NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Details of the principal activities of its subsidiaries are set out in note 41.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) In the current year, the Group has adopted, for the first time, a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (collectively "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005, other than HKFRS 3 "Business Combination", HKAS 36 "Impairment of Assets" and HKAS 38 "Intangible Assets" that had been early adopted for business combinations for the year ended 31 March 2005. The applicable HKFRSs are set out below and the 2005 comparatives have been restated in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenues
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HKAS-Int 21	Income Taxes — Recovery of Revalued Non-Depreciable Assets
HKAS-Int 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The effects of the adoption of these HKFRSs on the Group's accounting policies and on amount disclosed in the financial statements are summarized as follows:

(i) HKAS 1 has affected the presentation of minority interest, share of net after-tax result of a joint venture and other disclosures.

(ii) HKASs 7, 8, 10, 12, 14, 18, 19, 23, 27, 31, 33, 37 and HKAS-Int 27 had no material effect on the Group's policies.

(iii) HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard.

(iv) HKAS 24 has affected the identification of related parties and the disclosure of related party transactions.

(v) HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations

During the year, the Group disposed of its entire interest in Winsworld Properties Limited ("Winsworld") as detailed in note 11 below. Pursuant to HKFRS 5, the operations of Winsworld were classified as discontinued operation.

The adoption of HKFRS 5 does not have financial impact on the Group's prior period financial statements. The comparative period income statement of the Group has been restated to comply with the disclosure requirements for a discontinued operation.

(vi) HKAS 40 Investment Properties
HKAS-Int 21 Income Taxes — Recovery of Revalued Non-Depreciable Assets

In prior years, increases in valuations of investment properties were credited to revaluation reserve on investment properties whereas decreases in valuations were firstly set off against revaluation reserve and thereafter charged to the profit and loss account. Deferred tax was provided on the basis that the carrying amounts of investment properties would be recovered through sale.

Upon the adoption of HKAS 40 and HKAS-Int 21, changes in fair value of investment properties are included in the profit and loss account and deferred tax is provided on the basis that the carrying amounts of investment properties will be recovered through use. These changes in accounting policies have been applied retrospectively and the financial impacts are set out in note 2(b).

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(vii) HKAS 16 Property, Plant and Equipment
HKAS 17 Leases

In prior years, the Group's hotel properties were stated at their open market values for existing use based on annual professional valuations. No depreciation was provided on the hotel properties on the basis that they were maintained in such condition that their residual values were not diminished by the passage of time and that any element of depreciation was insignificant.

As specified by HKAS 40, hotel properties were no longer to be accounted for as investment properties but should adopt HKAS 16. Upon the adoption of HKAS 16, the Group's leasehold interests in the hotel buildings have been classified under property, plant and equipment and stated at cost less accumulated depreciation and any impairment losses. The adoption of HKAS 16 has resulted in a change in accounting policy relating to hotel properties and retrospective application is required.

Upon the adoption of HKAS 17, the Group's leasehold interest in hotel land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from fixed assets to prepaid land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land lease payments under operating leases are initially stated at cost and subsequently amortized on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

The financial impacts as a result of the above changes are set out in note 2(b).

(viii) HKAS 32 and HKAS 39 — Financial Instruments

Convertible notes

In prior years, convertible notes were stated at amortized cost. Upon the adoption of HKAS 32 and HKAS 39, convertible notes in issue are split into liability and equity components.

On the issue of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortized cost basis until extinguished on conversion or redemption.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(viii) HKAS 32 and HKAS 39 — Financial Instruments (continued)

Convertible notes (continued)

The remainder of the proceeds is allocated to the conversion option that is recognized and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognized.

In accordance with HKAS 32, comparative amounts have been restated and the financial impacts are set out in note 2(b).

Receivables

In prior years, receivables are recognized initially at cost and subsequently provision is made to the extent the receivables are considered to be doubtful.

In accordance with HKAS 32 and HKAS 39, receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate and is recognized in the profit and loss account. The change in accounting policy has no impact on the results of the Group for the year ended 31 March 2006.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(b) All changes on the accounting policies as mentioned above have been applied retrospectively. The effects of the changes in accounting policies on the financial statements are summarized below:

(i) Effect on the profit and loss and loss per share for the years ended 31 March 2005 and 2006

	HKAS 16 and HKAS 17 HK$'000	**HKAS 32 and HKAS 39** HK$'000	**HKAS 40** HK$'000	**Total** HK$'000
For the year ended 31 March 2005				
Increase in depreciation	(4,289)	—	—	(4,289)
Increase in imputed interest expenses on convertible notes	—	(6,099)	—	(6,099)
Fair value loss on investment properties	—	—	(127,385)	(127,385)
Decrease in deferred taxation charge	1,862	—	2,536	4,398
Decrease in profit for the year attributable to equity holders of the Company	(2,427)	(6,099)	(124,849)	(133,375)
Loss per share (HK cents)	(0.19)	(0.46)	(9.52)	(10.17)

Restated loss for the year ended 31 March 2005 is HK$132,625,000, after taking into account the prior year adjustments of HK$133,375,000 due to changes in accounting policies.

	HKAS 16 and HKAS 17 HK$'000	**HKAS 32 and HKAS 39** HK$'000	**HKAS 40** HK$'000	**Total** HK$'000
For the year ended 31 March 2006				
Increase in depreciation	(17,158)	—	—	(17,158)
Increase in imputed interest expenses on convertible notes	—	(1,776)	—	(1,776)
Fair value gain on investment properties	—	—	1,475	1,475
Decrease in deferred taxation charge	2,310	—	—	2,310
(Increase)/decrease in loss for the year attributable to equity holders of the Company	(14,848)	(1,776)	1,475	(15,149)
Loss per share (HK cents)	(1.13)	(0.14)	0.11	(1.16)

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

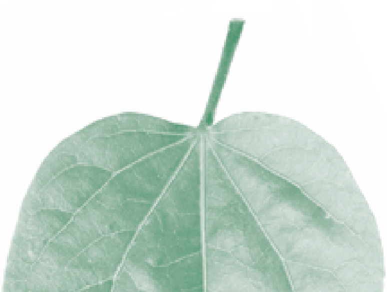
(ii) Effect on the balances of equity at 1 April 2004 and 2005

	HKAS 16 and HKAS 17 HK$'000	HKAS 32 and HKAS 39 HK$'000	HKAS 40 HK$'000	Total HK$'000
At 1 April 2004				
Increase in equity component of convertible notes	—	14,959	—	14,959
Decrease in revaluation reserve on investment properties	—	—	(1,038,368)	(1,038,368)
(Decrease)/increase in retained profits	—	(2,979)	1,038,368	1,035,389
Increase in equity at 1 April 2004	—	11,980	—	11,980
At 1 April 2005				
Increase in equity component of convertible notes	—	14,959	—	14,959
Decrease in revaluation reserve on investment properties	—	—	(913,519)	(913,519)
Decrease in hotel property revaluation reserve	(12,570)	—	—	(12,570)
(Decrease)/increase in retained profits	(2,427)	(9,078)	913,519	902,014
(Decrease)/increase in equity at 1 April 2005	(14,997)	5,881	—	(9,116)

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(iii) Cumulative effect on balance sheets at 31 March 2005 and 2006

	HKAS 16 and HKAS 17	HKAS 32 and HKAS 39	HKAS 40	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2005				
Assets				
Decrease in property, plant and equipment	(18,014)	—	—	(18,014)
Liabilities				
Decrease in accrued charges	—	1,302	—	1,302
Decrease in convertible notes	—	4,579	—	4,579
Decrease in deferred taxation	3,017	—	—	3,017
Total liabilities	3,017	5,881	—	8,898
Equity				
Increase in equity component of convertible notes	—	14,959	—	14,959
Decrease in revaluation reserve on investment properties	—	—	(913,519)	(913,519)
Decrease in hotel property revaluation reserve	(12,570)	—	—	(12,570)
(Decrease)/increase in retained profits	(2,427)	(9,078)	913,519	902,014
Total equity	(14,997)	5,881	—	(9,116)



2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(iii) Cumulative effect on balance sheets at 31 March 2005 and 2006 (continued)

	HKAS 16 and HKAS 17 HK$'000	**HKAS 32 and HKAS 39** HK$'000	**HKAS 40** HK$'000	**Total** HK$'000
At 31 March 2006				
Assets				
Decrease in property, plant and equipment	(35,172)	—	—	(35,172)
Liabilities				
Decrease in deferred taxation	5,327	—	—	5,327
Equity				
Decrease in hotel property revaluation reserve	(12,570)	—	—	(12,570)
Decrease in retained profits	(17,275)	—	—	(17,275)
Total equity	(29,845)	—	—	(29,845)

The Group has not early adopted the following new standards or interpretations that have been issued but are not yet effective.

