ORIENT RESOURCES
Group Company Limited
東潤拓展集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(於開曼群島註冊成立及於百慕達存續之有限公司)

ANNUAL REPORT
年報 2007

股份代號 Stock Code : 0467

Contents

Corporate Information

Directors

Executive Directors

Zhang Hongwei *(Chairman)*
Zhu Jun
Zhang Meiying

Independent Non-Executive Director

Chau Siu Wai
San Fung
Zhu Chengwu

Company Secretary

Ngan Chui Wan

Principal Office

Unit 2112, 21/F.,
Two Pacific Place
88 Queensway,
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Bankers

Wing Hang Bank Limited
Hong Kong and Shanghai Banking Corporation Ltd.

Legal Adviser in Hong Kong

Dibb Lupton Alsop

Auditors

RSM Nelson Wheeler
7th Floor, Allied Kajima Building
138 Gloucester Road,
Hong Kong

Hong Kong Branch Share Registrar and Transfer Office

Secretaries Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Chairman's Report

Following the strong recovery of Hong Kong's economic and the continuing economic growth in the PRC, it has marked a breakthrough year of the Group's Development.

During the year, the Group has successfully entered into the real estate market in the Mainland China by obtaining the right of development in respect of a large-scale commercial logistics park located in the urban area of Shenyang through an acquisition (the "Project"). To stablize the real estate development to be our core business, the Group is not only considering the opportunities of new property projects in Shenyang area but also seeking potential projects in other locations of PRC which will in turn make the group to be one of the major participants in the commercial real estate sector in the Mainland China.

By considering the raising pressure for additional capital after the acquisition, the Group decided to enter into a cooperation agreement with Beijing Glory Real Estate Co Ltd ("Beijing Glory") whereas it has very rich experiences in real estate development business in Mainland China. Meanwhile, Beijing Glory agreed to inject RMB1,000 million (equivalent to approximately HK$1,010 million) for developing the Shenyang Project.

Business Review

Rental Property

In Hong Kong

During the financial year, the Group had completed the disposal of the property located in Hong Kong in order to realize its long-term investment when the property market in Hong Kong was at a boom. The disposal could reduce the Group's borrowing and future interest expenses and further improve its financial position and the working capital condition.

In Shenyang

In 2006, in order to prevent the price overheating of property market, the PRC government promulgated some macroeconomic control measures. However, the market still observed continuing rapid increase of property prices in some major cities such as Beijing and Shenzheng.

Consequently, the Group still generated a stable annual income of RMB9,144,600 (equivalent to approximately HK$9,237,000) from rental and property management of a commercial building located in Shenyang this year.

Property Investment Business in Shenyang

The Group holds parcels of land in Shenyang with total site area of 328,862.8 square metres for development ("Shenyang Project"). The Group intends to develop and to build large shopping malls, supermarkets, offices, hotels, service apartment on this site. In July 2006, the Group entered into a corporation agreement with Beijing Glory whereas Beijing Glory agreed to inject not less than RMB1,000 million (equivalent to approximately HK$1,010 million) to develop the land in Shenyang.

Wholesale Trading of Household Building Materials Business in Shenyang

The trading of household building materials in Shenyang is on indent basis. In the past year, the wholesale business contributed about HK$3.08 million in the turnover, showing a significant decrease as compared to HK$224.08 million from the previous year. The reason for such decrease is because the Group has ceased to conduct trading with the connected persons of the Group. Though the turnover of the wholesale business dropped significantly during the year, there will not be any significant impact on the Group because its profit margin was only about 0.97%.

Financial Position

The Group has a healthy financial position throughout this year. The total bank borrowings of the Group amounted to HK$303 million (2006: HK$305 million) and are wholly repayable within one year. The Group's borrowings were denominated in Renminbi.

On 26th July, 2006, the Group entered into a cooperation agreement ("Agreement") with Beijing Glory for development of the parcels of land in Shenyang. According to the Agreement, the Group will contribute no further capital towards the Shenyang Projects while Beijing Glory will be responsible for all additional capital required, its make the Group eased from the pressure for raising fund to develop the land in Shenyang.

On 6th June, 2006, the Company has raised a net capital fund of approximately HK$168 million by placing 1,699,998,000 ordinary shares at HK$0.1 per share. The placing of new shares has further improved the financial position of the Group.

As at 31st March, 2007, the investment properties of the Group were valued at RMB160 million (equivalent to approximately HK$162 million).

As at 31st March, 2007, all of the Group's trade receivables was aged within 90 days. The collection procedures by the Group ensure sufficient cash inflow to meet the needs of daily operations.

During this accounting year, the Group has not repurchased or sold listed shares of the Group.

The Audit Committee of the Group has reviewed the audited consolidated financial statement for the year ended 31st March, 2007 and discussed with management the accounting principles and practices adopted by the Group as well as internal control and financial reporting matters.

Business and Prospects

Upon completion of the acquisition of Grand Hope Group on 6th June, 2006, the principal activities of the Group was engaged in a large-scale commercial real estate development and property investment in Shenyang, the PRC. It has marked the Group's actual entry into the real estate market of the Mainland China. The directors hold a positive view regarding the prospect of the property market in Shenyang and the PRC. The directors believe that the acquisition is in the interest of the Company and its shareholder as a whole.

On 26th July, 2006, the Group has entered into a cooperation agreement with Beijing Glory on the development of Shenyang Project. Base on the agreement, the Group will not need to contribute further capital on the project which will in turn bring positive return to the Group. This will reserve more fund to the Group for other potential investments.

On 30th March, 2007, the Group completed the disposal of the property located in Hong Kong. The disposal has reduced the Group's borrowing and interest expenses and improved its financial position and the working capital condition. With the stable property letting and management business in the PRC, the disposal will not affect the Group's turnover substantially. Nevertheless, the directors are of the view that the turnover of the Group will be further expanded by Shenyang development project.

Appreciation

On behalf of the Board, I would like to express our sincere gratitude to all shareholders, business partners and staff for their continuous support and their confidence in the Company's future.

Zhang Hongwei
Chairman

30th July, 2007

Management Discussion and Analysis

Results

During the year under reviewed, the Group recorded a turnover of approximately HK$16 million and a profit attributable to equity holders of the Company of approximately HK$18 million, as compared with a turnover of approximately HK$236 million and a profit attributable to equity holders of the Company of approximately HK$6 million recorded in last year.

Segment Information

Particulars of the Group's segment information are set out in note 9 to the financial statements.

Financial Review

Liquidity and Capital Structure

The Group continued to be in a strong financial position for the year under review with cash and cash equivalents amounting to HK$355 million as at 31st March, 2007.

As at 31st March, 2007, the total bank borrowings of the Group amounted to HK$303 million (2006: HK$305 million) and are wholly repayable within one year. The Group's borrowings were denominated in Renminbi.

Upon signing the cooperation agreement with Bejing Glory on 26th July, 2006 for the development of the parcels of land in Shenyang, the Group has been ceased from the pressure for raising fund to develop the land in Shenyang because, according to the cooperation agreement, the Group will contribute no further funds towards the Shenyang Projects while Bejing Glory will be responsible for all additional funding required, which will not be less than RMB1,000 million (equivalent to approximately HK$1,010 million), to develop the remaining parts and the overall management of the Shenyang Project, except the financial and accounting function which will be managed jointly by the Group and Bejing Glory. Bejing Glory will also the responsible for the repayment of the principal and interest of RMB300 million (equivalent to approximately HK$303 million) of banking borrowing and RMB60 million (equivalent to approximately HK$60.6 million) of corporate borrowing.

The Group had no long-term borrowings, therefore the gearing ratio is not applicable. The current ratio was 2.20, based on current assets of approximately HK$819 million and current liabilities of approximately HK$373 million.

Investment

During the year, the Group holds parcels of land in Shenyang with total site area of 328,862.8 square metres and an estimate gross floor area of approximately 568,100 square metres. The Group intends to develop the land for sale and leasing purpose.

In 2006, the government of PRC further enhanced its macro economic austerity measures. It was effective in stabilizing the real estate market in China, and has provided a good foundation for the continuous and healthy development of the real estate market. Based on our positive view of China's long-term real estate market, the Group will proactively seek for potential projects in other locations of PRC which will expand our real estate development business.

Orders

Due to the Group's business nature, as at 31st March, 2007, the Group did not have order record.

Employees

At as 31st March, 2007, the Group employed a total of 40 full time employees in Hong Kong and PRC.

Employees' remuneration package was reviewed periodically and determined with reference to the performance of the individual and the prevailing market practices. Remuneration package included basis salaries, year end bonus, medical and contributory provident fund.

Contingent Liabilities

The Group had no significant contingent liabilities as at 31st March, 2007.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's transaction was mainly denominated in Hong Kong Dollars and Renminbi. As the exchange rate between the two currencies is relatively stable, the exposure to fluctuations in the exchange rate of the currencies is minimal. Accordingly, no hedge on the currencies was made during the period under review.

Major Customers and Suppliers

Of the Group's total turnover of the year, the largest and five largest customers represented approximately 57.97% and 80.85% of the total turnover respectively.

For the year, the five largest suppliers of the Group accounted for 100% due to only five major suppliers.

Save for the connected transaction disclosed on page 65 of the annual report, none of the Company's directors, their associates or any shareholders of the Company (who, to the knowledge of the Company's directors, hold more than 5% of the Company's shares in issue) had any beneficial interest in any of the Group's five largest customers and major supplier.

