

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

Mexan Limited (the “Company”) was incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of registered office and principle place of operation of the Company are disclosed in the “Corporate Information” section to the annual report.

The Company is an investment holding company. Details of the principal activities of its subsidiaries are set out in note 37. The Company and its subsidiaries are collectively referred to as the “Group”.

On 2 January 2007, the Company’s ultimate controlling party, Mexan Group Limited (“MGL”) entered into a share sale agreement (the “Agreement”) with Winland Wealth (BVI) Limited (“Winland Wealth”), pursuant to which Winland Wealth agreed to acquire 964,548,303 shares of the Company from MGL, representing approximately 73.58% of the existing issued share capital of the Company. Completion of the Agreement is subject to, inter alia, approval by independent shareholders of the Company of the special cash dividend and the group reorganisation (the “Group Reorganisation”).

Pursuant to the Group Reorganisation, (i) the Company will continue to be a listed company, together with its subsidiaries (the “Remaining Group”) will be carrying on the Group’s business of hotel investment and operation (the “Remaining Business”); (ii) Inventive Limited (“Inventive”) and its subsidiaries (the “Inventive Group”) will be carrying on the businesses of the Group, including the Group’s toll road operation and management as well as investment holding, other than the Remaining Business; and (iii) the shareholders will receive by way of distribution in specie the share of Inventive on the basis of one share of Inventive for each share of the Company held.

Details of the Group Reorganisation are set out in the circular of the Company dated 17 March 2007 and the composite offer document dated 16 April 2007 issued jointly by the Company and Winland Wealth.

Pursuant to the resolution passed by the independent shareholders in the special general meeting held on 12 April 2007, the Group Reorganisation and the special cash dividend were approved. On the same date, the Group Reorganisation and the Agreement were then completed. As a result, Winland Wealth acquired 964,548,303 shares of the Company from MGL and became the holding company of the Company.

NOTES TO THE FINANCIAL STATEMENTS

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

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“HK(IFRIC)”), issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2006. The adoption of these HKFRSs did not result in substantial changes to the Group’s accounting policies nor have affected the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following HKFRSs that are relevant to the Group’s operations were in issue but not yet effective:

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Capital Disclosures	1 January 2007
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HKFRS 8	Operating Segment	1 January 2009
HK(IFRIC) — Int 8	Scope of HKFRS 2	1 May 2006
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment	1 November 2006
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions	1 March 2007
HK(IFRIC) — Int 12	Service Concession Arrangements	1 January 2008

The directors of the Company anticipate that the application of these HKFRSs will have no material impact on the financial statements of the Group.

3. PRINCIPAL ACCOUNTING POLICIES

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

(a) Statement of compliance

These financial statements have been prepared in accordance with all HKFRSs issued by HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Basis of preparation

The financial statements are prepared under the historical cost convention except that, as disclosed in the accounting policies below, investment properties are stated at fair value.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (note 3(d)(i)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed in note 4.

(c) Group accounting

(i) Consolidation

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Group accounting (continued)

(i) Consolidation (continued)

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

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

(ii) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities assumed in a business combination are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale, which are recognised and measured at fair value less costs to sell.

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

(iii) Goodwill

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

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

Gain or loss on the disposal of a subsidiary includes the carrying amount of goodwill relating to the subsidiary sold.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Non-current assets held for sale and discontinued operations

(i) *Non-current assets held for sale*

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(ii) *Discontinued operations*

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

(e) Property, plant and equipment

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

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

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

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

The gain or loss on disposal of 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 profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(f) Investment properties

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

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

(g) Intangible asset

(i) *Operating right of Ningbo Beilun Port Expressway*

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

(ii) *Licence*

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

(h) Club debentures

Club debentures are stated at cost less impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Impairment of tangible and intangible assets excluding goodwill

Assets that have an indefinite useful life are not subject to amortisation and tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

(j) Financial instruments

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

(i) *Accounts receivable*

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

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

(ii) *Cash and cash equivalents*

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

(iii) *Financial liabilities and equity*

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

(iv) *Borrowings*

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

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

(v) *Trade and other payables*

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

(vi) *Equity instruments*

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

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(k) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit and loss account on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit and loss account over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 3(1) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(l) Provisions

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

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(m) Contingent liabilities

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

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

(n) Taxation

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(n) Taxation (continued)

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

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

(o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customers returns and other similar allowances.

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

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

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

Rental income are recognised on an accrual basis and in accordance with the agreed terms.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(p) Employee benefits

(i) *Employee leave entitlements*

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

(ii) *Retirement scheme obligations*

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

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

(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 sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(r) Segment reporting

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(s) Translation of foreign currencies

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

In preparing the financial statements of the individual entities, foreign currency transactions are translated into the functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(t) Leases

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

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs.

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

(u) Related parties

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

NOTES TO THE FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

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

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

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

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

For operating right of expressway, amortisation is provided based on the share of traffic volume for a particular period over the projected total traffic volume throughout the period for which the Group is granted the right to operate.

