380
Proceeds from issue of shares		511,155	–
Advance from ultimate holding company		149,723	275,149
Repayment of bank loans		(4,398,837)	(2,183,760)
Interest on bank and other borrowings paid		(138,944)	(79,488)
Dividends paid		(125,233)	(132,476)
Expenses incurred in connection with the issue of shares		(12,801)	–
Repayment to minority shareholders of subsidiaries		(238)	(523)
Repayment of trust receipts and import loans		–	(118,148)
New trust receipts and import loans raised		–	96,129
Repayment of obligations under finance leases		–	(48)
Net cash generated from financing activities		1,354,609	234,215
Net increase (decrease) in cash and cash equivalents		35,570	(34,678)
Cash and cash equivalents at beginning of the year		89,360	124,038
Effect of exchange rate changes		5,504	–
Cash and cash equivalents at end of the year		130,434	89,360
Analysis of balance of cash and cash equivalents			
Bank balances (general accounts) and cash		130,739	89,556
Bank overdrafts		(305)	(196)
		130,434	89,360

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The parent and ultimate holding company of the Company is Charron Holdings Limited ("Charron"), a limited liability company incorporated in British Virgin Islands. The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

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

The Company is an investment holding company. The principal activities of the Group are property development and investment, provision of securities brokerage, financing services, consultancy and advisory services and hotel operations.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), amendments of Hong Kong Accounting Standards ("HKAS") and Interpretations ("INTs") (hereinafter collectively referred to as the "new HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are either effective for accounting periods beginning on or after 1st December, 2005, 1st January, 2006 or 1st March, 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the consolidated financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKAS 23 (Revised)	Borrowing costs ²
HKFRS 7	Financial instruments: Disclosures ¹
HKFRS 8	Operating segments ²
HK(IFRIC) – INT 8	Scope of HKFRS 2 ³
HK(IFRIC) – INT 9	Reassessment of embedded derivatives ⁴
HK(IFRIC) – INT 10	Interim financial reporting and impairment ⁵
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions ⁶
HK(IFRIC) – INT 12	Service concession arrangements ⁷

¹ Effective for annual periods beginning on or after 1st January, 2007.

² Effective for annual periods beginning on or after 1st January, 2009.

³ Effective for annual periods beginning on or after 1st May, 2006.

⁴ Effective for annual periods beginning on or after 1st June, 2006.

⁵ Effective for annual periods beginning on or after 1st November, 2006.

⁶ Effective for annual periods beginning on or after 1st March, 2007.

⁷ Effective for annual periods beginning on or after 1st January, 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared under the historical cost convention except for investment properties and certain financial instruments which are measured at fair values as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

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

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

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

Goodwill

Goodwill arising on acquisition prior to 1st January, 2005

Goodwill arising on an acquisition of a subsidiary or an associate for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary or associate at the date of acquisition.

For previously capitalised goodwill arising on acquisition after 1st January, 2001, the Group has discontinued amortisation from 1st January, 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Goodwill – continued

Goodwill arising on acquisition on or after 1st January, 2005

Goodwill arising on an acquisition of a subsidiary or an associate for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary or associate at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses. Discount on acquisition, representing the excess of the net fair value of the identifiable assets, liabilities and contingent liabilities acquired over the cost of acquisition, is recognised immediately in profit or loss.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet. Capitalised goodwill arising on an acquisition of an associate is included in the cost of the investment on the relevant associate.

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

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

For goodwill arising on acquisition of an associate, the goodwill included in the carrying amount of interests in an associate is not separately tested for impairment. Instead, the entire carrying amount of the interests in an associate is tested for impairment by comparing the Group's share of the present value of the estimated future cash flows expected to be generated by the associate with its carrying amount.

Interests in associates

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

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment

Property, plant and equipment are stated at cost or deemed cost which is the fair value at the date of transfer from investment property, less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimates residual value, using the straight line method, at the following rates per annum:

Buildings	Over the estimated useful lives of 40 years or the unexpired terms of the relevant leases, whichever is shorter
Hotel properties	Over the estimated useful lives of 40 years or the unexpired terms of the relevant leases, whichever is shorter
Leasehold improvements	10 – 20%
Machinery and equipment	10 – 20%
Others	10 – 33 $\frac{1}{3}$ %

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

When an item of property, plant and equipment is transferred to investment property carried at fair value, if the carrying amount is decreased as a result of a revaluation at the date of transfer, any resulting decrease in the carrying amount of the property is recognised in profit or loss. If the carrying amount is increased, to the extent that the increase reverses a previous impairment loss for that property, the increase is recognised in profit or loss. The amount recognised in profit or loss does not exceed the amount needed to restore the carrying amount to the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised. Any remaining part of the increase is credited directly to equity (other property revaluation reserve). On subsequent disposal of the investment property, the revaluation surplus included in equity may be transferred to retained earnings. The transfer from revaluation surplus to retained earnings is not made through profit or loss.

Property under development being constructed or developed for future use as owner-occupied property or investment property are stated at cost less any identified impairment losses. Cost comprises the cost of acquisition of the properties under development together with direct costs attributable to the development of the properties and borrowing costs capitalised during the period of development upon completion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Prepaid lease payments

Prepaid lease payments representing prepaid land costs are stated at cost less subsequent accumulated amortisation and accumulated impairment losses. Prepaid lease payment is amortised to the consolidated income statement over the term of relevant land leases.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn for use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Transfer from investment property to property under development will be made when there is a change in use, evidenced by commencement of development with a view of redevelopment for sale. Property interests held under operating lease previously classified as an investment property is accounted for as if it were a finance lease and measured under the fair value model. The Group shall continue to account for the lease as a finance lease, even if subsequent event changes the nature of the property interest so that it is no longer classified as investment property.

Borrowings costs

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

All other borrowing costs are recognised as expenses in the period in which they are incurred.

Intangible assets

The trading rights held in the Stock Exchange and the Hong Kong Futures Exchange Limited (the "Futures Exchange") are stated at cost less amortisation and impairment losses, and are amortised on a straight line basis over a period of 10 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment of assets (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Properties held for sale

Properties for sale are completed properties and are classified under current assets and are stated at the lower of cost and net realisable value.

Property under development

Property under development for sale is stated at the lower of cost and net realisable value. Costs relating to the development of the properties include land cost, construction cost and other direct development expenditure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight line basis over the lease term.

The Group as lessee

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

Financial instruments

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

Financial assets

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represent financial assets held for trading. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss or loans and receivables. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods.

Financial liabilities and equity

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

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

Other financial liabilities

Other financial liabilities including creditors, amount due to a shareholder, bank borrowings and amounts due to minority shareholders of subsidiaries are subsequently measured at amortised cost, using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Derecognition

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

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Revenue recognition

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

Sales of properties are recognised when unconditional sale and purchase agreements have been signed during the year and legal completion takes place.

Sales of properties under development are recognised when the property is completed and the relevant occupation permit is issued by the relevant authorities. Payments received from the purchasers prior to this stage are recorded as customers' deposits received.

Rental income from properties under operating leases is recognised on a straight line basis over the period of the relevant leases.

Service income is recognised when the management, consultancy and advisory services are rendered.

Advisory service income is recognised when the service is rendered, the revenue can be reliably estimated and it is probable that the revenue will be received.

Commission and brokerage income is recognised when the service is rendered and on a trade-date basis.

Sales of investments in securities are recognised when the related bought and sold note is executed.

Dividend income from investments is recognised when the Group's rights to receive dividend payment have been established.

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

Income arising from the hotel and restaurant operations is recognised when the services are rendered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and items that are never taxable and deductible. The Group's liability for current tax is calculated using tax rates that 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 for using the balance sheet liability method. Deferred taxation liabilities are generally recognised for all taxable temporary differences, and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction 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 probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Foreign currencies

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currencies – continued

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

Share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in share option reserve.

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

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies set out in note 3, the management had made the following estimate that have the most significant effect on the amounts recognised in the financial statements.

Deferred tax assets

As at 31st March, 2007, a deferred tax asset of HK\$25,657,000 in relation to tax losses have been recognised in the Group's consolidated balance sheet. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which such a reversal takes place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include loan receivable, amounts due from associates, debtors, bank balances and cash, creditors, amount due to a shareholder, amounts due to minority shareholders of subsidiaries and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings and interest bearing assets including amounts due from associates and loan receivables. The Group currently does not have any policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31st March, 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group monitor the procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual amounts due from associates and trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the majority of the counterparties are banks with high credit ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

The Group has no significant concentration of credit risk on its trade receivables, with exposure spread over a large number of counterparties and customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

6. TURNOVER

An analysis of the Group's turnover, for both continuing and discontinued operations is as follows:

	2007	2006
	HK\$'000	HK\$'000
Continuing operations		
Rental income from investment properties	164,697	130,482
Income from hotel operations	69,495	63,348
Commission from the provision of securities and futures brokerage services and related advisory services	77,877	51,623
Interest income from financing and other loan receivables	45,808	45,660
Consultancy and advisory service income	31,644	30,323
Sales of properties	18,993	4,241
	408,514	325,677
Discontinued operations (<i>note 14</i>)		
Income from printing and publishing	–	460,519
Sales of furniture	–	154,102
Income from restaurant operations	–	23,227
Sales of marine products	–	22,009
	–	659,857
Total	408,514	985,534

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into six operating divisions, namely, lease of properties, sales of properties, securities brokerage, financing, consultancy and advisory services and hotel operations. These divisions are the basis on which the Group reports its primary segment information. The segment results of lease of properties and sales of properties include administrative and running expenses for those properties under development stages.

