1. General

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" in the annual report.

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

The Company is an investment holding company. The activities of its principal subsidiaries, associates and jointly-controlled entities are set out in note 45, 21 and 20 respectively.

2. Application of Hong Kong Financial Reporting Standards/changes in accounting policies

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1 December, 2005, 1 January, 2006 or 1 March, 2006. The adoption of the new HKFRSs has resulted in a change to the Group's accounting policy in the following area that has an effect on how the results for the current or prior accounting periods have been prepared and presented:

Financial guarantee contracts

In the current year, the Group has applied Hong Kong Accounting Standard ("HKAS") 39 and HKFRS 4 (Amendments) "Financial guarantee contracts" which is effective for annual periods beginning on or after 1 January, 2006.

A financial guarantee contract is defined by HKAS 39 "Financial Instruments: Recognition and Measurement" as "a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument".

Upon application of these amendments, financial guarantee contracts granted by the Group and not designated as at fair value through profit or loss are recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2007

2. Application of Hong Kong Financial Reporting Standards/changes in accounting policies (Continued)

Financial guarantee contracts (Continued)

In relation to financial guarantees granted to banks over the repayment of loans by associates and a jointly controlled entity, the Company has applied the transitional provisions in HKAS 39. The fair values of the financial guarantee contracts at the date of grant of HK$3,495,000 and HK$2,120,000, representing deemed capital contributions to the associates and the jointly controlled entity, have been adjusted to the carrying amounts of interests in associates and jointly controlled entities, respectively. This change in accounting policy has resulted in an increase in profit for the year of HK$1,310,000.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standards, amendment or interpretations will have no material impact on the results and financial position of the Group except for HKAS 23 (Revised) on borrowing costs. The Group is not yet in a position to reasonably estimate the impact that may arise from the adoption of HKAS 23 (Revised).

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) — Int 8	Scope of HKFRS 2[3]
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions[6]
HK(IFRIC) — Int 12	Service Concession Arrangements[7]

[1] Effective for annual periods beginning on or after 1 January, 2007
[2] Effective for annual periods beginning on or after 1 January, 2009
[3] Effective for annual periods beginning on or after 1 May, 2006
[4] Effective for annual periods beginning on or after 1 June, 2006
[5] Effective for annual periods beginning on or after 1 November, 2006
[6] Effective for annual periods beginning on or after 1 March, 2007
[7] Effective for annual periods beginning on or after 1 January, 2008

3. Change in Presentation of Financial Statements

In the current year, the presentation of turnover, cost of sales and net increase in fair value of investments held for trading adopted in the consolidated income statement has been changed to reflect the nature of sales of investments held for trading in a more appropriate manner.

In the current year, the following items have been included in a new line item “net increase in fair value of investments held for trading”.

	2007 HK$’000	2006 HK$’000
Proceeds from sales of investments held for trading (previously included in turnover)	**443,926**	170,395
Cost of sales of investments held for trading (previously included in cost of sales)	**(400,446)**	(169,559)
Dividend income from investments held for trading (previously included in turnover)	**9,879**	4,502
Unrealised fair value adjustment of investments held for trading	**11,141**	12,386
	64,500	17,724

4. Significant Accounting Policies

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

4. Significant Accounting Policies (Continued)

Business combinations (Continued)

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.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

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

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after assessment, is recognised immediately in profit or loss.

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

4. Significant Accounting Policies (Continued)

Joint ventures

Jointly-controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly-controlled entities.

The results and assets and liabilities of jointly-controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly-controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly-controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly-controlled entity equals or exceeds its interest in that jointly-controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly-controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly-controlled entity.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after assessment, is recognised immediately in profit or loss.

When a group entity transacts with a jointly-controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly-controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Revenue recognition

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

Sales of properties are recognised upon completion of the binding sales agreements or transfer of risk and reward of ownership, whichever is earlier.

Dividend income from investments in securities is recognised when the shareholders' rights to receive payment have been established.

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

Rental income, including rental invoiced in advance from properties under operating leases, is recognised on a straight line basis over the period of the respective leases.

4. Significant Accounting Policies (Continued)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Investment properties

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

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

Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

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

Leasehold land held for undetermined future use

Leasehold land held for undetermined future use is classified as a prepared lease payment under an operating lease. It is stated at cost and amortised on a straight line basis over the lease term.

4. Significant Accounting Policies (Continued)

Properties held for sale

Properties held for sale are stated at the lower of cost or net realisable value. Cost comprises all costs of purchase (including prepaid lease payments) and other direct cost to acquire the properties. Net realisable value is calculated at the actual or estimated selling price less related costs of marketing and selling.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

Retirement benefit scheme

Payments to Mandatory Provident Fund Scheme are charged as an expense when employees have rendered services entitling them to the contributions.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are 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.

4. Significant Accounting Policies (Continued)

Foreign currencies (Continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

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 net profit as reported in the consolidated income statement because it excludes items of income or expense 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 at the balance sheet date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

4. Significant Accounting Policies (Continued)

Financial instruments

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

Financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets

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

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

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

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

Financial liabilities

Financial liabilities including trade and other payables, amounts due to minority shareholders and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Convertible notes

Convertible notes issued by the Group that contains both the liability and conversion option components are classified separately into respective items on initial recognition. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Convertible notes (Continued)

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the note into equity, is included in equity (convertible note equity reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into shares of the Company, will remain in convertible note equity reserve until the embedded option is exercised (in which case the balance stated in convertible note equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible note equity reserve will be released to the accumulated profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Equity instruments

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

Upon repurchase of the Company's own shares, the respective shares are subsequently cancelled upon repurchase and accordingly, the issued share capital of the Company is reduced by the nominal value thereof. The premium payable on repurchase was charged against the Company's share premium account. An amount equal to the nominal value of the shares repurchased is transferred from accumulated profits to capital redemption reserve.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2007

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Derecognition

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

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

Club debentures

Club debentures are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of club debentures are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Club debentures are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of club debenture is estimated to be less than its carrying amount, the carrying amount of the club debenture is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of club debenture is increased to the revised estimate of its recoverable amount.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees of the Company prior to 1 January, 2005

Prior to 1 April, 2005, the financial impact of share options granted is not recorded in the consolidated balance sheet until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior their exercise date are removed from the register of outstanding options.

5. Financial Instruments

a. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, deposits held in stakeholders, amounts due from associates, amount due from a jointly-controlled entity, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to minority shareholders and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

(i) Interest rate risk

The Group's cash flow interest rate risk relates primarily to bank borrowings which are repriced every six months (see Note 30 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's fair value interest rate risk relates to the short-term fixed bank deposits, pledged bank deposits and debt securities. The directors consider the exposures in relation to bank deposits to be insignificant because of short deposit period. Moreover, the management has delegated a term responsible for monitoring the fluctuation of the interest rates of the debt securities. In this regard, the Group considers that the Group's fair value interest rate risk on the debt securities is significantly reduced.

(ii) Price risk

The Group's available-for-sale investments and investments held for trading are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity and debt price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Credit risk

As at 31 March, 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and
- the amount of contingent liabilities disclosed in Note 38.

5. Financial Instruments (Continued)

a. Financial risk management objectives and policies (Continued)

Credit risk (Continued)

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks and brokers with high-credit ratings assigned by international credit-rating agencies.

The credit risk on investments in listed debt securities is limited because the counterparties are corporations with high-credit-ratings.

The Groups has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

b. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets which are listed debt and equity securities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;

- the fair value of the unlisted debt securities are determined by the banks and financial institutions with reference to quoted bid prices, and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6. Turnover

	2007 **HK$'000**	2006 HK$'000
Rental income	**83,978**	34,314
Sales of properties	**17,580**	162,427
Proceeds from sales of investments held for trading	**443,926**	170,395
Dividend income from investments held for trading (Note)	**9,879**	4,502
	555,363	371,638

Note: Fair value changes in investments held for trading includes dividend income.

7. Segmental Information

Business segments

For management purposes, the Group is currently organised into two major operating divisions — property investment and securities investment.

