Hon Kwok Land Investment Company, Limited

Stock Code : 160

Annual Report 2006/2007

CONTENTS

DIRECTORS

James Sai-Wing Wong *(Chairman)*
Madeline May-Lung Wong
Herman Man-Hei Fung *(Vice-Chairman)*
Dennis Kwok-Wing Cheung
Zuric Yuen-Keung Chan
Daniel Chi-Wai Tse*
Patrick Yen-Tse Tsai*
Kenneth Kin-Hing Lam*

* *Independent non-executive directors*

AUDIT COMMITTEE

Patrick Yen-Tse Tsai
Daniel Chi-Wai Tse
Kenneth Kin-Hing Lam

SECRETARY

Wendy Yuk-Ying Chan

PRINCIPAL BANKERS

The Bank of East Asia, Limited
CITIC Ka Wah Bank Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Shanghai Commercial Bank Limited
Standard Chartered Bank (Hong Kong) Limited

AUDITORS

Ernst & Young

REGISTRARS

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

REGISTERED OFFICE

23rd Floor
Wing On Centre
111 Connaught Road Central
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STOCK CODE

SEHK 160

WEBSITE

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NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hon Kwok Land Investment Company, Limited (the "Company") will be held at Chater Rooms I-II, Function Room Level (B1), The Ritz-Carlton Hong Kong, 3 Connaught Road Central, Hong Kong on Friday, 14 September 2007 at 10:30 a.m. for the following purposes:

1. To receive and consider the audited financial statements, the report of the directors and the independent auditors' report for the year ended 31 March 2007.

2. To declare a final dividend.

3. To elect directors and to authorise the directors to fix their remuneration.

4. To re-appoint auditors and to authorise the directors to fix the remuneration of the auditors.

5. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

   "**THAT** the exercise by the directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares of HK$1.00 each in the capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe for shares, which would or might require shares to be allotted, issued or dealt with, whether during or after the end of the Relevant Period be and is hereby generally and unconditionally approved, provided that, otherwise than pursuant to: (a) a rights issue where shares of the Company are offered for a period fixed by the directors to shareholders on a fixed record date in proportion to their then holdings of shares (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any legal restrictions under the laws of the relevant place, or the requirements of the relevant regulatory body or any stock exchange in that place); or (b) any scrip dividend or similar arrangement providing for the allotment of securities in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company; or (c) the exercise of any options under any share option scheme of the Company or similar arrangement for the grant or issue to the employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (d) the exercise of conversion rights attaching to the existing convertible guaranteed bonds; or (e) a specific authority granted by the shareholders of the Company in general meeting, the additional shares allotted, issued or dealt with (including shares agreed conditionally or unconditionally to be allotted, issued or dealt with, whether pursuant to an option or otherwise) shall not in aggregate exceed 20% of the aggregate nominal amount of the issued share capital of the Company at the date of passing this Ordinary Resolution and the said approval shall be limited accordingly.

   For the purpose of this Ordinary Resolution, "Relevant Period" means the period from the passing of this Ordinary Resolution until whichever is the earlier of:

   (i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting is required by any applicable laws or the Company's Memorandum and Articles of Association to be held; and

(iii) the revocation or variation of the authority given under this Ordinary Resolution by an ordinary resolution of the shareholders in general meeting.".

By Order of the Board
Wendy Yuk-Ying Chan
Company Secretary

Hong Kong, 30 July 2007

Notes:

1. *Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of such member in accordance with the Articles of Association of the Company. A proxy need not be a member of the Company.*

2. *To be valid, a proxy form, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be completed and deposited at the registered office of the Company at 23rd Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*

3. *In the case of joint holders of a share, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such holders be present at the above meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.*

4. *Pursuant to Article 75 of the Articles of Association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded or, in the case of paragraph (v), required:*

   (i) by the chairman of the meeting; or

   (ii) by at least three members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

   (iii) by any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

   (iv) by a member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right; or

   (v) by the relevant provisions of the Listing Rules.

CONSOLIDATED RESULTS

The Group's turnover and profit attributable to the shareholders of the Company for the year ended 31 March 2007 were HK$392 million (2006: HK$1,059 million) and HK$101 million (2006: HK$520 million), respectively. Basic earnings per share were HK$0.24.

The shareholders' equity was HK$2,599 million as at 31 March 2007 (2006: HK$2,055 million). Net assets per share attributable to the shareholders of the Company were HK$5.4.

DIVIDEND

The Directors recommend the payment of a final dividend of 12.5 HK cents per share for the year ended 31 March 2007 (2006: 11 HK cents) to shareholders whose names appear on the Company's register of members on 14 September 2007. It is expected that the dividend cheques will be despatched to shareholders on or before 3 October 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 11 September 2007 to 14 September 2007 (both days inclusive), during which period no share transfers will be registered. In order to qualify for the final dividend, all transfers accompanied by relevant share certificates must be lodged with Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong by not later than 4:30 p.m. on 10 September 2007.

CORPORATE EVENTS

The following are the major corporate events of the Group since 1 April 2006:

Sale of a non-core property

On 12 June 2006, the Group entered into an agreement to dispose Plaza Ampang, a commercial and shopping complex in Kuala Lumpur, Malaysia, for a cash consideration of MYR 70 million. Early completion of the transaction took place on 11 December 2006 with net cash proceeds of HK$150 million being realized for general working capital of the Group. For details of the disposal, please refer to the Company's announcement dated 12 June 2006 and circular to the shareholders dated 4 July 2006.

Perspective of the development project at Liwan District of Guangzhou, PRC

Issue of convertible bonds

On 27 June 2006, the Group issued convertible bonds due June 2011 at par to five institutional investors including Morgan Stanley for a principal sum of HK$280 million (the "Bonds"). The Bonds are guaranteed by the Company and bear interest at the rate of 3.5% per annum, payable semi-annually in arrears. There was no conversion of the Bonds up to the date hereof. Should the bondholders exercise in full their conversion rights at the current conversion price of HK$4 per share, an additional 70 million new shares of the Company (representing 15% of the existing share capital of the Company) would be issued to the bondholders. The Bonds raised net cash proceeds of about HK$273 million, of which the Group has fully applied for payment of land costs. For details of the terms of the Bonds, please refer to the Company's announcement dated 20 June 2006.

Issue of new shares

On 15 November 2006, the Company arranged a top-up placing of 80,047,700 new shares of the Company through The Hongkong and Shanghai Banking Corporation Limited to institutional investors at a price of HK$4.05 each. The share placement was completed on 29 November 2006 and raised net cash proceeds of about HK$315 million for general working capital including land bank acquisitions. For details of the transaction, please refer to the Company's announcement dated 16 November 2006.

Acquisition of Chongqing properties

On 11 May 2007, the Group entered into two agreements to purchase two pieces of adjacent land in a new district in the northern part of Chongqing by way of share purchase. The first piece of land is a site under construction with a site area of about 22,000 square

An architectural view and the current site of the development project at Beibusinqu of Chongqing, PRC

Conceptual layout for the development project at Dali District of Nanhai, PRC

meters and a gross floor area of about 108,000 square meters (the "First Land"). The development upon completion will comprise two 21-storey office towers on top of a 4-storey commercial podium with carpark facilities. The Group purchased 100% interest in the First Land for a cash consideration of HK$90 million. The second piece of land is a bare land with a site area of about 12,000 square meters and a planned gross floor area of about 134,000 square meters (the "Second Land"). The plan is to build the land into a high-rise commercial development comprising office, hotel and serviced apartment. The Group purchased 50% interest in the Second Land for a cash consideration of HK$12 million.

The acquisitions constituted discloseable and connected transactions to the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), as a vendor in the acquisitions was a company controlled by the Group's Chairman, Mr. James Sai-Wing Wong. The acquisitions were approved by the independent shareholders of the Company on 27 June 2007, with completion subsequently took place on 4 July 2007. For details of the acquisitions, please refer to the Company's announcement dated 11 May 2007, circular to the shareholders dated 11 June 2007 and announcement dated 27 June 2007.

REVIEW OF OPERATIONS

Property development

Mainland China

City Square, a residential and commercial development in the Luohu District of Shenzhen, has been well received by the market. The Group sold out all remaining residential and office units in the project during the year and generated sales of HK$279 million.

The Group has been prudent and selective in acquiring land banks for property development. During the year, the Group entered into agreements to acquire two pieces of land in the Yuexiu District of Guangzhou with a total gross floor area of about 70,000 square meters. The two pieces of land in Chongqing, acquired in July 2007, have in total a gross floor area of 242,000 square meters. Up to the date hereof, the Group, including its jointly controlled entities, has 8 projects under development in the Guangdong Province and Chongqing as below.

Location	**Number of projects**	**Approximate total Gross Floor Area ("GFA")** *(sq.m.)*
Guangzhou	4	667,000
Nanhai	1	248,000
Shenzhen	1	128,000
Chongqing	2	242,000
Total	8	1,285,000

These projects, in different stages of development progress, would be sufficient for the Group's property development activities in the next four years.

For the year ending 31 March 2008, the Group plans to launch Phase I of Long Dong Cun Project in the Tianhe District of Guangzhou and Phase I of Beijing Road Project in the Yuexiu District of Guangzhou for pre-sale. The superstructure works for Phase I of Long Dong Cun Project, comprising 8 residential blocks of 453 units with a total saleable GFA of about 46,000 square meters, and Phase I of Beijing Road Project, comprising a residential block of 160 units with a total saleable GFA of about 20,000 square meters, have been substantially completed.

Canada

Construction works for Phase I of the Toronto project, comprising a 16-storey building with 526 residential units and carpark facilities, have been substantially completed for purchasers' interim occupancy in December 2006. The remaining works for the building amenities are in progress. It is expected that the formalities for transferring the legal title of the condominium units to the purchasers would be completed in September 2007. By then, the Group will recognize turnover and profit from sale of the project in the income statement. As of 31 March 2007, the Group has pre-sold about 90% of the units and received deposits of CAD 29 million out of the total sales proceeds of CAD 118 million.

Conceptual layout for the development project at the Long Dong Cun, Tianhe District of Guangzhou, PRC

Property investment

The Group's investment properties in Hong Kong consist of the Bauhinia Apartments/ Honwell Commercial Centre, Yien Yieh Commercial Building, Hon Kwok Jordan Centre, Hon Kwok TST Centre and three lots of carparks. These properties contributed a rental income of HK$65 million to the Group.

During the year, the Group took active steps to enhance the value of our investment properties. In September 2006, the Group served notices to the tenants of Yien Yieh Commercial Building requesting them to quit their tenancies under the tenancy agreements to facilitate redevelopment of the property. The redeveloped property, comprising retail, commercial and office, will command additional floor area and increased rent per square feet. It is the intention of the Group to continue holding the redeveloped property for investment purpose. Demolition works will soon commence once we receive permits from the government for hoarding erection and demolition of the existing building.

Perspective of the redeveloped Yien Yieh Commercial Building

The Group has obtained alteration and addition approvals to build additional gross floor area of about 2,400 square feet for Hon Kwok Jordan Centre and Hon Kwok TST Centre. The Group has plans to further enhance the value of these two properties by converting certain office floors into commercial uses including retail, food and beverages. In conjunction with the alteration works to build the extra gross floor area, there would be exterior façade upgrades and refurbishment on the lobby and common areas. Occupancies are temporarily affected for the time being to pave way for these works, which are envisaged to be completed in September 2007 for Hon Kwok TST Centre and in December 2007 for Hon Kwok Jordan Centre.

The Bauhinia, our serviced apartment in Des Voeux Road Central, has been enjoying high occupancies in view of its unique location just above the Sheung Wan MTR Station and convenience of access to the Hong Kong Airport Express Station and Macau Ferry Terminal. There are potentials in enhancing the value of Honwell Commercial Centre, the office and retail podium of the Bauhinia. At present, the Group is considering various alternatives to renovate and upgrade the podium to command a higher rental.

Property revaluation

The Group's investment property portfolio as at 31 March 2007 comprised the investment properties in Hong Kong and the commercial podium of City Square in the Luohu District of Shenzhen. These properties were fair valued at year end, which resulted in a gain of HK$150 million, net of deferred tax, in the year.

OVERVIEW

During the year under review, the Central Government imposed a series of measures to cool down the Mainland property market. These include tightening of bank credit, raising interest rates as well as increasing the capital reserve ratio requirement for commercial banks, requiring at least 70% of residential projects approved or constructed on or after 1 June 2006 be consisted of units with a gross floor area of less than 90 square meters per unit, imposing a business tax levy on the entire sales proceeds from re-sale of properties if the holding period is less than five years. The Central Government also announced in January 2007 the enforcement of the Land Appreciation Tax, a tax which has been dealt with in full in the Group's financial statements. It is widely believed that the purpose of these measures is to regulate the property market from being overheated and to ensure residential prices are within the affordability of the general public. The fundamentals of the Mainland property market remain solid on the back of continued economic growth, increasing urbanization and rising household income in Mainland China and the anticipated appreciation of Renminbi.

The Group's property development focus has been shifted to Mainland China since 2004. We have established ourselves as a niche player in the southern part of Mainland China with demonstrated record in purchasing land in prime location and delivering quality properties to the consumers. Recently, the Group made acquisitions in Chongqing, the fourth municipality after Beijing, Shanghai and Tianjin in Mainland China, having a population in excess of 30 million people. The austerity measures related to property market imposed by the Central Government would obviously affect all real estate companies with business in Mainland China. More recent measures would further restrict investments by foreign capital especially in major cities and our Company can be of no exception. However, the Group remains optimistic about the future of property business in Mainland China and will seek investment opportunities to enlarge its land bank in secondary cities.

Taking this opportunity, I would like to express my appreciation to my fellow directors for their advice and to all staff for their dedication and hard work.