The Group's operation in printing and publishing, wholesaling and retailing of furniture, restaurant operations and sale of marine products were discontinued in the previous year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

7. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

Information about these business segments is as follows:

	Lease of properties HK\$'000	Sales of properties HK\$'000	Securities brokerage HK\$'000	Financing HK\$'000	Consultancy and advisory HK\$'000	Hotel operations HK\$'000	Others HK\$'000	Total HK\$'000
Year ended								
31st March, 2007								
INCOME STATEMENT								
Turnover								
External sales	164,697	18,993	77,877	45,808	31,644	69,495	–	408,514
Segment results*	520,559	2,482	23,357	23,489	26,205	8,261	15	604,368
Interest income								5,367
Unallocated corporate expenses								(44,270)
Finance costs								(115,337)
Share of results of associates								95,813
Profit before taxation								545,941
Taxation								(55,325)
Profit for the year								490,616

* Finance costs of HK\$23,607,000 were included in the financing segment result.

OTHER INFORMATION

Capital additions	681,219	1,333,807	183	–	–	332	16,994	2,032,535
Depreciation and amortisation	3,371	–	1,395	–	–	9,692	4,819	19,277
Release of prepaid lease payments	–	–	–	–	–	4,387	1,575	5,962
Reversal of impairment losses – net	79,041	–	–	–	–	–	(42)	78,999
Allowance for doubtful debts made (written back)	(87)	–	(187)	(11,530)	–	(1,252)	(5,494)	(18,550)
Impairment loss on goodwill arising from acquisition of additional interest in subsidiaries	–	–	–	–	–	808	–	808

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

7. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

	Lease of properties HK\$'000	Sales of properties HK\$'000	Securities brokerage HK\$'000	Financing HK\$'000	Consultancy and advisory HK\$'000	Hotel operations HK\$'000	Others HK\$'000	Total HK\$'000
At 31st March, 2007								
BALANCE SHEET								
Assets								
Segment assets	4,917,800	1,488,322	242,415	73,987	1,224	443,968	139	7,167,855
Interests in associates								564,512
Amounts due from associates								38,717
Unallocated corporate assets								300,441
Consolidated total assets								<u>8,071,525</u>
Liabilities								
Segment liabilities	275,040	5,358	179,616	54,400	1,545	4,826	-	520,785
Unallocated corporate liabilities								<u>2,884,480</u>
Consolidated total liabilities								<u>3,405,265</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

7. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

	Continuing operations							Discontinued operations						
	Lease of properties HK\$'000	Sales of properties HK\$'000	Securities brokerage HK\$'000	Financing	Consultancy and advisory HK\$'000	Hotel operations HK\$'000	Others HK\$'000	Total HK\$'000	Printing and publishing HK\$'000	Wholesaling and retailing of furniture HK\$'000	Sales of marine products HK\$'000	Restaurant operations HK\$'000	Total HK\$'000	Consolidated HK\$'000
Year ended 31st March, 2006														
INCOME STATEMENT														
Turnover														
External sales	130,482	4,241	51,623	45,660	30,323	63,348	-	325,677	460,519	154,102	22,009	23,227	659,857	985,534
Segment results*	597,172	(758)	14,514	24,302	26,264	4,119	158	665,771	3,339	3,008	819	(1,562)	5,604	671,375
Interest income								2,482					234	2,716
Unallocated corporate expenses								(40,621)					(15)	(40,636)
Finance costs								(64,975)					(2,009)	(66,984)
Share of results of associates								58,628					-	58,628
Profit before taxation								621,285					3,814	625,099
Taxation								(87,074)					(1,344)	(88,418)
Profit for the year								534,211					2,470	536,681

* Finance costs of HK\$13,790,000 were included in the financing segment result.

OTHER INFORMATION														
Capital additions	402,598	-	1,210	-	-	6,408	2,373	412,589	4,623	2,950	170	184	7,927	420,516
Depreciation and amortisation	3,770	-	2,772	-	-	9,566	6,763	22,871	17,334	6,200	19	1,249	24,802	47,673
Release of prepaid lease payments	-	-	-	-	-	4,387	1,575	5,962	-	-	-	-	-	5,962
Reversal of impairment losses – net	104,016	-	-	-	-	-	(990)	103,026	-	-	-	-	-	103,026
Allowance for properties held for sale	-	1,761	-	-	-	-	-	1,761	-	-	-	-	-	1,761
Loss (gain) on disposal of properties, plant and equipment	-	-	-	-	-	1,329	60	1,389	(1,227)	266	1	2,197	1,237	2,626
Allowance for doubtful debts made (written back)	(120)	-	(425)	-	-	(345)	-	(890)	1,615	-	-	83	1,698	808

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

7. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

	Lease of properties HK\$'000	Sales of properties HK\$'000	Securities brokerage HK\$'000	Financing HK\$'000	Consultancy and advisory HK\$'000	Hotel operations HK\$'000	Others HK\$'000	Consolidated HK\$'000
At 31st March, 2006								
BALANCE SHEET								
Assets								
Segment assets	3,786,339	405,394	280,921	97,596	6,684	457,627	179	5,034,740
Interests in associates								481,365
Amounts due from associates								70,495
Unallocated corporate assets								234,863
Consolidated total assets								5,821,463
Liabilities								
Segment liabilities	43,756	7,681	176,891	–	27,369	4,405	–	260,102
Unallocated corporate liabilities								1,772,695
Consolidated total liabilities								2,032,797

Geographical segments

The Group's turnover and contribution to profit for the year have been derived from activities which are substantially carried out in Hong Kong. In addition, a substantial portion of the Group's assets are located in Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

8. OTHER INCOME

	Continuing operations		Discontinued operations		Consolidated	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
The amount for the year includes:						
Gain on disposal of available-for-sale financial assets	-	315	-	-	-	315
Gain on disposal of discontinued operations	-	-	-	7	-	7
Interest income from:						
– bank deposits	1,884	1,466	-	234	1,884	1,700
– loans receivable	1,126	-	-	-	1,126	-
– amount due from an associate	2,357	1,016	-	-	2,357	1,016
Gain on disposal of intangible assets	135	238	-	-	135	238
Unrealised holding gain on trading securities	-	507	-	-	-	507

9. REVERSAL OF IMPAIRMENT LOSSES – NET

	2007 HK\$'000	2006 HK\$'000
Impairment losses reversed (recognised) in respect of:		
Properties under development (<i>note</i>)	79,041	104,016
Motor vehicle registration marks	(42)	(990)
	78,999	103,026

Note: The amount represents the reversal of impairment of properties under development which was recognised in the consolidated income statement in previous years. In previous years, the estimate recoverable amount of certain properties under development was less than the corresponding carrying value, and impairment loss was recognised for these properties under development. The management reviews the recoverability of these properties under development with reference to the current market environment and considered to reverse the impairment. The carrying amount of the properties under development is increased to the revised estimate recoverable amount but did not exceed the cost of these properties under development. The amount of reversal was made by the directors with reference to professional valuation prepared on an open market value basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

10. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Interest on:						
– bank borrowings wholly repayable within five years	81,657	30,269	–	1,735	81,657	32,004
– other borrowings wholly repayable within five years	28,887	15,643	–	–	28,887	15,643
– bank borrowings not wholly repayable within five years	25,477	31,841	–	–	25,477	31,841
Total borrowing costs	136,021	77,753	–	1,735	136,021	79,488
Bank charges	2,923	1,012	–	274	2,923	1,286
	138,944	78,765	–	2,009	138,944	80,774

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

11. PROFIT BEFORE TAXATION

	Continuing operations		Discontinued operations		Consolidated	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Profit before taxation has been arrived at after charging:						
Amortisation of intangible assets, included in administrative expenses	294	1,617	–	404	294	2,021
Amortisation of publishing library, included in administrative expenses	–	–	–	555	–	555
Auditors' remuneration	2,829	2,351	–	1,094	2,829	3,445
Depreciation						
– owned assets	18,983	21,254	–	23,573	18,983	44,827
– assets held under finance leases	–	–	–	270	–	270
Release of prepaid lease payments	5,962	5,962	–	–	5,962	5,962
Loss on disposal of property, plant and equipment	–	1,389	–	1,237	–	2,626
Impairment loss on goodwill arising from acquisition of additional interest in a subsidiary	808	–	–	–	808	–
Operating lease rentals in respect of:						
– rented premises	1,408	1,049	–	20,498	1,408	21,547
– equipment	2,554	2,511	–	–	2,554	2,511
Share of tax of associates (included in share of results of associates)	12,067	18,009	–	–	12,067	18,009
Staff costs, including directors' remuneration and retirement benefit scheme contributions (note 12)	131,780	99,895	–	196,123	131,780	296,018
and after crediting:						
Gross rental income less outgoings of approximately HK\$10,565,000 (2006: HK\$7,453,000)	154,132	123,029	–	–	154,132	123,029

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(i) Directors' emoluments

	Wong Chi Fai	Fan Man Seung, Vanessa	Mok Fun Lin, Ivy	Chan Pak Lam, Tom	Cheung Ping Keung	Luk Siu Man, Semon	Chan Man Hon, Eric	Wan Chi Keung Aaron	Liu Hing Hung	Yeung Lik Sing, Michael	Law Ka Ming, Michael	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2007												
Fees	100	100	100	100	-	-	100	42	100	-	-	642
Other emoluments:												
Salaries and other benefits	2,484	1,524	2,250	1,108	1,052	-	-	-	-	-	-	8,418
Retirement benefit scheme contributions	151	84	123	61	2	-	-	-	-	-	-	421
Total emoluments	2,735	1,708	2,473	1,269	1,054	-	100	42	100	-	-	9,481
2006												
Fees	100	100	100	100	-	-	100	-	92	100	159	851
Other emoluments:												
Salaries and other benefits	2,448	1,488	2,088	906	-	-	-	-	-	-	-	6,930
Retirement benefit scheme contributions	130	84	113	52	-	-	-	-	-	-	-	379
Share-based payments	2,327	2,327	-	-	-	-	-	-	-	-	-	4,654
Total emoluments	5,005	3,999	2,301	1,058	-	-	100	-	92	100	159	12,814