These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Property investment	—	Sale and leasing of properties and property development
Securities investment	—	Trading of securities

7. Segmental Information (Continued)

Business segments (Continued)

An analysis of the Group's turnover and contribution to operating results and segmental assets and liabilities by business segments is as follows:

	Property investment HK$'000	Securities investment HK$'000	Consolidated HK$'000
For the year ended 31 March, 2007			
TURNOVER			
External sales	**101,558**	**453,805**	**555,363**
RESULT			
Segment result	**276,366**	**47,950**	**324,316**
Unallocated corporate expenses			**(6,506)**
Other income			**36,410**
Finance costs			**(42,110)**
Share of results of jointly-controlled entities	**(369)**	**–**	**(369)**
Share of results of associates	**492**	**–**	**492**
Gain on disposal of interests in investment properties			**9,060**
Profit before taxation			**321,293**
Taxation			**(42,681)**
Profit for the year			**278,612**

7. Segmental Information (Continued)

Business segments (Continued)

	Property investment HK$'000	Securities investment HK$'000	Consolidated HK$'000
For the year ended 31 March, 2006			
TURNOVER			
External sales	196,741	174,897	371,638
RESULT			
Segment result	117,140	12,188	129,328
Unallocated corporate expenses			(5,839)
Other income			12,600
Finance costs			(18,010)
Share of results of jointly-controlled entities	291	—	291
Share of results of associates	362	—	362
Gain on disposal of interests in subsidiaries			35,990
Gain on disposal of interests in associates			4,763
Profit before taxation			159,485
Taxation			(18,146)
Profit for the year			141,339

	Property investment HK$'000	Securities investment HK$'000	Consolidated HK$'000
Assets and liabilities as at 31 March, 2007			
ASSETS			
Segment assets	2,738,813	118,891	2,857,704
Interests in jointly-controlled entities	13,268	—	13,268
Interests in associates	7,868	—	7,868
Unallocated total assets			721,984
Consolidated total assets			3,600,824
LIABILITIES			
Segment liabilities	23,564	1,154	24,718
Unallocated corporate liabilities			1,474,084
Consolidated total liabilities			1,498,802

7. Segmental Information (Continued)

Business segments (Continued)

	Property investment HK$'000	Securities investment HK$'000	Consolidated HK$'000
Other information for the year ended 31 March, 2007			
Capital expenditure			
— Investment properties	164,526	—	164,526
— Property, plant and equipment	672	—	672
Depreciation	3,840	—	3,840
Release of prepaid lease payments	427	—	427

	Property investment HK$'000	Securities investment HK$'000	Others HK$'000	Consolidated HK$'000
Assets and liabilities as at 31 March, 2006				
ASSETS				
Segment assets	1,122,134	444,754	—	1,566,888
Interests in jointly-controlled entities	291	—	—	291
Interest in associates	96	—	—	96
Unallocated total assets				53,751
Consolidated total assets				1,621,026
LIABILITIES				
Segment liabilities	12,795	2,430	—	15,225
Unallocated corporate liabilities				393,657
Consolidated total liabilities				408,882
Other information for the year ended 31 March, 2006				
Capital expenditure				
— Property, plant and equipment	3,261	—	—	3,261
Depreciation	3,180	102	—	3,282
Release of prepaid lease payments	655	—	—	655
Allowance on other receivables	—	—	530	530

7. Segmental Information (Continued)

Geographical segments

The following provides an analysis of the Group's turnover by geographic market, irrespective of the origin of the goods/services:

	Turnover	
	2007	2006
	HK$'000	HK$'000
Overseas	**160,715**	95,563
Hong Kong	**394,648**	276,075
	555,363	371,638

The carrying amount of segment assets and capital additions by geographical segment has not been prepared as all the Group's carrying amount of assets and capital additions were derived from Hong Kong.

8. Other Income

	2007	2006
	HK$'000	HK$'000
Interest income	**29,255**	8,475
Income from amortisation of financial guarantee contracts	**1,310**	—
Dividend income from an associate (Note)	**664**	—
Gain on disposal of property, plant and equipment	**—**	440
Others	**5,181**	3,685
	36,410	12,600

Note: The amount represents the excess of dividend income from an associate over the carrying amount of interest in that associate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2007

9. Finance Costs

	2007 HK$'000	2006 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**5,406**	17,323
Bank borrowings with instalments repayable over five years	**30,104**	687
Convertible notes	**6,600**	—
	42,110	18,010

10. Taxation

	2007 HK$'000	2006 HK$'000
The charge comprises:		
Hong Kong Profits Tax		
— Current year	**23,262**	11,990
— Under (over) provision in prior years	**1,176**	(949)
	24,438	11,041
Deferred taxation (note 23)	**18,243**	7,105
Taxation attributable to the Company and its subsidiaries	**42,681**	18,146

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

10. Taxation (Continued)

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

	2007 HK$'000	2006 HK$'000
Profit before taxation	**321,293**	159,485
Taxation at Hong Kong Profits Tax rate of 17.5%	**56,226**	27,910
Tax effect of income not taxable for tax purposes	**(18,374)**	(10,918)
Tax effect of expenses not deductible for tax purposes	**4,835**	3,391
Tax effect of share of results of jointly-controlled entities	**64**	(51)
Tax effect of share of results of associates	**(86)**	(63)
Tax effect of tax losses not recognised	**17**	373
Utilisation of tax losses previously not recognised	**—**	(1,475)
Under(over)provision in respect of prior year	**1,176**	(949)
Overprovision of deferred tax liabilities in respect of prior year	**(1,136)**	—
Others	**(41)**	(72)
Tax charge for the year	**42,681**	18,146

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2007

11. Profit for the Year

	2007 HK$'000	2006 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration (note 12(a)):		
Fees	**300**	300
Other emoluments	**10,145**	4,978
Other staff costs	**7,660**	4,785
Retirement benefit scheme contributions	**519**	191
Total staff costs	**18,624**	10,254
Auditor's remuneration		
Current year	**800**	650
Under (over) provision in prior year	**50**	(30)
Depreciation of property, plant and equipment	**3,840**	3,282
Release of prepaid lease payments	**427**	655
Allowance for other receivables	**—**	530
Cost of properties held for sale recognised as an expense	**17,695**	129,999
Loss on disposal of property, plant and equipment	**1,760**	—
and after crediting:		
Net rental income in respect of premises after outgoings of HK$12,465,000 (2006: HK$5,154,000)	**61,954**	29,160

12. Directors' and Employees' Remuneration

(a) Directors' remuneration

	2007 HK$'000	2006 HK$'000
Directors' fees		
Executive directors	**—**	—
Non-executive director		
— Mr. Chung Cho Yee, Mico	**—**	—
Independent non-executive directors		
— Dr. Lam Lee G	**100**	100
— Dato' Wong Sin Just	**100**	100
— Mr. Cheng Yuk Wo	**100**	100
Total directors' fees	**300**	300

12. Directors' and Employees' Remuneration (Continued)

(a) Directors' remuneration (Continued)

	2007 HK$'000	2006 HK$'000
Other emoluments		
Executive directors		
(i) Salaries and other benefits and bonus		
— Dato' Choo Yeow Ming	—	—
— Ms. Ma Wai Man, Catherine	1,760	1,560
— Mr. Chow Hou Man	1,045	800
	2,805	2,360
(ii) Retirement benefit scheme contributions		
— Dato' Choo Yeow Ming	—	—
— Ms. Ma Wai Man, Catherine	88	78
— Mr. Chow Hou Man	52	40
	140	118
Non-executive director		
(i) Salaries and other benefits and bonus		
— Mr. Chung Cho Yee, Mico	7,200	2,500
Independent non-executive directors	—	—
Total other emoluments	10,145	4,978
Total directors' remuneration	10,445	5,278

No directors have waived any emoluments during both years.

During both years, no emoluments were paid by the Group to any director as an inducement to join or upon joining the Group or as compensation for loss of office.