Corporate Governance Report

Sound corporate governance practices are crucial to the smooth, effective and transparent operation of a company and its ability to attract investment, protect rights of shareholders and stakeholders, and enhance shareholder value. Orient Resources Group Company Limited (the "Company") is committed to maintain good corporate governance standard and procedures to ensure the integrity, transparency, open and accountable to our shareholders.

Corporate Governance Practices

The Company has applied the principles and complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31st March, 2007 except that:

1. The Code A.2.1 — the company does not have the post of chief executive officer; and

2. The Code A.4.1 — the independent non-executive Directors have not been appointed for any specific terms as they are subject to retirement by rotation at least once every three years in accordance with the Company's Bye-laws.

As mention in the Corporate Governance Report (the "CG Report") contained in the 2006 Annual Report that although the Company does not separate the duties between the chairman and chief executive officer, the executive function of the Company is performed by the executive directors and management of the Company. Thus, significant decision of the Company is made by the Board. The Board considers that such structure will not affect the balance of power and authority between the chairman and the executive directors.

Code provision A.4.1 of the Code provides that non-executive Directors should be appointed for a specific term, subject to re-election. As mention in the CG Report contained in the 2006 Annual Report that none of the non-executive Directors has entered into any service contracts with the Company or its subsidiaries. In view of the fact that the non-executive Directors are subject to retirement by rotation at least once every three years though they have no set term of office, the Board considers that the quality of good corporate governance will not be impaired.

Model Code for Securities Transactions by Directors

The Group has adopted the code of conduct with respect to the dealings in securities of the Company by the Directors as set out in Appendix 10 of the Listing Rules (the "Model Code").

Having made specific enquiry with all Directors, each of whom has confirmed compliance with the required standard set out in the Model Code during the year ended 31st March, 2007.

Board of Directors

Composition

The Board of Directors (the "Board") of the Company comprises 6 members. Mr. Zhang Hongwei acts as the Chairman of the Board. The other executive Directors are Mr. Zhu Jun and Ms Zhang Meiying. The Company has three independent non-executive Directors, Mr. Chau Siu Wai, Mr. San Fung and Mr. Zhu Chengwu, one of whom namely, Mr. Zhu Chengwu has appropriate professional accounting experience and expertise.

All directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director are disclosed on pages 17 to 18 of this Annual Report.

Each independent non-executive Director has pursuant to the Rule 3.13 of the Listing Rules, confirmed that he is independent of the Company and the Company also considers that they are independent.

Save as the family relationship between Mr. Zhang Hongwei, chairman of the Board, and Ms Zhang Meiying, executive director and daughter of the chairman, there are no relationships among members of the board. Except for the above, the Board considers that all directors are free from any relationship that interfere the exercise of individual independent judgment.

Function

The Board, led by the Chairman, is responsible for formulation and approval of the Group's development and business strategies, key operational proposals, financial control procedures, material acquisition and disposal of investments, major funding decisions, financial announcements, annual reports, share issuance/repurchase, nomination of directors, appointment of key management personnel, related party transactions, remuneration to directors and key management and other significant transactions in accordance with the rules governing the meeting of the Board, Bye-laws and rules governing the meeting of shareholders.

The executive Directors are responsible for day-to-day management of the Company's operations. These executive Directors conduct regular meetings with the senior management of the Company, its subsidiaries and associated companies, at which operational issues and financial performance are evaluated.

The Bye-laws of the Company contain description of responsibilities and operation procedures of the Board. The Board holds regular meeting to discuss and consider significant matters relating to existing operations and proposals of new operations and projects. Board meetings formally hold at least 4 times a year.

The Chairman ensures that board meetings are being held whenever necessary. Though the Chairman is responsible to set the board meeting agenda, all board members are encouraged to participate to include matters in the agenda. The Board conducts meeting on a regular basis and extra meetings are convened when circumstances require. The Bye-Laws of the Company allow a board meeting to be conducted by way of a tele-conference.

There are thirteen meetings being held during the financial year ended 31st March, 2007 and attendance of individual directors are as follows:

	Board Meetings
Zhang Hongwei	12/13
Zhu Jun	13/13
Guan Guoliang *(noted 1)*	3/5
Wong Wing Ming *(noted 2)*	1/2
Zhang Meiying *(noted 3)*	10/11
Chau Siu Wai	13/13
San Fung	13/13
Zhu Chengwu	13/13

Notes:

1. *On 18th August, 2006, Mr. Guan Guoliang resigned as an executive Director.*

2. *On 30th June, 2006, Mr. Wong Wing Ming resigned as an executive Director.*

3. *On 19th June, 2006, Ms. Zhang Meiying was appointed as an executive director.*

Responsibilities

In the course of discharging their duties, the directors act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Their responsibilities include (1) regular board meetings focusing on business strategy, operational issues and financial performance; (2)monitoring the quality, timeliness, relevance and reliability of internal and external reporting; (3) monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in connected transaction; and (4) ensuing processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

Director's Responsibilities for the Financial Statement

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements of the Group and ensure that the financial statements are accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Delegation by the Board

The Board has established Board committees, namely Audit Committee and Remuneration Committee to overseas particular aspects of the Company's affairs and to assist in sharing the Board's responsibilities. All the Board committees have clear written terms of reference and have to report to the Board regularly on their decisions and recommendations. The day-to-day running of the Company, including implementation of the strategies and plans adopted by the Board and its committees, is delegated to the management with divisional heads responsible for different aspects of the business.

Audit Committee

The Company formulated written terms of reference for the Audit Committee in accordance with the requirements of the Listing Rules. The Audit Committee consists of the all independent non-executive Directors, namely Messrs. Chau Siu Wai, San Fung and Zhu Chengwu. It is chaired by Mr. Chau Siu Wai.

The Audit Committee reports directly to the Board and reviews the matters relating to the work of the external auditor, financial statements and internal controls. The Audit Committee meets with the Company's external auditor to ensure the objectivity and credibility of financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditors of the Company.

There are three audit committee meetings being held during the year ended 31st March, 2007. The individual attendance of each member is as follows:

Chau Siu Wai	3/3
San Fung	3/3
Zhu Chengwu	3/3

The members of Audit Committee have full access to and co-operation from the management and they have full discretion to invite any director or executive to attend the meeting. The Audit Committee has performed the following function during the year ended 31st March, 2007: (1) reviewed the annual audit plan of external auditors, their audit reports and matters incidental thereto; (2) the appointment of external auditors including the terms of engagement; (3) discussed the internal control issues; (4) examined the application of funds; (5) reviewed the interested party transactions; and (6) reviewed the periodic financial statements of the Company and made commendation to the Board for approval and evaluated the performance and independent of the external auditors.

Remuneration Committee

With effect from 17th July, 2006, a remuneration committee has been set up with written terms of reference to review the remuneration package, performance-based remuneration and termination compensation of directors and senior management of the Group. The remuneration committee comprises Mr. Zhu Chengwu, Mr. Chau Siu Wai and Ms Zhang Meiying. It is chaired by Mr. Zhu Chengwu.

The major responsibilities of the Remuneration Committee are to make recommendation to the Board on the Company's policy and structure for remuneration of Directors and senior management, to determine remuneration packages of all executive Directors and senior management including benefits in kind, pension rights and compensation payments. The Remuneration Committee takes into consideration on factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management.

The Remuneration Committee has its first formal meeting on 18th August, 2006 at which all committee members were present. At the meeting, the Remuneration Committee reviewed and discussed, *inter alia*, the remuneration policy for 2006 and also confirmed the remuneration of the Directors and senior management for 2006.

The Remuneration Committee held a meeting on 14th June, 2007 at which all committee members were present. At the meeting, the Remuneration Committee reviewed and discussed the remuneration policy for 2007, the remuneration package and bonus arrangements of the Directors and senior management for 2007.

Nomination of Directors

Although the Board has not established a nomination committee, as mentioned in the CG Report contained in the 2006 Annual Report, the function of nomination committee has been performed by the Board. To maintain high quality of the Board with a balance of skill and experience, the Board identifies individuals who fulfill criteria of the Company. When assessing the quality of the individual, the Board makes reference to his experience, qualification, integrity and other relevant factors.

With effect from 30th June, 2006, Mr. Wong Wing Ming resigned as an executive Director and Ms. Zhang Meiying was appointed as executive Director on 19th June, 2006. With effect from 18th August, 2006, Mr. Guan Guoliang resigned as an executive Director due to his retirement.

Responsibilities and Remuneration of External Auditors

The statement of the external auditors of the Company, Messrs. RSM Nelson Wheeler, Certified Public Accountants, about their reporting responsibilities on the financial statements of the Group is set out in the Report of Auditors on pages 19 to 20.

During the year, remuneration paid to the Company's auditors, Messrs RSM Nelson Wheeler, is as follows:

Services rendered:	**HK$**
— audit services	915,000
— non-audit service	Nil

Internal Control

The Board is responsible for maintaining an adequate system of internal controls within the Group and for reviewing their effectiveness. The system of internal controls is designed to facilitate effective and efficient operations, to safeguard assets and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. It is also designed to provide reasonable, but not absolute, assurance that material misstatement or loss can be avoided, and to manage and minimize risks of failure in operation systems. As mentioned in the CG Report contained in the 2006 Annual Report that the Company committed to implement a stricter and more regulated internal control procedures in the new financial year.

In the future, the Group will conduct regular review of the Group's internal control system and its effectiveness to ensure the interest of shareholders is safeguarded.

Communication with Shareholders

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include general meeting, annual report, various notices, announcements and circulars. The poll voting procedures and the rights of shareholders to demand a poll were included in all circulars accompanying notice convening general meeting and the details procedures for conducting a poll has been read out by the chairman at general meeting.