James Sai-Wing Wong
Chairman

Hong Kong, 12 July 2007

DIRECTORS

James Sai-Wing Wong

Aged 69, was appointed as the Managing Director of the Company in 1985 and became the Chairman in 1990. He is the chairman of Chinney Investments, Limited ("Chinney Investments"), a director of Chinney Holdings Limited ("Chinney Holdings") and Lucky Year Finance Limited ("Lucky Year"), all being substantial shareholders of the Company. He is also the chairman of Chinney Alliance Group Limited ("Chinney Alliance"). Except Chinney Holdings and Lucky Year, all the other companies are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He was appointed a Justice of the Peace for Hong Kong in 1987.

Madeline May-Lung Wong

Aged 67, was appointed as a director of the Company in 1985. She is a director of Chinney Investments, Chinney Holdings and Lucky Year, all being substantial shareholders of the Company. She is also a director of HKR International Limited. Chinney Investments and HKR International Limited are both listed on the Stock Exchange.

Herman Man-Hei Fung

Aged 69, was appointed as the General Manager of the Company in 1986, a director of the Company in 1988 and Managing Director in 1991. Mr. Fung stepped down from the executive post of Managing Director on 31 October 2002 and became the Vice-Chairman since 1 November 2002. He is the managing director of Chinney Investments and a director of Chinney Holdings and Lucky Year, all being substantial shareholders of the Company. He is also a non-executive director of Chinney Alliance. Chinney Investments and Chinney Alliance are both listed on the Stock Exchange. He has actively participated in the property investment and development business for the past 36 years and has extensive experience in finance, marketing, construction and general administration of the real estate business.

Dennis Kwok-Wing Cheung

Aged 56, joined the Company in 1995 and was appointed as an Executive Director of the Company in January 2006. He has over 19 years experience in property development in The People's Republic of China (the "PRC"). He holds a Master's degree in Business Administration and a Diploma in Chinese Law from the University of East Asia, Macau and is a member of the Certified General Accountants Association of Ontario, Canada.

DIRECTORS *(Continued)*

Zuric Yuen-Keung Chan

Aged 52, was appointed as a director of the Company in December 2003 and re-designated as an Executive Director of the Company in January 2007. He is also a director of Chinney Alliance, which is listed on the Stock Exchange. He has 33 years experience in the construction industry. He is a member of the Chartered Institute of Building and the Hong Kong Institute of Construction Managers.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Daniel Chi-Wai Tse

Aged 72, was appointed as an independent non-executive director of the Company in 1993. He is the Council Chairman of the University of Macau and the Honorary Advisor of the School of Chinese Medicine of the Hong Kong Baptist University. He retired as the President and Vice-Chancellor of the Hong Kong Baptist University in June 2001. He holds a Ph.D. in Physics from the University of Pittsburgh, USA. He was appointed a Justice of the Peace for Hong Kong in 1977 and was awarded a Gold Bauhinia Star in 1998.

Patrick Yen-Tse Tsai

Aged 81, was appointed as an independent non-executive director of the Company in 1998. He was previously a board member of the Airport Authority and retired in May 2002. He previously retired as the deputy chairman of Cathay Pacific Airways Limited, a director of Hong Kong Dragon Airlines Limited and the chairman of Cathay Pacific Catering Services (H.K.) Limited in June 1998.

Kenneth Kin-Hing Lam

Aged 53, was appointed as an independent non-executive director of the Company in 2004. He is the deputy chairman and director of Quam Limited, which is listed on the Stock Exchange, and also the managing director of Quam Capital (Holdings) Limited. He had worked for a Dutch international bank for 10 years as the head of its PRC and corporate banking operations. He has more than 25 years experience in corporate finance and banking. He holds a Bachelor's Degree in Economics and Computer Science from the University of Western Ontario, Canada and a Master's Degree in Business Administration from the Chinese University of Hong Kong.

SENIOR MANAGEMENT

Peter Chi-Chung Luk

Aged 42, joined the Company in 1994 and is the Director-Finance of the Company. He has 20 years experience in the accounting field. He holds a Bachelor's Degree in Mathematics from The University of Hong Kong and a Master's Degree in Business Administration from the Australian Graduate School of Management. He is also a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.

Kenneth Yiu-Bun Yuen

Aged 54, joined the Company in 2002 and is the Director-Asset Management and the Deputy General Manager of the Company. He is also the General Counsel of Chinney Investments which is listed on the Stock Exchange. He has 16 years experience in the legal field and had served as Deputy Presiding Officer in the Labour Tribunal. He graduated from the University of Toronto, Canada and obtained his Master's Degree in Economics from the University of Western Ontario, Canada. He further studied law at the University of Hong Kong. He is a qualified solicitor in Hong Kong, England and Australia.

Jason Chi-Kit Tso

Aged 42, joined the Company in 1998 and is the Deputy General Manager of Hon Kwok Land Investment (China) Limited. He has 19 years experience in the field of architecture, project management and property development. He is an Authorized Person under the list of architects. He holds a Bachelor's Degree in Architecture from The University of Hong Kong and is a member of the Hong Kong Institute of Architects.

Chi-Kin Lam

Aged 52, joined the Company in 2003 and is the Senior Property Manager of the Company. He has 22 years experience in large scale parking facilities and property services management. He is a chartered member of the Chartered Institute of Logistics and Transport.

Thomas Hang-Cheong Ma

Aged 41, joined the Company in 1994 and is the Financial Controller of the Company. He has 18 years experience in the accounting field. He holds a Bachelor's Degree in Accountancy from the City University of Hong Kong and is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

The board of directors of the Company (the "Board") is committed to maintain and ensure high standards of corporate governance and is continuously reviewing and improving the corporate governance practices and standards of the Group to ensure that business activities and decision making processes are regulated in a proper manner.

In the opinion of the Board, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules for the year under review, except for the deviations as disclosed in this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for directors' securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the year.

BOARD OF DIRECTORS

The directors of the Company during the year ended 31 March 2007 were:

Executive Directors

James Sai-Wing Wong *(Chairman)*
Dennis Kwok-Wing Cheung
Zuric Yuen-Keung Chan (re-designated as Executive Director in January 2007)

Non-Executive Directors

Madeline May-Lung Wong
Herman Man-Hei Fung *(Vice-Chairman)*

Independent Non-Executive Directors

Daniel Chi-Wai Tse
Patrick Yen-Tse Tsai
Kenneth Kin-Hing Lam

Details of background and qualifications of each director are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 11 to 13 of this annual report.

The Board is responsible for the overall strategic development of the Group. It also monitors the financial performance and the internal controls of the Group's business operations. Executive directors are responsible for running the Group and executing the strategies adopted by the Board. The day-to-day running of the Company is delegated to the management with department heads responsible for different aspects of the business and functions.

Non-executive directors (including the independent non-executive directors) serve the relevant function of bringing independent judgement on the development, performance and risk management of the Group through their contributions in board meetings.

The Board considers that each independent non-executive director of the Company is independent in character and judgement. The Company has received from each independent non-executive director a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules.

The Board meets at least twice each year at approximately half a year interval to discuss the Group's business development, operation and financial performance. Notice of at least 14 days is given to all directors for all regular board meetings to give all directors an opportunity to attend. All regular board meetings adhere to a formal agenda in which a schedule of matters is addressed to the Board. All directors have access to board papers and related materials, and are provided with adequate information which enable the Board to make an informed decision on the matters to be discussed and considered at the board meetings. Minutes of board meetings are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any director.

To the best knowledge of the directors, there is no financial, business and family relationship among the members of the Board except that James Sai-Wing Wong and Madeline May-Lung Wong are partners in several investments (including their interests in the Company).

During the year under review, two full board meetings were held. As business operations were under the management and supervision of the executive directors of the Company, who had from time to time held meetings to resolve all material business or management issues, thus only two full board meetings were held for the year ended 31 March 2007.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the chairman and chief executive officer were not performed by separate individuals as is stipulated in CG Code provision A.2.1. James Sai-Wing Wong, the Chairman of the Company, assumes the role of the Chairman and also the chief executive officer who is responsible for overseeing the function of the Board and formulating overall strategies of and organising the implementation structure for the Company and also managing the Group's overall business operations. Given the nature of the Group's businesses which require considerable market expertise, the Board believed that the vesting of the two roles for the time being provides the Group with stable and consistent leadership and allows for more effective planning and implementation of long term business strategies. The Board will continuously review the effectiveness of the structure to balance the power and authority of the Board and the management.

NON-EXECUTIVE DIRECTORS

The non-executive directors of the Company are not appointed for a specific term as stipulated in CG Code provision A.4.1, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company (the "Articles of Association"). The Articles of Association do not require the directors to retire by rotation at least once every three years. However, in accordance with article 104 of the Articles of Association, at each annual general meeting of the Company, one-third of the directors for the time being (or, if their number is not three or a multiple of three, then the number nearest one-third), other than the one who holds the office as executive chairman or managing director, shall retire from office by rotation. The Board will ensure the retirement of each director, other than the one who holds the office as executive chairman or managing director, by rotation at least once every three years in order to comply with the CG Code provisions.

The Chairman will not be subject to retirement by rotation as stipulated in CG Code provision A.4.2 as the Board considered that the continuity of office of the Chairman provides the Group with a strong and consistent leadership and is of great importance to the smooth operations of the Group.

All directors appointed to fill a casual vacancy is subject to re-election by shareholders at the next following annual general meeting of the Company instead of at the first general meeting after their appointment as stipulated in CG Code provision A.4.2.

At the forthcoming annual general meeting, in accordance with the Articles of Association, Zuric Yuen-Keung Chan, Patrick Yen-Tse Tsai and Kenneth Kin-Hing Lam are subject to retirement by rotation.

REMUNERATION OF DIRECTORS

The Remuneration Committee was established in December 2005. The Remuneration Committee comprises three members, Herman Man-Hei Fung, Daniel Chi-Wai Tse and Patrick Yen-Tse Tsai. During the year, James Sai-Wing Wong ceased to be a member and the Chairman of the Remuneration Committee and Herman Man-Hei Fung was appointed as a member and Chairman of the Remuneration Committee on 14 July 2006.

The Remuneration Committee's function is to review and recommend to the Board on the remuneration packages of the executive directors.

CG Code provision B.1.3 stipulates that the terms of reference of the Remuneration Committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The Company adopted the terms of reference of the Remuneration Committee in December 2005 but deviated from the CG Code as the duties of the committee are to review (as opposed to determine) and to make recommendation to the Board on the remuneration of the directors (as opposed to the remuneration of directors and senior management).

During the year under review, the Remuneration Committee held one meeting, during which the existing remuneration of all directors have been reviewed individually.

AUDIT COMMITTEE

The Audit Committee was established in 2001. The Audit Committee currently comprises three members, Patrick Yen-Tse Tsai, Daniel Chi-Wai Tse and Kenneth Kin-Hing Lam. All of them are independent non-executive directors. The Chairman of the Audit Committee is Patrick Yen-Tse Tsai. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management in the Audit Committee.

The Audit Committee's functions include:

- to review and monitor financial reporting and the reporting judgement contained in them; and

- to review financial and internal controls, accounting policies and practices with management and external auditors.

The Audit Committee held two meetings during the year under review, which were attended by the external auditors, Ernst & Young.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with management and the external auditors the financial reporting matters, both for the interim results for the six months ended 30 September 2006 and the annual results for the year ended 31 March 2007.

ATTENDANCE AT MEETINGS OF THE BOARD, REMUNERATION AND AUDIT COMMITTEES

	Number of meetings attended For the year ended 31 March 2007		
	Board meetings	Remuneration Committee meeting	Audit Committee meetings
Number of meetings held for the year ended 31 March 2007	2	1	2
James Sai-Wing Wong	2	N/A	N/A
Madeline May-Lung Wong	0	N/A	N/A
Herman Man-Hei Fung	2	1	2
Dennis Kwok-Wing Cheung	1	N/A	1
Zuric Yuen-Keung Chan	2	N/A	N/A
Daniel Chi-Wai Tse	1	1	2
Patrick Yen-Tse Tsai	1	1	2
Kenneth Kin-Hing Lam	2	N/A	2

NOMINATION OF DIRECTORS

The Board is responsible for considering the suitability of a candidate to act as a director, and approving and terminating the appointment of a director. During the year under review, the Company has not established a nomination committee. The Chairman is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The Chairman will propose the appointment of such candidates to the Board for consideration and the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of his qualifications, experience and background.

AUDITORS' REMUNERATION

During the year, the Group had engaged the Group's external auditors, Ernst & Young, to provide the following services and their respective fees charged are set out as below.

	Fee paid/payable *HK$'000*
Types of services	
Audit services	1,586
Non-audit services (tax compliance services and other services)	343
	1,929

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

The directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out on pages 33 and 34 of this annual report.

INTERNAL CONTROLS

During the year, the directors have conducted a review of the effectiveness of the system of internal control of the Company, covering all material controls. No material control failure or significant areas of concern which might affect shareholders' interests were identified during the review.

INVESTOR RELATIONS

The Company has disclosed all necessary information to the shareholders in compliance with the Listing Rules. The Board hosts the annual general meeting each year to meet the shareholders and answer their enquiries.

As a channel to further promote effective communication, a corporate website is established where up-to-date information of the Company is available for public access. However, the terms of reference of the Remuneration Committee and Audit Committee are only available from the Company Secretary on request and not yet ready in the Company's website as stipulated in CG Code Provision B.1.4 and C.3.4.

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides management services to its subsidiaries. Its subsidiaries are mainly engaged in property development, property investment and property related activities. There have been no changes in the nature of the Group's principal activities during the year. Further details of the Company's principal subsidiaries are set out in note 18 to the financial statements.

FINANCIAL RESULTS

The Group's profit for the year ended 31 March 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 35 to 106.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to HK$2,119 million as at 31 March 2007 (2006: HK$2,171 million), of which approximately 24% of the debts were due and repayable within one year.

Total cash and bank balances including time deposits were HK$459 million as at 31 March 2007 (2006: HK$447 million). The Group had a total of HK$517 million committed but undrawn banking facilities at year end available for its working capital purpose.