12. Directors' and Employees' Remuneration (Continued)

(b) Employees' remuneration

The five highest paid individuals in the Group included three directors (2006: two directors) of the Company, details of whose remuneration are set out above. The aggregate remuneration of the remaining highest paid individuals, who are employees of the Group, is as follows:

	2007 HK$'000	2006 HK$'000
Salaries and other benefits	**2,637**	2,300
Retirement benefit scheme contributions	**132**	115
	2,769	2,415

HK$	**2007 Number of employees**	2006 Number of employees
Nil to 1,000,000	**1**	2
1,000,001 to 1,500,000	**—**	—
1,500,001 to 2,000,000	**1**	1

13. Dividends

	2007 HK$'000	2006 HK$'000
Final dividend of HK1.7 cents (2006: HK3.5 cents) per share recognised as distribution during the year	**15,290**	16,959
Proposed final dividend of HK0.8 cents (2006: HK1.7 cents) per share	**39,734**	15,290

The final dividend of HK0.8 cents (2006: HK1.7 cents) per share has been proposed by the directors and is subject to approval by shareholders in general meeting.

If the final dividends for 2006 and 2005 were adjusted for the effect of the share-subdivision as set out in note 44(2), the final dividend per share would be HK0.34 cents and HK0.7 cents, respectively.

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

14. Earnings per share

The calculation of the basic and diluted earnings per share attributable to the equity holders of the parent is based on the following data:

	2007 HK$'000	2006 HK$'000
Earnings		
Earnings for the purpose of calculating basic earnings per share: (profit for the year attributable to equity holders of the parent)	**276,644**	140,283
Effect of dilutive potential share:		
Interest on convertible notes	**6,600**	—
Earnings for the purpose of diluted earnings per share	**283,244**	140,283
Number of shares		
Weighted average number of shares for the purpose of calculating basic earnings per share (in thousands)	**4,134,048**	2,178,160
Effect of diluted potential shares (in thousands):		
Share options	**148,478**	148,175
Convertible notes	**302,675**	—
Weighted average number of shares for the purpose of calculating diluted earnings per share (in thousands)	**4,585,201**	2,326,335

The weighted average number of shares for both years for the purpose of calculating the basic and diluted earnings per share has been adjusted to reflect the effect of share sub-division as set out in note 44(2).

15. Investment Properties

	HK$'000
FAIR VALUE	
At 1 April, 2005	818,000
Additions	36,555
Disposals	(296,000)
Increase in fair value recognised in the consolidated income statement	100,000
At 31 March, 2006	658,555
Additions	1,526
Acquisition of assets	163,000
Disposals	(42,000)
Eliminated on disposal of a subsidiary (Note 34)	(188,000)
Increase in fair value recognised in the consolidated income statement	142,919
At 31 March, 2007	736,000

The fair value of the Group's investment properties at 31 March, 2007 and 2006 has been arrived at on the basis of a valuation carried out on that date by Skyland Surveyors Co. (2006: DTZ Debenham Tie Leung Limited and Skyland Surveyors Co.), independent qualified professional valuers not connected with the Group. Skyland Surveyors Co. (2006: DTZ Debenham Tie Leung Limited and Skyland Surveyors Co.) are members of the Hong Kong Institute of Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to the Valuation Standards on Properties of the Hong Kong Institute of Surveyors (2006: International Valuation Standards), was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties. As at 31 March, 2007, the carrying amount of such property interests amounted to HK$736,000,000 (2006: HK$658,555,000).

The Group's investment properties amounting to approximately HK$700,000,000 (2006: HK$622,000,000) have been pledged to secure general banking facilities granted to the Group.

The carrying value of the investment properties comprises properties held under long-term lease in Hong Kong.

16. Property, Plant and Equipment

	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Vessel HK$'000	Total HK$'000
COST				
At 1 April, 2005	1,935	1,654	13,997	17,586
Additions	1,760	1,501	—	3,261
Disposals	—	(1,431)	—	(1,431)
At 31 March, 2006	3,695	1,724	13,997	19,416
Additions	—	672	—	672
Disposals	(1,760)	—	—	(1,760)
At 31 March, 2007	1,935	2,396	13,997	18,328
DEPRECIATION				
At 1 April, 2005	308	1,654	544	2,506
Provided for the year	441	42	2,799	3,282
Eliminated on disposals	—	(1,431)	—	(1,431)
At 31 March, 2006	749	265	3,343	4,357
Provided for the year	273	768	2,799	3,840
Eliminated on disposals	—	—	—	—
At 31 March, 2007	1,022	1,033	6,142	8,197
CARRYING VALUES				
At 31 March, 2007	913	1,363	7,855	10,131
At 31 March, 2006	2,946	1,459	10,654	15,059

The above items of property, plant and equipment are depreciated on a straight-line method at the following rates per annum:

Furniture, fixtures and office equipment	20%
Motor vehicles	20%
Vessel	20%

At 31 March, 2006, furniture, fixtures and office equipment with carrying amount of approximately HK$1,760,000 were pledged to banks to secure general banking facilities granted to the Group. The pledge was released during the year ended 31 March, 2007.

17. Prepaid Lease Payments

	2007 HK$'000	2006 HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong:		
Long lease	–	239,726
Medium-lease	**15,238**	15,619
	15,238	255,345
Analysed for reporting purposes as:		
Current asset	**381**	655
Non-current asset	**14,857**	254,690
	15,238	255,345

18. Available-for-sale Investments/Investments Held for Trading

Available-for-sale investments comprises:

	2007 HK$'000	2006 HK$'000
Unlisted equity securities	**5,005**	5,005
Unlisted debt securities	**2,781**	3,810
	7,786	8,815

18. Available-for-sale Investments/Investments Held for Trading (Continued)

Investments held for trading comprise:

	2007 HK$'000	2006 HK$'000
Listed equity securities	**69,000**	70,955
Debt securities		
Listed	**7,934**	33,200
Unlisted	**41,863**	—
	49,797	33,200
	118,797	104,155
Total and reported as:		
Listed		
Hong Kong	**58,236**	61,959
Elsewhere	**18,698**	42,196
Unlisted	**41,863**	—
	118,797	104,155

The carrying value of unlisted equity securities in Hong Kong at 31 March, 2007, represents a 5% (2006: 5%) interest in MC.Founder Limited ("MC.Founder"). MC.Founder is incorporated in Hong Kong and engaged in trading of mobile phones. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

The carrying value of listed debt securities at 31 March, 2007 represents bonds carrying interest ranging from 5.45% to 8.125% (2006: 5.45% to 8.25%) per annum. The maturity date of the listed debt securities are from 21 February, 2008 to 24 November, 2010 (2006: from 21 February, 2008 to 24 November, 2010). Included in the listed debt securities, there were securities of approximately HK$7,934,000 (2006: HK$33,200,000) denominated in the United States dollars, which is, currency other than the functional currencies of the relevant group entities.

18. Available-for-sale Investments/Investments Held for Trading (Continued)

The carrying value of unlisted debt securities at 31 March, 2007 represents fixed interest rate institutional bonds carrying interest ranging from 8.5% to 9% (2006: 6.125% to 8.25%) per annum. The maturity date of the unlisted debt securities are from 12 October, 2008 to 22 September, 2013 (2006: from 15 September, 2006 to 15 November, 2006). The quoted prices of the unlisted debt securities are readily and regularly available from brokers, banks and financial institutions in an over-the-counter market. Included in the unlisted debt securities, there were securities of approximately HK$41,863,000 (2006: nil) denominated in the United States dollars, which is other than the functional currency of the relevant group entities.

19. Club Debentures

	2007 **HK$'000**	2006 HK$'000
Club debentures, at cost	**6,860**	6,860

The directors are of the opinion that there were no impairment on the club debentures since the market price are higher than its carrying value.