(ii) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2006: two) were directors of the Company whose emoluments are set out above. The emoluments of the remaining one (2006: three) highest paid individuals are as follows:

	2007 HK\$'000	2006 HK\$'000
Salaries and other benefits	1,463	9,074
Retirement benefit scheme contributions	88	35
	1,551	9,109

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – continued

(ii) Employees' emoluments – continued

The emoluments of the individuals fall within the following bands:

	Number of employees	
	2007	2006
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$2,500,001 to HK\$3,000,000	–	1
HK\$3,500,001 to HK\$4,000,000	–	1
	1	3

(iii) Retirement benefit scheme contributions

	2007 HK\$'000	2006 HK\$'000
Retirement benefit scheme contributions to the Group's defined contribution scheme	1,471	2,534
Less: Forfeited contributions	(199)	(506)
	1,272	2,028
Contributions to mandatory provident fund scheme ("MPF Scheme")	2,313	8,007
	3,585	10,035

The Group participates in both a defined contribution scheme which is registered under the Hong Kong Occupational Retirement Scheme Ordinance (the "ORSO" Scheme) and the MPF Scheme established under the Hong Kong Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of independent trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

The retirement benefit cost charged to the income statement represents contributions payable to the funds by the Group at rates specified in the rules of the schemes. Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

At the balance sheet date, forfeited contributions of approximately HK\$60,000 (2006: HK\$510,000), which arose upon employees leaving the ORSO Scheme, are available to reduce the contributions payable in future years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

13. TAXATION

	Continuing operations		Discontinued operations		Consolidated	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
The charge comprises:						
Current tax						
Hong Kong Profits Tax	(7,219)	(9,268)	–	(1,418)	(7,219)	(10,686)
Overprovision in prior years						
Hong Kong Profits Tax	(27)	170	–	–	(27)	170
PRC enterprise income tax	28	11	–	–	28	11
	1	181	–	–	1	181
Deferred tax charge (credit) (note 28)	(48,107)	(77,987)	–	74	(48,107)	(77,913)
	(55,325)	(87,074)	–	(1,344)	(55,325)	(88,418)

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year.

The People's Republic of China (the "PRC") enterprise income tax is calculated at the rates prevailing in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

13. TAXATION – continued

The tax charge for the year can be reconciled to the profit before taxation per consolidated income statement and note 14 as follows:

	2007	2006
	HK\$'000	HK\$'000
Profit before taxation		
Continuing operations	545,941	621,285
Discontinued operations	–	3,814
	545,941	625,099
Tax charge at Hong Kong Profits Tax of 17.5%	(95,540)	(109,392)
Tax effect of share of results of associates	16,769	10,260
Tax effect of income that is not taxable for tax purposes	29,453	23,333
Tax effect of expenses that are not deductible for tax purposes	(11,700)	(10,666)
Utilisation of tax losses previously not recognised	10,830	6,818
Tax effect of tax losses not recognised	(5,013)	(7,902)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(31)	(2)
Overprovision in prior years	1	181
Others	(94)	(1,048)
Taxation charge for the year	(55,325)	(88,418)

14. DISCONTINUED OPERATIONS

On 15th September, 2005, the Group entered into an agreement to dispose of a subsidiary, Profit Noble Holdings Limited, which is a holding company of the Group's printing and publishing business, wholesaling and retailing of furniture business and restaurant operations, to Gain Wealth Investments Limited ("Gain Wealth"). The transaction was completed on 31st March, 2006.

Gain Wealth is a company incorporated in British Virgin Islands with limited liability indirectly owned by The Albert Yeung Discretionary Trust ("AY Trust") of which Mr. Yeung Sau Shing, Albert, the deemed substantial shareholder of the Company, is the founder.

During the year ended 31st March, 2006, the Group also discontinued its operations of sales of marine products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

14. DISCONTINUED OPERATIONS – continued

The results of the discontinued operations for the year ended 31st March, 2006, were as follows:

	HK\$'000
Turnover	659,857
Cost of sales	(452,305)
Direct operating expenses	(11,154)
Other income	8,513
Selling and marketing expenses	(92,692)
Administrative expenses	(104,698)
Allowance for doubtful debts written off	(1,698)
Finance costs	(2,009)
	<hr/>
Profit before taxation	3,814
Taxation	(1,344)
	<hr/>
Profit for the year	<u>2,470</u>

The discontinued operations contributed approximately HK\$16,505,000 to the Group's net operating cash flows, paid HK\$3,783,000 in respect of investing activities and generated HK\$4,859,000 in respect of financing activities in the prior year.

15. DIVIDENDS

	2007 HK\$'000	2006 HK\$'000
Recognised as distribution:		
2007 interim dividend of HK\$0.04 (2006: HK\$0.05) per share	56,527	56,134
2006 final dividend of HK\$0.051 (2005: HK\$0.068) per share	68,706	76,342
	<hr/>	<hr/>
	125,233	132,476
	<hr/>	<hr/>
Proposed:		
2007 final proposed dividend after the balance sheet date of HK\$0.06 (2006: HK\$0.051) per share	96,997	68,706
	<hr/>	<hr/>

The final dividend proposed of HK\$0.06 per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

16. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2007 HK\$'000	2006 HK\$'000
Earnings		
Earnings for the purpose of basic earnings per share	487,677	532,392
Number of shares		
Weighted average number of ordinary share for the purpose of basic earnings per share	1,365,653,523	1,122,678,181

No diluted earnings per share has been presented in respect of the Company's potential ordinary shares as the exercise price of these potential ordinary shares was higher than the average market price of the shares for both years.

No effect on earnings and number of shares due to the dilutive potential share on the share of results of a listed associate has been presented as the exercise price of these potential ordinary shares of the associate was higher than the average market price of the shares of the associate for both years.

From continuing operations

The calculation of the basic earnings per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

	2007 HK\$'000	2006 HK\$'000
Profit for the year attributable to equity holders of the Company	487,677	532,392
Less: Profit for the year from discontinued operations, net of minority interests	–	2,185
Earnings for the purpose of basic earnings per share from continuing operations	487,677	530,207

From discontinued operations

Basic earnings per share for discontinued operations was HK\$0.002 per share, based on the profit for the year ended 31st March, 2006 from discontinued operations of HK\$2,185,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

17. INVESTMENT PROPERTIES

	2007 HK\$'000	2006 HK\$'000
AT FAIR VALUE		
At beginning of the year	3,712,220	2,815,656
Additions	232,355	388,114
Reclassification from leasehold land and buildings	–	137,781
Reclassification to properties under development	(21,424)	–
Disposals	(186,167)	–
Change in fair value	259,018	370,669
At end of the year	3,996,002	3,712,220

The carrying amount of investment properties at the balance sheet date comprises:

	2007 HK\$'000	2006 HK\$'000
Situated in Hong Kong:		
– long leases	1,965,237	1,869,646
– medium-term leases	1,855,765	1,776,658
Situated in Macau:		
– short-term lease	175,000	65,916
	3,996,002	3,712,220

The investment properties were valued at 31st March, 2007 by an employee of the Group, who is a professional qualified surveyor, on an open market value basis. All the investment properties are held for rental under operating leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Hotel properties	Leasehold improvements	Machinery and equipment	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST OR DEEMED COST						
At 1st April, 2005	173,652	194,202	114,422	62,322	102,606	647,204
Additions	–	–	3,123	1,677	13,118	17,918
Disposal of subsidiaries	–	–	(51,182)	(63,864)	(42,492)	(157,538)
Disposals	–	–	(2,848)	(135)	(3,125)	(6,108)
Surplus on revaluation	8,430	–	–	–	–	8,430
Reclassification to investment properties	(137,781)	–	–	–	–	(137,781)
At 31st March, 2006 and 1st April, 2006	44,301	194,202	63,515	–	70,107	372,125
Additions	–	–	8,176	–	9,333	17,509
Disposals	–	–	(10,618)	–	(6,569)	(17,187)
At 31st March, 2007	44,301	194,202	61,073	–	72,871	372,447
Comprising:						
At cost	28,626	–	61,073	–	72,871	162,570
At deemed cost	15,675	194,202	–	–	–	209,877
	44,301	194,202	61,073	–	72,871	372,447
DEPRECIATION						
At 1st April, 2005	14,792	38,925	62,096	41,239	79,634	236,686
Provided for the year	5,134	4,867	13,377	11,726	9,993	45,097
Eliminated on disposal of subsidiaries	–	–	(40,681)	(52,928)	(33,499)	(127,108)
Eliminated on disposals	–	–	(196)	(37)	(2,846)	(3,079)
Eliminated upon revaluation	(8,457)	–	–	–	–	(8,457)
At 31st March, 2006 and 1st April, 2006	11,469	43,792	34,596	–	53,282	143,139
Provided for the year	1,029	4,867	6,785	–	6,302	18,983
Eliminated on disposals	–	–	(10,618)	–	(6,569)	(17,187)
At 31st March, 2007	12,498	48,659	30,763	–	53,015	144,935
CARRYING VALUES						
At 31st March, 2007	31,803	145,543	30,310	–	19,856	227,512
At 31st March, 2006	32,832	150,410	28,919	–	16,825	228,986

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

18. PROPERTY, PLANT AND EQUIPMENT – continued

The hotel properties were transferred from investment properties in 1997 based on valuation as at 31st March, 1996 carried out by Mr. Tse Wai Chuen, FRICS, FHKIS, a former director of the Company, on an open market value basis.