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. The Chairman, Directors, Board Committees' Chairman/Members and external auditor, where appropriate, are available to answer questions at the meeting.

Report of the Directors

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

Principal Activities

The Company acts as an investment holding company. The principal activity of its subsidiaries are set out in note 37 to the financial statements.

Results

The results of the Group for the year ended 31st March, 2007 are set out in the consolidated income statement on page 21 of the annual report.

Investment Properties

The Group's investment properties were revalued as at 31st March, 2007 on an open market value existing use basis. The net increase in fair value of investment properties, which has been credited directly to income statement, amounted to HK$2.02 million. Details of the movements during the year in investment properties of the Group are set in note 17 to the financial statements.

A particulars of the properties held by the Group at 31st March, 2007 is set out on page 68 of the annual report.

Directors and Directors' Service Contracts

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

Executive directors:

Zhang Hongwei — *Chairman*
Zhu Jun
Zhang Meiying

Independent non-executive directors:

Chau Siu Wai
San Fung
Zhu Chengwu

Pursuant to Bye-laws 87(1) and 87(2) of the Bye-laws, Mr. Zun Jun and Mr. San Fung shall retire by rotation and being eligible, will offer themselves for re-election at the Annual General Meeting.

There is no service contract entered into between the Company and the executive and independent non-executive directors and they are not appointed for a specific term. However, all directors are subject to retirement by rotation at least once every three years pursuant to the Bye-laws of the Company.

Share Option Scheme

The Company has adopted a share option scheme on 11th May, 2006 (the "Share Option Scheme"). As at 31st March, 2007, the Company has not granted any share option to any directors, chief executive and employees.

Directors' Interests in Shares

As at 31st March, 2007, the Directors and their associates had the following interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance (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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

Name of Director	Name of Company	Nature of interest	Number of Shares Long Position	Number of Shares Short Position	Approximate% shareholding
Zhang Hongwei	The Company	Attributable interest of controlled corporation	5,128,169,125	—	74.58 *(Note)*
Zhu Jun	The Company	Beneficial owner	1,443,000	—	0.02

Note: The entire issued share capital of He Fu International Limited is solely and beneficially owned by Mr. Zhang Hongwei, who is therefore deemed to be interested in the 5,128,169,125 Shares held by He Fu International Limited. Accordingly, the interest in the 5,128,169,125 Shares held by each of Mr. Zhang Hongwei and He Fu International Limited refers to the same parcel of Shares.

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

Substantial Shareholders

As at 31st March, 2007, the following persons or corporations, other than the Directors or chief executives of the Company as disclosed above, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Name of Company	Capacity and nature of interest	Number of Shares	Approximate % shareholding
He Fu International Limited	The Company	Beneficial owner	5,128,169,125	74.58 *(Note 1)*
Zhang Hongwei	The Company	Attributable interest of controlled corporation	5,128,169,125	74.58 *(Note 1)*

Note 1: Please refer to the Note provided under "Directors' Interests in Shares" above.

All the interests stated above represent long positions. As at 31st March, 2007, no short position were recorded in the register kept by the Company under Section 336 of the SFO.

Save as disclosed above, the Company has not been notified by any persons or corporations, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31st March, 2007.

Share Capital

Particulars of the Company's share capital are set out in note 30 to the financial statements.

Arrangements to Purchase Shares or Debentures

At no time during the year was the Company, its subsidiary or holding company, a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Directors' Interests in Contracts of Significance

No contracts of significance to which the Company, its subsidiaries or holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year of at any time during the year, except as announced.

Emolument Policy

The emolument policy of the employees of the Group is set up by the board of directors on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the board, having regard to the Company's operating results, individual performance and comparable market statistics.

Pre-Emptive Rights

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

Appointment of Independent Non-Executive Directors

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independent pursuant to Rule 3.13 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive Directors are independent.

Compliance with the Model Code of the Listing Rules

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31st March, 2007.

The Company has also established written guidelines regarding securities transaction on no less exacting terms of the Model Code for senior management and specific individual who may have access to price sensitive information in relation to the securities of the Company.

Corporate Governance

In the opinion of the Directors, the Company has complied throughout the year ended 31st March, 2007 with the Code on Corporate Governance Practices, except for code provisions A.2.1 and A.4.1 as set out in the Code of Corporate Governance Practices contained in Appendix 14 to the Listing Rules. Please refer to the Corporate Governance Report on pages 8 to 12 for details.

Details of the audit committee and remuneration committee are set out in the Corporate Governance Report.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31st March, 2007.

Purchase, Sale or Redemption of Shares

As at 31st March, 2007, the Company has not redeemed any of its shares nor any or its subsidiaries has purchased or sold any of the Company's shares during this year.

Post Balance Sheet Events

Details of significant events occurring after the balance sheet date are set out in note 38 to the financial statement.

Auditors

A resolution will be submitted to the annual general meeting of the Company to re-appoint the auditors, Messrs. RSM Nelson Wheeler.

On behalf of the Board

Zhang Hongwei
Chairman

Hong Kong, 30th July, 2007

Biography of Directors and Senior Management

Executive Directors

Mr. Zhang Hongwei, aged 52, joined the Company on 27th February, 1998, Mr. Zhang is the Chairman of the Group. Mr. Zhang is also the chairman and president of Orient Group Inc., a joint stock limited company established in Harbin. Besides, Mr. Zhang is the existing Deputy Chairman of China Minsheng Banking Corporation Ltd., a joint-stock bank listed on the Shanghai Exchange. Mr. Zhang has over 21 years of experience in management in the PRC. As at the date of this report, Mr. Zhang is beneficially interested in 5,128,169,125 shares of the Company, representing approximately 74.58% of the existing issued share capital of the Company, and is the controlling shareholder of the Company. Mr. Zhang is the father of Ms. Zhang Meiying, an executive director appointed on 19th June, 2006.

Mr. Zhu Jun, aged 42, joined the Company on 20th October, 2005 as an executive Director. He is currently an executive director of China Infrastructure Holdings Limited, the shares of which are listed on The Singapore Exchange Securities Trading Limited. After graduation from the Peking University with a bachelor degree and a master degree in economics, Mr. Zhu Jun has had over 16 years of experience in corporate finance, investment and management. As at the date of this report, Mr. Zhu Jun directly holds 1,443,000 shares of the Company, representing approximately 0.02% of the existing issued share capital of the Company.

Ms. Zhang Meiying, aged 29, joined the Company on 19th June, 2006 as an executive Director. Ms. Zhang previously worked in Citigroup Investment Banking Division (Hong Kong), China Minsheng Banking Corporation Limited and America Orient Group, Inc. and has 5 years of experience in banking and financial management. Ms. Zhang Meiying holds a BBA degree in Finance and International Business from the George Washington University, USA. Ms. Zhang has not held any directorship with other listed companies in the last 3 years. Ms. Zhang is the daughter of Mr. Zhang Hongwei, the Chairman, executive Director and controlling shareholder of the Company.

Independent Non-executive Directors

Mr. San Fung, aged 43, joined the Company on 9th November, 2004 as an independent non-executive Director. Mr. San Fung is a qualified accountant with China Construction Company Limited specialized in financial analysis in infrastructure project. He completed a course in Master of Business Administration from the International East-western University of the United States and has over 13 years of experience in accounting. Mr. San is currently the chairman of New Century Investment and Development Company.

Mr. Chau Siu Wai, aged 37, joined the Company on 9th November, 2004 as an independent non-executive Director. Mr. Chau is a university graduate with a bachelor degree in law. He further obtained a master degree in business administration from Murdoch University in Australia. Mr. Chau has more than 11 years of experience in financial reporting and investment analysis and is now a duty general manager of an investment company.

Mr. Zhu Chengwu, aged 37, joined the Company on 5th December, 2005 is an independent non-executive Director. He is currently the chief financial officer of the Shanghai head office of Everbright Securities Company Limited. After graduation from the Lanzhou Commercial College with a bachelor degree in finance, Mr. Zhu had held senior financial positions in several PRC companies including Shenzhen Techo Telecom Co., Ltd. (''Shenzhen Techo''), a PRC company whose shares are listed on the Shenzhen Stock Exchange. Mr. Zhu was the director and had assumed the role of the chief financial officer of Shenzhen Techo. Through his past experience, in particular, as the director of Shenzhen Techo, Mr. Zhu has gained much experience in (a) preparing and conducting review and internal audit of financial statements and reports; and (b) internal control and procedures for financial reporting in respect of public companies and possesses such knowledge, experience and expertise of an independent non-executive director as required under Rule 3.10(2) of the Listing Rules. Mr. Zhu Chengwu acquired the intermediate-level accountant certificate jointly issued by the Ministry of Finance and the Ministry of Personnel of the People's Republic of China on 30th May, 2000. Mr. Zhu is considered to be an independent non-executive director under Rule 3.13 of the Listing Rules.

Senior Management

Mr. Chen Rui Ai, aged 40, the general manager of Shenyang Dadongfang Group under the Group. Mr. Chen graduated from Zhengzhou Institute of Aeronautical Industry Management, specializing in accounting. Over the past 13 years, Mr. Chen has been worked in an investment company as manager.

Mr. Zhao En Tao, aged 44, the financial manager of Shenyang Dadongfang Group under the Group. Mr. Zhao graduated from Heilongjiang Institute of Commerce, majoring in corporate management. Mr. Zhao is a senior accountant in the PRC. Mr. Zhao has over 21 years of experience in accounting.