20. Interests in Jointly-controlled Entities

	2007 **HK$'000**	2006 HK$'000
Cost of unlisted investments in jointly-controlled entities	**11,226**	—
Share of post-acquisition (losses) profits	**(78)**	291
Capital contribution – Financial guarantee contracts	**2,120**	—
	13,268	291

20. Interests in Jointly-controlled Entities (Continued)

As at 31 March, 2007, the Group had interests in the following jointly-controlled entities:

Name of entity	**Form of business structure**	**Place/ Country of incorporation**	**Principal place of operation**	**Class of share held**	**Proportion of nominal value of issued capital held by the Group** %	**Principal activity**
Favor Win Limited	Incorporated	British Virgin Islands	Hong Kong	Ordinary	50	Investment holding
Winner Ever Limited ("Winner Ever")	Incorporated	British Virgin Islands	Hong Kong	Ordinary	50	Investment holding

As at 31 March, 2006, the Group had interests in the following jointly-controlled entities:

Name of entity	Form of business structure	Place/ Country of incorporation	Principal place of operation	Class of share held	Proportion of nominal value of issued capital held by the Group %	Proportion of voting power held %	Principal activity
Favor Win Limited	Incorporated	British Virgin Islands	Hong Kong	Ordinary	50	50	Investment holding
Gain Resources Limited	Incorporated	British Virgin Islands	Hong Kong	Ordinary	25	25	Investment holding and property leasing

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2007

20. Interests in Jointly-controlled Entities (Continued)

The summarised financial information in respect of the Group's interests in jointly-controlled entities which are accounted for using the equity method is set out below:

	2007 HK$'000	2006 HK$'000
Non-current assets	**62,298**	195,000
Current assets	**53,052**	23,478
Total assets	**115,350**	218,478
Non-current liabilities	**8,972**	213,500
Current liabilities	**95,230**	4,687
Total liabilities	**104,202**	218,187
Net assets	**11,148**	291
Revenue	**1,060**	2,976
Expenses	**(1,429)**	2,685
(Loss) profit for the year	**(369)**	291

The Group has discontinued recognition of its share of losses of certain jointly-controlled entities. The amounts of unrecognised share of results of those jointly-controlled entities, both for the year and cumulatively, are as follows:

	2007 HK$'000	2006 HK$'000
Unrecognised share of losses of jointly-controlled entities for the year	**964**	—
Accumulated unrecognised share of losses of jointly controlled entities.	**964**	—

21. Interests in Associates

	2007 HK$'000	2006 HK$'000
Costs of unlisted investment in associates	**96**	96
Share of post-acquisition profits, net of dividend received	**2,367**	—
Share of capital reserve of an associate	**1,910**	—
Capital contribution — Financial guarantee contracts	**3,495**	—
	7,868	96

During the year, the Group acquired a 25% equity interest in Expert Vision Limited and its subsidiary, Great Felicity Limited for a consideration of HK$195.

Particulars of the associates at 31 March, 2007 are as follows:

Name of associate	Place of incorporation	Place of operation	Proportion of nominal value of issued share capital held indirectly by the Company	Principal activities
Femville Pte. Ltd.	Singapore	Singapore	20%	Property investment, securities trading, estate agency and related investment
Orient Centre Limited	Hong Kong	Hong Kong	25%	Property investment
Expert Vision Limited	British Virgin Islands	Hong Kong	25%	Investment holding

21. Interests in Associates (Continued)

Particulars of the associates at 31 March, 2006 are as follows:

Name of associate	Place of incorporation	Place of operation	Proportion of nominal value of issued share capital held indirectly by the Company	Principal activities
Femville Pte. Ltd.	Singapore	Singapore	20%	Property investment, securities trading, estate agency and related investment
Orient Centre Limited	Hong Kong	Hong Kong	25%	Property investment

In May, 2005, the Group disposed of its entire interest in Capital Estate Limited (a company whose shares are listed on the Stock Exchange), a 21.13% associate of the Group as at 31 March, 2005 for a consideration of approximately HK$40,414,000 and resulted in a gain on disposal of an associate of approximately HK$4,763,000.

The summarised financial information in respect of the Group's interest in associates which are accounted for using the equity method is set out below:

	2007 HK$'000	2006 HK$'000
Total assets	**33,491**	8,090
Total liabilities	**(29,118)**	(7,994)
Net assets (liabilities)	**4,373**	(96)
Revenue	**25,015**	4,534
Expenses	**(24,523)**	(4,172)
Profit for the year	**492**	362

22. AMOUNTS DUE FROM JOINTLY-CONTROLLED ENTITIES/ASSOCIATES

	2007 HK$'000	2006 HK$'000
Amounts due from jointly-controlled entitles	**44,917**	31,836
Amounts due from associates	**39,143**	8,102
	84,060	39,938
Classified under		
Amounts due from jointly-controlled entities included in current assets (note i)	**44,917**	31,836
Amounts due from associates included in:		
— non-current assets (note ii)	**34,120**	—
— current assets (note i)	**5,023**	8,102
	39,143	8,102

Notes:

(i) The amounts are unsecured, non-interest bearing and repayable on demand.

(ii) The amount is unsecured, non-interest bearing and repayable on demand. The amount included a loss of HK$2,101,000 (2006 :nil) allocated in excess of cost of investment.

23. Deferred Taxation

The followings are the major deferred tax liabilities (assets) recognised and movements during the current and prior accounting periods:

	Revaluation of investment properties HK$'000	Accelerated tax depreciation HK$'000	Subtotal HK$'000	Tax losses HK$'000	Total HK$'000
At 31 March, 2005	61,180	2,360	63,540	(609)	62,931
Charge (credit) to income for the year	17,500	1,413	18,913	(861)	18,052
Disposal of investment properties	(10,947)	—	(10,947)	—	(10,947)
At 31 March, 2006	67,733	3,773	71,506	(1,470)	70,036
Charge (credit) to income for the year	27,929	1,454	29,383	(1,406)	27,977
Disposal of investment properties and interests in investment properties	(9,734)	—	(9,734)	—	(9,734)
At 31 March, 2007	85,928	5,227	91,155	(2,876)	88,279

As at 31 March, 2007, the Group had unused tax losses of approximately HK$20,843,000 (2006: HK$12,721,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$17,892,000 (2006: HK$8,400,000). No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK$4,408,000 (2006: HK$4,310,000) due to unpredictability of future profits streams. Such tax losses can be carried forward indefinitely.

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

	2007 HK$'000	2006 HK$'000
Deferred tax asset	**1,467**	1,470
Deferred tax liabilities	**(89,746)**	(71,506)
	(88,279)	(70,036)

24. Trade and Other Receivables

The Group allows its trade customers with a credit period normally ranging from 30 days to 90 days. The aged analysis of the trade receivables at the balance sheet dates are as follows:

	2007 HK$'000	2006 HK$'000
0 — 30 days	**3,984**	535
Other receivables	**11,214**	4,346
	15,198	4,881

25. Properties Held for Sale

The carrying amounts of HK$296,076,000 (2006: Nil) and HK$1,492,954,000 (2006: HK$104,928,000) of properties held for sale comprises properties held under short and long term leases, respectively, in Hong Kong.

In the opinion of the directors, the properties held for sale are expected to realise in the next twelve months.

26. Amount Due From an Investee

At 31 March, 2006, the amount was unsecured, non-interest bearing and repayable on demand. The amount was fully repaid during the year ended 31 March, 2007.

27. Pledged Bank Deposits and Bank Balances and Cash

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$272,396,000 (2006: HK$165,366,000) have been pledged to secure bank overdrafts, short term bank borrowings and undrawn facilities and are therefore classified as current assets.

The pledged bank deposits carry interest ranged from 3.62% to 5.21% per annum (2006: 3.19% to 4.68% per annum). The pledge bank deposits will be released upon the settlement of relevant bank borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2007

27. Pledged Bank Deposits and Bank Balances and Cash (Continued)

Included in the pledged bank deposits, deposits of approximately HK$224,010,000 (2006: HK$7,818,000) and HK$16,667,000 (2006: Nil) are denominated in the United States dollars and the Singapore dollars which are other than the functional currencies of the relevant group entities.