Certain buildings were transferred from investment properties in 2001 based on valuation as at 31st March, 2000 carried out by Chesterton Petty Limited, a firm of international property consultants, on an open market value basis.

19. PROPERTIES UNDER DEVELOPMENT – NON-CURRENT

The amount represented projects developed for rental purposes. They are expected to be completed within five years from the balance sheet date. The properties under development at the balance sheet date comprise:

	2007 HK\$'000	2006 HK\$'000
Situated in Hong Kong under long leases	435,962	302,500
Situated in the PRC and held under land use rights for terms expiring within 50 years	5,786	–
	441,748	302,500

The management reviews the recoverability of the properties under development and reverses the impairment loss of HK\$79,041,000 (2006: HK\$104,016,000) in the current year (note 9).

The carrying amounts of properties under development were adjusted to their net recoverable amount estimated by the Company's directors, with reference to professional valuations prepared on an open market value basis.

Included in the properties under development at the balance sheet date is net interest capitalised of approximately HK\$4,527,000 (2006: HK\$4,527,000). No interest was capitalised in both years.

The land use right certificate of the relevant properties under development of approximately HK\$5,786,000 in the PRC was not yet obtained up to the date of this report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

20. PREPAID LEASE PAYMENTS

The prepaid lease payments comprise:

	2007 HK\$'000	2006 HK\$'000
Situated in Hong Kong:		
– long leases	306,738	311,355
– medium-term lease	52,442	53,787
Situated in the PRC and held under land use right expiring within 50 years	388,657	–
	747,837	365,142
Analysed for reporting purposes as:		
– non-current portion	741,875	359,180
– current portion	5,962	5,962
	747,837	365,142

Included in prepaid lease payments include land use right in the PRC amounting to HK\$388,657,000. Up to the date of this report, such land use right certificate was not yet obtained.

21. INTERESTS IN ASSOCIATES

	2007 HK\$'000	2006 HK\$'000
Cost of investment in associates		
– listed	578,925	577,473
– unlisted	–	–
	578,925	577,473
Share of post-acquisition reserves, net of dividends	(14,413)	(96,108)
	564,512	481,365
Market value of an associate listed on the Stock Exchange as at 31st March	481,853	1,031,685

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

21. INTERESTS IN ASSOCIATES – continued

The movement of goodwill included in the cost of investment in an associate is as follows:

	HK\$'000
COST	
At 1st April, 2005	46,922
On acquisition of additional interests in an associate	7,662
At 31st March, 2006 and 1st April, 2006	54,584
On acquisition of additional interests in an associate	159
At 31st March, 2007	54,743

The summarised financial information in respect of associates based on its audited financial statements for the year ended 31st March, 2007 and relevant information in respect of the Group's interest in associates are as follows:

Result for the year

	2007 HK\$'000	2006 HK\$'000
Turnover	1,310,007	345,796
Profit for the year	274,355	168,263
Profit attributable to the Group	95,813	58,628

Financial position

	2007 HK\$'000	2006 HK\$'000
Non-current assets	2,485,827	2,232,863
Current assets	728,500	510,480
Current liabilities	(698,333)	(416,001)
Non-current liabilities	(614,982)	(816,779)
Minority interests	(438,457)	(281,648)
Net assets	1,462,555	1,228,915
Share of net assets	509,769	426,781

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

21. INTERESTS IN ASSOCIATES – continued

Particulars of the Group's principal associate as at 31st March, 2007, are as follows:

Name of associate	Place of incorporation	Effective proportion of issued share capital held by the Group	Principal activities
Emperor Entertainment Hotel Limited ("EEH")	Bermuda	34.82%	Hotel and gaming, cruise and cruise related operations and property development

The above table lists the associate of the Group which, in the opinion of the directors, principally affected the results of the year and formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

22. AMOUNTS DUE FROM ASSOCIATES

The amounts are unsecured and have no fixed terms of repayments. Other than an amount of HK\$35,879,000 (2006: HK\$67,796,000) which carries interest at the prime rate quoted by The Hong Kong and Shanghai Banking Corporation Limited ("Prime Rate") (2006: Prime Rate), the remaining amount is interest free. In the opinion of the directors, no demand for repayment will be made by the Group in the next twelve months. Accordingly, the amounts are shown as non-current assets.

The directors consider the fair values of the amounts due from associates approximate their carrying amounts.

23. LOANS RECEIVABLE

The loans were advanced to purchasers for financing the acquisition of the properties sold by the Group. The amounts carry interest ranging from Prime Rate to 0.5% over Prime Rate (2006: Prime Rate to 0.5% over Prime Rate) and are secured by second mortgages over the properties acquired by the purchasers. The maturity dates of the balance are ranging from nineteen to twenty-five years.

The directors consider the fair value of the loans receivables approximates its carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

24. INTANGIBLE ASSETS

	7 trading rights at the Stock Exchange HK\$'000	2 trading rights at the Futures Exchange HK\$'000	Copyright, trademarks and intellectual rights HK\$'000	Total HK\$'000
COST				
At 1st April, 2005	24,447	999	6,620	32,066
Additions	–	–	696	696
Disposals	(6,397)	–	–	(6,397)
Disposal of subsidiaries	–	–	(7,316)	(7,316)
At 31st March, 2006 and 1st April, 2006	18,050	999	–	19,049
Disposals	(3,610)	–	–	(3,610)
At 31st March, 2007	14,440	999	–	15,439
AMORTISATION				
At 1st April, 2005	21,067	600	3,998	25,665
Charge for the year	1,280	337	404	2,021
Eliminated on disposals	(5,666)	–	–	(5,666)
Eliminated on disposal of subsidiaries	–	–	(4,402)	(4,402)
At 31st March, 2006 and 1st April, 2006	16,681	937	–	17,618
Charge for the year	273	21	–	294
Eliminated on disposals	(3,244)	–	–	(3,244)
At 31st March, 2007	13,710	958	–	14,668
CARRYING AMOUNTS				
At 31st March, 2007	730	41	–	771
At 31st March, 2006	1,369	62	–	1,431

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

25. GOODWILL

At 31st March, 2007, the carrying amount of goodwill of approximately HK\$1,940,000 (2006: HK\$1,940,000) in relation to business combination with agreement date on or after 1st January, 2005. For the purpose of impairment test, goodwill had been allocated to the cash generating unit ("CGU") for the lease of properties.

The recoverable amounts of the CGU is determined from value in use calculations. The value in use calculations use cash flow projections based on most recent financial budgets for the next two years prepared by the management with discount rate of 5%. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the past performance and management's expectation on the market development.

26. AVAILABLE-FOR-SALE FINANCIAL ASSETS/INVESTMENTS IN TRADING SECURITIES

Investments in securities at 31st March, 2007 are set out below:

	2007 HK\$'000	2006 HK\$'000
Available-for-sale financial assets shown under non-current assets:		
Shares listed in Hong Kong, at market value	138	2
Trading securities shown under current assets:		
Shares listed in Hong Kong, at market value	139	179

27. OTHER ASSETS

	2007 HK\$'000	2006 HK\$'000
Club debentures and membership, at cost	4,442	3,997
Deposits	4,548	4,408
	8,990	8,405

The club debentures and membership have indefinite life. The fair value approximate to their carrying amounts.

Deposits were paid to various exchange and clearing houses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

28. DEFERRED TAXATION

The major deferred taxation (liabilities) assets recognised and movements thereon during the year are as follows:

	Accelerated tax depreciation HK\$'000	Revaluation of properties HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1st April, 2005	(47,248)	(56,868)	34,758	(69,358)
Charge to consolidated income statement	(6,026)	(64,867)	(7,020)	(77,913)
Credit to equity	–	231	–	231
Disposal of subsidiaries	1,047	–	–	1,047
At 31st March, 2006 and 1st April, 2006	(52,227)	(121,504)	27,738	(145,993)
Charge to consolidated income statement	(7,676)	(38,350)	(2,081)	(48,107)
Credit to equity	–	231	–	231
At 31st March, 2007	(59,903)	(159,623)	25,657	(193,869)

For the purposes of balance sheet presentation, certain deferred taxation assets and liabilities have been offset. The following is an analysis of the deferred taxation balances for financial reporting purposes:

	2007 HK\$'000	2006 HK\$'000
Deferred taxation assets	1,582	3,474
Deferred taxation liabilities	(195,451)	(149,467)
	(193,869)	(145,993)

At 31st March, 2007, the Group had tax losses of approximately HK\$1,455,445,000 (2006: HK\$1,500,577,000) available for offset against future profits. A deferred taxation asset has been recognised in respect of HK\$146,611,000 (2006: HK\$158,503,000) of such losses. No deferred taxation asset has been recognised in respect of the remaining HK\$1,308,834,000 (2006: HK\$1,342,074,000) due to the unpredictability of future profit streams. The tax losses can be carried forward indefinitely.

Certain subsidiaries engaged in the lease of properties suffered from tax losses in previous year and the utilisation of tax losses in current year is based in the estimate future taxable profits with reference to the rental income commitment with tenants at the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

28. DEFERRED TAXATION – continued

At 31st March, 2006, the Group had deductible temporary differences of approximately HK\$4,212,000 (2007: nil) arising from the impairment of the property under development and properties held for sales. No deferred taxation asset was recognised in respect of such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

There were no other significant temporary differences arising during the year or at the balance sheet date.