Total shareholders' funds as at 31 March 2007 was approximately HK$2,599 million (2006: HK$2,055 million). The increase was mainly due to current year's profit attributable to shareholders and an increase in capital base of the Company through the share placement in November 2006.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK$1,660 million over the total shareholders' funds of approximately HK$2,599 million, was 64% as at 31 March 2007 (2006: 84%).

During the year, the Company raised net cash proceeds of HK$273 million from the issue of convertible bonds in June 2006, HK$315 million from the share placement in November 2006 and HK$150 million from the disposal of Plaza Ampang in December 2006. These events have improved the financial position of the Group and provided additional cash resources for the Group's property activities in Hong Kong and Mainland China.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Use of proceeds from share placement

As announced, the net cash proceeds of HK$315 million from the share placement in November 2006 was intended for general working capital of the Group including the acquisition of land bank. Pending such utilization, the proceeds could be applied to reduce the Group's borrowings.

Up to 31 March 2007, the Group utilized HK$65 million for general working capital of the Group, applied HK$130 million for temporary repayment of bank borrowings and retained HK$120 million as cash and bank balances.

Funding and treasury policies

The Group adopts prudent funding and treasury policies. Surplus funds are primarily maintained in the form of cash deposits with leading banks.

Acquisition and development of properties are financed partly by internal resources and partly by borrowings including secured bank loans and convertible bonds. Repayments of bank loans are scheduled to match asset lives and project completion dates. Borrowings are mainly denominated in Hong Kong dollars, Renminbi and Canadian dollars and bear interest at floating rates, except for the Renminbi loan facilities and convertible bonds.

Foreign currency exposure is monitored closely by the management and hedged to the extent desirable. As at 31 March 2007, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

Pledge of assets

Properties and bank balances with an aggregate carrying value of HK$4,101 million as at 31 March 2007 were pledged to secure certain banking facilities of the Group.

Contingent liabilities

Particulars of the contingent liabilities of the Group are set out in note 33 to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Employees and remuneration policies

The Group, not including its jointly-controlled entities, employed approximately 300 employees as at 31 March 2007. Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually with discretionary bonuses being paid depending on individual performance. The Group also provides other benefits including medical cover, provident fund, personal accident insurance and educational subsidies to all eligible staff.

DIVIDEND

The directors recommend the payment of a final dividend of 12.5 HK cents per ordinary share for the year ended 31 March 2007 (2006: 11 HK cents) to shareholders whose names appear on the Company's register of members on 14 September 2007.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out on page 107. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 14 to the financial statements.

PROPERTIES UNDER DEVELOPMENT

Details of movements in the properties under development of the Group during the year are set out in note 15 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 16 to the financial statements.

PARTICULARS OF PROPERTIES

Particulars of the major properties held by the Group are set out on pages 108 to 112, which do not form part of the audited financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2007, the Company's reserves available for distribution, calculated in accordance with the provisions of section 79B of the Hong Kong Companies Ordinance, amounted to HK$633,004,000, of which HK$60,036,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$396,352,000, may be distributed in the form of fully paid bonus shares.

DIRECTORS

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

James Sai-Wing Wong
Madeline May-Lung Wong
Herman Man-Hei Fung
Dennis Kwok-Wing Cheung
Zuric Yuen-Keung Chan
Daniel Chi-Wai Tse*
Patrick Yen-Tse Tsai*
Kenneth Kin-Hing Lam*

* *Independent non-executive directors*

In accordance with article 104 of the Articles of Association, Zuric Yuen-Keung Chan, Patrick Yen-Tse Tsai and Kenneth Kin-Hing Lam will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

The Company has received from each of its independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and still considers them as independent.

DETAILS OF RETIRING DIRECTORS TO BE RE-ELECTED

(a) Zuric Yuen-Keung Chan

Aged 52, was appointed as a director of the Company in December 2003 and re-designated as an Executive Director of the Company in January 2007. Mr. Chan was not appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting.

Mr. Chan is also a director of Chinney Alliance, which is listed on the Stock Exchange. He has 33 years experience in the construction industry. He is also a member of the Chartered Institute of Building and the Hong Kong Institute of Construction Managers.

At the date of this report, Mr. Chan did not have any interests in the shares of the Company but was interested in 2,645 shares in Chinney Contractors Company Limited within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"). He also acts as director of various subsidiaries and associates of the Company and Chinney Investments, the controlling shareholder of the Company. Save as disclosed above, Mr. Chan does not have any other business relationship with any directors, senior management or substantial or controlling shareholders of the Company.

There is no service contract entered into between the Company and Mr. Chan. However, Mr. Chan has an employment contract with the Company. He is currently entitled to an annual salary of HK$1,501,500 plus a discretionary bonus to be determined by the Board.

Save as disclosed above, there is no other information relating to Mr. Chan which is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules and there is no other matter that need to be brought to the attention of the shareholders of the Company.

(b) Patrick Yen-Tse Tsai

Aged 81, was appointed as an independent non-executive director of the Company in 1998. Mr. Tsai was not appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting.

Mr. Tsai was previously a board member of the Airport Authority and retired in May 2002. He previously retired as the Deputy Chairman of Cathay Pacific Airways Limited, a director of Hong Kong Dragon Airlines Limited and the chairman of Cathay Pacific Catering Services (H.K.) Limited in June 1998. Mr. Tsai did not hold any directorship in other listed companies in the past three years.

DETAILS OF RETIRING DIRECTORS TO BE RE-ELECTED *(Continued)*

At the date of this report, Mr. Tsai did not have any interests in the shares of the Company within the meaning of Part XV of the SFO. Other than his capacity as a director of the Company, Mr. Tsai does not have any business relationship with any directors, senior management or substantial or controlling shareholders of the Company.

No service contract has been signed between the Company and Mr. Tsai. He is entitled to a director's fee of HK$50,000 per annum.

Save as disclosed above, there is no other information relating to Mr. Tsai which is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules and there is no other matter that need to be brought to the attention of the shareholders of the Company.

(c) Kenneth Kin-Hing Lam

Aged 53, was appointed as an independent non-executive director of the Company in 2004. Mr. Lam was not appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting.

Mr. Lam is the Deputy Chairman and director of Quam Limited, which is listed on the Stock Exchange, and also the managing director of Quam Capital (Holdings) Limited. He had worked for a Dutch international bank for 10 years as the head of its PRC and corporate banking operations. He has more than 25 years experience in corporate finance and banking. He holds a Bachelor's Degree in Economics and Computer Science from the University of Western Ontario, Canada and a Master's Degree in Business Administration from the Chinese University of Hong Kong.

At the date of this report, Mr. Lam did not have any interests in the shares of the Company within the meaning of Part XV of the SFO. Other than his capacity as a director of the Company, Mr. Lam does not have any business relationship with any directors, senior management or substantial or controlling shareholders of the Company.

No service contract has been signed between the Company and Mr. Lam. He is entitled to a director's fee of HK$50,000 per annum.

Save as disclosed above, there is no other information relating to Mr. Lam which is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules and there is no other matter that need to be brought to the attention of the shareholders of the Company.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 11 to 13 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2007, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) Directors' interests in the ordinary shares of the Company

Name of director	*Note*	Nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
James Sai-Wing Wong	*1*	Corporate	252,726,553	52.62
Madeline May-Lung Wong	*1*	Corporate	252,726,553	52.62

All the interests stated above represent long positions.

(b) Directors' interests in the ordinary shares of associated corporations

Name of director	*Notes*	Name of associated corporation	Nature of interest	Number of ordinary shares held	Percentage of the associated corporation's issued share capital
James Sai-Wing Wong	*2*	Chinney Investments	Corporate	306,959,324	55.67
	3	Chinney Holdings	Corporate	9,900,000	99.00
			Personal	100,000	1.00
		Lucky Year	Personal	10,000	50.00
Madeline May-Lung Wong	*2*	Chinney Investments	Corporate	306,959,324	55.67
	3	Chinney Holdings	Corporate	9,900,000	99.00
		Lucky Year	Personal	10,000	50.00
Zuric Yuen-Keung Chan		Chinney Contractors Company Limited	Personal	2,645	13.95

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Notes:

1. *These shares are beneficially held by Chinney Investments, which is a subsidiary of Chinney Holdings. More than one-third of the equity capital of Chinney Holdings is owned by Lucky Year of which James Sai-Wing Wong and Madeline May-Lung Wong are also directors and have beneficial interests therein.*

2. *These shares are beneficially held by Chinney Holdings. By virtue of note 1, James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in these shares.*

3. *These shares are beneficially held by Lucky Year. By virtue of note 1, James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in these shares.*

Save as disclosed herein, as at 31 March 2007, none of the directors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be recorded in the register kept by the Company under section 352 of the SFO, or which was required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares", at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

In July 2006, Lucky Year extended the cash security arrangement in favour of the Company for a further period of 30 months. Pursuant to the arrangement, Lucky Year pledged its deposits with certain banks in relation to bank loans of HK$150 million granted by the banks to the Company. In consideration for the provision of cash security, the Group agreed to counter-indemnify Lucky Year and pay a commission of 1.75% per annum on the average principal amount of the cash security outstanding during the terms of the bank loans to Lucky Year. The Group provides no security to Lucky Year or other connected persons in connection with the arrangement.

DIRECTORS' INTERESTS IN CONTRACTS *(Continued)*

The commission paid to Lucky Year during the year amounted to HK$2,625,000 (2006: HK$2,625,000).

James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in the above transaction because they are also directors of and have beneficial interests in Lucky Year.

Save as disclosed above, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Group.

The remuneration of the directors of the Company is reviewed by the Remuneration Committee having regard to the Company's operating results, individual performance and comparable market statistics.

MANAGEMENT CONTRACTS

The Company has entered into a management contract with Chinney Investments for the provision of general corporate management services. The contract is for an unspecified duration and may be terminated by either party by giving the other party two-month written notice.

During the year, the Company paid a management fee of HK$6,000,000 to Chinney Investments (2006: HK$6,000,000). James Sai-Wing Wong, Madeline May-Lung Wong and Herman Man-Hei Fung, the directors of the Company, are also the directors of Chinney Investments.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2007, so far as is known to the directors of the Company, the following substantial shareholders and other persons (other than the directors of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	*Notes*	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Chinney Investments	*1 & 2*	Directly beneficially owned	252,726,553	52.62
Chinney Holdings	*1 & 2*	Through a controlled corporation	252,726,553	52.62
Lucky Year	*1 & 2*	Through a controlled corporation	252,726,553	52.62
DJE Investment S.A.	*1 & 3*	Directly beneficially owned	30,024,000	6.25
Dr. Jens Ehrhardt Kapital AG	*1 & 3*	Through a controlled corporation	30,024,000	6.25
Dr. Jens Alfred Karl Ehrhardt	*1 & 3*	Through a controlled corporation	30,024,000	6.25
Morgan Stanley	*1 & 4*	Directly beneficially owned	37,764,000	7.86

Notes:

1. *All the interests stated above represent long positions.*

2. *Chinney Investments, Chinney Holdings and Lucky Year are deemed to be interested in the same parcel of shares by virtue of section 316 of the SFO.*

3. *DJE Investment S.A., Dr. Jens Ehrhardt Kapital AG and Dr. Jens Alfred Karl Ehrhardt are deemed to be interested in the same parcel of shares by virtue of section 316 of the SFO.*

4. *In June 2006, a wholly-owned subsidiary of the Company issued 3.5% convertible guaranteed bonds due 2011 (the "Bonds") with a principal sum of HK$280 million. The bondholders have the right to convert the Bonds into shares of the Company at a conversion price, subject to adjustment in certain events, of HK$4 per share. Morgan Stanley subscribed for a principal sum of HK$145 million of the Bonds and was regarded to be interested in 36,250,000 shares of the Company at the issue date of the Bonds. The Bonds are freely transferable and there has been no conversion of the Bonds since issuance.*

   Based on the last corporate substantial shareholder notice, Morgan Stanley disclosed it held a long position of 37,764,000 shares of the Company as at 23 March 2007.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Save as disclosed herein, as at 31 March 2007, none of the substantial shareholders or other persons (other than the directors of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year, Madeline May-Lung Wong was a director of HKR International Limited whose group's businesses consist of property development and property investment. In this respect, Madeline May-Lung Wong is regarded as being interested in a competing business of the Group.

As the Board is independent from the board of directors of HKR International Limited and the above director is a non-executive director of the Company, the Group is capable of carrying on its businesses independently of the businesses of HKR International Limited.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 March 2007.

CONNECTED TRANSACTIONS

During the year and up to the date of this report, the Company and the Group had the following connected transactions, details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

(a) On 16 March 2006, a wholly-owned subsidiary of the Group, Hopmate International Development Limited ("Hopmate") entered into an agreement with Neimenggu Huaye Property Co., Ltd. for the acquisition of its 20% equity interest in Shenzhen Honkwok Huaye Development Co., Ltd. ("Honkwok Huaye"), at a cash consideration of RMB10 million. Honkwok Huaye is a company established in the PRC and was 80% owned by Hopmate before the acquisition. The above transaction constituted a connected transaction of the Company under the Listing Rules and was completed on 13 June 2006.

CONNECTED TRANSACTIONS *(Continued)*

(b) On 11 May 2007, a wholly-owned subsidiary of the Group, Cheerworld Group Limited, as purchaser, entered into a sale and purchase agreement with Enhancement Investments Limited ("Enhancement"), Galantine Management Limited and Sharp-View Group Inc., as vendors, for the acquisition of the entire issued share capital of Unity Wise International Limited and the assignment of related shareholders' loans to the Group at an aggregate cash consideration of HK$90 million. On the same date, Cheerworld Group Limited, as purchaser, entered into another sale and purchase agreement with Enhancement, as vendor, for the acquisition of 50% of the issued share capital of Ample Joy International Limited and the assignment of related shareholder's loan to the Group at an aggregate cash consideration of HK$12 million. Both acquisitions constituted discloseable and connected transactions of the Company under the Listing Rules as Enhancement is a connected person of the Company under the Listing Rules by virtue of the fact that it is a company controlled by James Sai-Wing Wong, a director and substantial shareholder of the Company. These two acquisitions were completed on 4 July 2007.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, purchases from the Group's five largest suppliers accounted for 34% of the total purchases for the year. Purchases from the Group's largest supplier included therein totalled 9%. Sales to the Group's five largest customers accounted for less than 30% of the total sales for the year.