Independent Auditor's Report

For the year ended 31st March, 2007

RSM Nelson Wheeler
羅 申 美 會 計 師 行
Certified Public Accountants

To The Shareholders of Orient Resources Group Company Limited
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

We have audited the consolidated financial statements of Orient Resources Group Company Limited (the "Company") set out on pages 21 to 66, which comprise the consolidated balance sheet as at 31st March, 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the 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 (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda 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 HKICPA. 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 auditor's 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 auditor considers 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 consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st March, 2007 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

30th July, 2007

Consolidated Income Statement

For the Year ended 31st March, 2007

	Note	2007 HK$'000	2006 HK$'000 (Unaudited and restated)
Turnover	7	**15,933**	236,468
Cost of sales and service		**(5,314)**	(224,367)
Gross profit		**10,619**	12,101
Other income	8	**33,337**	20,917
Administrative expenses		**(19,758)**	(13,025)
Profit from operations	10	**24,198**	19,993
Finance costs	11	**(951)**	(718)
Profit before tax		**23,247**	19,275
Income tax expense	12	**(2,571)**	(7,879)
Profit for the year		**20,676**	11,396
Attributable to:			
Equity holders of the Company		**18,508**	6,419
Minority interests		**2,168**	4,977
		20,676	11,396
Earnings per share			
Basic	14	**0.28 cents**	0.12 cents
Diluted	14	**N/A**	N/A

Consolidated Balance Sheet

At 31st March, 2007

	Note	2007 HK$'000	2006 HK$'000 (Unaudited and restated)
Non-current assets			
Property, plant and equipment	16	**149,710**	137,147
Investment properties	17	**161,616**	172,523
		311,326	309,670
Current assets			
Properties under development	18	**367,480**	328,854
Trade and other receivables	20	**76,850**	760
Deposits paid for prepaid land lease payments	21	**13,398**	15,745
Due from a director	22	**5**	–
Due from a related company	23	**69**	–
Financial assets at fair value through profit or loss	24	**6,109**	–
Bank and cash balances	25	**355,158**	242,212
		819,069	587,571
Current liabilities			
Trade and other payables	26	**21,654**	13,302
Current tax liabilities		**573**	584
Due to directors	36(b)	**3,930**	12,454
Due to related companies	36(b)	**12,792**	23,288
Due to a minority shareholder	36(b)	**31,402**	–
Bank loans	27	**303,030**	1,473
		373,381	51,101
Net current assets		**445,688**	536,470
Total assets less current liabilities		**757,014**	846,140
Non-current liabilities			
Bank loans	27	**–**	303,648
Deferred tax liabilities	28	**29,020**	26,572
		29,020	330,220
NET ASSETS		**727,994**	515,920

Consolidated Balance Sheet (continued)

At 31st March, 2007

	Note	2007 HK$'000	2006 HK$'000 (Unaudited and restated)
Capital and reserves			
Share capital	*30*	**68,760**	51,760
Reserves	*31(a)*	**452,534**	268,234
Equity attributable to equity holders of the Company		**521,294**	319,994
Minority interests		**206,700**	195,926
TOTAL EQUITY		**727,994**	515,920

Approved by the Board of Directors on 30th July, 2007

Zhang Hongwei	**Zhu Jun**
Director	*Director*

Consolidated Statement of Changes in Equity

For the Year ended 31st March, 2007

	Attributable to equity holders of the Company										
	Share capital *(Note 30)* HK$'000	Share premium account *(Note 31(c))* HK$'000	Merger reserve *(Note 31(c))* HK$'000	Capital reserve *(Note 31(c))* HK$'000	Property revaluation reserve *(Note 31(c))* HK$'000	Foreign currency translation reserve HK$'000	Statutory reserve *(Note 31(c))* HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1st April, 2005, as previously reported	95,985	90,660	–	–	2,672	–	–	(200,304)	(10,987)	–	(10,987)
Effect on merger of equity interests in subsidiaries *(Note 3)*	50,800	2,235,200	(2,286,000)	155,580	–	–	8	31,088	186,676	76,660	263,336
At 1st April, 2005, as restated	146,785	2,325,860	(2,286,000)	155,580	2,672	–	8	(169,216)	175,689	76,660	252,349
Exchange differences arising on translation of foreign operations and net income recognised directly in equity	–	–	–	–	–	5,921	–	–	5,921	2,304	8,225
Profit for the year	–	–	–	–	–	–	–	6,419	6,419	4,977	11,396
Total recognised income and expense for the year	–	–	–	–	–	5,921	–	6,419	12,340	7,281	19,621
Consolidation of shares and reduction in capital *(note 30 (a))*	(95,025)	95,025	–	–	–	–	–	–	–	–	–
Capital contributed by a minority shareholder	–	–	–	131,965	–	–	–	–	131,965	111,985	243,950
Transfer	–	–	–	–	–	–	514	(514)	–	–	–
	(95,025)	95,025	–	131,965	–	–	514	(514)	131,965	111,985	243,950
At 31st March, 2006 (unaudited and restated)	51,760	2,420,885	(2,286,000)	287,545	2,672	5,921	522	(163,311)	319,994	195,926	515,920
At 1st April, 2006, as previously reported	960	185,685	–	–	2,672	–	–	(205,556)	(16,239)	–	(16,239)
Effect on merger of equity interests in subsidiaries *(Note 3)*	50,800	2,235,200	(2,286,000)	287,545	–	5,921	522	42,245	336,233	195,926	532,159
At 1st April, 2006, as restated	51,760	2,420,885	(2,286,000)	287,545	2,672	5,921	522	(163,311)	319,994	195,926	515,920
Share issue expenses paid	–	(1,716)	–	–	–	–	–	–	(1,716)	–	(1,716)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	14,508	–	–	14,508	8,606	23,114
Net income and expenses recognised directly in equity	–	(1,716)	–	–	–	14,508	–	–	12,792	8,606	21,398
Profit for the year	–	–	–	–	–	–	–	18,508	18,508	2,168	20,676
Total recognised income and expense for the year	–	(1,716)	–	–	–	14,508	–	18,508	31,300	10,774	42,074
Issue of shares on placement	17,000	153,000	–	–	–	–	–	–	170,000	–	170,000
Realised on disposal of property	–	–	–	–	(2,672)	–	–	2,672	–	–	–
Transfer	–	–	–	–	–	–	307	(307)	–	–	–
	17,000	153,000	–	–	(2,672)	–	307	2,365	170,000	–	170,000
At 31st March, 2007	68,760	2,572,169	(2,286,000)	287,545	–	20,429	829	(142,438)	521,294	206,700	727,994

Consolidated Cash Flow Statement

For the Year ended 31st March, 2007

	2007 HK$'000	2006 HK$'000 (Unaudited and restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**23,247**	19,275
Adjustments for:		
Depreciation	**661**	66
Interest income	**(6,887)**	(472)
Interest expenses	**951**	718
Fair value gain on investment properties	**(2,020)**	(20,129)
Gain on disposals of financial assets at fair value through profit or loss	**(8,896)**	–
Gain on disposals of property and investment properties	**(12,788)**	–
Operating loss before working capital changes	**(5,732)**	(542)
Additions to properties under development	**(21,312)**	(49,870)
(Increase)/decrease in trade and other receivables	**(1,803)**	6,777
Increase in amount due from a director	**(5)**	–
Increase in amount due from a related company	**(69)**	–
Increase/(decrease) in trade and other payables	**7,924**	(6,158)
(Decrease)/increase in amounts due to directors	**(8,524)**	884
Decrease in amounts due to related companies	**(11,028)**	(242,224)
Increase in amount due to a minority shareholder	**31,402**	–
Cash used in operations	**(9,147)**	(291,133)
Interest paid	**(951)**	(718)
Income tax paid	**(1,314)**	(1,208)
Net cash used in operating activities	**(11,412)**	(293,059)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan granted to an unrelated company	**(73,000)**	–
Net proceeds from disposal of property and investment properties	**32,771**	–
Purchase of financial assets at fair value through profit or loss	**(72,386)**	–
Sales of financial assets at fair value through profit or loss	**75,173**	–
Purchases of property, plant and equipment	**(7,698)**	(5,537)
Interest received	**5,608**	472
Net cash used in investing activities	**(39,532)**	(5,065)

Consolidated Cash Flow Statement (continued)

For the Year ended 31st March, 2007

	2007 HK$'000	2006 HK$'000 (Unaudited and restated)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**170,000**	–
Share issue expenses paid	**(1,716)**	–
Repayment of bank loans	**(14,706)**	(1,142)
Bank loans raised	**–**	289,361
Capital injection from a minority shareholder of a subsidiary	**–**	243,950
Net cash generated from financing activities	**153,578**	532,169
NET INCREASE IN CASH AND CASH EQUIVALENTS	**102,634**	234,045
Effect of foreign exchange rate changes	**10,312**	4,691
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**242,212**	3,476
CASH AND CASH EQUIVALENTS AT 31ST MARCH	**355,158**	242,212
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**355,158**	242,212

Notes to the Financial Statements

For the Year ended 31st March, 2007

1. General Information

The Company was incorporated in the Cayman Islands and redomiciled to Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business is Unit 2112, 21/F, Two Pacific Place, 88 Queensway, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 37 to the financial statements.

In the opinion of the directors of the Company, as at 31st March, 2007, He Fu International Limited ("He Fu"), a company incorporated in the British Virgin Islands, is the immediate and ultimate parent and Mr. Zhang Hong Wei is the ultimate controlling party of the Company.

2. Adoption of New and Revised HKFRSs

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for accounting periods beginning on or after 1st January, 2006. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The directors anticipate that the adoption of these new and revised HKFRSs in future periods will not have material impact on the financial statements of the Group.