29. INVENTORIES

	2007 HK\$'000	2006 HK\$'000
Catering goods	1,196	1,153

The cost of inventories recognised as an expense during the year amounted to approximately HK\$11,561,000.

30. PROPERTIES HELD FOR SALE

At 31st March, 2007, the properties held for sale comprise:

	2007 HK\$'000	2006 HK\$'000
Situated in Hong Kong and held under long-term leases	15,558	–
Situated in Hong Kong and held under medium-term leases	12,553	182
Situated in the PRC and held under land use rights with terms expiring within 50 years	10,000	10,000
	38,111	10,182

The cost of properties sold recognised as an expense during the year amounted to approximately HK\$15,244,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

31. PROPERTIES UNDER DEVELOPMENT—CURRENT

The amount represented projects developed for sales after completion. The projects are expected to be completed and recoverable within five years from the balance sheet date. The properties under development at the balance sheet date comprise:

	2007 HK\$'000	2006 HK\$'000
Situated in Hong Kong:		
– long leases	1,299,394	–
– medium-term leases	75,368	30,359
Situated in the PRC and held under land use rights for:		
– terms not less than 50 years	3,000	3,000
– terms expiring within 50 years	60,825	47,911
	1,438,587	81,270

32. DEBTORS, DEPOSITS AND PREPAYMENTS

In general, the Group allows credit periods ranging from 0 days to 30 days to its customers.

Receivables arising from the business of dealing in securities and futures contracts are settled in one or two days after trade date. Advances and share margin loans are secured by clients' pledged securities. Advances are repayable within one year and share margin loans are repayable on demand. No aged analysis is disclosed in respect of receivables from dealing in securities and futures, advances and share margin loans as, in the opinion of the directors, the aged analysis does not give relevant information in view of their nature.

An aged analysis of trade debtors at the balance sheet date is set out as follows:

	2007 HK\$'000	2006 HK\$'000
0 – 30 days	4,360	5,254
31 – 90 days	339	843
91 – 180 days	103	101
Over 180 days	121	29
	4,923	6,227
Receivables from dealing in securities and futures	104,103	78,988
Advances and share margin loans	80,622	185,495
Other receivables, deposits and prepayments	49,237	39,566
	238,885	310,276

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

32. DEBTORS, DEPOSITS AND PREPAYMENTS – continued

Loans to share margin clients carry interest ranging from Prime Rate to 8% over Prime Rate (2006: Prime Rate to 8% over Prime Rate) per annum and are secured by securities traded by the Group on behalf of its customers.

Advances carry interest ranging from 1% to 2.5% (2006: 1% to 2.5%) per month.

The directors consider the fair value of the debtors, deposits and prepayments approximates its carrying amount.

33. BANK BALANCES – (TRUST ACCOUNTS)

The amount represents bank balances held on behalf of customers for securities trading. The liability to customers are included under other payables under current liabilities.

The directors consider the fair value of the bank balances – (trust accounts) approximates its carrying amount.

34. BANK BALANCES (GENERAL ACCOUNTS) AND CASH

Bank balances (general accounts) and cash comprise cash held by the Group and short-term bank deposits with originally maturity of three months or less, and carry interests ranging from 0.72% to 3.55% (2006: 0.01% to 3.55%) per annum.

The directors consider the fair value of the bank balances (general accounts) and cash approximates its carrying amount.

35. CREDITORS, CUSTOMERS' DEPOSITS AND ACCRUED CHARGES

An aged analysis of trade payables at the balance sheet date is set out as follows:

	2007	2006
	HK\$'000	HK\$'000
0 – 90 days	16,919	2,297
91 – 180 days	–	–
Over 180 days	5,565	7,948
	22,484	10,245
Payables to dealing of securities and futures	162,961	165,423
Other creditors, customers' deposits and accrued charges	286,134	88,691
	471,579	264,359

The settlement terms of trade payables arising from the business of dealing in securities are two days after trade date.

The directors consider the fair value of the creditors, customers' deposits and accrued charges approximates its carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

36. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount is unsecured, carries interest at 0.5% over Hong Kong Interbank Offered Rate ("HIBOR") (2006: 0.5% over HIBOR) and is repayable on demand.

The directors consider the fair value of the amount due to ultimate holding company approximates its carrying amount.

37. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

The amounts are unsecured, interest-free and repayable on demand.

The directors consider the fair value of the amount due to minority shareholders of subsidiaries approximates to its carrying amount.

38. SECURED BANK BORROWINGS

The carrying amount of the floating rate bank borrowings are repayable as follows:

	2007 HK\$'000	2006 HK\$'000
Within one year or on demand	1,310,206	554,048
Between one to two years	125,780	132,711
Between two to three years	125,882	72,990
Between three to four years	184,583	73,285
Between four to five years	94,208	92,813
Over five years	239,522	183,278
	2,080,181	1,109,125
Less: Amount due within one year included under current liabilities	(1,310,206)	(554,048)
Amount due after one year	769,975	555,077
An analysis of secured bank borrowings due within one year is as follows:		
Bank loans	1,309,901	553,852
Bank overdrafts	305	196
	1,310,206	554,048

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

38. SECURED BANK BORROWINGS – continued

The bank borrowings carry interest ranging from 0.6% over HIBOR to 1.25% over HIBOR (2006: 0.6875% over HIBOR to 1.25% over HIBOR) and are secured by certain of the Group's assets. The carrying values of these assets at the balance sheet date are as follows:

	2007 HK\$'000	2006 HK\$'000
Investment properties	3,893,547	3,490,668
Properties under development	460,215	–
Buildings, including relevant prepaid lease payments	110,166	112,768
Hotel properties, including relevant prepaid lease payments	426,288	435,541
Bank deposits	18,820	655
	4,909,036	4,039,632

The directors consider the fair value of the secured bank borrowings approximates its carrying amount.

39. SHARE CAPITAL OF THE COMPANY

	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1st April, 2005, 31st March, 2006, 1st April, 2006 and 31st March, 2007	500,000,000,000	5,000,000
Issued and fully paid:		
At 1st April, 2005, 31st March, 2006 and 1st April, 2006	1,122,678,181	11,227
Increase in shares upon the Placing (note (a))	224,500,000	2,245
Increase in shares upon the Subscription (note (b))	66,000,000	660
Ordinary shares of HK\$0.01 each at 31st March, 2007	1,413,178,181	14,132

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

39. SHARE CAPITAL OF THE COMPANY – continued

Notes:

- (a) Pursuant to a placing agreement dated 10th April, 2006 made between Charron, the ultimate holding company of the Company and an independent placing agent (“Placing Agent”), the Placing Agent agreed to place 224,500,000 shares in the Company held by Charron at a placing price of HK\$1.83 per share.

Pursuant to a subscription agreement also dated 10th April, 2006 made between the Company and Charron, Charron agreed to subscribe for 224,500,000 shares in the Company and the Company agreed to issue 224,500,000 shares in the share capital of the Company to Charron at a subscription price of HK\$1.83 per share.

On completion of the subscription on 24th April, 2006, 224,500,000 shares of HK\$0.01 each were issued and allotted to Charron at a consideration of HK\$1.83 per share. The Company planned to use the proceeds as part of the financing arrangement for the purchase of properties. The shares issued rank pari passu in all respects with the then existing shares of the Company.

- (b) Pursuant to a subscription agreement dated 11th October, 2006 made between the Company and an independent third party (the “Subscriber”), the Subscriber agreed to subscribe for 66,000,000 shares in the Company and the Company agreed to issue 66,000,000 shares in the share capital of the Company at a subscription price of HK\$1.52 per share.

On completion of the subscription, 66,000,000 shares of HK\$0.01 each were issued and allotted to the Subscriber at a consideration of HK\$1.52 per share. The Company had used the proceeds in the property investment and development business of the Group. The shares issued rank pari passu in all respects with the then existing shares of the Company.

40. SHARE OPTION

The Company adopted a share option scheme (the “Scheme”) which became effective on 9th September, 2003 (the “Adoption Date”). The primary purpose of the Scheme is to provide incentives or rewards to the participants including the directors and eligible employees of the Group, for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that were valuable to the Group or any entity in which the Group held an equity interest.

Under the Scheme, the directors of the Company are authorised, at any time within ten years after the Adoption Date, to offer to grant options to any participant to subscribe for shares in the Company at a price not less than the highest of (i) the closing price of the Company’s shares on the date of grant; (ii) the average closing price of the Company’s shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a Company’s share. The total number of shares in respect of which options may be granted under the Scheme cannot exceed 10% of the total number of shares in issue on the Adoption Date. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company, if any, cannot exceed 30% of the total number of shares in issue from time to time. The number of shares in respect of which options may be granted to any Participant shall not exceed 1% of the total number of shares in issue in any 12-month period. An option may be exercised at any time within ten years from the date of issue of the relevant options, where the acceptance date should not be later than 28 days from the date of the offer. A nominal consideration of HK\$1 is payable on acceptance of the grant of options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

40. SHARE OPTION – continued

On 11th August, 2005, a total of 20,000,000 share options were granted to two directors of the Company at an exercise price of HK\$1.88 under the terms of the Scheme.