Bank balances and cash comprises bank balances and cash held by the Group and short-term bank deposits that are interest-bearing at market interest rate. All bank deposits are with maturity of three months or less. The bank deposits carry fixed interest rates ranging from 3.0% to 5.21% (2006: 0.9% to 4.723%) per annum.

28. Trade and Other Payables

The following is an aged analysis of trade and other payables at the balance sheet dates:

	2007 HK$'000	2006 HK$'000
Trade creditors aged 0-60 days	**2,667**	—
Other payables	**36,899**	15,231
	39,566	15,231

29. Amounts Due to Minority Shareholders

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

30. Bank Borrowings

	2007 HK$'000	2006 HK$'000
Secured bank loans	**1,218,398**	314,048
Repayable as follows:		
Within one year	**290,280**	158,805
Between one to two years	**77,900**	15,225
Between two to three years	**101,100**	15,225
Between three to four years	**123,665**	15,225
Between four to five years	**127,704**	16,265
Over five years	**497,749**	93,303
	1,218,398	314,048
Less: Amount due within one year included under current liabilities	**(290,280)**	(158,805)
Amount due after one year	**928,118**	155,243

30. Bank Borrowings (Continued)

The secured bank borrowings were secured by the Group's investment properties, prepaid lease payments, bank deposits and properties held for sale. The carrying amount of the assets pledged are disclosed in note 39.

At 31 March, 2007, the effective interest rate ranged from 4.40% to 5.89% per annum (2006: ranged from 4.680% to 4.875% per annum), which are also equal to contracted interest rates, for bank loans, interest is repriced every six months.

31. Share Capital

	Notes	Number of shares	Amount HK$'000
Shares of HK$0.04 each			
Authorised:			
Shares of HK$0.04 each at 1 April, 2005, 31 March, 2006 and 31 March, 2007		**4,500,000,000**	180,000
Issued and fully paid:			
Shares of HK$0.04 each at 1 April, 2005		**384,540,450**	15,382
Issue of new shares	(i)	**195,000,000**	7,800
Exercise of share options	(ii)	**5,235,000**	209
Shares of HK$0.04 each at 31 March, 2006		**584,775,450**	23,391
Issue of new shares	(iii)	**403,500,000**	16,140
Exercise of share options	(iv)	**1,131,250**	45
Shares repurchased and cancelled		**(4,068,000)**	(163)
Shares of HK$0.04 each at 31 March, 2007		**985,338,700**	39,413

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2007

31. Share Capital (Continued)

Notes:

(i) Pursuant to a resolution passed at a special general meeting held on 6 May, 2005, the Company completed the subscription agreements with independent third parties in which the independent third parties subscribed for an aggregate of 75,000,000 new shares of HK$0.04 each at the subscription price of HK$1.08 per share. Pursuant to the resolution passed on the same special general meeting, the Company completed the placing agreement with a placing agent in which the placing agent procured subscribers to subscribe for 25,000,000 new shares of HK$0.04 each at the subscription price of HK$1.08 per share. All the shares issued rank pari passu with the then existing shares in all respects.

On 22 February, 2006, 50,000,000 shares of HK$0.04 each held by Earnest Equity Limited ("Earnest Equity"), one of the Company's substantial shareholders, were placed to the independent third parties at HK$1.10 per share. On 3 March, 2006, 50,000,000 shares of HK$0.04 each of the Company were issued and allotted to Earnest Equity for cash at HK$1.10 per share to raise additional working capital. All the shares issued during the year rank pari passu with the then existing shares in all respects.

On 22 March, 2006, 45,000,000 shares of HK$0.04 each held by Earnest Equity were placed to the independent third parties at HK$1.31 per share. On 30 March, 2006, 45,000,000 shares of HK$0.04 each of the Company were issued and allotted to Earnest Equity for cash at HK$1.31 per share to raise additional working capital. All the shares issued during the year rank pari passu with the then existing shares in all respects.

(ii) During the year ended 31 March, 2006, 5,235,000 shares of HK$0.04 each of the Company were issued upon the exercise of 5,235,000 share options at an exercise price of HK$0.672 per share. The shares issued during the year rank pari passu with the then existing shares in all respects.

(iii) Pursuant to a resolution passed at a special general meeting held on 12 June, 2006, the Company entered into a subscription agreement with Earnest Equity in which Earnest Equity subscribed for an aggregate of 102,000,000 new shares of HK$ 0.04 each at the subscription price of HK$1.59 per shares. On the same day, the Company entered into a placing agreement with a placing agent in which a placing agent procured to subscribe for 211,500,000 new shares of HK$ 0.04 each at the subscription price of HK$1.59 per share. All the shares issued during the year rank pari passu with the then existing shares in all respects.

On 1 February, 2007, 90,000,000 shares of HK$0.04 each of the Company held by Earnest Equity were placed to more than six independent third parties at HK$1.49 per share. On 12 February, 2007, 90,000,000 ordinary share of HK$0.04 each of the Company were issued and allotted to Earnest Equity for cash at HK$1.49 per share. All the shares issued during the year rank pari passu with the then existing ordinary share in all respects. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 29 August, 2006 and rank pari passu with other shares in issue in all respects.

(iv) During the year ended 31 March, 2007, 1,131,250 shares of HK$0.04 each of the Company were issued upon the exercise of 131,250 and 1,000,000 share options at exercise prices of HK$0.672 and HK$0.560 per share, respectively. The shares issued during the year rank pari passu with the then existing shares in all respects.

31. Share Capital (Continued)

During the year, the Company repurchased its listed securities shares through the Stock Exchange as follows:

Month of repurchase	No. of Shares of HK$0.04 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	HK$	HK$'000
October	1,076,000	1.330	1.320	1,425
November	2,992,000	1.290	1.220	3,733

The above shares were cancelled upon repurchase.

Save as disclosed above, neither the Company nor its subsidiaries purchased, sold or redeem any of the Company's listed securities during the year.

32. Convertible Notes

On 17 May, 2006, the Company entered into nine subscription agreements with eight independent third parties and Earnest Equity, whereby Earnest Equity and the independent third parties agreed to subscribe for HK$133,000,000 unsecured 1.5% convertible notes due 2011 ("2011 Convertible Notes") issued by the Company with principal amount of HK$15,000,000 and HK$118,000,000, respectively.

The 2011 Convertible Notes bear interest at 1.5% per annum and will mature on 13 June, 2011. The holders of the 2011 Convertible Notes have the right to convert their 2011 Convertible Notes into shares of HK$0.04 each of the Company at any time during the period from the 7th day after the date of the issue of the 2011 Convertible Notes up to and including the date which is 7 days prior to 13 June, 2011.

Unless previously converted, the Company will redeem the convertible notes on the maturity date at 110% of the principal amount of the convertible notes then outstanding.

Upon full conversion of the 2011 Convertible Notes at the initial conversion price of HK$1.86 per share of HK$0.04 each of the Company (subject to anti-dilutive adjustments), a total of 71,505,376 new shares, would be issued by the Company (after adjusted for the share sub-division effective on 23 May 2007 (see note 44(2)), the current conversion price is HK$0.372 per share, and upon full conversion of the 2011 Convertible Notes, a total of 357,526,880 new shares would be issued by the Company).

During the year ended 31 March, 2007, none of the 2011 Convertible Notes were converted.

The 2011 Convertible Notes contain two components, liability and equity elements. The equity element is presented in equity under the heading of "convertible note equity reserve". The effective interest rate of the 2011 Convertible Notes is 6.59% per annum.

32. Convertible Notes (Continued)

As at the date of issuance, the 2011 Convertible Notes contain:

	2007 HK$'000	2006 HK$'000
Liability component	114,602	—
Equity component	18,398	—
	133,000	—

The movement of the liability component of the 2011 Convertible Notes for the year is set out below:

	2007 HK$'000	2006 HK$'000
Carrying amount at the beginning of the year	—	—
Issue of convertible notes	114,602	—
Interest charge	6,600	—
Interest paid	—	—
Carrying amount at the end of the year	121,202	—
Analysed for reporting purposes as:		
Current liability	1,596	—
Non-current liability	119,606	—
	121,202	—

33. Share Option Schemes

2001 Scheme

On 13 June, 2001, the Company adopted a new share option scheme ("2001 Scheme"), for the primary purpose of providing incentives to directors and eligible employees. The 2001 Scheme will expire on 12 June, 2011. Under the 2001 Scheme, the board of directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the 2001 Scheme is not permitted to exceed the higher of 10% of the shares of the Company in issue at any point in time excluding any shares issued pursuant to the 2001 Scheme or such other limit as may be permitted under the Listing Rules. The number of shares in respect of which options may be granted to any individual is not permitted to exceed the higher of 25% of the number of shares issued and issuable under the 2001 Scheme or any other limit as may be permitted under the Listing Rules.