None of the directors of the Company, their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 39 to the financial statements.

AUDITORS

Ernst & Young retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Herman Man-Hei Fung
Vice-Chairman

Hong Kong, 12 July 2007

ERNST & YOUNG
安永會計師事務所

To the shareholders of
Hon Kwok Land Investment Company, Limited
漢國置業有限公司
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Hon Kwok Land Investment Company, Limited set out on pages 35 to 106, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

OPINION

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

Ernst & Young
Certified Public Accountants
18/F, Two International Finance Centre
8 Finance Street
Central, Hong Kong

Hong Kong, 12 July 2007

	Notes	2007 HK$'000	2006 HK$'000
REVENUE	5	**392,218**	1,059,427
Cost of sales		**(269,157)**	(736,109)
Gross profit		**123,061**	323,318
Other income	5	**12,824**	12,814
Fair value gains on investment properties, net		**190,613**	243,657
Change in fair value of completed properties transferred to investment properties		**—**	220,661
Gain on disposal of subsidiaries		**—**	56,161
Gain on disposal of investment properties		**9,443**	—
Excess over the cost of a business combination on acquisition of minority interests in a subsidiary		**51,179**	—
Administrative expenses		**(58,032)**	(42,727)
Other operating expenses, net		**(74,244)**	(3,499)
Finance costs	6	**(87,816)**	(63,438)
Share of profits and losses of jointly-controlled entities		**122**	219
PROFIT BEFORE TAX	7	**167,150**	747,166
Tax	10	**(61,713)**	(162,520)
PROFIT FOR THE YEAR		**105,437**	584,646
Attributable to:			
Equity holders of the Company	11	**101,401**	519,754
Minority interests		**4,036**	64,892
		105,437	584,646
DIVIDEND — proposed final	12	**60,036**	44,026
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**HK$0.24**	HK$1.30
Diluted		**N/A**	N/A

31 March 2007

		Group		Company	
		2007	2006	**2007**	2006
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	**25,490**	23,540	**1,964**	157
Properties under development	*15*	**1,533,280**	1,209,884	**—**	—
Investment properties	*16*	**2,034,341**	1,971,631	**—**	—
Investment deposits	*17*	**187,847**	—	**—**	—
Interests in subsidiaries	*18*	**—**	—	**1**	8
Interests in jointly-controlled entities	*19*	**34,189**	29,357	**—**	—
Total non-current assets		**3,815,147**	3,234,412	**1,965**	165
CURRENT ASSETS					
Amounts due from subsidiaries	*18*	**—**	—	**2,164,924**	2,233,779
Amounts due from jointly-controlled entities	*19*	**141,539**	129,257	**—**	6
Tax recoverable		**62**	456	**—**	—
Properties held for sale	*20*	**1,015,450**	988,871	**—**	—
Trade receivables	*21*	**25,753**	127,346	**—**	—
Prepayments, deposits and other receivables		**32,378**	63,201	**1,389**	976
Amounts due from minority shareholders	*22*	**—**	86,114	**—**	—
Pledged deposits	*23*	**41,400**	40,200	**—**	—
Cash and cash equivalents	*23*	**417,903**	406,454	**120,575**	4,515
Total current assets		**1,674,485**	1,841,899	**2,286,888**	2,239,276
CURRENT LIABILITIES					
Amounts due to subsidiaries	*18*	**—**	—	**611,037**	896,130
Amounts due to minority shareholders	*22*	**18,077**	76,674	**—**	—
Trade payables and accrued liabilities	*24*	**207,874**	195,639	**6,177**	3,864
Interest-bearing bank borrowings	*25*	**514,566**	395,168	**1,680**	1,680
Amount due to a related company	*37*	**28**	2,478	**—**	—
Customer deposits		**195,825**	126,868	**—**	—
Tax payable		**70,899**	51,914	**—**	—
Total current liabilities		**1,007,269**	848,741	**618,894**	901,674
NET CURRENT ASSETS		**667,216**	993,158	**1,667,994**	1,337,602
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,482,363**	4,227,570	**1,669,959**	1,337,767

	Notes	Group 2007 HK$'000	Group 2006 HK$'000	Company 2007 HK$'000	Company 2006 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,482,363**	4,227,570	**1,669,959**	1,337,767
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	25	**1,342,295**	1,775,807	**159,660**	161,340
Convertible bonds	26	**262,361**	—	**—**	—
Deferred tax liabilities	27	**147,348**	103,446	**—**	—
Total non-current liabilities		**1,752,004**	1,879,253	**159,660**	161,340
Net assets		**2,730,359**	2,348,317	**1,510,299**	1,176,427
EQUITY					
Equity attributable to equity holders of the Company					
Issued capital	28	**480,286**	400,239	**480,286**	400,239
Equity component of convertible bonds	26	**24,826**	—	**—**	—
Reserves	29	**2,033,928**	1,610,565	**969,977**	732,162
Proposed final dividend	12	**60,036**	44,026	**60,036**	44,026
		2,599,076	2,054,830	**1,510,299**	1,176,427
MINORITY INTERESTS		**131,283**	293,487	**—**	—
TOTAL EQUITY		**2,730,359**	2,348,317	**1,510,299**	1,176,427

James Sai-Wing Wong
Director

Herman Man-Hei Fung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2007

		Attributable to equity holders of the Company										
	Notes	Issued capital HK$'000	Share premium account HK$'000	Special capital reserve HK$'000	Capital redemption reserve HK$'000	Equity component of convertible bonds HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2005		400,239	161,410	223,480	10	—	(59,387)	784,406	32,019	1,542,177	153,961	1,696,138
Exchange realignment		—	—	—	—	—	24,918	—	—	24,918	4,131	29,049
Total income and expense for the year recognised directly in equity		—	—	—	—	—	24,918	—	—	24,918	4,131	29,049
Profit for the year		—	—	—	—	—	—	519,754	—	519,754	64,892	584,646
Total income and expense for the year		—	—	—	—	—	24,918	519,754	—	544,672	69,023	613,695
Acquisition of subsidiaries	30	—	—	—	—	—	—	—	—	—	39,131	39,131
Capital injection by minority shareholders		—	—	—	—	—	—	—	—	—	50,000	50,000
Dividends paid to minority shareholders		—	—	—	—	—	—	—	—	—	(18,628)	(18,628)
Final 2005 dividend declared		—	—	—	—	—	—	—	(32,019)	(32,019)	—	(32,019)
Proposed final 2006 dividend	12	—	—	—	—	—	—	(44,026)	44,026	—	—	—
At 31 March 2006		400,239	161,410	223,480	10	—	(34,469)	1,260,134	44,026	2,054,830	293,487	2,348,317

	Notes	Issued capital HK$'000 (note 28)	Share premium account HK$'000 (note 28)	Special capital reserve HK$'000	Capital redemption reserve HK$'000	Equity component of convertible bonds HK$'000 (note 26)	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
		Attributable to equity holders of the Company										
At 1 April 2006		400,239	161,410	223,480	10	—	(34,469)	1,260,134	44,026	2,054,830	293,487	2,348,317
Exchange realignment		—	—	—	—	—	86,222	—	—	86,222	9,112	95,334
Total income and expense for the year recognised directly in equity		—	—	—	—	—	86,222	—	—	86,222	9,112	95,334
Profit for the year		—	—	—	—	—	—	101,401	—	101,401	4,036	105,437
Total income and expense for the year		—	—	—	—	—	86,222	101,401	—	187,623	13,148	200,771
Acquisition of minority interests		—	—	—	—	—	—	—	—	—	(101,811)	(101,811)
Release of capital contribution obligated from minority shareholders		—	—	—	—	—	—	—	—	—	(73,541)	(73,541)
Final 2006 dividend declared		—	—	—	—	—	—	—	(44,026)	(44,026)	—	(44,026)
Release of exchange fluctuation reserve upon disposal of business of foreign operations	7	—	—	—	—	—	60,834	—	—	60,834	—	60,834
Issue of shares	28	80,047	244,146	—	—	—	—	—	—	324,193	—	324,193
Share issue expenses	28	—	(9,204)	—	—	—	—	—	—	(9,204)	—	(9,204)
Transfer on issue of shares	28	—	—	(223,480)	—	—	—	223,480	—	—	—	—
Issue of convertible bonds	26	—	—	—	—	24,826	—	—	—	24,826	—	24,826
Proposed final 2007 dividend	12	—	—	—	—	—	—	(60,036)	60,036	—	—	—
At 31 March 2007		480,286	396,352*	—*	10*	24,826	112,587*	1,524,979*	60,036	2,599,076	131,283	2,730,359

* *These reserve accounts comprise the consolidated reserves of HK$2,033,928,000 (2006: HK$1,610,565,000) in the consolidated balance sheet.*

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**167,150**	747,166
Adjustments for:			
Finance costs	6	**87,816**	63,438
Share of profits and losses of jointly-controlled entities		**(122)**	(219)
Interest income	7	**(7,151)**	(6,286)
Depreciation	7	**2,596**	1,401
Gain on disposal of investment properties		**(9,443)**	—
Loss on disposal of items of property, plant and equipment	7	**33**	—
Gain on disposal of subsidiaries		**—**	(56,161)
Excess over the cost of a business combination on acquisition of minority interests in a subsidiary		**(51,179)**	—
Fair value gains on investment properties, net		**(190,613)**	(243,657)
Change in fair value of completed properties transferred to investment properties		**—**	(220,661)
Write-down of properties held for sale to net realisable value	7	**7,000**	—
Release of exchange fluctuation reserve upon disposal of business of foreign operations	7	**60,834**	—
		66,921	285,021
Increase in properties under development		**(209,360)**	(234,964)
Decrease/(increase) in properties held for sale		**6,623**	(14,292)
Decrease/(increase) in trade receivables		**112,269**	(119,806)
Decrease in prepayments, deposits and other receivables		**30,721**	44,575
Increase/(decrease) in trade payables and accrued liabilities		**(21,094)**	75,431
Increase/(decrease) in an amount due to a related company		**(2,450)**	508
Increase/(decrease) in customer deposits		**68,957**	(181,522)
Exchange differences		**—**	(681)
Cash generated from/(used in) operations		**52,587**	(145,730)
Overseas taxes paid		**(5,126)**	(13,192)
Net cash inflow/(outflow) from operating activities		**47,461**	(158,922)

	Notes	2007 HK$'000	2006 HK$'000
Net cash inflow/(outflow) from operating activities		**47,461**	(158,922)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**7,253**	2,661
Purchases of items of property, plant and equipment	14	**(3,475)**	(2,644)
Proceeds from disposal of investment properties		**163,762**	—
Additions to investment properties	16	**(7,927)**	(6,743)
Investment deposits paid		**(187,847)**	—
Decrease in pledged deposits		**—**	22,600
Increase in loans to jointly-controlled entities		**(10,463)**	(1,515)
Acquisition of subsidiaries	30	**—**	(214,434)
Disposal of subsidiaries	31	**—**	171,745
Acquisition of minority interests		**(50,632)**	(51,712)
Increase in amounts due from minority shareholders		**—**	(46,367)
Net cash outflow from investing activities		**(89,329)**	(126,409)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	28	**324,193**	—
Share issue expenses	28	**(9,204)**	—
Proceeds from issue of convertible bonds	26	**280,000**	—
Convertible bond issue expenses		**(7,405)**	—
Interest paid		**(111,166)**	(81,471)
New bank loans		**158,977**	708,835
Repayment of bank loans		**(510,200)**	(247,005)
Dividend paid		**(44,026)**	(32,019)
Capital injection by minority shareholders		**—**	50,000
Dividends paid to minority shareholders		**—**	(18,628)
Increase/(decrease) in amounts due to minority shareholders		**(45,292)**	20,999
Net cash inflow from financing activities		**35,877**	400,711
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(5,991)**	115,380
Cash and cash equivalents at beginning of year		**406,454**	291,074
Effect of foreign exchange rates changes, net		**17,440**	—
CASH AND CASH EQUIVALENTS AT END OF YEAR		**417,903**	406,454
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**417,903**	404,424
Non-pledged time deposits with original maturity of less than three months when acquired	23	**—**	2,030
		417,903	406,454

1. CORPORATE INFORMATION

Hon Kwok Land Investment Company, Limited is a limited liability company incorporated in Hong Kong. The registered office and the principal place of business of the Company is located at 23rd Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong.

During the year, the Group was involved mainly in property development, property investment and property related activities.

The immediate holding company of the Group is Chinney Investments, Limited ("Chinney Investments"), a company incorporated and listed in Hong Kong.

In the opinion of the directors, the ultimate holding company of the Group is Lucky Year Finance Limited ("Lucky Year"), an international business company incorporated in the British Virgin Islands (the "BVI").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2007. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

2.1 BASIS OF PREPARATION *(Continued)*

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 27 Amendment	Consolidated and Separate Financial Statements: Amendments as a consequence of the Companies (Amendment) Ordinance 2005
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKFRS-Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

(a) HKAS 21 *The Effects of Changes in Foreign Exchange Rates*

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 March 2007 or 31 March 2006.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) HKAS 27 *Consolidated and Separate Financial Statements*

The adoption of the revised HKAS 27 has resulted in a change in accounting policy relating to the definition of a subsidiary for the purpose of the consolidated financial statements as described in note 2.4 "Summary of significant accounting policies" below.