3. Basis of Preparation

Pursuant to the sale and purchase agreement dated 22nd September, 2005, the Company issued 5,080,000,000 shares at par value of HK$0.01 each as consideration to acquire Grand Hope Group Limited ("Grand Hope") and its subsidiaries ("Grand Hope Group") from He Fu (the "Acquisition"). The Acquisition was a very substantial acquisition pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Details of the Acquisition were set out in the Company's circular dated 31st March, 2006. The Acquisition was completed on 6th June, 2006.

Grand Hope Group is principally engaged in the investment holding, property development and investment and wholesale of household building materials.

As the Company and Grand Hope Group were both ultimately controlled by He Fu before and after the Acquisition, the Acquisition was accounted for as a combination of entities under common control. The financial statements of the Group have been prepared based on the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA, as if the Acquisition had occurred from the date when the combining entities first came under the control of He Fu. Comparative figures have been restated accordingly.

4. Significant Accounting Policies

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets at fair value through profit or loss which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires management to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st March. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Inter-company transactions, balances and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

4. Significant Accounting Policies (continued)

(b) Merger Accounting for Common Control Combinations

The consolidated financial statements incorporate the financial statements of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

An uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation.

(c) Joint Venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over the economic activity when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

In respect of interests in jointly controlled operations, the Group recognises in its financial statements, the assets that it controls and the liabilities that it incurs; and the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture.

(d) Foreign Currency Translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the consolidated income statement.

4. Significant Accounting Policies (continued)

(d) Foreign Currency Translation (continued)

(ii) Transactions and balances in each entity's financial statements (continued)

Translation differences on non-monetary items, such as equity instruments classified as financial assets at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

- All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

(e) Investment Properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are included in the consolidated income statement for the period in which they arise.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated income statement.

If an investment property becomes owner-occupied or a property held for sale, it is reclassified as property, plant and equipment or properties held for sale as appropriate, and its fair value at the date of reclassification becomes its cost for accounting purposes.

4. Significant Accounting Policies (continued)

(e) Investment Properties (continued)

Property that is being constructed or developed for future use as investment property is classified as investment properties under construction in property, plant and equipment and stated at cost less impairment losses until construction or development is completed, at which time it is reclassified as an investment property at fair value. The difference between the fair value and the previous carrying amount is recognised in the consolidated income statement.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in the consolidated income statement.

(f) Property, Plant and Equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the consolidated income statement during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal residual values and annual depreciation rates are as follows:

	Residual values	Annual depreciation rate
Property	–	Over the remaining unexpired terms of the leases or forty years, whichever is the shorter
Leasehold improvements	–	33.3%
Motor vehicles	0%–3%	12.5%
Furniture, fixtures and equipment	0%–3%	20%

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

Investment properties under construction represents properties being constructed or developed for future use as investment properties, and is stated at cost less impairment losses.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statement.

4. Significant Accounting Policies (continued)

(g) Properties Under Development

Properties under development are stated at the lower of cost and net realisable value. Costs include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the balance sheet date less selling expenses, or by management estimates based on prevailing market condition. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

(h) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss are either investments held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in the consolidated income statement.

(i) Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the consolidated income statement.

Impairment losses are reversed in subsequent periods and recognised in the consolidated income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(j) Cash and Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

4. Significant Accounting Policies (continued)

(k) Financial Liabilities and Equity Instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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

(m) Trade and Other Payables

Trade and other payables are stated initially at their fair value and 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.

(n) Equity Instruments

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

(o) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Rental income is recognised on a straight-line basis over the lease term.

Property management service fee income is recognised when the services are rendered.

Revenues from the wholesale of household building materials are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

4. Significant Accounting Policies (continued)

(p) Employee Benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the consolidated income statement represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(q) Borrowing Costs

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

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in consolidated income statement in the period in which they are incurred.

(r) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

4. Significant Accounting Policies (continued)

(r) Taxation (continued)

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

(s) Related Parties

A party is related to the Group if:

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

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

4. Significant Accounting Policies (continued)

(s) Related Parties (continued)

(vi) 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 (iv) or (v); or

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

(t) Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, investment properties, properties under development, trade and other receivables, deposits paid for prepaid land lease payments and bank and cash balances. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on terms mutually agreed between the segments.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

(u) Impairment of Assets

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

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

4. Significant Accounting Policies (continued)

(u) Impairment of Assets (continued)

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

(v) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) The Group as lessee

Lease payments (net of any incentives received from the lessor) are expensed in the consolidated income statement on a straight-line basis over the lease term.

(ii) The Group as lessor

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

(w) Provisions and Contingent Liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

4. Significant Accounting Policies (continued)

(x) Events After the Balance Sheet Date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

5. Critical Judgement and Key Estimates

Critical Judgements in Applying Accounting Policies

In the process of applying the accounting policies, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimation, which are dealt with below).

(a) Distinction between investment properties, properties under development and property, plant and equipment

The Group determines whether a properties qualifies as investment properties, properties under development or property, plant and equipment. In making its judgement, the Group has developed criteria to exercise judgement for the classification.

Investment properties are held to earn rentals or for capital appreciation or both while properties under development are intended for development and resale within the normal operating cycle. Properties that are being constructed or developed for future use as investment properties are classified as investment properties under construction in property, plant and equipment.

Key Sources of 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.

(a) Estimate of fair value of investment properties and net realisable value of properties under development

The directors of the Company appointed an independent professional valuer to assess the fair value of the investment properties and the net realisable value of the properties under development. In determining the fair value and the net realisable value, the valuer has utilised a method of valuation which involves certain estimates. The directors of the Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

(b) Income tax

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many 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 the income tax and deferred tax provisions in the periods in which such determination is made.

6. Financial Risk Management

The Group's activities expose it to a variety of financial risks: interest rate risk, liquidity risk, credit risk, price risk and foreign currency risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Interest Rate Risk

The Group's exposure to changes in interest rates is mainly attributable to its bank balances and bank loans. Bank balances and bank loans at variable rates expose the Group to cash flow interest-rate risk.

The Group's has not used any interest rate swaps to hedge its exposure to interest rate risk.

(b) Liquidity Risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

(c) Credit Risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales and advances are made to customers and third parties with an appropriate credit history.

The carrying amount of the trade and other receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

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

(d) Price Risk

The Group's financial assets at fair value through profit or loss are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

(e) Foreign Currency Risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi ("RMB"). Nevertheless, the exchange rate of RMB to Hong Kong dollars is subject to rules and regulations of foreign exchange control promulgated by the PRC government. The Group currently does not have a foreign currency hedging policy in respect of foreign currency debt. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(f) Fair Value

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

7. Turnover

The Group's turnover which represents rental income, property management service fee income and wholesale of household building materials are as follows:

	2007 **HK$'000**	2006 HK$'000 (Unaudited and restated)
Rental income	**9,491**	9,227
Property management service fee income	**3,359**	3,158
Wholesale of household building materials	**3,083**	224,083
	15,933	236,468

8. Other Income

	2007 **HK$'000**	2006 HK$'000 (Unaudited and restated)
Fair value gain on investment properties	**2,020**	20,129
Gain on disposals of property and investment properties	**12,788**	—
Gain on disposals of financial assets at fair value through profit or loss	**8,896**	—
Interest income	**6,887**	472
Others	**2,746**	316
	33,337	20,917

9. Segment Information

(a) Primary Reporting Format — Business Segments

The Group is organised into three main business segments:

Property development	—	The property development segment engages in development of commercial properties for sales;
Property investment	—	The property investment segment invests in commercial properties for their rental income, property management service fee and value appreciation potential;
Wholesale of household building materials	—	The wholesale of household building materials segment engages in trading of household building materials on indent basis.

(b) Secondary Reporting Format — Geographical Segments

More than 90% of the Group's turnover and operating profit is earned within the PRC and all major operating assets of the Group are located in the PRC. Therefore, no geographical segment is presented.

9. Segment Information (continued)

Primary Reporting Format — Business Segments:

	Property development HK$'000	Property investment HK$'000	Wholesale of household building materials HK$'000	Consolidated HK$'000
Year ended 31st March, 2007				
Total revenue	—	12,850	3,083	15,933
Segment results before fair value gain on investment properties and gain on disposals of property and investment properties	(5,568)	7,131	(365)	1,198
Gain on disposals of property and investment properties	—	12,788	—	12,788
Fair value gain on investment properties	—	2,020	—	2,020
Segment results	(5,568)	21,939	(365)	16,006
Other income				18,529
Unallocated expenses				(10,337)
Profit from operations				24,198
Finance costs				(951)
Profit before tax				23,247
At 31st March, 2007				
Segment assets	544,537	189,744	245,916	980,197
Unallocated assets				150,198
Total assets				1,130,395
Segment liabilities	18,196	1,202	107	19,505
Unallocated liabilities				382,896
Total liabilities				402,401
Other segment information:				
Capital expenditure	5,755	1,943	—	7,698
Depreciation	76	582	3	661

9. Segment Information (continued)

	Property development HK$'000 (Unaudited and restated)	Property investment HK$'000 (Unaudited and restated)	Wholesale of household building materials HK$'000 (Unaudited and restated)	Consolidated HK$'000 (Unaudited and restated)
Year ended 31st March, 2006				
Total revenue	–	12,385	224,083	236,468
Segment results before fair value gain on investment properties	(3,380)	7,839	1,011	5,470
Fair value gain on investment properties	–	20,129	–	20,129
Segment results	(3,380)	27,968	1,011	25,599
Other income				788
Unallocated expenses				(6,394)
Profit from operations				19,993
Finance costs				(718)
Profit before tax				19,275
At 31st March, 2006				
Segment assets	486,068	177,429	231,250	894,747
Unallocated assets				2,494
Total assets				897,241
Segment liabilities	9,665	1,137	170	10,972
Unallocated liabilities				370,349
Total liabilities				381,321
Other segment information:				
Capital expenditure	5,523	1	13	5,537
Depreciation	41	23	2	66

10. Profit from Operations

Profit from operations is arrived at after charging the following:

	2007 HK$'000	2006 HK$'000 (Unaudited and restated)
Auditors' remuneration		
— Current	915	888
— Underprovision in prior year	214	9
	1,129	897
Depreciation	661	66
Directors' emoluments *(Note 13)*	2,934	2,170
Operating lease rentals paid in respect of rented premises *(Note)*	1,204	33
Staff costs including directors' emoluments		
Salaries, bonuses and allowances *(Note)*	5,208	4,195
Retirement benefits scheme contributions	267	472
Direct operating expenses of investment properties that generate rental income (include in cost of sales and service in consolidated income statement)	2,264	2,326

Note: The amount includes the accommodation benefits provided to a director amounting to HK$206,000 (2006: HK$Nil) which is included in the directors' emoluments.