Options granted must be taken up within 60 days of the date of grant, upon payment of HK$1 per grant. Options may be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the board of directors may at their discretion determine the specific exercise period. The exercise price is determined by the directors of the Company, and will not be less than the higher of the 80% of average closing price of the Company's shares for the five business days immediately preceding the date of grant, and the nominal value of the Company's shares.

The 2001 Scheme was terminated on 26 August, 2002.

2002 Scheme

On 26 August, 2002, the Company adopted a new share option scheme ("2002 Scheme"), for the primary purpose of providing incentives to directors and eligible employees. The 2002 Scheme will expire on 25 August, 2012. Under the 2002 Scheme, the board of directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Scheme (excluding those options that have already been granted by the Company prior to date of approval of the 2002 Scheme) must not in aggregate exceed 10% of the shares in issue at the adoption date unless the Company obtains a fresh approval from its shareholders.

Options granted must be taken up within 60 days of the date of grant, upon payment of HK$1 per grant. Options may be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the board of directors may at their discretion determine the specific exercise period. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price, (ii) the average price of the Company's shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2007

33. Share Option Schemes (Continued)

2002 Scheme (Continued)

At 31 March, 2007, the number of shares in respect of which options had been granted and remained outstanding under the 2001 Scheme and the 2002 Scheme were 18,943,750 and 31,750,000, representing 1.92% and 3.22% of the issued share capital of the Company at that date respectively.

The following table discloses movements in the Company's share options during the year ended 31 March, 2007:

	Option scheme type	Date of grant	Exercise price HK$	Exercisable period	Number of options outstanding at 1.4.2006	Exercised during the year	Lapsed during the year	Number of options outstanding at 31.3.2007
Directors								
Ma Wai Man, Catherine	2001 (Note 1)	30.8.2001	0.672	30.8.2001 - 12.6.2011	7,075,000	–	–	7,075,000
	2002 (Note 2)	23.9.2002	0.560	23.9.2002 - 25.8.2012	3,125,000	–	–	3,125,000
Chow Hou Man	2001 (Note 1)	30.8.2001	0.672	30.8.2001 - 12.6.2011	837,500	–	–	837,500
	2002 (Note 2)	23.9.2002	0.560	23.9.2002 - 25.8.2012	3,125,000	–	–	3,125,000
Total for directors					14,162,500	–	–	14,162,500
Employees and consultants								
	2001 (Note 1)	30.8.2001	0.672	30.8.2001 - 12.6.2011	11,162,500	(131,250)	–	11,031,250
	2002 (Note 2)	23.9.2002	0.560	23.9.2002 - 25.8.2012	15,250,000	(1,000,000)	–	14,250,000
	2002	8.1.2004	0.560	8.1.2004 - 25.8.2012	7,500,000	–	–	7,500,000
	2002	9.1.2004	0.600	9.1.2004 - 25.8.2012	3,750,000	–	–	3,750,000
Total for employees and consultants					37,662,500	(1,131,250)	–	36,531,250
Grand total					51,825,000	(1,131,250)	–	50,693,750
Exercisable at the end of the year								50,693,750

33. Share Option Schemes (Continued)

2002 Scheme (Continued)

The following table discloses movements in the Company's share option during the year ended 31 March, 2006:

	Option scheme type	Date of grant	Exercise price HK$	Exercisable period	Number of options outstanding at 1.4.2005	Reclassification (Note 3)	Exercised during the year	Lapsed during the year	Number of options outstanding at 31.3.2006
Directors									
Ma Wai Man, Catherine	2001 (Note 1)	30.8.2001	0.672	30.8.2001 - 12.6.2011	7,875,000	–	(800,000)	–	7,075,000
	2002 (Note 2)	23.9.2002	0.560	23.9.2002 - 25.8.2012	3,125,000	–	–	–	3,125,000
Chow Hou Man	2001 (Note 1)	30.8.2001	0.672	30.8.2001 - 12.6.2011	–	1,137,500	(300,000)	–	837,500
	2002 (Note 2)	23.9.2002	0.560	23.9.2002 - 25.8.2012	–	3,125,000	–	–	3,125,000
Total for directors					11,000,000	4,262,500	(1,100,000)	–	14,162,500
Employees and consultants									
	2001 (Note 1)	30.8.2001	0.672	30.8.2001 - 12.6.2011	17,057,500	(1,137,500)	(4,135,000)	(622,500)	11,162,500
	2002 (Note 2)	23.9.2002	0.560	23.9.2002 - 25.8.2012	18,375,000	(3,125,000)	–	–	15,250,000
	2002	8.1.2004	0.560	8.1.2004 - 25.8.2012	7,500,000	–	–	–	7,500,000
	2002	9.1.2004	0.600	9.1.2004 - 25.8.2012	3,750,000	–	–	–	3,750,000
Total for employees and consultants					46,682,500	(4,262,500)	(4,135,000)	(622,500)	37,662,500
Grand total					57,682,500	–	(5,235,000)	(622,500)	51,825,000
Exercisable at the end of the year									51,825,000

The weighted average share prices of the Company's shares at dates of exercise by the employees and consultants (2006: directors, employees and consultants) were HK$1.35 and HK$1.65 (2006: HK$1.26, HK$1.18 and HK$1.52) per share, respectively.

33. Share Option Schemes (Continued)

2002 Scheme (Continued)

Notes:

1. There is a limit on the number of share options under the 2001 Scheme that may be exercised by each grantee during each period of 12 months commencing from 30 August, 2001 (until 29 August, 2005), namely, the aggregate of (a) 20% of the total number of such share options granted and (b) any unused limits accumulated during previous period(s), subject to the written consent of the executive chairman of the Company to the exercise of share options exceeding such limit.

2. There is a limit on the number of share options under the 2002 Scheme that may be exercised by each grantee during each period of 12 months commencing from 23 September, 2002 (until 22 September, 2006), namely, the aggregate of (a) 20% of the total number of such share options granted and (b) any unused limits accumulated during previous period(s), subject to the written consent of the executive chairman of the Company to the exercise of share options exceeding such limit.

3. Mr. Chow Hou Man was appointed as director of the Company on 29 June, 2005 and his holding of shares options were reclassified under the category of directors upon his appointment.

34. Disposal of Interests in Investment Properties/Subsidiaries

a. Disposal of interests in investment properties

On 30 November, 2006, the Group disposed of 50% interests in certain investment properties through the disposal of its 50% interests in a subsidiary, Winner Ever (which holds 100% interests in Sky Dragon), which holds certain investment properties, for a cash consideration of HK$33,364,000. In relation to the disposal of interests in these investment properties, bank balances and cash of HK$52,000 were disposed of together with the disposal of interest in investment properties. After completion of the disposal, Winner Ever became a jointly-controlled entity. Amounts of HK$11,226,000 and HK$13,078,000 were recognised as interests in jointly-controlled entities and amounts due from jointly-controlled entities as set out in notes 20 and 22.

34. Disposal of Subsidiaries (Continued)

b. Disposal of interests in subsidiaries

On 28 March, 2006, the Group disposed of its subsidiaries, Rapid Growth Profits Limited, Metrorich World Wide Limited and Island Town Limited, which were engaged in sale and leasing of property.