(c) HKAS 39 *Financial Instruments: Recognition and Measurement*

(i) *Amendment for financial guarantee contracts*

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*. The adoption of this amendment has had no material impact on these financial statements.

(ii) *Amendment for the fair value option*

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The adoption of this amendment has had no material impact on these financial statements.

(iii) *Amendment for cash flow hedge accounting of forecast intragroup transactions*

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(d) HKFRS-Int 4 *Determining whether an Arrangement contains a Lease*

The Group has adopted this interpretation as of 1 April 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

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

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objectives, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

The HKAS 23 (Revised) is applicable for annual periods beginning on or after 1 January 2009 and supersedes HKAS 23 issued in 2004. The revisions to HKAS 23 are principally concerned with the elimination of one of the two treatments that exist for borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. This HKFRS replaces HKAS 14 Segment Reporting and has main impacts on the identification of segments and the measurement of segment information.

HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment, HKFRS 7 and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint ventures *(Continued)*

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to the joint venture's financial and operating policies;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Company holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of jointly-controlled entities, is included as part of the Group's interests in jointly-controlled entities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on the acquisition of subsidiaries and jointly-controlled entities represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates and jointly-controlled entities, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 *Segment Reporting.*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

(Continued)

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Goodwill previously eliminated against consolidated retained profits

Prior to the adoption of the HKICPA's Statement of Standard Accounting Practice 30 "Business Combinations" in 2001, goodwill arising on acquisition was eliminated against consolidated retained profits in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against consolidated retained profits and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, properties under development, investment properties and properties held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets other than goodwill *(Continued)*

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is a jointly-controlled entity;

(c) the party is a member of the key management personnel of the Group or its holding companies;

(d) the party is a close member of the family of any individual referred to in (a) or (c);

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	5% or over the unexpired terms of the leases
Leasehold improvements	20%
Furniture and equipment	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Properties under development

Properties under development are stated at cost and include the cost of land, construction, financing and other related expenses, less any impairment losses. Impairment is assessed by the directors based on prevailing market prices, on an individual property basis.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in the income statement.

Properties held for sale

Properties held for sale, consisting of completed properties and properties under development in respect of which the Group has established pre-sale programmes, are classified under current assets and are stated at the lower of cost and net realisable value. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to management estimates based on prevailing market conditions, on an individual property basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;

- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets *(Continued)*

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade payables, interest-bearing loans and borrowings, amounts due to minority interests, an amount due to a related company and customer deposits are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract 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*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) income from the sale of properties, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties sold;

(b) rental income, on a time proportion basis over the lease terms;

(c) property management income, on an accrual basis, in the period in which services are rendered; and

(d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its eligible employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and jointly-controlled entities are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and properties held for sale

The Group determines whether a property qualifies as an investment property or a property held for sale, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Properties held for sale are properties held by the Group with intention for sale in the Group's ordinary course of business.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimation of recoverable amounts of properties under development

The Group considers information from a variety of sources, including recent prices of similar properties in the same location and condition, with adjustments to reflect any changes in economic conditions since the date of transactions that occurred at those prices.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Estimation of total budgeted costs and costs to completion for properties under development

Total budgeted costs for properties under development comprise (i) prepaid land lease payments; (ii) building costs; and (iii) any other direct costs attributable to the development of the properties. In estimating the total budgeted costs for properties under development, management makes reference to information such as (i) current offers from contractors and suppliers; (ii) recent offers agreed with contractors and suppliers; and (iii) professional estimation on construction and material costs.

Current income taxes and deferred income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the amount of the provision for tax and the timing of payment of the related taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provisions in the periods in which such determination is made.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 27 to the financial statements.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the property development segment develops properties for sale;

(b) the property investment segment holds investment properties for the generation of rental income; and

(c) the "others" segment comprises miscellaneous rental income generated by the Group other than investment properties and property management service fee income.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

During the current and prior years, there were no intersegment transactions.

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2007 and 2006.

	Property development		Property investment		Others		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**290,545**	970,198	**73,334**	77,264	**28,339**	11,965	**392,218**	1,059,427
Segment results	**49,970**	484,758	**185,923**	294,671	**3,880**	1,738	**239,773**	781,167
Interest income							**7,151**	6,286
Unallocated gains							**228**	623
Unallocated expenses							**(43,487)**	(33,852)
Finance costs							**(87,816)**	(63,438)
Gain on disposal of subsidiaries							**—**	56,161
Excess over the cost of a business combination on acquisition of minority interests in a subsidiary							**51,179**	—
Share of profits and losses of jointly-controlled entities	**122**	502	**—**	—	**—**	(283)	**122**	219
Profit before tax							**167,150**	747,166
Tax							**(61,713)**	(162,520)
Profit for the year							**105,437**	584,646

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Property development		Property investment		Others		Eliminations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities										
Segment assets	**2,807,155**	2,485,932	**2,042,960**	1,990,630	**2,427,062**	2,275,166	**(2,422,638)**	(2,281,141)	**4,854,539**	4,470,587
Interests in jointly-controlled entities	**34,189**	29,357	**—**	—	**—**	—	**—**	—	**34,189**	29,357
Amounts due from jointly-controlled entities	**141,539**	129,257	**—**	—	**—**	—	**—**	—	**141,539**	129,257
Unallocated assets									**459,365**	447,110
Total assets									**5,489,632**	5,076,311
Segment liabilities	**1,725,850**	1,578,929	**1,086,933**	1,005,243	**13,582**	21,954	**(2,422,638)**	(2,281,141)	**403,727**	324,985
Unallocated liabilities									**2,355,546**	2,403,009
Total liabilities									**2,759,273**	2,727,994
Other segment information:										
Depreciation	**1,865**	919	**122**	130	**609**	352	**—**	—	**2,596**	1,401
Fair value gains on investment properties, net	**—**	—	**190,613**	243,657	**—**	—	**—**	—	**190,613**	243,657
Change in fair value of completed properties transferred to investment properties	**—**	220,661	**—**	—	**—**	—	**—**	—	**—**	220,661
Release of exchange fluctuation reserve upon disposal of business of foreign operations	**—**	—	**60,834**	—	**—**	—	**—**	—	**60,834**	—
Capital expenditure	**957**	1,706	**18**	154	**2,500**	784	**—**	—	**3,475**	2,644

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 March 2007 and 2006.

	Hong Kong		Mainland China		Malaysia		Canada		Eliminations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**103,496**	123,045	**280,055**	925,518	**8,667**	10,864	**—**	—	**—**	—	**392,218**	1,059,427
Other segment information:												
Segment assets	**3,233,687**	2,813,774	**2,562,389**	2,492,111	**3,820**	145,858	**790,357**	604,212	**(1,100,621)**	(979,644)	**5,489,632**	5,076,311
Capital expenditure	**2,518**	926	**957**	1,706	**—**	12	**—**	—	**—**	—	**3,475**	2,644

5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents income from the sale of properties, gross rental income and property management income during the year.

An analysis of revenue and other income is as follows:

	Group 2007 HK$'000	Group 2006 HK$'000
Revenue		
Sale of properties	**290,545**	970,198
Gross rental income	**98,902**	86,571
Property management income	**2,771**	2,658
	392,218	1,059,427
Other income		
Bank interest income	**6,952**	2,481
Interest income from mortgage loans receivable	**199**	180
Other interest income	—	3,625
Other property management income	**2,843**	3,542
Others	**2,830**	2,986
	12,824	12,814

6. FINANCE COSTS

	Group 2007 HK$'000	Group 2006 HK$'000
Interest on bank loans, overdrafts and other loans (including convertible bonds) wholly repayable within five years	**124,508**	79,849
Interest on bank loans wholly repayable after five years	—	2,891
	124,508	82,740
Less: Amounts capitalised under property development projects	**(36,692)**	(19,302)
	87,816	63,438

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2007	2006
	HK$'000	*HK$'000*
Cost of properties sold	**221,894**	701,317
Depreciation	**2,596**	1,401
Minimum lease payments under operating leases on land and buildings	**1,853**	1,367
Auditors' remuneration	**1,586**	1,533
Employee benefits expense (including directors' remuneration (note 8)):		
Wages, salaries, allowances and benefits in kind	**25,686**	16,864
Pension scheme contributions	**982**	841
	26,668	17,705
Gross rental income	**(98,902)**	(86,571)
Less: Outgoing expenses	**47,263**	34,792
	(51,639)	(51,779)
Loss on disposal of items of property, plant and equipment	**33**	—
Interest income	**(7,151)**	(6,286)
Fair value gains on investment properties, net	**(190,613)**	(243,657)
Change in fair value of completed properties transferred to investment properties	**—**	(220,661)
Gain on disposal of subsidiaries	**—**	(56,161)
Gain on disposal of investment properties	**(9,443)**	—
Excess over the cost of a business combination on acquisition of minority interests in a subsidiary	**(51,179)**	—
Write-down of properties held for sale to net realisable value	**7,000**	—
Foreign exchange differences, net	**546**	(152)
Release of exchange fluctuation reserve upon disposal of business of foreign operations	**60,834**	—

At the balance sheet date, the amount of forfeited pension scheme contributions available to the Group for future utilisation was not significant.

8. DIRECTORS' REMUNERATION

Details of directors' remuneration for the year, disclosed pursuant to the Listing Rules and section 161 of the Hong Kong Companies Ordinance, are as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Fees	**150**	150
Other emoluments:		
Salaries, allowances and benefits in kind	**2,252**	360
Discretionary performance related bonuses*	**2,000**	500
Pension scheme contributions	**114**	27
	4,366	887
	4,516	1,037

* *Certain executive directors of the Company are entitled to bonus payments which are determined based on the individual's performance during the year.*

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year are as follows:

	2007	2006
	HK$'000	*HK$'000*
Daniel Chi-Wai Tse	**50**	50
Patrick Yen-Tse Tsai	**50**	50
Kenneth Kin-Hing Lam	**50**	50
	150	150

There are no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2007					
Executive directors:					
James Sai-Wing Wong	**—**	**—**	**—**	**—**	**—**
Dennis Kwok-Wing Cheung	**—**	**1,905**	**1,500**	**111**	**3,516**
Zuric Yuen-Keung Chan	**—**	**347**	**500**	**3**	**850**
	—	**2,252**	**2,000**	**114**	**4,366**
Non-executive directors:					
Madeline May-Lung Wong	**—**	**—**	**—**	**—**	**—**
Herman Man-Hei Fung	**—**	**—**	**—**	**—**	**—**
	—	**2,252**	**2,000**	**114**	**4,366**
2006					
Executive directors:					
James Sai-Wing Wong	—	—	—	—	—
Dennis Kwok-Wing Cheung	—	360	500	27	887
	—	360	500	27	887
Non-executive directors:					
Madeline May-Lung Wong	—	—	—	—	—
Herman Man-Hei Fung	—	—	—	—	—
Zuric Yuen-Keung Chan	—	—	—	—	—
William Chung-Yue Fan	—	—	—	—	—
	—	360	500	27	887

There are no arrangements under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2006: one, since his appointment as director), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2006: five) non-director, highest paid employees for the year are set out below:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**5,071**	5,083
Pension scheme contributions	**239**	276
	5,310	5,359

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2007	2006
Nil to HK$1,000,000	**—**	2
HK$1,000,001 to HK$1,500,000	**3**	3
HK$1,500,001 to HK$2,000,000	**1**	—
	4	5

10. TAX

No provision for Hong Kong profits tax has been made as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the year. Last year, Hong Kong profits tax was provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during that year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Land appreciation tax has been provided in conformity with the prevailing rules and practices on the Group's completed projects in Mainland China at progressive rates ranging from 30% to 60% on the appreciation of land value, net of deductibles.

10. TAX *(Continued)*

	2007 **HK$'000**	2006 HK$'000
Group:		
Current — Hong Kong	**—**	62
Current — Elsewhere	**21,748**	63,121
Deferred (note 27)	**39,965**	99,337
Total tax charge for the year	**61,713**	162,520

Land appreciation tax of HK$9,441,000 has been charged to the consolidated income statement for the year ended 31 March 2007 (2006: HK$91,881,000).

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Group	
	2007 **HK$'000**	2006 HK$'000
Profit before tax	**167,150**	747,166
Tax at the statutory rate of 17.5% (2006: 17.5%)	**29,251**	130,754
Effect of different rates for companies operating in other jurisdictions	**10,505**	59,358
Effect on opening deferred tax of increase in rates	**15,311**	—
Income not subject to tax	**(13,018)**	(10,969)
Expenses not deductible for tax	**16,900**	5,543
Tax losses utilised from previous periods	**(718)**	(2,885)
Tax losses not recognised	**8,091**	4,074
Profits and losses attributable to jointly-controlled entities	**(22)**	(38)
Previously unrecognised tax losses now recognised as deferred tax assets	**(3,436)**	(22,324)
Others	**(1,151)**	(993)
Tax charge at the Group's effective rate	**61,713**	162,520

10. TAX *(Continued)*

A major subsidiary of the Group operates in Shenzhen, Mainland China, which is subject to the corporate income tax rate of 15% (2006: 15%). On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"), which will be effective from 1 January 2008. Under the New CIT Law, the corporate income tax rate applicable to foreign investment enterprises from 1 January 2008 will increase from a preferential rate of 15% to 25% over the next five years. This rise in the income tax rate will directly increase the Group's effective tax rate prospectively from 2008. According to HKAS 12, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. As a result, the change in the corporate income tax rate has had the following impact on the results and financial position of the Group for the year ended 31 March 2007:

	2007 ***HK$'000***
Increase in deferred tax expense	**15,311**
Increase in deferred tax liabilities	**15,311**

At the date of approval of these financial statements, detailed implementation and administrative requirements relating to the New CIT Law have yet to be announced. These detailed requirements include regulations concerning the computation of taxable income, as well as specific preferential tax treatments and their related transitional provisions. The Group will further evaluate the impact of the New CIT Law on its operating results and financial positions of future periods as more detailed requirements are issued.