11. Finance Costs

	2007 HK$'000	2006 HK$'000 (Unaudited and restated)
Interest on bank loans	19,147	20,399
Amount capitalised	(18,196)	(19,681)
	951	718

Borrowing costs on funds borrowed generally are capitalised at a rate of 6% per annum (2006: 6.9%).

12. Income Tax Expense

	2007 HK$'000	2006 HK$'000 (Unaudited and restated)
Current tax — PRC enterprise income tax		
Provision for the year	**1,306**	1,479
(Over)/under-provision in prior years	**(28)**	152
	1,278	1,631
Deferred tax *(Note 28)*	**1,293**	6,248
	2,571	7,879

No provision for profits tax in the Bermuda, the British Virgin Islands or Hong Kong is required as the Group has no assessable profit arising in or derived from these jurisdictions for the year ended 31st March, 2007 (2006: HK$Nil).

Pursuant to relevant laws and regulations in the PRC, the subsidiaries in the PRC are required to pay PRC enterprise income tax at a rate of 30% of notional income tax plus 3% of local income tax.

Pursuant to relevant laws and regulations in the PRC, a subsidiary of the Group, Shenyang Dadongfang Property Development Company Limited ("Shenyang Dadongfang"), is exempted from PRC enterprise local income tax for the five years from its first profit-making year and thereafter are entitled to a 50% relief from PRC enterprise local income tax for the following sixth to eighth years. Shenyang Dadongfang was in its second profit-making year for the financial year ended 31st March, 2007 and was therefore entitled to a full relief from PRC enterprise local income tax. The tax rate applicable to Shenyang Dadongfang, after the full relief of 3% of local income tax, was 30% (2006: 30%).

No preferential enterprise income tax was granted to other PRC subsidiary, the tax rate applicable to the other subsidiary in the PRC is 33% (2006: 33%).

12. Income Tax Expense (continued)

As the Group's major operations are located in and the Group's major income is derived from the PRC, the applicable tax rate to the Group was the PRC statutory tax rate of 33% during the year. The reconciliation between the income tax expense and the product of profit before tax at the PRC enterprise income tax rate is as follows:

	2007 **HK$'000**	2006 HK$'000 (Unaudited and restated)
Profit before tax	**23,247**	19,275
Tax at the statutory PRC enterprise income tax rate of 33% (2006: 33%)	**7,671**	6,361
Tax effect of income that is not taxable	**(4,207)**	(484)
Tax effect of expenses that are not deductible	**3,275**	1,270
Tax effect of tax losses not recognised	**216**	449
Tax effect of utilisation of tax losses not previously recognised	**(883)**	—
(Over)/under-provision in prior years	**(28)**	152
Effect of different tax rates of subsidiaries	**(3,284)**	815
Tax effect of tax preferential period	**(189)**	(684)
Income tax expense	**2,571**	7,879

13. Directors' and Employees' Emoluments

The emoluments of each director were as follow:

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Year ended 31st March, 2007				
Executive directors:				
Mr. Zhang Hong Wei	1,000	–	–	1,000
Mr. Guan Guo Liang *(Note c)*	–	–	–	–
Mr. Wong Wing Ming *(Note b)*	–	–	–	–
Mr. Zhu Jun	540	–	–	540
Ms. Zhang Mei Ying *(Note a)*	768	257	9	1,034
	2,308	257	9	2,574
Independent non-executive directors:				
Mr. Chau Siu Wai	120	–	–	120
Mr. San Fung	120	–	–	120
Mr. Zhu Cheng Wu	120	–	–	120
	360	–	–	360
	2,668	257	9	2,934

Notes:

a. *Appointed on 19th June, 2006*

b. *Resigned on 30th June, 2006*

c. *Resigned on 18th August, 2006*

13. Directors' and Employees' Emoluments (continued)

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Year ended 31st March, 2006				
Executive directors				
Mr. Zhang Hong Wei	1,000	–	–	1,000
Mr. Guan Guo Liang	600	–	–	600
Mr. Wong Wing Ming	–	–	–	–
Mr. Zhu Jun *(Note b)*	270	–	–	270
	1,870	–	–	1,870
Independent non-executive directors:				
Mr. Chan Ka Si *(Note c)*	–	–	–	–
Mr. Chau Siu Wai	120	–	–	120
Mr. San Fung	120	–	–	120
Mr. Zhu Cheng Wu *(Note a)*	60	–	–	60
	300	–	–	300
	2,170	–	–	2,170

Notes:

a. *Appointed on 5th December, 2005*

b. *Appointed on 20th October, 2005*

c. *Resigned on 28th October, 2005*

There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31st March, 2007 and 2006.

13. Directors' and Employees' Emoluments (continued)

The five highest paid individuals in the Group during the year included 3 (2006: 3) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 2 (2006: 2) individuals are set out below:

	2007	2006
	HK$'000	HK$'000 (Unaudited and restated)
Salaries and other benefits	**482**	260
Retirement benefits scheme contributions	**20**	31
	502	291

The emoluments fell within the following band:

	Number of individuals	
	2007	2006 (Unaudited and restated)
Nil to HK$1,000,000	**2**	2

During the years ended 31st March 2007 and 2006, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. Earnings Per Share

Basic earnings per share is calculated based on earnings attributable to equity holders of the Company during the year divided by the weighted average number of ordinary shares in issue. The calculation of the basis earnings per share is based on the following:

	2007 **HK$'000**	2006 HK$'000 (Unaudited and restated)
Earnings		
Profit attributable to equity holders of the Company	**18,508**	6,419

	2007	2006
Number of shares		
Weighted average number of ordinary shares	**6,568,586,476**	5,175,985,375

In determining the weighted average number of ordinary shares in issue, the 5,080,000,000 ordinary shares as consideration of the Acquisition (note 3) were deemed to be in issue since 1st April 2005.

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary share during the two years ended 31st March, 2007.

15. Dividend

No dividend has been paid or declared by the Company during the year (2006: HK$Nil).

16. Property, Plant and Equipment

	Property HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Investment properties under construction HK$'000	Total HK$'000
Cost						
At 1st April, 2005 (unaudited and restated)	390	—	—	273	127,086	127,749
Additions	—	—	—	17	5,520	5,537
Transfer from investment properties	60	—	—	—	—	60
Exchange differences	—	—	—	9	3,921	3,930
At 31st March, 2006 (unaudited and restated)	450	—	—	299	136,527	137,276
Additions	—	1,441	187	668	5,402	7,698
Disposals	(450)	—	—	—	—	(450)
Exchange differences	—	—	—	13	5,930	5,943
At 31st March, 2007	—	1,441	187	980	147,859	150,467
Accumulated depreciation						
At 1st April, 2005 (unaudited and restated)	27	—	—	34	—	61
Charge for the year	10	—	—	56	—	66
Exchange differences	—	—	—	2	—	2
At 31st March, 2006 (unaudited and restated)	37	—	—	92	—	129
Charge for the year	—	480	15	166	—	661
Disposals	(37)	—	—	—	—	(37)
Exchange differences	—	—	—	4	—	4
At 31st March, 2007	—	480	15	262	—	757
Carrying amount						
At 31st March, 2007	—	961	172	718	147,859	149,710
At 31st March, 2006 (unaudited and restated)	413	—	—	207	136,527	137,147

At 31st March, 2007, the carrying amount of property, plant and equipment pledged as security for the Group's bank loans amounted to approximately HK$102,101,000 (2006: HK$98,264,000).

At 31st March, 2007, the carrying amount of prepaid land lease payments included in investment properties under construction which amounted to approximately HK$131,937,000 (2006: HK$126,445,000) represents payments for land use rights outside Hong Kong under medium term leases.

17. Investment Properties

	2007 HK$'000	2006 HK$'000 (Unaudited and restated)
At beginning of year	**172,523**	148,191
Transfer to property, plant and equipment	**—**	(60)
Disposal	**(19,570)**	—
Fair value gains	**2,020**	20,129
Exchange differences	**6,643**	4,263
At 31st March	**161,616**	172,523

The fair value of the Group's investment properties as at 31st March, 2007 has been arrived at on the basis of a valuation carried out on that date by BMI Appraisals Limited, independent qualified professional valuers not connected with the Group. BMI Appraisals Limited is a member of The Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors, was arrived at by reference to market evidence of transaction prices for similar properties.