The net assets of disposed subsidiaries at the date of disposal were as follows:

	2006 HK$'000
Net assets disposed of:	
Trade and other receivables	139
Property held for sale	97,010
Bank balances and cash	2
Trade and other payables	(694)
Taxation payable	(399)
Bank loans and overdraft	(93,000)
	3,058
Gain on disposal of subsidiaries	35,990
	39,048
Satisfied by:	
Cash	39,048
	39,048
Net cash inflow arising on disposal:	
Cash consideration received	39,048
Bank balances and cash disposed of	(2)
	39,046

The subsidiaries disposed of during the year ended 31 March, 2006 contributed approximately HK$6,826,000 to the Group's turnover and contributed approximately HK$3,332,000 to the Group's profit before taxation for the period between 1 April, 2005 and the date of disposal.

The subsidiary disposed of during the year ended 31 March, 2006 utilised approximately HK$130,000 in the Group's net operating cash flows and generated HK$1,364,000 in respect of financing activities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2007

35. Acquisition of Assets

On 13 June, 2006, 8 August, 2006, 15 August, 2006 and 2 November, 2006, the Group acquired investment properties through the purchase of the entire interest in the issued share capital of Sky Dragon for cash consideration of HK$69,000,000 and properties held for sale through the purchase of the entire interest in Hoxberry Limited, King's Land Limited (formerly known as "AXA Centre (H.K.) Limited"), Join Max Limited and 151 Gloucester Road Property Management Company Limited (formerly Known as "AXA China Region Property Management Company Limited") for cash considerations of HK$300,000,000, HK$478,000,000, HK$5,000,000 and HK$540,000, respectively. These transactions have been accounted for as acquisition of assets as the subsidiaries are not businesses.

In relation to the acquisition of assets, bank balances and cash and bank loans of HK$2,054,000 and HK$77,280,000 respectively were acquired together with the acquisition of assets.

During the year ended 31 March, 2006, the Group acquired a piece of land located in Hong Kong through acquisition of 100% interests in Yieldson Development Limited and Fook Shing Limited for an aggregate consideration of approximately HK$240,000,000. The acquisition had been accounted for as acquisition of assets.

36. Major Non-cash Transactions

During the year ended 31 March, 2007, the Group disposed of 50% interest in subsidiaries, namely Winner Ever and Sky Dragon as set out in note 34. After the disposal, Winner Ever and Sky Dragon becomes jointly controlled entities and their net assets of HK$11,226,000 were transferred to interests in jointly controlled entities as set out in note 20.

During the year ended 31 March, 2006, the acquisition of subsidiaries was partially satisfied by the deposits of HK$35,000,000 paid for acquisition of subsidiaries in the previous year.

37. Operating Lease Commitments

The Group has made approximately HK$745,000 (2006: HK$1,446,000) minimum lease payments under operating leases during the year in respect of office premises.

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	2007 **HK$'000**	2006 HK$'000
Within one year	**745**	1,631
In the second to fifth years inclusive	**—**	745
	745	2,376

Operating lease payments represent rentals payable by the Group for its office premise. Leases are negotiated for a term of three years and rentals are fixed for three years.

37. Operating Lease Commitments (Continued)

The Group as lessor

Property rental income earned during the year was HK$83,978,000 (2006: HK$34,314,000). Certain of the properties have tenants committed for next two to three years.

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

	2007 HK$'000	2006 HK$'000
Within one year	**88,017**	25,629
In the second to fifth year inclusive	**96,677**	26,136
	184,694	51,765

38. Contingent Liabilities

	2007 HK$'000	2006 HK$'000
Corporate guarantee given by the Group for banking facilities granted to associates	**107,976**	36,176
Corporate guarantee given by the Group for banking facilities granted to a jointly controlled entity	**65,000**	—
	172,976	36,176

39. Pledge of Assets

At 31 March, 2007, the following assets were pledged to secure banking facilities granted to the Group:

(a) Investment properties with a carrying value of HK$700,000,000 (2006: HK$622,000,000).

(b) Properties held for sale with carrying value of approximately HK$1,480,615,000 (2006: HK$92,890,000).

(c) Bank deposits of HK$272,396,000 (2006: HK$165,366,000).

The Group also executed the assignment of rental income and sales proceeds on disposal of investment properties over the investment properties and properties held for sale to banks to secure the banking facilities granted to the Group.

Other than the above, the Group's banking facilities at 31 March, 2006 were also secured by property, plant and equipment and prepaid lease payments with carrying values of approximately HK$1,760,000 and HK$239,726,000, respectively.

40. Capital Commitment

	2007 HK$'000	2006 HK$'000
Capital expenditure in respect of		
— the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**5,321**	1,527
— the establishment of a subsidiary in the People's Republic of China	**13,082**	—
	18,403	1,527

41. Retirement Benefit Scheme

With effect from 1 December, 2000, the Group has joined a mandatory provident fund scheme ("MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contributions are available to reduce the contributions payables in the future years.

The retirement benefit scheme contributions relating to the MPF Scheme charged to the consolidated income statement of HK$659,000 (2006: HK$309,000) represent contributions payable to the scheme by the Group at rates specified in the rules of the schemes.

42. Related Party Transactions

(a) During the year, the Group entered into the following significant transactions with related parties:

Name of Company	Nature of transactions	Notes	2007 HK$'000	2006 HK$'000
Cycle Company Limited and Gunnell Properties Limited	Management fee received and receivable by the Group	(i)	1,418	201
Top Mount Limited	Rental income received and receivable by the Group	(ii)	—	24

42. Related Party Transactions (Continued)

(a) (Continued)

Notes:

(i) Cycle Company Limited and Gunnell Properties Limited were wholly-owned subsidiaries of the jointly-controlled entities.

(ii) Top Mount Limited was a wholly-owned subsidiary of Capital Estate Limited, a former associate of the Group.

(b) Pursuant to the announcement dated 18 May, 2006 and the circular dated 27 May, 2006, on 17 May, 2006, the Group entered into:

(i) a conditional subscription agreement with Earnest Equity in relation to the placing of up to 102,000,000 new shares of HK$0.04 each in the share capital of the Company at a placing price of HK$1.59 per placing share (the "Earnest Equity Placing Agreement")

(ii) a conditional subscription agreement with Earnest Equity in relation to the subscription of the 2011 Convertible Notes, of which HK$15,000,000 was issued to Earnest Equity (the "Earnest Equity Note Subscription Agreement") as set out in note 32.

(iii) a conditional agreement with Aqua Sole Company Limited ("Aqua Sole") as the vendor, a company incorporated in Hong Kong and wholly owned by Mr. Chung Cho Yee, Mico ("Mr. Chung"), and Mr. Chung as the guarantor of the obligations of Aqua Sole for acquisition of the entire issued share capital of Sky Dragon, and the outstanding shareholder's loan owed by Sky Dragon to Aqua Sole as at the completion of the agreement (the "Property Acquisition Agreement"). Winner Even holds 100% interests in Sky Dragon. The major assets of Sky Dragon are investment properties situated at No. 8, Hau Fook Street, Tsimshatsui, Kowloon, Hong Kong

Earnest Equity is wholly and beneficially owned by a discretionary trust of which Mr. Chung is the founder and one of the discretionary beneficiaries. Aqua Sole is wholly owned by Mr. Chung. Mr. Chung is the non-executive Chairman of the Company and, through his personal interest and Earnest Equity, is beneficially interest in an aggregate of 191,687,250 shares of HK$0.04 each in the share capital of the Company, representing approximately 32.78% of the issued share capital of the Company as at the date of the Earnest Equity Placing Agreement, the Earnest Equity Note Subscription Agreement and the Property Acquisition Agreement. The Earnest Equity Placing Agreement, the Earnest Equity Note Subscription Agreement and the Property Acquisition Agreement was subject to, among other things, the approval of the independent shareholders at a general meeting of the Company. The transactions were completed on 13 June, 2006.