No share of tax attributable to jointly-controlled entities was included in "Share of profits and losses of jointly-controlled entities" on the face of the consolidated income statement.

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 March 2007 includes a profit of HK$62,909,000 (2006: HK$49,215,000) which has been dealt with in the financial statements of the Company (note 29(b)).

12. DIVIDEND

	2007	2006
	HK$'000	*HK$'000*
Proposed final — 12.5 HK cents (2006: 11 HK cents) per ordinary share	**60,036**	44,026

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(Continued)*

The calculations of basic and diluted earnings per share are based on:

	2007	2006
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**101,401**	519,754
Interest on convertible bonds, net of tax	**16,081**	—
Profit attributable to ordinary equity holders of the Company before interest on convertible bonds	**117,482***	519,754

	Number of shares	
	2007	2006
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**427,213,479**	400,238,501
Effect of dilution — weighted average number of ordinary shares:		
Convertible bonds	**53,315,068**	—
	480,528,547*	400,238,501

* *Because the diluted earnings per share amount is increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the year. Therefore, no diluted earnings per share amount is disclosed.*

No diluted earnings per share for the year ended 31 March 2006 was computed as there was no diluting event during that year.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2007					
At 31 March 2006 and at 1 April 2006:					
Cost	20,339	5,856	10,740	2,710	39,645
Accumulated depreciation	(879)	(5,660)	(8,639)	(927)	(16,105)
Net carrying amount	19,460	196	2,101	1,783	23,540
At 1 April 2006, net of accumulated depreciation	19,460	196	2,101	1,783	23,540
Additions	493	1,520	917	545	3,475
Disposals	—	—	(33)	—	(33)
Depreciation provided during the year	(1,156)	(168)	(801)	(471)	(2,596)
Exchange realignment	983	—	47	74	1,104
At 31 March 2007, net of accumulated depreciation	**19,780**	**1,548**	**2,231**	**1,931**	**25,490**
At 31 March 2007:					
Cost	21,860	2,035	7,596	3,369	34,860
Accumulated depreciation	(2,080)	(487)	(5,365)	(1,438)	(9,370)
Net carrying amount	**19,780**	**1,548**	**2,231**	**1,931**	**25,490**
31 March 2006					
At 1 April 2005:					
Cost	2,531	5,634	9,526	1,401	19,092
Accumulated depreciation	(617)	(5,629)	(8,144)	(311)	(14,701)
Net carrying amount	1,914	5	1,382	1,090	4,391
At 1 April 2005, net of accumulated depreciation	1,914	5	1,382	1,090	4,391
Additions	17,738	215	1,473	956	20,382
Acquisition of subsidiaries (note 30)	—	—	119	40	159
Disposal of subsidiaries (note 31)	—	—	(79)	—	(79)
Depreciation provided during the year	(245)	(24)	(810)	(322)	(1,401)
Exchange realignment	53	—	16	19	88
At 31 March 2006, net of accumulated depreciation	19,460	196	2,101	1,783	23,540
At 31 March 2006:					
Cost	20,339	5,856	10,740	2,710	39,645
Accumulated depreciation	(879)	(5,660)	(8,639)	(927)	(16,105)
Net carrying amount	19,460	196	2,101	1,783	23,540

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The leasehold land and buildings are situated in Mainland China and held under long term leases.

Company

	Leasehold improvements *HK$'000*	Furniture and equipment *HK$'000*	Total *HK$'000*
31 March 2007			
At 31 March 2006 and at 1 April 2006:			
Cost	5,347	5,866	11,213
Accumulated depreciation	(5,347)	(5,709)	(11,056)
Net carrying amount	—	157	157
At 1 April 2006, net of accumulated depreciation	—	157	157
Additions	1,520	507	2,027
Depreciation provided during the year	(126)	(94)	(220)
At 31 March 2007, net of accumulated depreciation	**1,394**	**570**	**1,964**
At 31 March 2007:			
Cost	1,520	2,639	4,159
Accumulated depreciation	(126)	(2,069)	(2,195)
Net carrying amount	**1,394**	**570**	**1,964**

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Leasehold improvements *HK$'000*	Furniture and equipment *HK$'000*	Total *HK$'000*
31 March 2006			
At 1 April 2005:			
Cost	5,347	5,784	11,131
Accumulated depreciation	(5,343)	(5,656)	(10,999)
Net carrying amount	4	128	132
At 1 April 2005, net of accumulated depreciation	4	128	132
Additions	—	82	82
Depreciation provided during the year	(4)	(53)	(57)
At 31 March 2006, net of accumulated depreciation	—	157	157
At 31 March 2006:			
Cost	5,347	5,866	11,213
Accumulated depreciation	(5,347)	(5,709)	(11,056)
Net carrying amount	—	157	157

15. PROPERTIES UNDER DEVELOPMENT

Group

	Cost	Development expenditure	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2006	1,017,251	192,633	1,209,884
Additions	234,974	29,892	264,866
Exchange realignment	51,112	7,418	58,530
At 31 March 2007	**1,303,337**	**229,943**	**1,533,280**

The additions to development expenditure included interest expense of HK$19,506,000 (2006: HK$490,000) that were incurred and capitalised during the year.

Details of the properties under development are as follows:

	2007	2006
	HK$'000	*HK$'000*
Medium term leases:		
Hong Kong	**3,582**	3,582
Mainland China	**756,896**	—
Long term leases:		
Mainland China	**772,802**	1,206,302
	1,533,280	1,209,884

Certain of the Group's properties under development with an aggregate carrying value of HK$1,019,435,000 (2006: HK$716,334,000) at the balance sheet date were pledged to the Group's bankers to secure the banking facilities granted to the Group as detailed in note 25(a)(ii) to the financial statements.

Further particulars of the Group's properties under development are included in "Particulars of Properties" on pages 108 to 112.

16. INVESTMENT PROPERTIES

Group

	2007 HK$'000	2006 HK$'000
Carrying amount at 1 April	**1,971,631**	1,327,000
Additions, at cost	**7,927**	6,743
Disposals	**(155,740)**	—
Transfer from completed properties	**—**	394,231
Net gains from a fair value adjustment	**190,613**	243,657
Exchange realignment	**19,910**	—
Carrying amount at 31 March	**2,034,341**	1,971,631
Analysis by type and location:		
Long term leasehold land and buildings in Hong Kong	**1,066,000**	950,000
Medium term leasehold land and buildings in Hong Kong	**554,200**	487,800
Medium term leasehold land and buildings in Mainland China	**414,141**	394,231
Freehold land and buildings in Malaysia	**—**	139,600
	2,034,341	1,971,631

At the balance sheet date, all of the investment properties were revalued at open market value, based on their existing use, by Savills Valuation and Professional Services Limited, independent professionally qualified valuers. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 35(a) to the financial statements.

The Group's investment properties with an aggregate carrying value of HK$2,034,341,000 (2006: HK$1,832,031,000) at the balance sheet date were pledged to the Group's bankers to secure the banking facilities granted to the Group as detailed in note 25(a)(i) to the financial statements. In addition, certain of the Group's bank loans are secured by assignments of rental income from the leases of the Group's investment properties as detailed in note 25(a)(v).

Further particulars of the Group's investment properties are included in "Particulars of Properties" on pages 108 to 112.

17. INVESTMENT DEPOSITS

Investment deposits were paid by the Group in connection with acquisitions of properties under development. The investment deposits were non-interest-bearing and the carrying amounts of the balances approximate to their fair values.

18. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	**1**	8
Due from subsidiaries	**2,963,680**	2,945,999
	2,963,681	2,946,007
Less: Impairment on amounts due from subsidiaries	**(798,756)**	(712,220)
	2,164,925	2,233,787

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free and repayable on demand. The carrying amounts of these amounts due from/to subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Billion Capital Development Limited	Hong Kong	HK$2	100	—	Property investment
Chinney Property Management Limited	Hong Kong	HK$100	—	100	Property management
Cosmos Wealth Development Limited	Hong Kong	HK$1,000	—	100	Property development

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
CP Hotel & Guesthouse Management Limited	Hong Kong	HK$2	—	100	Property letting
CP Parking Limited	Hong Kong	HK$2	—	100	Carpark management
Debest Development Limited	Hong Kong	HK$2	—	100	Property development
Full Yip Development Limited	BVI/Hong Kong	US$1	—	100	Property holding and letting
Global Wealth Development Limited	Hong Kong	HK$1,000	—	100	Property investment
Guangzhou Honkwok Fuqiang Land Development Ltd.*#	PRC/Mainland China	Renminbi ("RMB") 185,000,000	—	60	Property development
Guangzhou Honkwok Hengsheng Land Development Ltd.*#	PRC/Mainland China	RMB220,000,000	—	75	Property development
Guangzhou Hua Yin Land Development Co., Ltd*#	PRC/Mainland China	RMB8,000,000	—	97	Property development
Guangzhou Zhong Lu Da Dao Real Estate Development Co., Ltd.*#	PRC/Mainland China	RMB60,358,250	—	100	Property development
Hon Cheong Limited	Hong Kong	HK$2	—	100	Property holding and letting
Hon Kwok Land Investment (China) Limited	Hong Kong	HK$2	100	—	Investment holding
Hon Kwok Land Investment (Shenzhen) Co., Ltd.*#	PRC/Mainland China	HK$30,000,000	—	100	Property development

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Hon Kwok Land Treasury IV Limited	BVI	US$1	100	—	Financing
Hon Kwok Project Management Limited	Hong Kong	HK$2	100	—	Project management
Hon Kwok Treasury Limited	Hong Kong	HK$2	—	100	Financing
Honour Well Development Limited	Hong Kong	HK$2	—	100	Property holding and letting
Island Parking Limited	BVI/Hong Kong	US$10	—	100	Property holding and letting
King Capital Development Limited	Hong Kong	HK$2	—	100	Property holding and letting
King Champion Limited	Hong Kong	HK$2	—	100	Property holding and letting
Lido Parking Limited	BVI/Hong Kong	US$1	—	100	Property holding and letting
One City Hall Place Limited*	Canada	CAD100	—	75	Property development
Shenzhen Guanghai Investment Co., Ltd.*#	PRC/Mainland China	RMB200,000,000	—	100	Property development
Shenzhen Honkwok Huaye Development Co., Ltd.*#	PRC/Mainland China	RMB50,000,000	—	100	Property development
Victory Venture Development Limited	Hong Kong	HK$2	—	100	Property development
Wise Pacific Investment Limited	Hong Kong	HK$10,000	—	60	Money lending

18. INTERESTS IN SUBSIDIARIES *(Continued)*

* *Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.*

These subsidiaries are registered in the PRC as foreign enterprises with business duration of between 25 and 50 years.

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore, the above list contains only the particulars of subsidiaries which principally affected the results for the year or formed a substantial portion of the net assets of the Group.

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group		**Company**	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted shares, at cost	—	—	—	—
Share of net assets	**17,903**	13,071	—	—
Goodwill on acquisition	**16,286**	16,286	—	—
	34,189	29,357	—	—

The amounts due from jointly-controlled entities are unsecured, interest-free and repayable on demand. The carrying amounts of these amounts due from jointly-controlled entities approximate to their fair values.

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(Continued)*

Particulars of the principal jointly-controlled entities are as follows:

Name	Place of incorporation/ registration	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Foshan Nanhai XinDa Land Development Ltd.	PRC	50	50	50	Property development
Guangzhou Lian Cheng Real Estate Co., Ltd.	PRC	50	50	50	Property development
Hunnewell Limited	Hong Kong	50	50	50	Property development
King Success Limited	Hong Kong	50	50	50	Property development
Two City Hall Place Limited (formerly 2012829 Ontario Inc.)	Canada	50	50	50	Property development

All of the above interests in jointly-controlled entities are indirectly held by the Company.

The above table includes the jointly-controlled entities of the Group 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 jointly-controlled entities would, in the opinion of the directors, result in particulars of excessive length.

The application of the land use right certificate of a parcel of land, with a carrying value of HK$95,306,000 (2006: HK$90,172,000), owned by Guangzhou Lian Cheng Real Estate Co., Ltd. was in progress at the balance sheet date.

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(Continued)*

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	2007	2006
	HK$'000	*HK$'000*
Share of the jointly-controlled entities' assets and liabilities:		
Total non-current assets	**163,688**	107,983
Total current assets	**8,214**	52,880
Total current liabilities	**(153,998)**	(147,792)
Total non-current liabilities	**(1)**	—
Net assets	**17,903**	13,071
Share of the jointly-controlled entities' results:		
Total revenue	**585**	3,605
Total expenses	**(463)**	(3,386)
Profit for the year	**122**	219

20. PROPERTIES HELD FOR SALE

Included in the balances are completed properties of HK$379,092,000 (2006: HK$555,481,000) and incomplete properties with established pre-sale programmes of HK$636,358,000 (2006: HK$433,390,000).

Properties held for sale included interest expense of HK$17,186,000 (2006: HK$18,812,000) that were incurred and capitalised during the year.

Certain of the Group's properties held for sale with an aggregate carrying value of HK$1,005,769,000 (2006: HK$984,559,000) at the balance sheet date were pledged to secure the banking facilities granted to the Group as detailed in note 25(a)(iii) to the financial statements.

21. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice/contract date, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within 1 month	**25,311**	126,529
1 to 2 months	**269**	570
2 to 3 months	**46**	228
Over 3 months	**127**	19
	25,753	127,346

Monthly rent in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. The balance of the consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. Overdue trade debts are followed up closely by management and are provided for in full in case of non-recoverability. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The carrying amounts of the trade receivables approximate to their fair values.

The Company had no trade receivables at the balance sheet date (2006: Nil).

22. BALANCES WITH MINORITY SHAREHOLDERS

The balances with the minority shareholders of subsidiaries are unsecured, repayable on demand and interest-free, except for the amounts due from minority shareholders of subsidiaries totalling HK$86,114,000 which bore interest at normal commercial rates in the previous year.