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Capital Disclosures	1 January 2007
HKAS 39 (Amendment)	The Fair Value Option	1 January 2006
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HK (IFRIC) — Int 4	Determining Whether an Arrangement Contains a Lease	1 January 2006

The Group is in the process of making an assessment of what the impact of these new or revised standards or interpretations is expected to be in the period of initial application.

3. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Basis of preparation

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by HKICPA. The financial statements are prepared under the historical cost convention except that, as disclosed in the accounting policies below, investment properties which are stated at fair value.

(b) Group accounting

(i) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

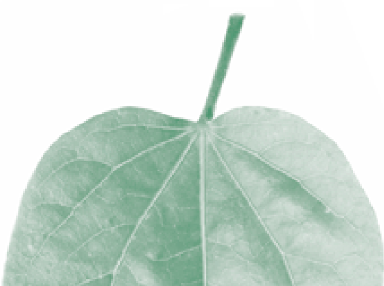
The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions, balances and unrealized gains on transactions between group enterprises are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill (net of accumulated impairment loss).

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



3. PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Group accounting (continued)

(ii) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities assumed in a business combination are recognized at their fair values at the acquisition date.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss account.

(iii) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired company at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill on acquisitions of subsidiaries is presented separately. Goodwill on acquisitions of jointly controlled entity is included in investment in a jointly controlled entity.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Gain or loss on the disposal of a subsidiary or jointly controlled entity include the carrying amount of goodwill relating to the subsidiary or jointly controlled entity sold.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Group accounting (continued)

(iv) Jointly controlled entity

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

Investments in jointly controlled entities are accounted for in the consolidated financial statements under the equity method. The consolidated profit and loss account includes the Group's share of the post-acquisition results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill (net of accumulated impairment loss) on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in a jointly controlled entity reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the jointly controlled entity.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of property, plant and equipment is calculated to write off their costs less accumulated impairment losses to their residual values on a straight line basis over their estimated useful lives. The principal annual rates of depreciation are as follows:

Hotel property	2.5%
Leasehold improvements	20% or over the remaining lease term
Toll collection equipment	20%
Furniture, fixtures and equipment	10% - 20%
Motor vehicles and others	10% - 25%

Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to the profit and loss account.

The gain or loss on disposal of other property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in the profit and loss account.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held to earn rentals and/or for capital appreciation.

Investment properties are valued annually by independent professional valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

(e) Intangible assets

(i) Operating right of Ningbo Beilun Port Expressway

Expenditure on acquiring the operating right of Ningbo Beilun Port Expressway is capitalized as intangible assets. Amortisation of operating rights is provided to write off their cost on a units-of-usage basis whereby amortization is provided based on the ratio of traffic volume for a particular period over the projected total traffic volume throughout the operating period of the respective toll roads. The Group reviews regularly the projected total traffic volume throughout the operating period of the respective toll road and if considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustments will be made should there be a material change in the projected total traffic volume.

(ii) Licence

Licence represents the cost of acquisition of a licence to install neon light signages for displaying the name of hotel and is amortized on a straight line basis over its estimated useful life.

(f) Other investment

Investment in club debentures is stated at cost less impairment losses.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Impairment of tangible and intangible assets excluding goodwill

Assets that have an indefinite useful life are not subject to amortization and tested annually for impairment. Assets that are subject to amortization are reviewed for impairment 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 higher of fair value less costs to sell 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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the profit or loss account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the profit or loss account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(h) Financial instruments

Financial assets and financial liabilities are recognized on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(i) Trade and other receivables

Receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate provision for estimated irrecoverable amounts are recognized in profit and loss account when there is objective evidence that the asset is impaired. The provision recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(iii) Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group 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 accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(iv) Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(v) Convertible notes

Convertible notes are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible notes and fair value assigned to the liability component, representing the embedded option for the holder to convert the notes into equity of the Group, is included in equity (capital reserve).

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(v) Convertible notes (continued)

Issue costs are apportioned between the liability and equity components of the convertible notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate of similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan notes.

(vi) Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

(vii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(i) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

(j) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognized as a provision.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(k) 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 or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. However, such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) or other asset and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

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

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(l) Revenue recognition

Toll income is recognized when vehicles pass the toll road and the right of collection of toll is established. Toll income measurement and collection functions are managed by Zhejiang Expressway Clearance Centre, a provincial department, using its operating systems under a management agreement between the Group and a subdivision of Zhejiang Expressway Clearance Centre. The Group measures the toll income based on monthly statements received from Zhejiang Expressway Clearance Centre.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(l) Revenue recognition (continued)

Operating lease rental income is recognized on a straight line basis over the lease periods.

Revenue from sale of services is recognized when services are rendered.

Interest income is recognized on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Licence fees and rental income are recongized on an accrual basis and in accordance with the agreed terms.

(m) Employee benefits

(i) Employee leave entitlements

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

(ii) Retirement scheme obligations

For employees in Hong Kong, the Group participates in a master trust scheme provided by an independent Mandatory Provident Fund ("MPF") service provider to comply with the requirements under the MPF Schemes Ordinance. Contributions paid and payable by the Group to the scheme are charged to the profit and loss account as incurred.

For employees in the People's Republic of China (the "PRC"), the Group contributes to a state-sponsored retirement plans. The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(n) Borrowing 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 added to the cost of those assets, until such time as 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 eligible for capitalisation.

All other borrowing costs are recognized in profit and loss in the period in which they are incurred.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(o) Segment reporting

The Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets comprise properties, deposits for properties and investments, operating assets and bank balances. Segment liabilities comprise operating liabilities, taxation, bank borrowings and certain corporate borrowings. Capital expenditure comprises additions to property, plant and equipment. In respect of geographical segment reporting, total assets and capital expenditure are based on where the assets are located.

(p) Translation of foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are expressed in Hong Kong Dollars which is the functional currency of the Company, and the presentation currency for the consolidated statements.

In preparing the financial statements of the individual entities, foreign currency transactions are translated into Hong Kong Dollars, being the functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated 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 a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operation (including comparatives) are expressed in Hong Kong Dollars using exchange rates prevailing on the balance sheet date. Income and expenses items (including comparatives) are translated at the average exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(q) Leases

(i) Finance leases

Leases where substantially all the risks and rewards of ownership of assets are transferred to the lessees are accounted for as finance leases. The amount capitalized as an asset at the inception is the present value of minimum lease payments payable during the term of the lease. The corresponding leasing commitments less the interest element are recorded as obligations under finance leases. Rentals payable in respect of finance leases are apportioned between finance charges and reduction of outstanding lease obligations based upon the interest rates implicit in the relevant leases.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(r) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation of useful lives and residual value of property, plant and equipment

The Group's management determines the estimated useful lives and residual value of its property, plant and equipment. For property, plant and equipment, the estimate is based on the historical experience of the actual useful lives and residual value of these property, plant and equipment of similar nature and functions.

Management will revise the depreciation charge where useful lives and residual values are different to previously estimated, or it will write off or write down technically obsolete or non-strategy assets that have been abandoned or sold.