42. Related Party Transactions (Continued)

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2007 HK$'000	2006 HK$'000
Short-term benefits	**12,145**	6,720
Post-employment benefits	**232**	196
	12,377	6,916

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

43. Balance Sheet of the Company

The balance sheet of the Company as at 31 March, 2007 is as follows:

	2007 HK$'000	2006 HK$'000 (restated)
Assets		
Investment in subsidiaries	**27,522**	84,077
Investment in associate	**3,494**	—
Amount due from subsidiaries	**1,697,495**	689,181
Investment in jointly controlled entity	**2,120**	—
Club debentures	**5,200**	5,200
Bank balances and cash	**15,963**	2,454
Other assets	**1,777**	287
Total assets	**1,753,571**	781,199
Liabilities		
Amounts due to subsidiaries	**177,832**	113,314
Convertible notes	**121,202**	—
Other liabilities	**16,853**	1,632
	315,887	114,946
	1,437,684	666,253
Capital and Reserves		
Share capital	**39,413**	23,391
Reserves (Note)	**1,398,271**	642,862
	1,437,684	666,253

43. Balance Sheet of the Company (Continued)

Note:

Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Convertible note equity reserve HK$'000	Contributed surplus HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 April, 2005 as originally stated	23,915	—	—	338,410	83,011	445,336
Effects of changes in accounting policies (Note)	—	—	—	—	202	202
At 1 April, 2005 as restated	23,915	—	—	338,410	83,213	445,538
Issue of new shares	214,150	—	—	—	—	214,150
Expenses related to issue of shares	(3,423)	—	—	—	—	(3,423)
Exercise of share options	3,308	—	—	—	—	3,308
Profit for the year and total recognised income for the year	—	—	—	—	248	248
Dividend paid	—	—	—	—	(16,959)	(16,959)
At 31 March, 2006	237,950	—	—	338,410	66,502	642,862
Profit for the year and total recognised income for the year	—	—	—	—	159,051	159,051
Issue of new shares	616,425	—	—	—	—	616,425
Recognition of equity components on convertible notes	—	—	18,398	—	—	18,398
Expenses related to issue of shares	(18,765)	—	—	—	—	(18,765)
Exercise of share options	603	—	—	—	—	603
Share repurchase	—	163	—	—	(5,176)	(5,013)
Dividend paid	—	—	—	—	(15,290)	(15,290)
At 31 March, 2007	836,213	163	18,398	338,410	205,087	1,398,271

43. Balance Sheet of the Company (Continued)

Note:

As set out in note 2, the Group has applied HKAS 39 and HKFRS 4 which are effective for annual periods beginning on or after 1 January, 2006.

Prior to 1 January, 2006, financial guarantee contracts were not accounted for in accordance with HKFRS 4 "Insurance Contract". A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.

In relation to financial guarantees granted to banks over the repayment of loans by the subsidiaries of the Company, the Company has applied the transitional provisions in HKAS 39. The fair value of the financial guarantee contracts at the date of grant of HK$3,249,000, representing a deemed capital contribution to the subsidiaries, has been adjusted to the carrying amount of interests in subsidiaries. The cumulative amortisation as at 1 April, 2005 of HK$202,000 and the unamortised amount of HK$3,047,000 have been adjusted against accumulated profits and recognised as financial liabilities for the financial guarantee contracts, respectively. This change in accounting policy has resulted in increases in profit for the years ended 31 March, 2006 and 2007 of HK$311,000 and HK$469,000, respectively.

44. Post Balance Sheet Events

(1) On 13 March, 2007, Gain Resources Limited, a wholly owned subsidiary of the jointly-controlled entity of the Group, entered into a conditional agreement in connection to the disposal of Paul Y. Centre located at No. 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong at a consideration of HK$1,150 million. The transaction was completed on 13 June, 2007.

(2) Pursuant to an announcement dated 19 April, 2007 and a special general meeting held on 22 May, 2007, a share subdivision was proposed in which each of the then existing issued and unissued shares of HK$0.04 each in the share capital of the Company be subdivided into 5 shares of HK$0.008 each (the "Share Subdivision"). The Share Subdivision is conditional upon the fulfillment of the conditions as stated in the announcement. The Share Subdivision was effective on 23 May, 2007.

(3) Pursuant to the announcement dated 7 June, 2007, the Company, on the same day, entered into seven conditional subscription agreements with Centar Investment (Asia) Limited ("Centar"), Lehman Brothers Commercial Corporation Asia Limited ("Lehman") and five independent third parties in relation to the subscription of HK$390,000,000 2% convertible notes due the fifth anniversary from the date of issue (the "Maturity Date") (the "2012 Convertible Notes") with principal amounts of HK$54,600,000, HK$78,000,000 and HK$257,400,000, respectively. Lehman is a substantial shareholder of one of the Company's subsidiary. Centar is a fund managed by Stark Investments (Hong Kong) Limited ("Stark Investments") and Stark Investments is a substantial shareholder of the Company. The transaction was completed on 13 July, 2007.

44. Post Balance Sheet Events (Continued)

The holders of the 2012 Convertible Notes have the right to convert the 2012 Convertible Notes into shares of HK$0.008 each of the Company at an initial conversion price of HK$0.51 (subject to adjustments) at any time during the period from the 7th day after the date of issue of the 2012 Convertible Notes up to and including the date which is 7 days prior to the maturity date of the 2012 Convertible Notes.

Unless previously converted or purchased or redeemed by the Company, the Company will redeem the 2012 Convertible Notes at the redemption amount which is 119.38% of the principal amount of the 2012 Convertible Notes outstanding.

Upon full conversion of the 2012 Convertible Notes at the initial conversion price of HK$0.51, an aggregate of 764,705,880 conversion shares will be issued by the Company. The net proceeds of approximately HK$387,000,000 will be used for future property and property-related investments.

(4) On 16 July, 2007, Asset Manage Limited ("AML"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with AREIF Investment Holdings Pte. Ltd., an independent third party, to dispose of the entire issued share capital of Global Equity Limited ("Global Equity"), an indirect wholly-owned subsidiary of the Company, and the amount of HK$89,483,500 owed to AML by Global Equity at 16 July, 2007 for a total consideration of HK$783,000,000 (subject to adjustment).

The sole asset of Global Equity is its equity investment in CSI Investment Limited, which holds the property located at 88 Gloucester Road and 17 car parking spaces at 77 Gloucester Road, Wanchai, Hong Kong. The transaction has not yet been completed at the date of this report.

45. Particulars of Principal Subsidiaries of the Company

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

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Proportion of nominal value of issued share capital held by the Company Directly %	Indirectly %	Principal activities
Bless Top Holdings Limited	British Virgin Islands/Hong Kong	US$1	100	–	Investment holding
Gain Master Assets Limited	British Virgin Islands/Hong Kong	US$1	–	100	Investment holding
Mark Well Investment Limited	Hong Kong	HK$100	100	–	Sale of securities and investment holding
Capital Strategic Investment (B.V.I.) Limited	British Virgin Islands/Hong Kong	US$40,000	100	–	Investment holding
Ocean Information System (China) Limited	Hong Kong	HK$2	–	100	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March, 2007

45. Particulars of Principal Subsidiaries of the Company (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Proportion of nominal value of issued share capital held by the Company		Principal activities
			Directly %	Indirectly %	
CSI Investment Limited	Hong Kong	HK$2	–	100	Property holding and leasing of property
Gaintech International Development Limited	Hong Kong	HK$10,000	–	100	Holding of property held for development
City Plan Limited	Hong Kong	HK$1	–	100	Property holding and leasing of property
Golden United Limited	Hong Kong	HK$1	–	100	Property holding and leasing of property
Shine Wise Limited	Hong Kong	HK$1	–	100	Property holding and leasing of property
Earn Centre Limited	Hong Kong	HK$2	–	100	Property holding and leasing of property
Base Mark Limited	Hong Kong	HK$1	–	100	Property holding and leasing of property
Sun Force Limited	Hong Kong	HK$1	–	100	Property holding and leasing of property
Central Mate Limited	Hong Kong	HK$1	–	100	Property holding and leasing of property
CSI Investment Consultancy (Shanghai) Limited	The People Republic of China	US$422,000	–	100	Consultancy
CSI (China) Limited	Hong Kong	HK$2	–	100	Shanghai representative office

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

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