The carrying amounts of the balances with minority shareholders approximate to their fair values.

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**417,903**	404,424	**120,575**	4,515
Time deposits	**41,400**	42,230	**—**	—
	459,303	446,654	**120,575**	4,515
Less: Pledged time deposits pledged for bank loans (note 25(a)(iv))	**(41,400)**	(40,200)	**—**	—
Cash and cash equivalents	**417,903**	406,454	**120,575**	4,515

At the balance sheet date, the cash and bank balances of the Group denominated in RMB amounted to HK$211,890,000 (2006: HK$293,076,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of less than three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

24. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in the trade payables and accrued liabilities are trade payables of HK$1,216,000 (2006: HK$3,703,000). An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within 1 month	**1,216**	3,703

24. TRADE PAYABLES AND ACCRUED LIABILITIES *(Continued)*

The trade payables are non-interest-bearing and are normally settled on 30-day terms. The carrying amounts of the trade payables and accrued liabilities approximate to their fair values.

The Company had no trade payables at the balance sheet date (2006: Nil).

25. INTEREST-BEARING BANK BORROWINGS

Group

	2007			2006		
	Effective interest rate (%)	**Maturity**	***HK$'000***	Effective interest rate *(%)*	Maturity	*HK$'000*
Current						
Bank loans — unsecured	**5.9**	**2007**	**54,000**	5.8	2007	290,500
Bank loans — secured	**4.7–6.3**	**2007–2008**	**460,566**	5.0–5.8	2007	104,668
			514,566			395,168
Non-current						
Bank loans — unsecured	**4.7–4.8**	**2009**	**150,000**	4.6–5.8	2007–2009	204,000
Bank loans — secured	**4.7–6.3**	**2008–2012**	**1,192,295**	4.6–5.8	2007–2011	1,571,807
			1,342,295			1,775,807
			1,856,861			2,170,975

25. INTEREST-BEARING BANK BORROWINGS *(Continued)*

Company

	2007			2006		
	Effective interest rate (%)	**Maturity**	***HK$'000***	Effective interest rate *(%)*	Maturity	*HK$'000*
Current						
Bank loans — secured	**5.2**	**2007–2008**	**1,680**	5.0	2006–2007	1,680
			1,680			1,680
Non-current						
Bank loans — unsecured	**4.7–4.8**	**2009**	**150,000**	4.6–4.8	2009	150,000
Bank loans — secured	**5.2**	**2008**	**9,660**	5.0	2007–2008	11,340
			159,660			161,340
			161,340			163,020

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Analysed into:				
Bank loans repayable:				
Within one year or on demand	**514,566**	395,168	**1,680**	1,680
In the second year	**671,195**	673,744	**159,660**	1,680
In the third to fifth years, inclusive	**671,100**	1,051,363	**—**	159,660
Beyond five years	**—**	50,700	**—**	—
	1,856,861	2,170,975	**161,340**	163,020

Notes:

(a) Certain of the Group's bank loans are secured by:

(i) mortgages over the Group's investment properties, which had an aggregate carrying value at the balance sheet date of HK$2,034,341,000 (2006: HK$1,832,031,000);

(ii) mortgages over certain of the Group's properties under development, which had an aggregate carrying value at the balance sheet date of HK$1,019,435,000 (2006: HK$716,334,000);

25. INTEREST-BEARING BANK BORROWINGS *(Continued)*

(iii) *mortgages over certain of the Group's properties held for sale, which had an aggregate carrying value at the balance sheet date of HK$1,005,769,000 (2006: HK$984,559,000);*

(iv) *pledge of the Group's time deposits amounting to HK$41,400,000 (2006: HK$40,200,000) and cash deposits equivalent to HK$150,000,000 (2006: HK$150,000,000) provided by the ultimate holding company of the Group; and*

(v) *assignments of rental income from the leases of the Group's investment properties.*

(b) *Irrevocable and unconditional guarantees have been given by the Company in respect of bank borrowings of certain subsidiaries and convertible bonds of a subsidiary. In addition, the Company has subordinated its loans to certain subsidiaries in favour of the relevant lending banks.*

(c) *Except for a bank loan denominated in Canadian dollars equivalent to HK$383,631,000 and certain bank loans denominated in RMB equivalent to HK$333,429,000, all bank borrowings at the balance sheet date were denominated in Hong Kong dollars.*

Other interest rate information:

	Group			
	2007		2006	
	Fixed rate	**Floating rate**	Fixed rate	Floating rate
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Bank loans — unsecured	**—**	**204,000**	250,000	244,500
Bank loans — secured	**333,429**	**1,319,432**	312,500	1,363,975

	Company			
	2007		2006	
	Fixed rate	**Floating rate**	Fixed rate	Floating rate
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Bank loans — unsecured	**—**	**150,000**	—	150,000
Bank loans — secured	**—**	**11,340**	—	13,020

The carrying amounts of the Group's and the Company's current and non-current bank borrowings approximate to their fair values.

26. CONVERTIBLE BONDS

On 27 June 2006, the Group issued convertible bonds due June 2011 at par for a principal sum of HK$280 million (the "Bonds"). The Bonds are guaranteed by the Company and bear interest at the rate of 3.5% per annum, payable semi-annually in arrears. The bondholders have the rights, at any time on or after 27 July 2006 up to and including the seventh business date prior to 27 June 2011 to convert the Bonds into equity shares of the Company with a nominal value of HK$1.00 each at an initial conversion price of HK$4.00 per share, subject to adjustments in certain events. There was no movement in the number of Bonds during the year. Any Bonds not converted will be redeemed at 124.5481% of their principal amount upon maturity on 27 June 2011. Upon full conversion, the Bonds shall be converted into 70 million ordinary shares of the Company. When the Bonds were issued, the prevailing market interest rate for similar bonds without the conversion option was higher than the interest rate at which the Bonds were issued.

The fair value of the liability component of the Bonds was estimated at the issue date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The Bonds issued during the year have been split as to the liability and equity components, as follows:

	HK$'000
Nominal value of the Bonds issued during the year	280,000
Equity component*	(25,500)
Direct transaction costs attributable to the liability component	(6,731)
Liability component at the issue date	247,769
Interest expense	19,492
Interest paid	(4,900)
Liability component at 31 March 2007	**262,361**

The effective interest rate of the Bonds was 10.4% per annum. The fair value of the liability component of the Bonds was estimated using an equivalent market interest rate for a similar convertible bond. The carrying amounts of the Group's convertible bonds approximate to their fair values.

* *The direct transaction costs attributable to the equity component of the Bonds amounted to HK$674,000.*

27. DEFERRED TAX

The movements in deferred tax liabilities during the year are as follows:

Group

	Depreciation allowance in excess of related depreciation *HK$'000*	**Revaluation of properties** *HK$'000*	**Total** *HK$'000*
At 1 April 2006	1,610	101,836	103,446
Deferred tax charged/(credited) to the income statement during the year including the effect of the change in corporate income tax rate from 15% to 25% of HK$15,311,000 (note 10)	(1,421)	41,386	39,965
Exchange realignment	—	3,937	3,937
At 31 March 2007	**189**	**147,159**	**147,348**
At 1 April 2005	1,484	2,625	4,109
Deferred tax charged to the income statement during the year (note 10)	126	99,211	99,337
At 31 March 2006	1,610	101,836	103,446

27. DEFERRED TAX *(Continued)*

At the balance sheet date, the Group had unrecognised deductible temporary differences of HK$716,000 (2006: HK$28,686,000) and unrecognised tax losses of HK$916,528,000 (2006: HK$923,316,000) available to offset against future profits. The deductible temporary differences and tax losses have not been recognised as it is uncertain that there will be sufficient future taxable profit available against the utilisation of these temporary differences.

At 31 March 2007, there was no significant unrecognised deferred tax liability (2006: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

The Company had no significant unrecognised deferred tax liability (2006: Nil).

28. SHARE CAPITAL

	2007	2006
	HK$'000	*HK$'000*
Authorised:		
1,750,000,000 (2006: 1,750,000,000) ordinary shares of HK$1.00 each	**1,750,000**	1,750,000
Issued and fully paid:		
480,286,201 (2006: 400,238,501) ordinary shares of HK$1.00 each	**480,286**	400,239

Pursuant to a court order dated 17 October 2000, the nominal value of the shares of the Company was adjusted from HK$0.50 to HK$0.10 by way of a capital reduction. The authorised share capital of the Company was restored to its original amount of HK$1,750,000,000 by the creation of 14,000,000,000 additional new shares of HK$0.10 each at the same time.

28. SHARE CAPITAL *(Continued)*

As a result of the capital reduction, a credit of HK$533,658,876 based on the 1,334,147,191 shares of the Company then in issue was transferred from the share capital account to a special capital reserve account. The Company has undertaken that the special capital reserve:

(a) shall not be treated as a realised profit; and

(b) shall, for so long as the Company remains a listed company (as defined in the Hong Kong Companies Ordinance), be treated as an undistributable reserve of the Company for the purposes of section 79C of the Hong Kong Companies Ordinance or any statutory re-enactment or modification thereof, provided always that the amount standing to the credit of the special capital reserve may be reduced (i) by the aggregate of any increase in the issued share capital or in the share premium account of the Company resulting from an issue of shares for cash or other new consideration; or (ii) upon a capitalisation of distributable reserves after the capital reduction.

In prior years, new shares were issued upon a rights issue and a share placement, which resulted in HK$310,179,000, representing the amount of shares issued together with the corresponding premium, being released from the special capital reserve and credited to retained profits.

On 15 November 2006, the Company entered into a placing arrangement with Chinney Investments and a placing agent pursuant to which the placing agent placed on a fully underwritten basis 80,047,700 existing shares held by Chinney Investments to independent third parties at a price of HK$4.05 per share. Concurrently, Chinney Investments subscribed for 80,047,700 new shares of the Company at the same price of HK$4.05 per share. The subscription was completed on 29 November 2006 and the Company's issued capital and share premium were increased by HK$80,047,000 and HK$234,942,000 (net of share issue expenses), respectively. Accordingly, the remaining special capital reserve, amounting to HK$223,480,000, was released and credited to retained profits in the year.

28. SHARE CAPITAL *(Continued)*

A summary of the transactions during the year with reference to the above movements in the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital *HK$'000*	Share premium account *HK$'000*	Total *HK$'000*
At 1 April 2005, 31 March 2006 and 1 April 2006	400,238,501	400,239	161,410	561,649
Share placement	80,047,700	80,047	244,146	324,193
Share issue expenses	—	—	(9,204)	(9,204)
At 31 March 2007	**480,286,201**	**480,286**	**396,352**	**876,638**

29. RESERVES

(a) Group

The amount of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

(b) Company

	Notes	Share premium account *HK$'000*	Special capital reserve *HK$'000*	Capital reserve *HK$'000*	Capital redemption reserve *HK$'000*	Retained profits *HK$'000*	Total reserves *HK$'000*
At 1 April 2005		161,410	223,480	647	10	341,426	726,973
Profit for the year		—	—	—	—	49,215	49,215
Proposed final 2006 dividend	*12*	—	—	—	—	(44,026)	(44,026)
At 31 March 2006		161,410	223,480	647	10	346,615	732,162
Issue of shares	*28*	244,146	—	—	—	—	244,146
Share issue expenses	*28*	(9,204)	—	—	—	—	(9,204)
Transfer on issue of shares	*28*	—	(223,480)	—	—	223,480	—
Profit for the year		—	—	—	—	62,909	62,909
Proposed final 2007 dividend	*12*	—	—	—	—	(60,036)	(60,036)
At 31 March 2007		**396,352**	**—**	**647**	**10**	**572,968**	**969,977**

30. BUSINESS COMBINATIONS

(a) In the prior year, the Group acquired an 80% interest in Shenzhen Guanghai Investment Co., Ltd. from an independent third party. Shenzhen Guanghai Investment Co., Ltd. is engaged in property development in Mainland China. The purchase consideration for the acquisition was in the form of cash, with HK$197,539,000 paid for the acquisition.

The fair values of the identifiable assets and liabilities of Shenzhen Guanghai Investment Co., Ltd. as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value recognised on acquisition *HK$'000*	**Carrying amount** *HK$'000*
Property, plant and equipment	101	101
Properties under development	480,530	480,530
Cash and bank balances	5,644	5,644
Prepayments and other receivables	4,811	4,811
Trade payables and accrued liabilities	(18)	(18)
Bank loan	(254,808)	(254,808)
Minority interests	(38,462)	(38,462)
Amounts due to minority shareholders	(259)	(259)
	197,539	197,539
Satisfied by cash	197,539	

Since its acquisition, Shenzhen Guanghai Investment Co., Ltd. had no contribution to the Group's revenue and consolidated profit in the prior year.

Had the combination taken place at the beginning of the prior year, there would have been no material change to the revenue and the consolidated profit of the Group for that year.

30. BUSINESS COMBINATIONS *(Continued)*

(b) During 2005, the Group acquired a 90% equity interest in Guangzhou Hua Yin Land Development Co., Ltd., a company operating in Mainland China, and the Group intended to dispose of a 45% equity interest of the company to an independent third party. Management considered they exercised no control or significant influence on the company, and, accordingly, the results of the company were not consolidated into those of the Group for the year ended 31 March 2005.

In the prior year, a debt assignment programme of the company was completed. The plan for a partial disposal of the company was abandoned and management considered that full control on the company had been obtained. Accordingly, the Group consolidated the results of the company from that prior year.

The fair values of the identifiable assets and liabilities of Guangzhou Hua Yin Land Development Co., Ltd. as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value recognised on acquisition *HK$'000*	**Carrying amount** *HK$'000*
Property, plant and equipment	58	58
Properties under development	114,224	114,224
Cash and bank balances	3,444	3,444
Prepayments and other receivables	338	338
Trade payables and accrued liabilities	(40,849)	(40,849)
Minority interests	(669)	(669)
	76,546	76,546
Available-for-sale equity investment	(50,563)	
	25,983	
Satisfied by cash	25,983	

30. BUSINESS COMBINATIONS *(Continued)*

Since its acquisition, Guangzhou Hua Yin Land Development Co., Ltd. had no contribution to the Group's revenue and consolidated profit in that year.