A summary of movements of the outstanding share options, which was granted to the directors of the Company under the Scheme, during the year ended 31st March, 2006 and balance outstanding at 31st March, 2007 is as follows:

Date of grant	Exercisable period	Exercise price per share HK\$	Granted on 11.8.2005 and outstanding at 31.3.2006 and 31.3.2007
11.08.2005	11.08.2005 – 10.08.2015	1.88	<u>20,000,000</u>

The fair values of options granted were calculated using the Black-Scholes-Merton Option Pricing Model. The inputs into the models are as follows:

Share price at date of grant	HK\$1.63
Exercise price	HK\$1.88
Weighted average share price	HK\$1.77
Expected volatility	65.54%
Expected life in years	2
Risk free rate	3.707%
Expected dividend yield	6.325%

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability and behavioural considerations.

The fair value of each option was HK\$0.23 at the date of grant.

During the year ended 31st March, 2006, HK\$4,654,000 is recognised in the consolidated income statement in respect of the value of options granted.

Notes:

- (i) The volatility measured at the standard deviation of expected share price returns is based on a statistical analysis of daily share prices over 1 year preceding the grant date.
- (ii) The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

41. PURCHASE OF SUBSIDIARIES

In April 2006, the Group entered into a Share Purchase Agreement (“Agreement”) and completed the acquisitions of the entire issued share capital of Rich Ever Group Limited (“Rich Ever”) and all the outstanding loans due from CAIT International Limited (“CAIT”) to the Vendor (as defined under the Agreement) at a consideration of RMB160,000,000 (equivalent to HK\$161,628,000). Rich Ever indirectly held 70% of the registered capital of 北京凱利特利房地產開發有限公司(「北京凱利特利」) which owns a development site located at Yong An Xi Li Chaoyang District in Beijing, the PRC. Under the Agreement, the Group also agreed to pay the outstanding indebtedness of RMB30,000,000 (equivalent to HK\$30,305,000) due by 北京凱利特利 to a creditor. Pursuant to the terms of the Agreement, the Group had duly paid 北京市國土資源局 the land premium and other cost of RMB161,870,000 (equivalent to HK\$163,517,000).

In April 2006, the Group also entered into an agreement with the minority shareholder of 北京凱利特利 and agreed to acquire the remaining 30% interest in 北京凱利特利 at a consideration of RMB71,250,000 (out of which RMB31,250,000 shall be borne by the Vendor under the Agreement). As at the balance sheet date, the Group had paid the minority shareholder RMB35,000,000 (equivalent to HK\$33,839,000).

The acquisition of Rich Ever and the remaining 30% interest in 北京凱利特利 had been recorded as purchase of interests in leasehold land.

As at the balance sheet date, an amount of approximately RMB195,000,000 (equivalent to HK\$196,984,000) remained payable to the Vendor, the minority shareholder and the creditor of 北京凱利特利.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

42. DISPOSAL OF SUBSIDIARIES

In June 2005 and December 2005, the Group disposed of French Trade Marketing Limited and Emerald Star Properties Limited respectively. The aggregate liabilities at the dates of disposal were as follows:

	2007 HK\$'000	2006 HK\$'000
Net liabilities of subsidiaries disposed of:		
Debtors, deposits and prepayments	–	25
Bank balance and cash	–	648
Creditors and accrued charges	–	(563)
Intercompany debts	–	(28,999)
	–	(28,889)
Assignment of intercompany indebtedness	–	28,999
Loss on disposal of subsidiaries	–	(107)
	–	3
Total consideration, satisfied by cash	–	3
Net cash outflow arising from disposal		
Cash consideration	–	3
Bank balances and cash disposed of	–	(648)
	–	(645)

The subsidiaries disposed of did not have any significant impact on the Group's revenue, profit and cash flow for the year ended 31st March, 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

43. DISPOSAL OF DISCONTINUED OPERATIONS

The net liabilities of those subsidiaries under discontinued operations as disclosed in note 14 at the date of disposal on 31st March, 2006 were as follows:

	HK\$'000
Property, plant and equipment	30,430
Intangible assets	2,914
Other assets	3,730
Inventories	37,674
Debtors, deposits and prepayments	88,719
Taxation recoverable	29
Bank balances and cash	37,614
Creditors and accrued charges	(89,100)
Intercompany debts	(961,293)
Amount due to a shareholder	(1,750)
Amounts due to minority shareholders of subsidiaries	(1,190)
Taxation payable	(1,043)
Secured bank borrowings	(817)
Obligations under finance leases	(32)
Deferred taxation liabilities	(1,047)
	<hr/>
	(855,162)
Minority interests	190
Assignment of intercompany indebtedness	961,293
Gain on disposal of discontinued operations	7
	<hr/>
Total consideration	106,328
	<hr/>
Analysis of net cash outflow of cash and cash equivalents in connection with the disposal of discontinued operations:	
Cash consideration	106,328
Bank balances and cash disposed of	(37,614)
	<hr/>
	68,714
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

44. COMMITMENTS

	THE GROUP	
	2007	2006
	HK\$'000	HK\$'000
Authorised but not contracted for in respect of:		
– property investment and development projects	125,339	412,875
Contracted for but not provided in the financial statements, net of deposits paid, in respect of:		
– property investment and development projects	338,065	42,655
– investment properties	160,167	707,020
– property, plant and equipment	3,397	5,000
	626,968	1,167,550

45. OPERATING LEASE COMMITMENTS

The Group as lessee

At the balance sheet date, the Group had future minimum lease commitments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	2007	2006
	HK\$'000	HK\$'000
Within one year	646	227
In the second to fifth years inclusive	280	–
	926	227

Leases are negotiated for terms ranging from 1 to 3 years and the minimum rentals are pre-determined and fixed.

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2007	2006
	HK\$'000	HK\$'000
Within one year	148,073	119,802
In the second to fifth years inclusive	105,934	95,518
	254,007	215,320

The properties held have committed tenants for the tenancy ranging from 1 to 3 years and the rentals are pre-determined and fixed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

46. RELATED PARTY TRANSACTIONS

- (a) Other than disclosed in note 14 to the financial statements, the Group also had the following significant transactions with related parties:

	2007	2006
	HK\$'000	HK\$'000
Interest paid to ultimate holding company	28,887	15,642
Interest received from an associate	2,357	1,016
Professional and service fees received from an associate and related companies	1,056	–
Rental received from related companies	31,519	8,891
Advertising income received from an associate and related companies	–	2,522
Sales of furniture to an associate	–	1,751

The related companies represented subsidiaries owned by a deemed substantial shareholder of the Company

- (b) The key management personnel includes solely the directors of the Company and the compensation paid to them is set out in note 12.

47. SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31st March, 2007, are as follows:

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary share capital/ registered capital*	Company's attributable equity interest %	Principal activities
Directly held				
Emperor Investment Limited	Hong Kong	1,000	100.00	Investment holding
Indirectly held				
A-Hing Limited	Hong Kong	2	100.00	Property investment
Active Pace Investment Limited	Hong Kong	100	100.00	Property investment
Actmore Estate Limited	Hong Kong	1,000,000	100.00	Property investment
Arch Concept Limited	Hong Kong	2	100.00	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

47. SUBSIDIARIES – continued

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary share capital/ registered capital*	Company's attributable equity interest %	Principal activities
Indirectly held – continued				
Beijing Kai Li Te Li Real Estate Development Co. Ltd.	PRC (note c)	US\$12,000,000	100.00	Property development
Bo Shing Real Estate Limited	Hong Kong	1,002	100.00	Investment holding and property investment
Chance Yield Development Limited	Hong Kong	2	100.00	Property investment
Cherish Will Limited	Hong Kong	2	100.00	Property investment
Crown Source Development Limited	Hong Kong	2	100.00	Property development
Diamond Faith Company Limited	Hong Kong	2	100.00	Property development
Distinct Rich Limited	Hong Kong	1,002	100.00	Investment holding and property investment
EIL Property Management Limited	Hong Kong	100	100.00	Provision of property management services
Elegant Hero Enterprise Limited	Hong Kong	100	65.00	Restaurant operation
Emperor Capital Limited	Hong Kong	5,000,000	100.00	Investment adviser
Emperor Futures Limited	Hong Kong	50,000,000	100.00	Provision of commodities brokerage services
Emperor Hotel Limited	Hong Kong	2	100.00	Hotel operations and property development
Emperor Hotel (HK) Limited	Hong Kong	2	100.00	Property holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

47. SUBSIDIARIES – continued

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary share capital/ registered capital*	Company's attributable equity interest %	Principal activities
Indirectly held – continued				
Emperor Investment (Management) Limited	Hong Kong	100	100.00	Provision of management services
Emperor Project Management (Hong Kong) Limited	Hong Kong	100	100.00	Provision of project management services
Emperor Property Agency Limited	Hong Kong	100	100.00	Provision of property agency services
Emperor Securities Limited	Hong Kong	70,000,000	100.00	Provision of securities brokerage services
Emperor Securities Nominees Limited	Hong Kong	2	100.00	Provision of nominee services
Emperor (Xiamen) Real Estate Investments Limited	PRC (note a)	US\$5,000,000	95.00	Property development
Express Honor Enterprises Limited	Hong Kong	1	100.00	Property development
Forever Crown Limited	Hong Kong	2	100.00	Property investment
Gallan Limited	Hong Kong	2	100.00	Property development
Gold Shine Investment Limited	Hong Kong	2	96.35	Property investment
Golden Pegasus Investment Limited	Hong Kong	100,000	100.00	Property investment
Headwise Investment Limited	Hong Kong	2	100.00	Property investment
HKDN Limited	Hong Kong	100,000	100.00	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