Estimation of traffic volume during the operating period of operating right of expressway

Amortization of operating right of Ningbo Beilun Port Expressway, is provided based on the ratio of traffic volume for a particular period over the projected total traffic volume throughout the period for which the Group has been granted the right to operate.

It is the Group's policy to review regularly the projected total traffic volume throughout the operating periods of the respective toll roads. If it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustment will be made should there be a material change.

Assessment of impairment of assets

Management periodically reviews each asset for possible impairment or reversal of previously recognized impairment. Recoverability of assets is measured by a comparison of the carrying amount of an asset to its fair value less costs to sell. If such assets are considered by management to be impaired or no longer be impaired, the impairment or reversal of impairment previously recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets less costs to sell. In the analysis of fair value, the Group uses independent valuations which are based on various assumptions and estimates.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Changing the assumptions selected by management to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flows projections, could significantly affect the Group's reported financial condition and results of operation.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Measurement of convertible notes

On issuance of convertible notes, the fair value of the liability component is determined using a market rate of an equivalent non-convertible note; and this amount is carried as a long term liability on the amortized cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in the equity attributable to the equity holders of the Company, net of transaction costs. The splitting of the liability and equity components requires an estimation of the market interest rate.

5. REVENUES AND TURNOVER

The Group is principally engaged in property investment, hotel operation, investment holding and toll road operation. Revenues recognized during the year are as follows:

	2006 **HK$'000**	2005 HK$'000
Turnover		
Toll road income	**41,545**	—
Hotel operation	**75,681**	19,165
Rental income	**54,259**	84,964
	171,485	104,129
Other revenues		
Interest income	**6,995**	18,844
Guaranteed net rental receipts (note)	**2,056**	20,759
Other income	**45**	2,226
	9,096	41,829
Total revenues	**180,581**	145,958

Note:

On 20 June 2003, Winsworld entered into a management contract ("Management Contract") with Verywell Services Limited ("Verywell"), a wholly owned subsidiary of the former ultimate holding company. Pursuant to the Management Contract, Verywell agreed to manage and handle all matters in relation to the management of the investment properties (the "Property") owned by Winsworld for a period of three years commencing on 26 June 2003. Winsworld is entitled to an annual guaranteed net rental receipt, (being the rental receipt less the outgoings as described in the Management Contract) of HK$78 million for the contract period. On 11 November 2005, Winsworld was disposed of by the Group (note 11).

5. REVENUES AND TURNOVER (continued)

(a) Primary reporting format — business segments

The Group is organised into three main business segments:

- Toll road operation
- Hotel operation
- Property rental

There are no sales or other transactions between the business segments.

For the year ended 31 March 2006

	Toll road operation HK$'000	**Hotel operation** HK$'000	**Property rental** HK$'000	**Unallocated** HK$'000	**Consolidated** HK$'000
Turnover	41,545	75,681	54,259		171,485
Segment results	16,633	7,015	35,551		59,199
Unallocated corporate income and expenses (net)					(106,921)
					(47,722)
Interest income					6,995
Finance costs					(89,298)
Share of results of a jointly controlled entity	(5,226)	—	—		(5,226)
Gain on disposal of subsidiaries					25,700
Loss before taxation					(109,551)
Taxation					675
Loss for the year attributable to equity holders of the Company					(108,876)

5. REVENUES AND TURNOVER (continued)

(a) Primary reporting format — business segments (continued)

For the year ended 31 March 2006 (continued)

	Toll road operation HK$'000	**Hotel operation** HK$'000	**Property rental** HK$'000	**Unallocated** HK$'000	**Consolidated** HK$'000
Segment assets	2,376,558	704,607	20,453		3,101,618
Unallocated corporate assets					221,963
Consolidated total assets					3,323,581
Segment liabilities	1,588,021	458,424	12,117		2,058,562
Deferred tax liabilities					5
Unallocated corporate liabilities					5,411
Consolidated total liabilities					2,063,978
Capital expenditure	—	168	—	94	262
Depreciation	618	17,543	—	1,423	19,584
Amortization	13,283	1,167	—	—	14,450

For the year ended 31 March 2005

	Toll road operation HK$'000 (Restated)	**Hotel operation** HK$'000 (Restated)	**Property rental** HK$'000 (Restated)	**Unallocated** HK$'000 (Restated)	**Consolidated** HK$'000 (Restated)
Turnover	—	19,165	84,964		104,129
Segment results	—	(4,080)	(37,028)		(41,108)
Unallocated corporate income and expenses (net)					(69,424)
					(110,532)
Interest income					18,844
Finance costs					(29,564)
Share of results of a jointly controlled entity	(6,127)	—	—		(6,127)
Loss before taxation					(127,379)
Taxation					(5,246)
Loss for the year attributable to equity holders of the Company					(132,625)

5. REVENUES AND TURNOVER (continued)

(a) Primary reporting format — business segments (continued)

For the year ended 31 March 2005 (continued)

	Toll road operation HK$'000 (Restated)	**Hotel operation** HK$'000 (Restated)	**Property rental** HK$'000 (Restated)	**Unallocated** HK$'000 (Restated)	**Consolidated** HK$'000 (Restated)
Segment assets	—	712,450	1,877,821		2,590,271
Investments in a jointly controlled entity	263,873	—	—		263,873
Unallocated corporate assets					364,020
Consolidated total assets					3,218,164
Segment liabilities	—	490,728	1,078,470		1,569,198
Deferred tax liabilities					398
Unallocated corporate liabilities					38,884
Consolidated total liabilities					1,608,480
Capital expenditure	—	702,101	200,121	3,670	905,892
Depreciation	—	4,363	—	1,110	5,473
Amortization	—	486	—	—	486

(b) Secondary reporting format — geographical segment

The following is an analysis of the Group's turnover, analysed by the geographical market:

	2006 **HK$'000**	2005 HK$'000
Hong Kong	**129,940**	104,129
PRC	**41,545**	—
	171,485	104,129

5. REVENUES AND TURNOVER (continued)

(b) Secondary reporting format — geographical segment (continued)

The following is an analysis of carrying amount of segment assets, additions to intangible assets, property, plant and equipment and investment properties analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to intangible assets, property, plant and equipment and investment properties	
	2006 HK$'000	2005 HK$'000 (Restated)	**2006 HK$'000**	2005 HK$'000 (Restated)
Hong Kong	**873,023**	2,393,569	**262**	709,414
PRC	**2,450,558**	584,419	**—**	196,478
New Zealand	**—**	240,176	**—**	—
	3,323,581	3,218,164	**262**	905,892

6. (LOSS)/PROFIT FROM OPERATIONS

	2006 HK$'000	2005 HK$'000 (Restated)
(Loss)/profit from operations is stated after crediting and charging the following:		
Crediting		
Gross rental income from investment properties	**54,259**	84,964
Less: outgoings	**(9,923)**	(13,123)
Net rental income from investment properties	**44,336**	71,841
Charging		
Auditors' remuneration	**720**	716
Operating leases of land and buildings	**3,361**	4,318
Depreciation of property, plant and equipment	**19,584**	5,473
Amortization of intangible assets	**14,450**	486
Bad debts written off and provision for bad debts (net)	**5,308**	186

7. STAFF COSTS

The amount of staff costs (including directors' emoluments as disclosed in note 14) charged to the consolidated income statement represents:

	2006 HK$'000	2005 HK$'000
Salaries and allowances	**46,622**	24,345
Retirement benefit cost (note 10)	**971**	370
	47,593	24,715

8. FINANCE COSTS

Finance costs comprise the following:

	2006 HK$'000	2005 HK$'000 (Restated)
Interest on bank loans		
— wholly payable within five years	**24,191**	15,428
— not wholly payable within five years	**36,122**	—
Interest on other loans wholly payable within five years	**14,513**	100
Interest on convertible notes	**4,840**	7,401
Interest on promissory notes	**6,076**	3,343
Interest element of finance lease	**30**	48
Total borrowing costs incurred	**85,772**	26,320
Bank facilities arrangement fee	**3,526**	3,244
	89,298	29,564

9. TAXATION

(a) Hong Kong profits tax is provided at the rate of 17.5% on the estimated assessable profits for the year. The Company's principal subsidiary namely Ningbo Beilun Port Expressway Company Limited ("Beilun Company") is subject to the PRC income tax at the rate of 33%.