The Group's investment properties at their carrying amounts are analysed as follows:

	2007 HK$'000	2006 HK$'000 (Unaudited and restated)
Investment properties held under		
Medium-term leases in Hong Kong	**—**	19,570
Medium-term leases in the PRC	**161,616**	152,953
	161,616	172,523

At 31st March, 2007, the carrying amount of investment properties pledged as security for the Group's bank loans amounted to HK$161,616,000 (2006: HK$172,523,000).

17. Investment Properties (continued)

The Group's investment properties held as at 31st March 2007 are rented to an independent third party for periods up to 20 years. At 31st March, 2007, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2007 **HK$'000**	2006 HK$'000 (Unaudited and restated)
Within one year	**5,878**	8,526
In the second to fifth years inclusive	**24,198**	24,103
After five years	**82,887**	85,351
	112,963	117,980

18. Properties Under Development

	2007 **HK$'000**	2006 HK$'000 (Unaudited and restated)
At beginning of year	**328,854**	269,918
Additions	**21,312**	49,870
Transfer from deposits paid for prepaid land lease payments	**3,030**	—
Exchange differences	**14,284**	9,066
At 31st March	**367,480**	328,854

The Group's properties under development at their carrying amounts are analysed as follows:

	2007 **HK$'000**	2006 HK$'000 (Unaudited and restated)
Prepaid land lease payments	**265,766**	251,799
Construction costs and capitalised expenditures	**66,133**	55,587
Interests capitalised	**35,581**	21,468
	367,480	328,854

18. Properties Under Development (continued)

The Group's prepaid land lease payments represent payments for land use rights outside Hong Kong under medium term leases.

At 31st March, 2007, the carrying amount of prepaid land lease payments pledged as security for the Group's bank loans amounted to approximately to HK$227,594,000 (2006: HK$218,120,000).

19. Interest in a Jointly-controlled Operation

The Group entered into an agreement with Beijing Glory City Real Estate Company Limited ("北京國瑞興業地產有限公司") (the "joint venture partner") for the development of a property in the PRC. Pursuant to the terms of the agreement, other than the funds already invested by the Group up to the date of agreement, the Group will contribute no further funds and the joint venture partner bears all the additional funding required which shall not be less than HK$1,010 million (equivalent to RMB1,000 million). At the balance sheet date, the aggregate amounts of assets recognised in the Group's financial statements in relation to the interest in the jointly-controlled operation are as follows:

	2007 **HK$'000**	2006 HK$'000 (Unaudited and restated)
Assets		
Property, plant and equipment	**147,859**	136,527
Properties under development	**367,480**	328,854
	515,339	465,381

20. Trade and Other Receivables

	2007 **HK$'000**	2006 HK$'000 (Unaudited and restated)
Trade receivables *(note a)*	**32**	40
Loan receivable *(note b)*	**74,280**	—
Deposits and other receivables	**2,538**	720
Total trade and other receivables	**76,850**	760

20. Trade and Other Receivables (continued)

(a) The Group allows an average credit period of 30 days to its trade customers. The following is an aged analysis of trade receivables, based on invoice date:

	2007 **HK$'000**	2006 HK$'000 (Unaudited and restated)
Within 60 days	**29**	40
61 to 90 days	**3**	—
	32	40

(b) The loan receivable was secured, carrying interest at 8% per annum and repayable on or before 9th July, 2007. The amount has been fully settled after the balance sheet date.

The loan receivable was arranged at a fixed interest rate, thus exposing the Group to fair value interest rate risk.

21. Deposits Paid for Prepaid Land Lease Payments

	2007 **HK$'000**	2006 HK$'000 (Unaudited and restated)
At beginning of year	**15,745**	15,286
Transfer to properties under development	**(3,030)**	—
Exchange differences	**683**	459
At 31st March	**13,398**	15,745

The amounts represent deposits paid for acquisition of land parcels, of which land use right certificates have not been obtained. However, as advised by the PRC legal adviser, Beijing Gase Law Firm ("北京市中高盛律師事務所"), the Group can apply for a refund if the vendor is unable to procure land use right certificates in accordance with the relevant contracts.

22. Due from a Director

Amount due from a director disclosed pursuant to section 161B of the Hong Kong Companies Ordinance is as follows:

Name	Terms of loan	Balance at 31st March, 2007 HK$'000	Balance at 1st April, 2006 HK$'000 (Unaudited and restated)	Maximum amount outstanding during the year HK$'000
Ms. Zhang Mei Ying	Unsecured, repayable on demand and interest-free	**5**	–	5

23. Due from a Related Company

Amount due from a related company disclosed pursuant to section 161B of the Hong Kong Companies Ordinance is as follows:

Name	Name of director having beneficial interest	Balance at 31st March, 2007 HK$'000	Balance at 1st April, 2006 HK$'000 (Unaudited and restated)	Maximum amount outstanding during the year HK$'000
Oriental Harbour Holding Limited	Mr. Zhang Hong Wei	**69**	–	69

The above advance is unsecured, interest-free and has no fixed repayment terms.

24. Financial Assets at Fair Value Through Profit or Loss

	2007 HK$'000	2006 HK$'000 (Unaudited and restated)
Equity securities, at fair value		
Listed in Hong Kong and held for trading	**6,109**	–

The investments represent investments in listed equity securities that offer the Group the opportunity a return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of the listed securities are based on quoted market prices.

25. Bank and Cash Balances

At 31st March, 2007, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$264,590,000 (2006: HK$237,418,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

26. Trade and Other Payables

	2007 HK$'000	2006 HK$'000 (Unaudited and restated)
Trade payables *(note a)*	**7,664**	6,814
Receipts in advance	**10,101**	2,213
Accrual and other payables	**3,763**	4,135
Salary and welfare payables	**126**	140
Total trade and other payables	**21,654**	13,302

26. Trade and Other Payables (continued)

(a) The following is an aged analysis of trade payables at the balance sheet date:

	2007 HK$'000	2006 HK$'000 (Unaudited and restated)
Within 60 days	**638**	–
91 to 180 days	**–**	3,026
181 to 365 days	**–**	1,156
Over 365 days	**7,026**	2,632
	7,664	6,814

27. Bank Loans

The bank loans are repayable as follows:

	2007 HK$'000	2006 HK$'000 (Unaudited and restated)
On demand or within one year	**303,030**	1,473
In the second year	**–**	291,992
In the third to fifth years, inclusive	**–**	5,412
After five years	**–**	6,244
	303,030	305,121
Less: Amounts due for settlement within one year (shown under current liabilities)	**(303,030)**	(1,473)
Amounts due for settlement after one year	**–**	303,648

27. Bank Loans (continued)

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

	2007 HK$'000	2006 HK$'000 (Unaudited and restated)
Hong Kong dollars	–	14,705
Renminbi	303,030	290,416
	303,030	305,121

The effective interest rate as at 31st March 2007 is 6.27% (2006: 6.25%)

Bank loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

Bank loan of HK$303,030,000 (2006: HK$305,121,000) is secured by a charge over the Group's property, plant and equipment of HK$102,101,000 (2006: HK$98,264,000), investment properties of HK$161,616,000 (2006: HK$172,523,000) and properties under development of HK$227,594,000 (2006: HK$218,120,000) as disclosed in note 16, 17 and 18 to the financial statements respectively.

28. Deferred Tax Liabilities

The following are the major deferred tax liabilities recognised by the Group, and the movements thereon, during the current and prior reporting periods.

	Investment properties HK$'000
At 1st April, 2005 (unaudited and restated)	19,614
Charge to income statement for the year	6,248
Exchange differences	710
At 31st March, 2006 (unaudited and restated)	26,572
Charge to income statement for the year	1,293
Exchange differences	1,155
At 31st March, 2007	29,020

At the balance sheet date the Group has unused tax losses and other deductible temporary differences of approximately HK$15,867,000 and HK$743,000 respectively (2006: HK$17,231,000 and HK$945,000 respectively) that are available for offsetting against future taxable profits. No deferred tax assets have been recognised due to unpredictability of future profit streams. The unrecognised tax losses and other deductible temporary differences may be carried forward indefinitely.

29. Balance Sheet of the Company

	Note	2007 HK$'000	2006 HK$'000
Investment in subsidiaries		**2,286,010**	10
Trade and other receivables		**75,079**	1
Financial assets at fair value through profit or loss		**6,109**	—
Due from a director		**5**	—
Due from a related company		**69**	—
Due from a subsidiary		**16,219**	5,557
Bank and cash balances		**68,936**	2,492
Trade and other payables		**(2,124)**	(2,315)
Due to directors		**(3,930)**	(12,454)
Due to a related company		**—**	(11,028)
NET ASSETS		**2,446,373**	(17,737)
Capital and reserves			
Share capital		**68,760**	960
Reserves	*31(b)*	**2,377,613**	(18,697)
TOTAL EQUITY		**2,446,373**	(17,737)

30. Share Capital

	Note	Number of shares	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.01 each			
At 1st April, 2005		1,600,000,000	160,000
Consolidation of shares and reduction in capital	*(a)*	(1,440,000,000)	(95,025)
Division of shares	*(a)*	6,337,447,875	—
At 31st March, 2006 and 1st April, 2006		6,497,447,875	64,975
Increase in authorised share capital	*(b)*	13,502,552,125	135,025
At 31st March, 2007		20,000,000,000	200,000
Issued and fully paid:			
Ordinary shares of HK$0.01 each			
At 1st April, 2005, as previously reported		959,853,750	95,985
New shares issued in connection with the acquisition of Grand Hope Group	*(c)*	5,080,000,000	50,800
At 1st April, 2005, as restated		6,039,853,750	146,785
Consolidation of shares and reduction in capital	*(a)*	(863,868,375)	(95,025)
At 31st March, 2006 (unaudited and restated)		5,175,985,375	51,760
At 1st April, 2006, as previously reported		95,985,375	960
New shares issued in connection with the acquisition of Grand Hope Group	*(c)*	5,080,000,000	50,800
At 1st April, 2006, as restated		5,175,985,375	51,760
Issue of shares on placement	*(d)*	1,699,998,000	17,000
At 31st March, 2007		6,875,983,375	68,760

(a) On 8th August, 2005, the Company reorganised its capital structure as follows:

(i) consolidate 10 shares of the Company's ordinary shares of HK$0.10 each into 1 consolidated share of HK$1.00;

(ii) reduce the nominal value of each issued consolidated share from HK$1.00 share to HK$0.01; and

(iii) sub-divide each authorised but unissued consolidated share into 100 new shares.