47. SUBSIDIARIES – continued

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary share capital/ registered capital*	Company's attributable equity interest %	Principal activities
Indirectly held – continued				
Hoi Tin Marine Products Limited	Hong Kong	10,000	100.00	Property investment
I Soi Limitada	Macau	MOP25,000	100.00	Property investment
I Veng Limitada	Macau	MOP25,000	100.00	Property investment
Jade Palace Properties Limited	Hong Kong	10,000	100.00	Property investment
Keenworld Corporation Limited	Hong Kong	1	100.00	Property development
Majesty Investments Limited	Hong Kong	2	100.00	Property trading
Marvellous Pacific Limited	Hong Kong	100	100.00	Property investment
Planwing Limited	Hong Kong	2	100.00	Property investment
Pleasure View Investment Limited	Hong Kong	2	100.00	Property investment
Prestige Gold Investment Limited	Hong Kong	100	100.00	Property holding
Primoforce Limited	Hong Kong	1	100.00	Property investment
Rich Gallant Investment Limited	Hong Kong	2	100.00	Property investment
Richorse Limited	Hong Kong	2	100.00	Property investment
Roseley Limited	Hong Kong	10	100.00	Property investment
Royal Arcardia Limited	Hong Kong	2	100.00	Property investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

47. SUBSIDIARIES – continued

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary share capital/ registered capital*	Company's attributable equity interest %	Principal activities
Indirectly held – continued				
Sellwell Inc.	British Virgin Islands/ Hong Kong	US\$100	100.00	Property investment
Sheen Fit International Limited	Hong Kong	1	100.00	Property development
Union Reward International Limited	Hong Kong	1	100.00	Property development
Very Sound Investments Limited	Hong Kong	10,000,000	100.00	Property investment
Webster Investment Company Limited	Hong Kong	100,000	100.00	Property development
Willy Profit Limited	Hong Kong	1	100.00	Property development
World Fortune Corporation Limited	Hong Kong	2	100.00	Property investment
Worthy Strong Investment Limited	Hong Kong	100	100.00	Investment holding
Xinhui Emperor Property Development Company Limited	PRC (<i>note b</i>)	24,000,000	100.00	Property development
Ying Wong Property Limited	Hong Kong	100	100.00	Property investment
Yorkshire Corporation Limited	Hong Kong	10,000,000	100.00	Property investment
Young Health Investments Limited	Hong Kong	2	100.00	Property investment

* All amounts are in Hong Kong dollars except stated otherwise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

47. SUBSIDIARIES – continued

Notes:

- (a) A Sino-foreign corporative joint venture established in the PRC.
- (b) A wholly foreign owned enterprise established in the PRC.
- (c) An enterprise established in the PRC. The Company's attributable equity interest is based on the distribution of assets and profits stipulated in the relevant contract.

All subsidiaries, except for those companies incorporated outside Hong Kong, carry on their businesses in Hong Kong unless stated otherwise.

None of the subsidiaries had issued any debt securities as at 31st March, 2007.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

48. POST BALANCE SHEET EVENTS

- (a) On 24th April, 2007, the Group spun-off by way of distribution and offered shares of Emperor Capital Group Limited ("ECG") for separate listing on the Stock Exchange. ECG is engaged in the business securities brokerage and financial services arm including brokerage services for securities, futures and options.
- (b) In May 2007, certain wholly-owned subsidiaries of the Group entered into sale and purchase agreements with independent third parties to acquire properties an aggregate consideration of HK\$567,600,000.
- (c) On 12th June, 2007, World Million Profits Limited ("World Million"), a wholly-owned subsidiary of the Company entered into a sale and purchase agreement (the "First Sale and Purchase Agreement") with Lion Empire Investments Limited ("Lion Empire") for acquisition of 10% interest in Nova Strategic Limited ("Nova Strategic") and loan due from Nova strategic to the vendor at a consideration of approximately HK\$170,783,000. The consideration will be satisfied by the allotment and issue of 79,433,953 shares of the Company at an issue price of HK\$2.15 per share. Lion Empire is a wholly-owned subsidiary of The Albert Yeung Discretionary Trust. Nova Strategic holds 50% interest and manages two VIP halls in Grand Emperor Hotel, in which Grand Emperor Hotel is engaged in hotel and gaming operations in Macau.

On the same date, World Million entered into another sale and purchase agreement (the "Second Sale and Purchase Agreement") with a wholly-owned subsidiary of EEH, for the disposal of 10% interest in Nova Strategic together with the loan due from Nova strategic to World Million. The proceeds from disposal of Nova Strategic to EEH is approximately HK\$170,783,000. The consideration will be satisfied by the allotment and issue of 104,774,846 shares of EEH at an issue price of HK\$1.63 per share. Upon completion of the First Sale and Purchase Agreement and Second Sale and Purchase Agreement, the Group's attributable interest in EEH will be increased to approximately 41.43%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

48. POST BALANCE SHEET EVENTS – continued

- (d) Pursuant to a placing agreement dated 12th June, 2007 made between Charron, the ultimate holding company of the Company and an independent placing agent (“Placing Agent”), the Placing Agent agreed to place 282,634,000 shares in the Company held by Charron at a placing price of HK\$2.15 per share.

Pursuant to a subscription agreement also dated 12th June, 2007 made between the Company and Charron, Charron agreed to subscribe for 282,634,000 shares in the Company and the Company agreed to issue 282,634,000 shares in the share capital of the Company to Charron at a subscription price of HK\$2.15 per share.

The Company planned to use the proceeds for general working capital and future business development of the Group. The shares issued rank pari passu in all respects with the then existing shares of the Company.

FINANCIAL SUMMARY

RESULTS

	Year ended 31st March,				
	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover (including discontinued operations)	408,514	985,534	1,005,736	1,279,983	658,868
Profit (loss) before taxation	545,941	625,099	478,845	345,433	(717,256)
Taxation charge	(55,325)	(88,418)	(12,573)	(15,964)	(7,071)
Profit (loss) for the year	490,616	536,681	466,272	329,469	(724,327)
Attributable to:					
Equity holders of the Company	487,677	532,392	466,354	330,003	(715,803)
Minority interests	2,939	4,289	(82)	(534)	(8,524)
	490,616	536,681	466,272	329,469	(724,327)

ASSETS AND LIABILITIES

	Year ended 31st March,				
	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000
Total assets	8,071,525	5,821,463	4,927,333	3,386,475	3,420,222
Total liabilities	(3,405,265)	(2,032,797)	(1,583,585)	(1,052,233)	(1,455,500)
	4,666,260	3,788,666	3,343,748	2,334,242	1,964,722
Equity attributable to equity holders of the company	4,665,846	3,792,183	3,351,863	2,334,226	2,015,494
Minority interests	414	(3,517)	(8,115)	(9,984)	(50,772)
Shareholders' funds	4,666,260	3,788,666	3,343,748	2,334,242	1,964,722

SUMMARY OF PROPERTIES

Particulars of the Group's major investment properties and properties under development as at 31st March, 2007, are as follows:

INVESTMENT PROPERTIES

	Location	Purpose	Floor area sq.ft.	Car parking	Group's interest %
1.	Ground Floor, 474-476 Lockhart Road, and Shop G on Ground Floor, Pun Tak Building, 478-484 Lockhart Road Causeway Bay, Hong Kong	Commercial	2,193 (S)	–	100
2.	Ground Floor and 1st Floor of 46 Leighton Road and Ground Floor of 44 and 48 Leighton Road, Lai Chi Building Causeway Bay, Hong Kong	Commercial	4,238 (S)	–	100
3.	4/6th shares of Car Parking Spaces Nos. L5 and P4 Ground Floor, Sandoz Centre, 178 – 182 Texaco Road, Tsuen Wan, New Territories	Carparks	–	2	100
4.	103 Belcher's Street, Kennedy Town, Hong Kong	Commercial/ Residential	5,071 (S)	–	100
5.	Units 1 to 4 on 12th Floor, Wing Yip Commercial Building 65-71 Yen Chow Street, Shamshuipo, Kowloon	Commercial	799 (S)	–	100
6.	Carpark Nos. 1-11, 20, 23, 23A, 24 and 24A on Ground Floor, Kwong Sang Hong Building, Blocks C and D, 188 Wanchai Road, Wanchai, Hong Kong	Carparks	–	16	100
7.	Unit 901 Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	Commercial	2,324 (G)	–	100
8.	Unit 902 Emperor Group Centre, 288 Hennessy Road, Wanchai Hong Kong	Commercial	977 (G)	–	100

SUMMARY OF PROPERTIES

INVESTMENT PROPERTIES – continued

	Location	Purpose	Floor area sq.ft.	Car parking	Group's interest %
9.	Unit 1103 Emperor Group Centre, 288 Hennessy Road, Wanchai Hong Kong	Commercial	692 (G)	–	100
10.	Unit 1104 Emperor Group Centre, 288 Hennessy Road, Wanchai Hong Kong	Commercial	1,582 (G)	–	100
11.	Unit 1206 Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	Commercial	1,431 (G)	–	100
12.	Unit 1207 Emperor Group Centre, 288 Hennessy Road, Wanchai Hong Kong	Commercial	1,510 (G)	–	100
13.	Unit 1701 Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	Commercial	2,178 (G)	–	100
14.	Unit 2001 Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	Commercial	2,178 (G)	–	100
15.	Unit 2101 Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	Commercial	2,178 (G)	–	100
16.	Emperor Plaza, 55 Chung On Street, Tsuen Wan, New Territories	Commercial/ Residential	196,150 (G)	–	100
17.	Shop A on Ground Floor, Mon Hing Factory Building, 97 Belcher's Street, Kennedy Town, Hong Kong	Shop	4,200 (S)	–	100
18.	Ground Floor and 1st Floor Hong Kong Chinese Bank Causeway Bay Centre 42-44 Yee Wo Street, Causeway Bay, Hong Kong	Commercial	2,772 (S)	–	100