The amount of taxation charged to the consolidated income statement represents:

	2006 HK$'000	2005 HK$'000 (Restated)
Hong Kong profits tax		
— provision for current year	**—**	8,572
— over provision in prior years	**(1,423)**	(63)
	(1,423)	8,509
Deferred taxation resulting from origination and reversal of temporary differences	**748**	(3,263)
Taxation (credit)/charge	**(675)**	5,246

(b) The taxation on the Group's accounting loss differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2006 HK$'000	2005 HK$'000 (Restated)
Loss before taxation	**(109,551)**	(127,379)
Calculated at a taxation rate of 17.5%	**(19,171)**	(22,291)
Income and expenditure not subject to taxation	**2,468**	(354)
Expenses not deductible for tax purposes	**12,298**	24,824
Non-taxable items	**(4,813)**	(15)
Unrecognized tax losses and deductible temporary differences	**7,648**	1,989
Tax effect of share of results of a jointly controlled entity	**915**	1,072
Over provision in prior years	**(20)**	—
Others	**—**	21
Taxation (credit)/charge	**(675)**	5,246

10. RETIREMENT BENEFIT COSTS

Pursuant to the MPF Schemes Ordinance, which became effective on 1 December 2000, all employees of the Group in Hong Kong aged between 18 and 65 are enrolled in the MPF Scheme.

The MPF Scheme is a master trust scheme established under trust arrangement and governed by the laws in Hong Kong. The assets of the MPF Scheme are held separately from the assets of the employer, the trustees and other service providers. The Group and the employees contribute to the MPF Scheme (the "MPF contributions") in accordance with the MPF Schemes Ordinance. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF Scheme. Investment income or profit derived from the investment of accrued benefits (after taking into account any loss arising from such investment) is also immediately vested in the employees.

The MPF contributions made by the Group during the year amounted to HK$920,000 (2005: HK$370,000) of which HK$Nil (2005: HK$12,000) remains payable at the year end.

Pursuant to the PRC rules and regulations, the Group contributes to a state-sponsored retirement plans for its employees in the PRC. The Group contributes approximately 20% of the basic salaries of its employees in the PRC as determined by the local government during the year, and has no further obligation for the actual payment of pension or post-retirement benefits beyond the annual contribution. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

11. DISCONTINUED OPERATION

On 30 June 2005, the Group entered into an agreement to dispose of the entire interests in Winsworld, which carried out property investment activities or the investment property of Winsworld. On 11 November 2005, the entire interests in Winsworld were disposed of to an independent third party.

The loss for the year from the discontinued operation is analysed as follows:

	2006 **HK$'000**	2005 HK$'000
Profit/(loss) of property investment operation for the year	**4,401**	(79,058)
Cost on disposal of property investment operation	**(50,006)**	—
	(45,605)	(79,058)

11. DISCONTINUED OPERATION (continued)

During the year, the net cash flows attributable to the operating, investing and financing activities of Winsworld are set out below:

	2006 **HK$'000**	2005 HK$'000
Net cash (outflow)/inflow from operating activities	**(605)**	215,601
Net cash outflow from investing activities	**—**	(6,807)
Net cash outflow from financing activities	**(11,175)**	(201,560)
	(11,780)	7,234

12. DIVIDENDS

Dividends approved and declared during the year are as follows:

	2006 **HK$'000**	2005 HK$'000
Dividend declared of HK$0.19 per share (2005: Nil)	**249,076**	—

The Directors do not recommend payment of a final dividend for the year ended 31 March 2006.

13. LOSS PER SHARE

The calculation of the basic loss per share from continuing and discontinued operations attributable to the equity holders of the Company is based on the following data.

Earnings

	2006 **HK$'000**	2005 HK$'000 (Restated)
Loss for the year from continuing operations	**(63,271)**	(53,567)
Loss for the year from discontinued operation	**(45,605)**	(79,058)
Loss for the year attributable to equity holders of the Company	**(108,876)**	(132,625)

Number of shares

	2006	2005
Weighted average number of ordinary shares for the purposes of basic loss per share	**1,310,925,244**	1,310,925,244

No diluted loss per share is shown as the Company has no potential diluted ordinary shares at 31 March 2006.

For the year ended 31 March 2005, diluted loss per share is not shown as the potential diluted ordinary shares are anti-dilutive.

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of directors of the Company during the year are as follows:

For the year ended 31 March 2006

Name of director	Fees	Salary, allowances and benefit in kind	Discretionary bonus	MPF contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Lau Kan Shan	—	5,501	11,500	12	17,013
Tse On Kin	—	2,640	—	12	2,652
Ching Yung	—	629	—	12	641
	—	8,770	11,500	36	20,306
Non-executive director					
Leung Heung Ying	122	—	—	—	122
Independent non-executive directors					
Chan Wai Dune	200	—	—	—	200
Lau Wai	100	—	—	—	100
Tong Kwai Lai	100	—	—	—	100
	400	—	—	—	400
Total	522	8,770	11,500	36	20,828

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

For the year ended 31 March 2005

Name of director	Fees	Salary, allowances and benefit in kind	Discretionary bonus	MPF contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Lau Kan Shan	—	6,262	—	12	6,274
Tse On Kin	—	80	—	—	80
Ching Yung	—	551	—	12	563
Yuen Hiu Kwan	—	600	—	12	612
Yan Sheng	—	3,798	—	11	3,809
	—	11,291	—	47	11,338
Non-executive director					
Leung Heung Ying	59	—	—	—	59
Independent non-executive directors					
Chan Wai Dune	101	—	—	—	101
Lau Wai	100	—	—	—	100
Tong Kwai Lai	35	—	—	—	35
Cheng Chun Pong, Paul	65	—	—	—	65
	301	—	—	—	301
Total	360	11,291	—	47	11,698

There were no arrangements under which any director waived or agreed to waive any emoluments in respect of the years ended 31 March 2006 and 2005.

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2005: three) directors whose emoluments are reflected in the analysis presented in note 14(a) above. The emoluments payable to the remaining three (2005: two) individuals during the year are as follows:

	2006 HK$'000	2005 HK$'000
Salaries and other benefits	**2,340**	1,530
MPF contributions	**12**	—
	2,352	1,530

The emoluments fell within the following band:

Emolument bands	**Number of individuals**	
	2006	2005
HK$		
0 — 1,000,000	**3**	2

15. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Loss for the year attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$420,508,000 (2005 (restated): HK$142,575,000).

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Hotel property HK$'000 (Restated)	Leasehold improvements HK$'000	Toll collection equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles and others HK$'000	Total HK$'000 (Restated)
Cost						
At 1 April 2004	—	—	—	659	2,199	2,858
Additions	686,275	3,647	—	1,849	—	691,771
At 31 March 2005	686,275	3,647	—	2,508	2,199	694,629
Acquisition of subsidiaries	—	38,703	398	605	1,171	40,877
Additions	—	—	—	262	—	262
Exchange adjustment	—	286	3	5	8	302
At 31 March 2006	686,275	42,636	401	3,380	3,378	736,070
Accumulated depreciation						
At 1 April 2004	—	—	—	64	294	358
Charge for the year	4,289	425	—	209	550	5,473
At 31 March 2005	4,289	425	—	273	844	5,831
Acquisition of subsidiaries	—	862	145	397	678	2,082
Charge for the year	17,158	1,179	25	579	643	19,584
Exchange adjustment	—	9	1	3	5	18
At 31 March 2006	21,447	2,475	171	1,252	2,170	27,515
Net book value						
At 31 March 2006	**664,828**	**40,161**	**230**	**2,128**	**1,208**	**708,555**
At 31 March 2005	681,986	3,222	—	2,235	1,355	688,798

16. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 March 2006, the Group's hotel property with a carrying value of HK$664,828,000 was located in Hong Kong under a lease of less than 50 years and was pledged to a bank and a third party for granting loans to the Group amounting to HK$414 million and HK$25.6 million respectively (notes 32 and 33).