Had the combination taken place at the beginning of that year, there would have been no material change to the revenue and the consolidated profit of the Group in that year.

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries was as follows:

	HK$'000
Cash consideration	223,522
Cash and bank balances acquired	(9,088)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	214,434

31. DISPOSAL OF SUBSIDIARIES

In the prior year, the Group disposed of 50% of the issued share capital of Rich Central Limited and assigned related shareholders' loans amounting to HK$44,963,000, for a cash consideration of HK$45,659,000. In addition, the Group disposed of 50% of the issued share capital of Floralmist Holdings Ltd. and assigned related shareholders' loans amounting to HK$73,207,000 for a cash consideration of HK$128,532,000.

	2007	2006
	HK$'000	*HK$'000*
Net assets disposed of:		
Goodwill	—	32,572
Property, plant and equipment	—	79
Properties under development	—	209,812
Cash and bank balances	—	2,446
Prepayments and other receivables	—	119
Other liabilities	—	(3,600)
Shareholders' loans	—	(236,341)
	—	5,087
Reclassification of the remaining 50% equity interest from interests in subsidiaries to interests in jointly-controlled entities	—	(2,543)
Release of the exchange fluctuation reserve	—	(2,684)
Gain on disposal of subsidiaries	—	56,161
	—	56,021
Assignment of shareholders' loans	—	118,170
	—	174,191
Satisfied by cash	—	174,191

31. DISPOSAL OF SUBSIDIARIES *(Continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries was as follows:

	2007	2006
	HK$'000	*HK$'000*
Cash consideration	—	174,191
Cash and bank balances disposed of	—	(2,446)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	—	171,745

The results of the subsidiaries disposed of in the year ended 31 March 2006 had no significant impact on the Group's consolidated turnover or profit after tax in that year.

32. MAJOR NON-CASH TRANSACTION

Obligations of minority shareholders on capital contribution in connection with the interests in subsidiaries of HK$73,541,000 were released against the minority interests balance in equity.

33. CONTINGENT LIABILITIES

	Group		**Company**	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to banks in connection with facilities granted to its subsidiaries	—	—	**978,460**	1,404,023

As at 31 March 2007, the banking facilities granted to the subsidiaries, subject to guarantees given to the banks by the Company, were utilised to the extent of approximately HK$978,460,000 (2006: HK$1,404,023,000).

34. PLEDGE OF ASSETS

Details of the Group's bank loans, which are secured by the assets of the Group, are included in note 25 to the financial statements.

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its properties under operating lease arrangements, with leases negotiated for terms ranging from one to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2007, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**16,504**	33,671
In the second to fifth years, inclusive	**12,926**	19,523
	29,430	53,194

Certain of the Group's bank loans are secured by assignments of rental income from the leases of the Group's properties as detailed in note 25(a)(v).

At the balance sheet date, the Company had no operating lease arrangement as lessor.

(b) As lessee

The Group leases its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At 31 March 2007, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**14,460**	1,140	**3,482**	851
In the second to fifth years, inclusive	**10,894**	32	**4,778**	—
	25,354	1,172	**8,260**	851

36. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 35(b) above, the Group had authorised and contracted capital commitments in respect of property development expenditure and acquisition of properties amounting to approximately HK$211,754,000 (2006: HK$209,672,000) at the balance sheet date.

The Group's share of the jointly-controlled entities' authorised and contracted capital commitments in respect of property development expenditure and acquisition of properties, which are not included in the above, amounted to HK$4,356,000 (2006: Nil).

37. RELATED PARTY TRANSACTIONS

In addition to those transactions and balances disclosed elsewhere in these financial statements, the Group had the following related party transactions during the year.

(a) During the year, the Group had transactions with companies in which James Sai-Wing Wong and Madeline May-Lung Wong, directors of the Company, have beneficial interests. The significant transactions are summarised below:

		Group	
		2007	2006
	Notes	***HK$'000***	*HK$'000*
Commission paid to the ultimate holding company	*(i)*	**2,625**	2,625
Management fees paid to the immediate holding company	*(ii)*	**6,000**	6,000

Notes:

(i) The commission was paid to the ultimate holding company for the provision of cash security for certain bank loans granted to the Company and was charged at a rate mutually agreed upon by both parties based on the average principal amount of the cash security outstanding during the terms of the bank loans. Further details of which are included in paragraph (b) below.

(ii) The management fees were charged based on the underlying costs incurred by the immediate holding company.

37. RELATED PARTY TRANSACTIONS *(Continued)*

(b) In July 2006, Lucky Year extended the cash security arrangement in favour of the Company for a further period of 30 months. Pursuant to the arrangement, Lucky Year pledged its deposits with certain banks in relation to the bank loans of HK$150 million granted by the banks to the Company. In consideration for the provision of cash security, the Group agreed to counter-indemnify Lucky Year and pay a commission of 1.75% per annum on the average principal amount of the cash security outstanding during the terms of the bank loans to Lucky Year. The Group provides no security to Lucky Year or other connected persons in connection with the arrangement. Please refer to paragraph (a)(i) above for the commission paid during the year.

(c) The balance with the related company is unsecured, interest-free and repayable on demand. The carrying amount of the balance with the related company approximates to its fair value.

(d) Compensation of key management personnel of the Group:

	2007	2006
	HK$'000	*HK$'000*
Short term employee benefits	**13,095**	9,264
Post-employment benefits	**582**	470
	13,677	9,734

Further details of directors' emoluments are included in note 8 to the financial statements.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and overdrafts, convertible bonds and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Cash flow interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's borrowings with a floating interest rate. The interest rates and terms of repayment of the Group's borrowings are disclosed in note 25 to the financial statements. The Group's policy is to obtain the most favourable interest rates available for its borrowings. Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Foreign currency risk

The monetary assets and transactions of several subsidiaries of the Group are principally denominated in RMB and Canadian dollars, which expose the Group to foreign currency risk. The Group currently has no particular hedging vehicles to hedge its exposure to foreign currency risk profile. It is the Group's policy to monitor foreign exchange exposure and to make use of appropriate hedging measures when required.

Credit risk

The Group trades only with recognised and creditworthy third parties with a diversified range, except for the sales of properties, for which no credit is given to the customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the other financial assets of the Group, which comprise cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. The Group's credit risk exposure spreads over a number of counterparties and customers, and thus there is no significant concentration of credit risk.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings and other fund raising exercises. The Group will consistently maintain a prudent financing policy and ensure that it maintains sufficient cash and credit lines to meet its liquidity requirements.

39. POST BALANCE SHEET EVENT

On 11 May 2007, a wholly-owned subsidiary of the Group, Cheerworld Group Limited, as purchaser, entered into a sale and purchase agreement with Enhancement Investments Limited ("Enhancement"), Galantine Management Limited and Sharp-View Group Inc, as vendors, for the acquisition of the entire issued share capital of Unity Wise International Limited and the assignment of related shareholders' loans to the Group at an aggregate cash consideration of HK$90,000,000. On the same date, Cheerworld Group Limited, as purchaser, entered into another sale and purchase agreement with Enhancement, as vendor, for the acquisition of 50% of the issued share capital of Ample Joy International Limited and the assignment of related shareholder's loan to the Group at an aggregate cash consideration of HK$12,000,000. Both acquisitions constituted discloseable and connected transactions to the Company under the Listing Rules as Enhancement is a connected person of the Company under the Listing Rules by virtue of the fact that it is a company controlled by James Sai-Wing Wong, a director and substantial shareholder of the Company. These two acquisitions were completed on 4 July 2007.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 12 July 2007.

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

	Year ended 31 March				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
REVENUE	**392,218**	1,059,427	176,212	330,727	473,877
PROFIT/(LOSS) FOR THE YEAR	**105,437**	584,646	230,300	134,467	(480,790)
Profit/(loss) attributable to:					
Equity holders of the Company	**101,401**	519,754	229,616	134,415	(479,144)
Minority interests	**4,036**	64,892	684	52	(1,646)
	105,437	584,646	230,300	134,467	(480,790)

	As at 31 March				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS, LIABILITIES AND MINORITY INTERESTS					
TOTAL ASSETS	**5,489,632**	5,076,311	3,577,967	3,048,978	2,300,151
TOTAL LIABILITIES	**(2,759,273)**	(2,727,994)	(1,881,829)	(1,762,563)	(1,474,689)
MINORITY INTERESTS	**(131,283)**	(293,487)	(153,961)	(22,682)	(15,709)
	2,599,076	2,054,830	1,542,177	1,263,733	809,753

GROUP I — PROPERTIES HELD FOR DEVELOPMENT

Location	Use	Site area *(sq.ft.)*	Gross floor area *(sq.ft.)*	Development progress (up to 12 July 2007)	Estimated completion date	Attributable interest of the Group *(%)*
MAINLAND CHINA						
1. Dali District Nanhai Guangdong Province	Low density residential	2,668,340	2,668,340	Phase I – Design development in progress Phase II – Planning stage	— —	50 50
2. Liwan District Guangzhou Guangdong Province	Commercial/ Residential	50,841	434,801	Design development in progress	—	50
3. Dong Guan Zhuan Dongguanzhuan Road Tianhe District Guangzhou Guangdong Province	Residential	1,041,267	2,881,255	Planning stage	—	75
4. Long Dong Cun Guangshan Road Western Tianhe District Guangzhou Guangdong Province	Residential	1,224,445	2,448,890	Phase I – Superstructure work in progress Phase II – Planning stage	6/2008 —	60 60
5. 17–43 Beijing Nan Road Yuexiu District Guangzhou Guangdong Province	Commercial/ Residential	26,373	366,669	Renovation in progress	6/2008	97
6. 67–107 Beijing Nan Road Yuexiu District Guangzhou Guangdong Province	Commercial	29,924	489,074	Planning stage	—	100
7. Junction of Shennanzhong Road and Fuming Road Futian District Shenzhen Guangdong Province	Commercial/ Residential	84,411	1,377,280	Planning stage	—	100

GROUP I — PROPERTIES HELD FOR DEVELOPMENT *(Continued)*

Location	Use	Site area *(sq.ft.)*	Gross floor area *(sq.ft.)*	Development progress (up to 12 July 2007)	Estimated completion date	Attributable interest of the Group *(%)*
CANADA						
8. South – West Corner of Bay Street and Dundas Street West Toronto Ontario (Phase I – One City Hall)	Mainly condominium development with shops and carparks	37,979	422,724	– Construction works substantially completed – Building amenities works in progress	9/2007	75
9. South – West Corner of Bay Street and Dundas Street West Toronto Ontario (Phase II)	Mainly condominium development with commercial and carparks	36,545	262,523	Planning stage	—	50

GROUP II — COMPLETED PROPERTIES

Location	Use	Remaining unsold units	Gross floor area *(sq.ft.)*	Car parking spaces	Attributable interest of the Group *(%)*
HONG KONG					
10. Le Village (駿愉居) 49 Village Road Happy Valley Hong Kong	Residential	2 units	2,246	2	50
11. Shun Cheong Building (順昌大廈) 20–34 Hau Wo Street Kennedy Town Hong Kong	Commercial	4 ground floor shops 2 floors of commercial units	10,953	—	100
12. Kent Place (金濤閣) 8 Yen Chow Street Shum Shui Po Kowloon	Commercial	2 ground floor shops	2,090	—	100
13. Kensington Plaza (金威廣場) 98 Parkes Street Jordan Kowloon	Commercial	9 ground floor shops	6,649	—	100
14. Fulham Court (順發居) 140–146 Castle Peak Road Cheung Sha Wan Kowloon	Commercial	1 floor of commercial units	4,726	—	100
15. A portfolio of residential units, mainly at Laguna City (麗港城) and Sky Tower (傲雲峰)	Residential	86 units	59,520	2	100
MAINLAND CHINA					
16. City Square (城市天地廣場) Jiabin Road Luohu District Shenzhen Guangdong Province	Serviced apartments	64 units	39,722	—	100

GROUP III — PROPERTIES HELD FOR INVESTMENT

Location	Use	Gross floor area (sq.ft.)	No. of apartments	Ownership status	Attributable interest of the Group (%)
HONG KONG					
17. Hon Kwok Jordan Centre (漢國佐敦中心) 5, 7 & 7A Hillwood Road Tsim Sha Tsui Kowloon	Commercial/ Office	60,857	—	Medium term lease	100
18. The Bauhinia and Honwell Commercial Centre (寶軒及漢貿商業中心) 119–121 Connaught Road Central & 237–241 Des Voeux Road Central Hong Kong	Serviced apartments/ Commercial/ Office	122,823	112	Long term lease	100
19. Yien Yieh Commercial Building (鹽業商業大廈) 236–242 Des Voeux Road Central Hong Kong	Commercial/ Office	46,410	—	Long term lease	100
20. Hon Kwok TST Centre (漢國尖沙咀中心) 5–9 Observatory Court Tsim Sha Tsui Kowloon	Commercial/ Office	59,608	—	Medium term lease	100
MAINLAND CHINA					
21. City Square (城市天地廣場) Jiabin Road Luohu District Shenzhen Guangdong Province	Commercial podium	218,515	—	Medium term lease	100

GROUP IV — CARPARKS HELD FOR INVESTMENT

Location	Car parking spaces	Ownership status	Attributable interest of the Group (%)
HONG KONG			
22. Provident Centre (和富中心) 21–53 Wharf Road North Point Hong Kong	336	Long term lease	100
23. Lido Garden (麗都花園) 41–63 Castle Peak Road Sham Tseng Tsuen Wan New Territories	115	Medium term lease	100
24. Shining Court (順寧居) 439 Shun Ning Road Cheung Sha Wan Kowloon	26	Medium term lease	100