SUMMARY OF PROPERTIES

INVESTMENT PROPERTIES – continued

Location	Purpose	Floor area sq.ft.	Car parking	Group's interest %
19. Ground Floor and 1st Floor 523 Lockhart Road, Causeway Bay, Hong Kong	Commercial	1,060 (S)	–	100
20. Shops on Basement One and Two, G/F – 4/F, Commercial Units on 23/F – 29/F, Emperor Group Centre, Wanchai, Hong Kong	Commercial	146,901 (G)	34	100
21. G/F, Cockloft, 1-4/F, 3 Shek Tong Street, Hunghom, Kowloon	Commercial/ Residential	2,076 (G)	–	100
22. Unit G on 4/F and Private Carparking Space No. G8 on G/F, Kaiser Estate, 2nd Phase, 47-53 Man Yue Street and 20-28 Man Lok Street, Hunghom Kowloon	Industrial	6,940 (S)	1	100
23. Shop Q on Ground Floor (including Mezzanine Floor), Hong Kong Mansion, Great George Street, Causeway Bay, Hong Kong	Commercial	921 (S)	–	100
24. Shops 1-3 & 5 on Ground Floor, the whole of 1st, 2nd and 3rd Floors, the External Walls of Ground Floor to 3rd Floor, the Flat Roof on 5th Floor and Parapet Walls enclosing the Flat Roof on 5th Floor and Lift No. 1 and No. 5, 8 Russell Street, Causeway Bay, Hong Kong	Commercial	22,642 (G)	–	100
25. Flat D on Ground Floor of Cheong Kee House, No. 4 Sai Yeung Choi Street, South and Nos. 21, 21A & 21B, Soy Street, Kowloon	Commercial	573 (S)	–	100

SUMMARY OF PROPERTIES

INVESTMENT PROPERTIES – continued

Location	Purpose	Floor area sq.ft.	Car parking	Group's interest %
26. Unit 601, 6th Floor Emperor Group Centre 288 Hennessy Road Wanchai Hong Kong	Commercial	2,324 (G)	–	100
27. Shop 1-4 Lower G/F Yee Fung Building 1A Wong Nai Chung Road Happy Valley Hong Kong	Commercial	2,900 (G)	–	100
28. G/F, 56 Russell Street & M/F 54 & 56 Russell Street Causeway Bay Hong Kong	Commercial	2,485 (S)	–	100
29. Flat A on 4th Floor 54 & 56 Russell Street Hong Kong	Residential	367 (S)	–	100
30. Unit A and B on 10th Floor Cheung Ka Industrial Building 179-180 Connaught Road West and 345-345A Des Voeux Road West Hong Kong	Industrial	9,448 (S)	–	100
31. Unit A to H on 17th Floor and Vehicle Parking Space No. 7 on G/F Hong Kong Industrial Building 444-452 Des Voeux Road West Hong Kong	Industrial	11,554 (S)	1	100
32. Units C, D and G on 18th Floor Unit H on 1st Floor and Vehicle Parking Spaces Nos. 11-12 on G/F Hong Kong Industrial Building 444-452 Des Voeux Road West Hong Kong	Industrial	6,060 (S)	2	100

SUMMARY OF PROPERTIES

INVESTMENT PROPERTIES – continued

Location	Purpose	Floor area sq.ft.	Car parking	Group's interest %
33. Shop B on Ground Floor Hong Kong Industrial Building 444-452 Des Voeux Road West Hong Kong	Industrial	8,573 (S)	–	100
34. Shop A on Ground Floor Hong Kong Industrial Building 444-452 Des Voeux Road West Hong Kong	Industrial	5,638 (S)	–	100
35. Shops Nos. 7-11 & Entrance on Ground Floor, the whole of 1st to 5th Floors Wei Kei Building 275 Chatham Road North Hung Hom Kowloon	Commercial	12,994 (S)	–	100
36. The Ulfert Centre (formerly known as Golden Castle Industrial Building), 4 Kin Fat Lane Tuen Mun New Territories	Industrial	180,595 (G)	–	100
37. G/F, Portion B, 63-69 Avenida De Infante D. Henrique and Shop C2 on G/F No. 5 Rua Dr. Pedro Jose Lobo Macau	Commercial	1,167 (S)	–	100
38. Lot No. 889, No. 2 Bellview Drive, Repulse Bay, Hong Kong	Residential	7,379 (G)	–	100
39. Various Units on G/F, 1/F & 2/F, Tung Shun Hing Building, 22 Chi Kiang Street, Tokwawan, Kowloon	Shops/ Commercial	18,147 (G)	–	100
40. 602, 6/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	Office	977 (G)	–	100

SUMMARY OF PROPERTIES

INVESTMENT PROPERTIES – continued

Location	Purpose	Floor area sq.ft.	Car parking	Group's interest %
41. 2007, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	Office	1,510 (G)	–	100
42. Unit B & C, 4/F and Unit C, 5/F, 54 & 56 Russell Street, Causeway Bay, Hong Kong	Residential	1,028 (S)	–	100
43. Flat 1 with C/P-D2 & Flat 2 with CP-D13 on 4/F, Block C, Winfield Building, 5 Ventris Road, Happy Valley, Hong Kong	Residential	3,194 (G)	–	100
44. B/F, G/F, 1/F – 4/F of Block A, No. 201-209 Avenida De Almeida Riberiro, No. 1 -3 Patio Das Esquinas, Macau	Shop	11,243 (S)	–	100
45. Flat A & C, 12/F and Flat B, 17/F, Ying Fai Court, 1 Ying Fai Terrace, Hong Kong	Residential	1,389 (S)	–	100
46. 4th Floor, China Insurance Group Building 141 Des Voeux Road Central 73 Connaught Road Central 61-65 Gilman Street Central, Hong Kong	Commercial	11,990 (S)	–	100

Remarks: (G) – gross floor area
(S) – saleable area
(Site) – site area

SUMMARY OF PROPERTIES

PROPERTIES UNDER DEVELOPMENT

	Property	Purpose	Site Area sq.ft.	Estimated Gross Floor Area sq.ft.	Stage of Completion	Estimated Completion Date	Car Parking	Group's Interest %
1.	Phase II of Riverside Garden, Hubin Bei Road, Xiamen, Fujian Province, The People's Republic of China	Commercial/ Residential	79,900	440,000	2 level basement completed	2008	173	95
2.	Site located at Lot No. 09-10 at Jin Gu Zhou Economic Development Zone, Xinhui District, Guangdong Province, The People's Republic of China	Commercial/ Residential	405,027	2,430,000	Vacant site	-	-	100
3.	26 – 30 Beach Road Repulse Bay Hong Kong	Commercial	45,532	163,000	Superstructure up to roof level	2007	125	96
4.	Lot Nos. 299sC, 299RP, 302-304, 305sA, 306sA, 307sA, 308, 309RP, 342, 343sAssl and 372-382 in Demarcation District No. 210, Ho Chung, Sai Kung, New Territories	Residential	71,464	23,010	Site clearance completed	2009	26	100
5.	Section A of Lot Nos. 590 and 885 in Demarcation District No. 23, Po Sam Pai, Tai Po, New Territories	Agricultural	28,314	N/A	Vacant site	-	-	100
6.	10 Shops and 68 Flats 454A-462A Des Voeux Road West, Hong Kong	Commercial/ Residential	10,044	78,877	Site	2009	-	100
7.	10 – 14 Luen Fat Street, Fanling, NT	Site	2,880	N/A	Uncleared site	-	-	100
8.	18-24 Shing On Street, Sai Wan Ho, Hong Kong	Site	2,910	N/A	Uncleared site	-	-	100

SUMMARY OF PROPERTIES

PROPERTIES UNDER DEVELOPMENT – continued

	Property	Purpose	Site Area sq.ft.	Estimated Gross Floor Area sq.ft.	Stage of Completion	Estimated Completion Date	Car Parking	Group's Interest %
9.	Shop of G/F & Cookloft, 36 Shing On Street, Sai Wan Ho, Hong Kong	Shop	N/A	615 (S)	Uncleared site	–	–	100
10.	Flat A, 1/F, Shing On Building, 38 – 46 Shing On Street, Sai Wan Ho, Hong Kong	Residential	N/A	356 (S)	Uncleared site	–	–	100
11.	1/F, 26 Shing On Street, Sai Wan Ho, Hong Kong	Residential	N/A	447 (S)	Uncleared site	–	–	100
12.	96 – 102 Java Road, North Point, Hong Kong	Commercial/ Residential	4,555	38,931	Site	2010	–	75
13.	9A-9H Seymour Road, Mid-Levels, Hong Kong (except Flat A, 3/F and Flat E, 4/F)	Residential	9,948	73,428	Uncleared site	–	–	100
14.	Lot Nos. 300, 305RP, 306RP, 307RP, 343sAss2, 344, 345, 346, 347, 349RP, 353sA, DD210, Sai Kung NT	Residential	27,377	9,834	Site	–	–	100
15.	5-7A Ying Fai Terrace, Hong Kong	Residential	10,237	67,626	Uncleared site	–	–	100
16.	A parcel of land located at Yong An Xi Li, Chaoyang District, Beijing, The PRC	Commercial	88,419	816,400	Uncleared site	–	–	100
17.	3 Cheung Kan Lane, Hong Kong	Residential	3,385	N/A	Uncleared site	–	–	100