At 31 March 2005, the Group's hotel property with a carrying value of HK$681,986,000 was pledged to two third parties to secure convertible notes and promissory notes granted to the Group to the extent of HK$480,000,000 (note 34).

Net book value of property, plant and equipment under finance lease amounted to HK$487,500 (2005: HK$812,500) as at 31 March 2006. The related depreciation for the year was HK$325,000 (2005: HK$325,000).

Company

	Furniture, fixtures and equipment HK$'000
Cost	
Balance at 1 April 2004, 31 March 2005 and 31 March 2006	74
Accumulated depreciation	
At 1 April 2004	9
Charge for the year	15
At 31 March 2005	24
Charge for the year	14
At 31 March 2006	38
Net book value	
At 31 March 2006	**36**
At 31 March 2005	50

17. INVESTMENT PROPERTY

Group

	HK$'000
At 1 April 2004	1,620,000
Additions	200,121
Decrease in fair value during the year	(127,385)
At 31 March 2005	1,692,736
Acquisition of a subsidiary	20,000
Disposal of subsidiaries	(1,694,211)
Increase in fair value during the year	1,475
At 31 March 2006	**20,000**

The Group's interests in investment properties are analysed as follows:

	2006 HK$'000	2005 HK$'000
Investment properties		
— in Hong Kong, held on leases of less than 50 years	**20,000**	—
— in Hong Kong, held on leases of over 50 years	**—**	1,480,000
— outside Hong Kong, held on leases of less than 50 years	**—**	212,736
	20,000	1,692,736

The investment property located in Hong Kong was revalued at 31 March 2006 on an open market value basis by an independent property valuers, Memfus Wong Surveyors Limited.

At 31 March 2006, the investment property with carrying value of HK$20,000,000 (2005: HK$1,480,000,000) was mortgaged as a security for bank loan of HK$11,912,000 (2005: HK$855,000,000) granted to the Group (note 32).

18. INTANGIBLE ASSETS

Group

	Operating right of Ningbo Beilun Port Expressway HK$'000	Licence HK$'000	Total HK$'000
Cost			
Additions during the year and balance as at 31 March 2005	—	14,000	14,000
Acquisition of a subsidiary	1,862,607	—	1,862,607
Exchange adjustment	13,764	—	13,764
At 31 March 2006	1,876,371	14,000	1,890,371
Accumulated amortization			
Charge for the year and balance as at 31 March 2005	—	486	486
Acquisition of a subsidiary	87,654	—	87,654
Charge for the year	13,283	1,167	14,450
Exchange adjustment	701	—	701
At 31 March 2006	101,638	1,653	103,291
Net book value			
At 31 March 2006	**1,774,733**	**12,347**	**1,787,080**
At 31 March 2005	—	13,514	13,514

At 31 March 2006, the operating right of Ningbo Beilun Port Expressway is pledged as a security for the bank loan of HK$1,560 million (equivalent to RMB1,612 million) granted to the Group (note 32).

The amortization charges of the operating right of Ningbo Beilun Port Expressway and licence for the year are included in direct costs and administrative expenses respectively in the consolidated income statement.

18. INTANGIBLE ASSETS (continued)

Operating right of Ningbo Beilun Port Expressway is amortized on a units-of-usage basis whereby amortization is provided based on the ratio of traffic volume for a particular period over the projected total traffic volume throughout the operating period of the Ningbo Beilun Port Expressway.

Licence is amortized over its estimated useful life of twelve years.

19. GOODWILL

Group

	HK$'000
At 1 April 2005	—
Arising on acquisition of a subsidiary	237,413
Transfer from investment in a jointly controlled entity (note 21)	24,623
Exchange adjustment	2,394
At 31 March 2006	**264,430**

For the purpose of impairment review, goodwill set out above is allocated to the cash generating unit ("CGU"), toll road operation of Beilun Company.

The recoverable amount of the CGU is determined from value in use calculation. The key assumptions for the value in use calculation are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

During the year, the Group performed impairment review for goodwill based on cash flow forecasts derived from the most recent financial budgets approved by management using a discount rate of 12.3%, while the forecast is based on the financial budget. The value in use calculated by using the discount rate is higher than the carrying amount of the goodwill allocated to the CGU and accordingly, no impairment loss was considered necessary.

20. INVESTMENT IN AN ASSOCIATED COMPANY

	Group	
	2006	2005
	HK$'000	HK$'000
Share of net assets	**—**	5
Amount due to an associated company	**—**	(5)
	—	—

The associated company, Victory Harvest Enterprises Limited was deregistered on 17 March 2006.

21. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group	
	2006	2005
	HK$'000	HK$'000
		(Restated)
Share of net assets	**—**	239,250
Goodwill on acquisition	**—**	24,623
	—	263,873

At 31 March 2005, the Group held 44.9% equity interest in Beilun Company. On 23 December 2005, the Group further acquired the remaining 55.1% equity interest in Beilun Company (note 36(a)(i)) and accordingly, Beilun Company became a wholly-owned subsidiary of the Company and its financial statements have been consolidated into the Group since that date.

Previously, the operating right capitalized as intangible assets in Beilun Company were amortized using the straight-line method. Following a reappraisal of the consumption of economic benefits for the operating right, the amortization method was changed from straight-line to units-of-usage base. The current policy is adopted as it is considered more appropriate to reflect the performance of Beilun Company in line with industry practice.

As a result of a change in accounting policy on amortization method adopted for the operating right of Ningbo Beilun Port Expressway by Beilun Company, the net assets of Beilun Company was increased. Accordingly, the share of net assets of Beilun Company by the Group as at 31 March 2005 was increased by HK$52,813,000 with a corresponding decrease in the goodwill on acquisition.

22. INVESTMENTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	HK$'000
Unlisted shares, at cost	**1**	1
Amounts due from subsidiaries	**1,182,171**	1,880,519
	1,182,172	1,880,520
Less: Provision	**(384,906)**	(393,007)
	797,266	1,487,513

As at 31 March 2006, the amounts due from subsidiaries are unsecured, non-interest bearing and in substance represent the Company's interest in the subsidiaries in the form of quasi-equity loans.

Particulars of principal subsidiaries are set out in note 41 to the financial statements.

23. OTHER INVESTMENT

	Group and Company	
	2006	2005
	HK$'000	HK$'000
Club debentures — at cost	**1,350**	1,350

24. DEPOSIT FOR ACQUISITION OF A SUBSIDIARY

In March 2006, the Group intended to acquire 100% equity interest in an enterprise which owns and operates a toll road in the PRC. An amount of HK$70,000,000 was paid into an escrow account held by a PRC lawyer for the proposed acquisition. Subsequent to the balance sheet date, the Group decided to put aside the proposal temporarily and the deposit was then refunded in full on 15 June 2006.

The amount in 2005 represented a deposit of HK$6,000,000 paid for acquisition of the entire equity interest in Gold Canton Investment Limited.

25. DEPOSIT FOR ACQUISITION OF INVESTMENT PROPERTIES

In 2006, the Group entered into an agreement to acquire investment properties in the PRC for consideration of approximately HK$9,000,000. A deposit for acquisition of HK$4,000,000 was paid in cash and the remaining consideration of approximate HK$5,000,000 was disclosed as capital commitments in note 37.

26. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables (note (a))	**21,496**	6,240	**—**	—
Loan receivable (note (b))	**34,000**	36,000	**—**	—
Fixed deposits with FS Company (note (c))	**—**	240,176	**—**	240,176
Other receivables	**33,752**	10,498	**—**	—
Deposits and prepayments	**87,280**	69,046	**81,628**	50,271
	176,528	361,960	**81,628**	290,447

Notes:

(a) The Group allows an average credit period of one month to its trade customers. All the trade receivables are expected to be recovered within one year, the trade receivables are all net of impairment loss for bad and doubtful debts. The following is an ageing analysis of trade receivables at the balance sheet date:

	Group	
	2006	2005
	HK$'000	HK$'000
Within 30 days	**14,724**	2,502
31-60 days	**5,890**	1,007
61-90 days	**882**	959
Over 90 days	**—**	1,772
	21,496	6,240

(b) In 2005, the Group entered into a call option agreement with three third parties (collectively the "Vendors") whereby an option premium of HK$55 million was paid to the Vendors to acquire a right (the "Call Option") to buy 65% equity interest in a company which holds equity interest in a number of toll road projects in the PRC at consideration of HK$500 million. Subsequently, the Call Option was cancelled and the Vendors repaid HK$19 million and HK$2 million to the Group in the year ended 31 March 2005 and 2006 respectively. In July 2006, the Group and another third party entered into a debt assignment whereby the Group assigned the remaining balance to the third party and the consideration will be paid within two months from the date of assignment. The directors consider that the carrying amount of loan receivable approximates its fair value.

(c) At 31 March 2005, the Company and the Group had fixed deposits of HK$240,176,000, held in an overseas financial service company (the "FS Company") which bore interest ranging from 0.5% to 4% per annum. During the year, the deposits were withdrawn by the Group.

27. PLEDGED DEPOSITS

The amounts in 2005 represented deposits pledged to a bank in Hong Kong to secure banking facilities granted to the Group.

28. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000 (restated)
Rental deposits (i)	**180**	18,215	**—**	—
Other payables and accrued charges (ii)	**39,971**	219,344	**3,000**	5,214
	40,151	237,559	**3,000**	5,214

(i) Rental deposits are repayable when the tenancy contracts lapse.

(ii) On 17 January 2005, the Group entered into a memorandum of understanding ("MOU") with an independent third party whereby the Group and the third party shall form a jointly venture targeting to acquire equity interests in toll road projects in the PRC. Pursuant to the MOU, the independent third party paid deposits of HK$200,000,000 and HK$100,000,000 to the Group for the above purpose in 2005 and 2006 respectively.

On 28 April 2005, the Group and the third party agreed to cancel the MOU and the deposit of HK$300,000,000 was re-financed into a short term loan to Winsworld under a loan agreement. Subsequently Winsworld was disposed of by the Group on 11 November 2005 (note 11).

29. SHARE CAPITAL

Company

	Ordinary shares of HK$0.10 each	
	Number of shares	HK$'000
Authorised:		
At 31 March 2005 and 2006	2,000,000,000	200,000
Issued and fully paid:		
At 31 March 2005 and 2006	1,310,925,244	131,092

All the shares in issue rank pari passu in all respects including all rights as to dividends, voting and capital.

30. RESERVES

Group

	Share premium HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000 (Note (i))	Revaluation reserve on investment properties HK$'000	Hotel property revaluation reserve HK$'000	Exchange reserve HK$'000 (Note (ii))	Retained profits HK$'000	Total HK$'000
At 1 April 2004								
— as previously reported	57,556	129	—	1,038,368	—	—	503,184	1,599,237
— prior year adjustments (note 2(b)(ii))	—	—	14,959	(1,038,368)	—	—	1,035,389	11,980
— as restated	57,556	129	14,959	—	—	—	1,538,573	1,611,217
Loss for the year	—	—	—	—	—	—	(132,625)	(132,625)
At 31 March 2005	57,556	129	14,959	—	—	—	1,405,948	1,478,592
Retained by:								
Company and subsidiaries	57,556	129	14,959	—	—	—	1,412,075	1,484,719
A jointly controlled entity	—	—	—	—	—	—	(6,127)	(6,127)
At 31 March 2005	57,556	129	14,959	—	—	—	1,405,948	1,478,592
At 31 March 2005								
— as previously reported	57,556	129	—	913,519	12,570	—	503,934	1,487,708
— prior year adjustments (note 2(b)(ii))	—	—	14,959	(913,519)	(12,570)	—	902,014	(9,116)
— as restated	57,556	129	14,959	—	—	—	1,405,948	1,478,592
Exchange difference arising on translation of foreign operations recognized directly in equity	—	—	—	—	—	10,674	—	10,674
Loss for the year	—	—	—	—	—	—	(108,876)	(108,876)
Total recognized income and expense for the year	—	—	—	—	—	10,674	(108,876)	(98,202)
Redemption of convertible notes	—	—	(2,803)	—	—	—	—	(2,803)
Dividends declared	—	—	—	—	—	—	(249,076)	(249,076)
At 31 March 2006	57,556	129	12,156	—	—	10,674	1,047,996	1,128,511
Retained by the Company and subsidiaries	57,556	129	12,156	—	—	10,674	1,047,996	1,128,511

30. RESERVES (continued)

Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000 (Note (i))	Retained profits HK$'000	Total HK$'000
At 1 April 2004					
— as previously reported	57,556	129	—	1,541,427	1,599,112
— prior year adjustment	—	—	14,959	(2,979)	11,980
— as restated	57,556	129	14,959	1,538,448	1,611,092
Loss for the year	—	—	—	(142,575)	(142,575)
At 31 March 2005	57,556	129	14,959	1,395,873	1,468,517
At 31 March 2005					
— as previously reported	57,556	129	—	1,404,951	1,462,636
— prior year adjustment	—	—	14,959	(9,078)	5,881
— as restated	57,556	129	14,959	1,395,873	1,468,517
Loss for the year	—	—	—	(420,508)	(420,508)
Redemption of convertible notes	—	—	(2,803)	—	(2,803)
Dividends declared	—	—	—	(249,076)	(249,076)
At 31 March 2006	**57,556**	**129**	**12,156**	**726,289**	**796,130**

(i) The capital reserve comprises the value of the unexercised equity component of convertible notes issued by the Company recognized in accordance with the accounting policy adopted for convertible notes in note 3(h)(v).

(ii) The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3(p).

(iii) At 31 March 2006, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$738,445,000 (2005 (restated): HK$1,410,832,000).

31. OBLIGATIONS UNDER FINANCE LEASE

At 31 March 2006, the Group's obligations under finance lease are repayable as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Within one year	**354**	354
In the second year	**59**	354
In the third to fifth year	**—**	59
	413	767
Future finance charges on finance lease	**(13)**	(43)
Present value of finance lease obligations	**400**	724
The present value of finance lease obligations is as follows:		
Within one year	**342**	324
In the second year	**58**	342
In the third to fifth year	**—**	58
	400	724

32. BANK LOANS

	Group	
	2006	2005
	HK$'000	HK$'000
Bank loans, secured	**1,986,168**	855,000
Bank loans, unsecured	**—**	35,000
	1,986,168	890,000
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(35,373)**	(95,000)
Amount due for settlement after 12 months	**1,950,795**	795,000

32. BANK LOANS (continued)

The analysis of the above is as follows:

	2006 HK$'000	2005 HK$'000
Wholly repayable within five years	—	890,000
Not wholly repayable within five years	1,986,168	—
	1,986,168	890,000

At 31 March 2006, the Group's bank loans are repayable as follows:

	2006 HK$'000	2005 HK$'000
Within one year	35,373	95,000
In the second year	54,025	60,000
In the third year	99,015	735,000
In the fourth year	132,060	—
In the fifth year	201,029	—
After five years	1,464,666	—
	1,986,168	890,000

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2006 HK$'000	2005 HK$'000
Hong Kong dollar	425,913	890,000
Renminbi	1,560,255	—
	1,986,168	890,000

32. BANK LOANS (continued)

The effective interest rates at the balance sheet date were as follows:

	2006		2005	
	Hong Kong dollar	**Renminbi**	Hong Kong dollar	Renminbi
Bank borrowings	**5.321%**	**5.814%**	3.977%	—

The bank borrowings carry a variable interest rate with reference to the Hong Kong Dollar Prime Lending Rate or lending rates quoted by Bank of China Limited.