30. Share Capital (continued)

(b) Pursuant to special resolutions passed on 11th May, 2006, the authorised share capital of the Company was increased from HK$64,974,478 to HK$200,000,000 by the creation of 13,502,552,125 additional shares of HK$0.01 each, ranking pari passu in all respects with the existing share capital of the Company.

(c) As disclosed in note 3 to financial statements, the Company issued and allotted 5,080,000,000 new shares at HK$0.01 each to He Fu and credited as fully paid in consideration for acquisition of the entire interest in Grand Hope Group on 6th June, 2006. The consolidated financial statements have been prepared under the merger accounting method. Accordingly, the share capital issued for the Acquisition is deemed to have been in issue throughout the accounting periods presented in these financial statements.

(d) On 6th June, 2006, the Company issued and allotted 1,699,998,000 ordinary shares of HK$0.01 each through a placing of the Company's shares at a consideration of HK$0.10 per share. The Company received net proceeds of approximately HK$168,284,000 from this share issue.

31. Reserves

(a) Group

The amounts of Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

(b) Company

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st April, 2005	90,660	(197,795)	(107,135)
Consolidation of shares and reduction in capital	95,025	—	95,025
Loss for the year	—	(6,587)	(6,587)
At 31st March, 2006	185,685	(204,382)	(18,697)
At 1st April, 2006	185,685	(204,382)	(18,697)
Share issue expenses paid	(1,716)	—	(1,716)
Issue of shares on acquisition of subsidiaries	2,235,200	—	2,235,200
Issue of shares on placement	153,000	—	153,000
Profit for the year	—	9,826	9,826
At 31st March, 2007	2,572,169	(194,556)	2,377,613

31. Reserves (continued)

(c) Nature and Purpose of Reserves

(i) Share premium account

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(ii) Merger reserve

Merger reserve represents the difference between the nominal value of the shares of subsidiary acquired and the market value of the shares issued by the Company as consideration for the acquisition.

(iii) Capital reserve

Capital reserve represents the aggregate of:

— the Group's share of additional equity contribution made from minority shareholder of a subsidiary, Shengyang Shengtaiyuan Logistic Company Limited on 19th April, 2005; and

— the loan wavier made by an ultimate holding company, He Fu International Limited to a subsidiary, Grand Hope Group Limited.

(iv) Statutory reserve

Statutory reserve, which is non-distributable, is appropriated from the profit after taxation of the Company's PRC subsidiaries under the applicable laws and regulations in the PRC.

32. Share Option Scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to the shareholders' resolution passed on 11th May, 2006 for the primary purpose of providing opportunity to directors and employees to acquire proprietary interests of the Group and will expire on 10th May, 2016. Under the Scheme, the Board of Directors of the Company may grant options to eligible person (including all directors, employees of the Group, consultants, advisors, agents, customers, service providers, contractors and business partners of any members of the Group).

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue from time to time. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual is not permitted to exceed 10% of the shares of the Company in issue from time to time.

The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the share for the five business dates immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

32. Share Option Scheme (continued)

Share options granted to any directors, chief executive or substantial shareholder, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to substantial shareholders or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within 12 month period, are subject to shareholders' approval in advance in general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

Since the adoption of the Scheme and up to 31st March, 2007, no options have been granted.

33. Commitments

The Group's commitments at the balance sheet dates are as follows:

	2007	2006
	HK$'000	HK$'000 (Unaudited and restated)
Contracted but not provided for		
Construction costs	**185,409**	1,233
Prepaid land lease payments	**353,298**	338,592
	538,707	339,825

34. Operating Lease Commitments

At the balance sheet dates the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2007	2006
	HK$'000	HK$'000 (Unaudited and restated)
Within one year	**2,348**	180
In the second to fifth years inclusive	**9,980**	170
	12,328	350

Operating lease payments represent rental payable by the Group for certain of its offices and staff quarter. Leases are negotiated for an average term of 2 years and rentals are fixed over the lease terms and do not include contingent rentals.

35. Retirement Benefits Scheme

Hong Kong

The Group participates in the Mandatory Provident Fund Scheme (the ''MPF Scheme'') established under the MPF Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contributions are available to reduce contributions payable in future years.

The Group's contribution under the MPF Scheme for the year amounted to HK$61,000 (2006: HK$38,000).

PRC

According to the relevant laws and regulations in the PRC, the Group's subsidiaries in the PRC are required to contribute a specified percentage of the payroll of their employees to the retirement benefits schemes to fund the retirement benefits of their employees. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the respective schemes.

The Group's contribution under the respective schemes for the year amounted to HK$206,000 (2006: HK$434,000).

36. Related Party Transactions

In additions to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with its related parties during the year:

(a) Transactions With Related Parties:

	2007 HK$'000	2006 HK$'000 (Unaudited and restated)
Orient Home Investment Holding Company (Formerly known as Orient Home Company Limited)		
Sales of household building materials	–	34,603
Interest expenses paid	–	3,596
	–	38,199

A director, Mr. Zhang Hong Wei, has significant influence over the above related company.

(b) Balances with Related Parties:

The amounts due to related companies, directors and a minority shareholder are unsecured, interest-free and repayable on demand.

37. Subsidiaries

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

Name of Subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registration capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Fine Profit Corporation Limited	Hong Kong	HK$10,000	100%	100%	—	Property investment
Grand Hope Group Limited	British Virgin Islands	US$1	100%	100%	—	Investment holding
Shenyang Dadongfang Property Development Company Limited ("Dadongfang")	PRC	US$8,201,700	71%	—	71%	Property development and investment
Shenyang Shengtaiyuan Logistics Company Limited ("Shengtaiyuan")	PRC	RMB60,000,000	56.8%	—	80%	Wholesale of household building materials

Dadonfang is a sino-foreign equity joint venture and Shengtaiyuan is a domestic enterprise established in PRC.

38. Post Balance Sheet Events

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on 16th March, 2007, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25%, which will be effective from 1st January, 2008. The impact of such change of enterprise income tax rate on the Group's consolidated financial statements will depend on the implementation details that have not been issued as of the date of the approval of these consolidated financial statements. Therefore, the Group cannot reasonably estimate the financial impact of the new tax law to the Group at this stage.

39. Approval of Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 30 July, 2007.

Financial Summary

Results

	Year ended 31st March,				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000 (restated)	HK$'000	HK$'000
Turnover	**15,933**	3,700	3,884	4,720	27,424
Profit/(loss) before tax	**23,247**	(5,252)	(30,267)	(29,713)	(36,555)
Income tax expense	**(2,571)**	—	—	—	(304)
Profit/(loss) for the year	**20,676**	(5,252)	(30,267)	(29,713)	(36,859)
Attributable to:					
Equity holders of the Company	**18,508**	(5,252)	(30,267)	(21,108)	(35,438)
Minority interests	**2,168**	—	—	(8,605)	(1,421)
	20,676	(5,252)	(30,267)	(29,713)	(36,859)

Assets and Liabilities

	As at 31st March,				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000 (restated)	HK$'000	HK$'000
Total assets	**1,130,395**	25,400	19,224	39,071	66,839
Total liabilities	**(402,401)**	(41,639)	(30,211)	(19,773)	(16,657)
Net assets (liabilities)	**727,994**	(16,239)	(10,987)	19,298	50,182
Equity attributable to equity holders of the parent	**521,294**	(16,239)	(10,987)	19,298	40,531
Minority interests	**206,700**	—	—	—	9,651
Total equity	**727,994**	(16,239)	(10,987)	19,298	50,182

Note: Figures for year 2005 have been adjusted to reflect the changes in accounting policies in relation to the first adoption of HKAS 40 "Investment property" and HKAS 16 "Property, Plant and Equipment".

Figures for year 2007 have been prepared based on the principles of merger accounting resulted from the Acquisition of Grand Hope Group Limited as describe in note 3 to the financial statements.

Particulars of Properties

Properties held by the Group at 31st March 2007 are as follows:

(A) Properties under Development, and Investment Properties under Construction

Location	Stage of completion	Lease term	Usage	Total site area (square metres)	Group's interest
A parcel of land located at No. 396 Dong Bei Da Ma Lu, Da Dong District, Shenyang City, the PRC	Pre-construction work in progress	Medium	Commercial	6,276.40	71%
A development located at the Southern Part of Lian He Road, Da Dong District, Shenyang City, the PRC	Pre-construction work in progress	Medium	Commercial	322,586.40	71%

(B) Investment Property

Location	Stage of completion	Lease term	Usage	Total site area (square metres)	Group's interest
Levels 2 and 3 of a commercial building located at No. 388–1 Shen Liao Road, Shenyang Economic and Technology Development Region, Shenyang City, Liaoning Province, the PRC	–	Medium	Commercial	–	71%