At 31 March 2006, bank loans are secured by the hotel property, investment property and the operating right of the Ningbo Beilun Port Expressway of the Group (notes 16 to 18).

The bank loans as at 31 March 2005 were secured by the investment properties and other specified assets of the Group and corporate guarantees of the Company.

33. OTHER LOAN

The other loan is secured by the second legal charge of the hotel property of the Group, bears interest at rate of 6% per annum and repayable by November 2008.

34. CONVERTIBLE NOTES AND PROMISSORY NOTES

The convertible notes and promissory notes were issued by the Group in 2004 and 2005 respectively for satisfying part of the consideration for the acquisition of the Group's hotel property. Both of the notes were secured by a mortgage of the hotel property and the entire issued shares of City Promenade Limited, the Company's subsidiary which holds the hotel property.

The convertible notes bore interest at 3% per annum and were convertible into ordinary shares of the Company at HK$3 per share, subject to adjustment, if any at the option of the holders of the notes. The notes would mature by 5 November 2006.

The promissory notes bore interest at a rate of 3% per annum and would mature on 23 December 2007. In November 2005, the Group repaid the promissory notes in full.

The carrying amount of the convertible notes in issue were split into the equity and liability components. The fair value of the liability component was calculated using a market borrowing rate of 5% at the date of grant. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in capital reserve.

34. CONVERTIBLE NOTES AND PROMISSORY NOTES (continued)

In November 2005, the Group redeemed the convertible notes at HK$160 million. The difference between the fair value amount allocated to the liability component and the redemption value amounted to HK$2,803,000 was recognized in equity directly.

The movement on the liability component of the convertible notes is as follows:

	Group and Company	
	2006	2005
	HK$'000	HK$'000 (Restated)
Liability at 1 April 2005	**155,421**	148,020
Interest expenses	**4,840**	7,401
Interest paid	**(3,064)**	—
Redemption	**(157,197)**	—
Liability at 31 March 2006	**—**	155,421

35. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 17.5%.

The movement on deferred tax liabilities is as follows:

	Group	
	2006 **HK$'000**	2005 HK$'000 (Restated)
At 1 April 2005	**398**	3,661
Charged/(credited) to consolidated income statement (note 9)	**748**	(3,263)
Disposal of subsidiaries	**(1,141)**	—
At 31 March 2006	**5**	398

The movement in deferred tax liabilities and assets (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

Deferred tax liabilities	**Accelerated tax depreciation**		**Others**		**Total**	
	2006 HK$'000	2005 HK$'000 (Restated)	**2006 HK$'000**	2005 HK$'000 (Restated)	**2006 HK$'000**	2005 HK$'000 (Restated)
At 1 April	**3,769**	3,274	**—**	387	**3,769**	3,661
Charged/(credited) to consolidated income statement	**625**	495	**—**	(387)	**625**	108
Disposal of subsidiaries	**(1,141)**	—	**—**	—	**(1,141)**	—
At 31 March	**3,253**	3,769	**—**	—	**3,253**	3,769

35. DEFERRED TAXATION (continued)

Deferred tax assets	**Tax losses**		**Others**		**Total**	
	2006 HK$'000	2005 HK$'000 (Restated)	**2006 HK$'000**	2005 HK$'000 (Restated)	**2006 HK$'000**	2005 HK$'000 (Restated)
At 1 April	**(3,368)**	—	**(3)**	—	**(3,371)**	—
Charged/(credited) to consolidated income statement	**120**	(3,368)	**3**	(3)	**123**	(3,371)
At 31 March	**(3,248)**	(3,368)	**—**	(3)	**(3,248)**	(3,371)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	Group	
	2006 HK$'000	2005 HK$'000 (Restated)
Deferred tax assets	**(3,248)**	(3,371)
Deferred tax liabilities	**3,253**	3,769
	5	398

Deferred income tax assets are recognized for tax losses carry forwards and deductible temporary differences to the extent that realization of the related tax benefit through the future taxable profits is probable. Details of unrecognized temporary differences as at the year end are as follows:

	Group	
	2006 HK$'000	2005 HK$'000
Unutilised tax losses	**102,165**	32

Included in the unrecognized tax losses is an amount of HK$50,031,000 (equivalent to RMB51,690,000) which will expire between 2007 and 2010. The remaining may be carried forward indefinitely.

36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

(i) On 23 December 2005, the Group acquired a further 55.1% equity interest in its jointly controlled entity, Beilun Company for consideration of HK$530 million. After the acquisition, the Group holds 100% equity interest in Beilun Company. This transaction has been accounted for by the purchase method of accounting.

	HK$'000
Net assets acquired	
Intangible assets	1,774,953
Property, plant and equipment	38,795
Trade and other receivables, deposits and prepayments	46,576
Amounts due from related companies	273,261
Cash and bank balances	8,956
Other payables and accrued charges	(58,858)
Amounts due to related companies	(3,862)
Bank loans	(1,548,810)
	531,011
55.1% equity interest acquired	292,587
Goodwill	237,413
Total consideration	530,000
Total consideration is satisfied by	
Cash	185,500
Entire interests (including the loans made by the Group) in three subsidiaries, which held properties in the PRC (note 36(b)(ii))	344,500
	530,000

The goodwill arising on the acquisition of Beilun Company is attributable to the anticipated profitability of the toll road operation of Beilun Company.

Beilun Company contributed HK$41,545,000 to the Group's revenue and incurred loss of HK$10,783,000 before taxation to the Group for the period from the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 April 2005, total group revenue for the year would have been HK$263,362,000, and loss for the year would have been HK$151,988,000.

36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(a) Acquisition of subsidiaries (continued)

(ii) On 10 May 2005, the Group acquired 100% equity interest in Gold Canton Investment Limited ("Gold Canton") for a cash consideration of HK$7,788,000. This transaction has been accounted for by the purchase method of accounting.

The net assets acquired in the transaction are as follows:

	Acquiree's carrying amount before combination HK$'000	**Fair value adjustments** HK$'000	**Fair value** HK$'000
Net assets acquired:			
Investment property	15,899	4,101	20,000
Prepayments	4	—	4
Cash and bank balances	1	—	1
Accrued charges	(57)	—	(57)
Bank borrowings	(12,160)	—	(12,160)
	3,687	4,101	
Total consideration			7,788

Part of the consideration amounting to HK$6,000,000 was prepaid in the year ended 31 March 2005 and the remaining balance of HK$1,788,000 was settled in cash in the current year.

Gold Canton contributed revenue of HK$945,000 and profit of HK$27,000 before taxation to the Group for the period from the date of acquisition and the balance sheet date.

(iii) Net cash outflow arising on acquisition of subsidiaries:

	HK$'000
Cash consideration paid	(187,288)
Cash and cash equivalents acquired	8,957
	(178,331)

36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Disposal of subsidiaries

(i) As disclosed in note 11, on 11 November 2005, the Group disposed of its subsidiary, Winsworld.

The net assets of Winsworld at the date of disposal and at 31 March 2005 were as follows:

	11/11/2005 HK$'000	**31/03/2005** HK$'000
Property, plant and equipment	1,480,000	1,480,000
Trade and other receivables, deposits and prepayments	1,679	19,954
Pledged deposits	48,939	48,400
Cash and bank balances	363	12,143
Other payables, deposits received and accrued charges	(23,693)	(221,431)
Taxation	205	(1,570)
Bank loans	(825,000)	(855,000)
Other loan	(335,000)	—
Deferred taxation	(1,141)	(2,853)
		479,643
Total consideration satisfied by cash	346,352	

The impact of Winsworld on the Group's results and cash flows in the current and prior periods is disclosed in note 11.

(ii) As disclosed in note 36(a)(i), the Group disposed of the entire interests in Pacific Land Limited, Raisefull Limited and Sharpstate Limited for partial settlement of the consideration for acquisition of Beilun Company of HK$344.5 million.

The net assets of the subsidiaries (excluding loans made by the Group) at the date of disposal and at 31 March 2005 were as follows:

	23/12/2005 HK$'000	**31/03/2005** HK$'000
Property, plant and equipment	—	3,221
Investment properties	214,212	212,736
Deposit for acquisition of an investment property	104,588	104,588
Interest in a jointly controlled entity	—	263,873
Cash and bank balances	—	1
Accrued charges	—	(125)
Taxation	—	(140)
	318,800	584,154
Gain on disposal	25,700	
For settlement of consideration	344,500	

The subsidiaries did not have significant impact on the Group's results and cash flows in the current and prior years.

36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Disposal of subsidiaries (continued)

(iii) Net cash inflow arising on disposal of subsidiaries:

	HK$'000
Cash consideration received	346,352
Cash and cash equivalents disposed of	(363)
	345,989

(c) Analysis of changes in financing during the year

	Share capital and premium HK$'000	**Bank loans** HK$'000	**Other loans** HK$'000	**Obligations under finance lease** HK$'000
At 1 April 2004	188,648	647,500	20,018	1,030
Net cash inflow/(outflow) from financing	—	242,500	(20,018)	(306)
At 31 March 2005	188,648	890,000	—	724
Acquisition of subsidiaries	—	1,560,970	—	—
Disposal of subsidiaries	—	(825,000)	(335,000)	—
Other payable re-financed as other loans	—	—	200,000	—
Net cash inflow/(outflow) from financing	—	348,753	160,619	(324)
Exchange adjustment	—	11,445	—	—
At 31 March 2006	**188,648**	**1,986,168**	**25,619**	**400**

37. COMMITMENTS

(a) Capital commitments

At the balance sheet date, the Group had the following capital commitments in respect of:

	Group	
	2006	2005
	HK$'000	HK$'000
Contracted but not provided for		
— Investment in a subsidiary	**—**	1,788
— Investment properties	**5,000**	—

(b) Operating lease

(i) At 31 March 2006, the Group had future aggregate minimum lease payments payable under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Not later than one year	**2,460**	1,920
Later than one year and not later than five years	**1,000**	960
	3,460	2,880

(ii) At 31 March 2006, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Not later than one year	**135**	72,547
Later than one year and not later than five years	**—**	92,668
	135	165,215

38. RELATED PARTY TRANSACTIONS

In opinion of the directors, the ultimate controlling party of the Group is Mexan Group Limited which is incorporated in the British Virgin Islands.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(a) Other than those disclosed elsewhere in the financial statements, during the year and in the ordinary course of business, the Group had the following material transactions with related parties which are not members of the Group:

	Group	
	2006 HK$'000	2005 HK$'000
Rental expenses (note (i))	**1,920**	1,920
Management fee (note (ii))	**4,030**	—

Notes:

(i) The Group rented office premises, certain furniture and fixtures and car parks for three years effective from 1 October 2003 at a HK$160,000 per month from Mexan International Limited ("MIL"). MIL is beneficially owned as to 95% by Mr. Lau Kan Shan, an executive director, chairman and controlling shareholder of the Company.

(ii) Beilun Company, the Company's subsidiary and Shanghai Mexan Enterprise Development (Group) Company Limited ("Shanghai Mexan") entered into a toll road management agreement and a supplemental agreement whereby Beilun Company contracted with Shanghai Mexan for the latter company to manage the operations of the Ningbo Beilun Port Expressway for a period of 3 years commencing 1 July 2004 with an annual management fee of RMB12,500,000. Beilun Company has a right to terminate the contract by giving a 6-month written notice to Shanghai Mexan.

Under the contract, Shanghai Mexan is obligated to manage the toll collection, request monthly statement from Zhejiang Expressway Clearance Centre, manage the daily maintenance of the toll road and communicate to the relevant government authorities on behalf of Beilun Company.

Shanghai Mexan is beneficially owned by Mr. Lau Kan Shan, an executive director, chairman and controlling shareholder of the Company.

The related party transactions in respect of item (a) above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) In connection with management contracts as disclosed in note (a)(ii), Beilun Company has made prepayment of RMB300 million to Shanghai Mexan which was secured by three properties in the PRC held by related parties. Upon expiry or early termination of the management contracts, Shanghai Mexan will repay Beilun Company the remaining balance of the prepayment after deduction of the aggregate management fees incurred.

38. RELATED PARTY TRANSACTIONS (continued)

(c) Amounts due from and to related companies are unsecured, interest free and repayable on demand.

(d) In December 2005, the Group acquired the remaining 55.1% equity interest in its jointly controlled entity, Beilun Company for a consideration of HK$530 million from Mexan Holdings Limited ("MHL") and China Huaxing Asset Management Limited ("CHAM"). The consideration was satisfied by cash of HK$185.5 million and the transfer of the entire interests (including the loans made by the Group) in three subsidiaries of the Group.

MHL is 99.99% beneficially owned by Mr. Lau Kan Shan. CHAM is 66.67% beneficially owned by Shanghai Mexan. These related party transactions also constitute connected transactions as defined in Chapter 14A of the Listing Rules. Details of the transactions are set out in the announcement of the Company dated 31 August 2005 and the circular of the Company dated 14 November 2005.

(e) The remuneration of directors as disclosed in note 14 and other members of key management during the year was as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Salaries	**10,694**	12,991
Discretionary bonuses	**11,500**	—
MPF contributions	**71**	90
	22,265	13,081

39. CONTINGENT LIABILITY

At 31 March 2006, the Company had provided guarantees to banks and a third party in respect of loans granted to its subsidiary amounting to HK$414,001,000 and HK$25,619,000 respectively.

40. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate and currency risk. These risks are limited by the Group's financial management policies and practices described below. Generally, the Group introduces conservative strategies on its risk management. The Group has not used any derivatives and other instruments for hedging purposes nor does it hold or issue derivative financial instruments for trading purposes.

40. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk

The Group's principal financial assets are cash and bank balances, trade and other receivables.

The Group's credit risk is primarily attributable to its receivables arising from the default of the debtors. The amounts presented in the balance sheet are net of provisions for doubtful receivables. A provision for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

(c) Fair value and cash flow interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's exposure to interest rate risks relates primarily to the Group's borrowings with a floating interest rate. The interest rates and terms of repayment of the Group's borrowings are disclosed in notes 32 and 33 to the financial statements. The Group's policy is to obtain the most favorable interest rates available for its borrowings.

(d) Foreign exchange risk

The Group's monetary assets and transactions are principally denominated in Hong Kong Dollars ("HKD") and Renminbi ("RMB"). The Group is exposed to foreign exchange risk arising from the exposure of HKD against RMB. The conversion of RMB into HKD is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. Considering that there is insignificant fluctuation in the exchange rate between HKD and RMB, the Group believes its exposure to exchange rate risk is minimal.

(e) Fair values estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2006.

The fair value of interest-bearing loans and borrowings and finance lease liabilities is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

40. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair values estimation (continued)

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The principal subsidiaries of the Company as at 31 March 2006 are set out below:

Name of subsidiary	Place of Incorporation	Particulars of capital	Percentage holding 2006	2005	Principal activities
Shares held indirectly:					
Beilun Company *	PRC	Registered capital of US$77,800,000	**100**	44.9	Toll road operation and management
City Promenade Limited	Hong Kong	2 ordinary shares of HK$1 each	**100**	100	Hotel operation
Gold Canton	Hong Kong	3 ordinary shares of HK$1 each	**100**	—	Property investment
Mexan Resources Limited	Hong Kong	2 ordinary shares of HK$1 each	**100**	100	Provision of management services
Portfield Limited	Hong Kong	10 ordinary shares of HK$1 each	**100**	100	Investment holding

* Beilun Company is a wholly owned foreign enterprise incorporated in the PRC

Except for Beilun Company which operates in the PRC, all the above subsidiaries operate in Hong Kong.

42. COMPARATIVE FIGURES

As further explained in note 2 to the financial statements, due to the adoption of new and revised HKFRSs during the year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative figures have been reclassified and restated to conform with the current year's presentation and accounting treatment.

43. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 19 July 2006.