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

Assessment of impairment of assets

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

NOTES TO THE FINANCIAL STATEMENTS

5. REVENUES AND TURNOVER

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

	2007 HK\$'000	2006 HK\$'000 (Restated)
From continuing operations		
Turnover		
Hotel operation	79,436	75,681
Other revenues		
Interest income		
— Bank and other advance	2,763	5,985
— from discontinued operations	—	9,219
Management fee income and others		
from discontinued operations	—	4,125
Unclaimed dividend written back	313	—
Other income	273	45
	3,349	19,374
Total revenues	82,785	95,055
From discontinued operations		
Turnover		
Toll road income	159,697	41,545
Rental income	135	54,259
	159,832	95,804
Other revenues		
Management fee and other income from continuing operations	7,546	11,596
Subsidy income	2,196	—
Interest income	908	1,010
Guaranteed net rental receipts	—	2,056
Exchange gain	3,033	—
	13,683	14,662
Total revenues	173,515	110,466

NOTES TO THE FINANCIAL STATEMENTS

5. REVENUES AND TURNOVER (continued)

(a) Primary reporting format — business segments

The Group is organised into three main business segments:

- Hotel operation
- Toll road operation
- Property rental

For the year ended 31 March 2007

	Continuing operations	Discontinued operations			
	Hotel operation HK\$'000	Toll road HK\$'000	Property rental HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Turnover	79,436	159,697	135		239,268
Segment results	152	64,552	(3,920)		60,784
Unallocated corporate income and expenses (net)					(35,657)
					25,127
Interest income					3,671
Finance costs					(121,107)
Loss before taxation					(92,309)
Taxation credit					5
Loss for the year attributable to equity holders of the Company					(92,304)
Segment assets	672,334	2,529,972	—		3,202,306
Unallocated corporate assets					124,648
Consolidated total assets					3,326,954
Segment liabilities	451,883	1,666,074	—		2,117,957
Unallocated corporate liabilities					7,243
Consolidated total liabilities					2,125,200
Capital expenditure	436	17,150	—	22	17,608
Depreciation	17,599	4,347	—	1,433	23,379
Amortisation	1,166	52,460	—	—	53,626

NOTES TO THE FINANCIAL STATEMENTS

5. REVENUES AND TURNOVER (continued)

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

For the year ended 31 March 2006

	Continuing operations	Discontinued operations		Unallocated	Consolidated
	Hotel operation HK\$'000	Toll road HK\$'000	Property rental HK\$'000	HK\$'000	HK\$'000
Turnover	75,681	41,545	54,259		171,485
Segment results	7,015	16,633	35,551		59,199
Unallocated corporate income and expenses (net)					(106,921)
					(47,722)
Interest income					6,995
Finance costs					(89,298)
Share of results of a jointly controlled entity	—	(5,226)	—		(5,226)
Gain on disposal of subsidiaries					25,700
Loss before taxation					(109,551)
Taxation credit					675
Loss for the year attributable to equity holders of the Company					(108,876)
Segment assets	704,607	2,376,558	20,453		3,101,618
Unallocated corporate assets					221,963
Consolidated total assets					3,323,581
Segment liabilities	458,424	1,588,021	12,117		2,058,562
Deferred tax liabilities					5
Unallocated corporate liabilities					5,411
Consolidated total liabilities					2,063,978
Capital expenditure	168	—	—	94	262
Depreciation	17,543	618	—	1,423	19,584
Amortisation	1,167	13,283	—	—	14,450

NOTES TO THE FINANCIAL STATEMENTS

5. REVENUES AND TURNOVER (continued)

(b) Secondary reporting format — geographical segment

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

	2007 HK\$'000	2006 HK\$'000 (Restated)
From continuing operations		
Hong Kong	79,436	75,681
From discontinued operations		
Hong Kong	135	54,259
PRC	159,697	41,545
	159,832	95,804
	239,268	171,485

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

	Carrying amount of segment assets		Additions to intangible assets, property, plant and equipment	
	2007 HK\$'000	2006 HK\$'000 (Restated)	2007 HK\$'000	2006 HK\$'000 (Restated)
From continuing operations				
Hong Kong	774,569	873,023	436	262
PRC	—	2,450,558	—	—
	774,569	3,323,581	436	262
From discontinued operations				
Hong Kong	22,413	—	22	—
PRC	2,529,972	—	17,150	—
	2,552,385	—	17,172	—
	3,326,954	—	17,608	—

NOTES TO THE FINANCIAL STATEMENTS

6. LOSS FOR THE YEAR

	2007 HK\$'000	2006 HK\$'000
Loss for the year is stated after crediting and charging the following:		
Crediting		
Gross rental income from investment properties	135	54,259
Less: outgoings	—	(9,923)
Net rental income from investment properties	135	44,336
Charging		
Auditors' remuneration	550	720
Operating leases of land and buildings	3,209	3,361
Depreciation of property, plant and equipment	23,379	19,584
Amortisation of intangible assets	53,626	14,450
Loss on disposal of property, plant and equipment	28	—
Loss on disposal of investment property	3,500	—
Bad debts written off and provision for bad debts (net)	732	5,308

7. STAFF COSTS

The amount of staff costs (including directors' emoluments as disclosed in note 15) charged to the consolidated income statement represents:

	2007 HK\$'000	2006 HK\$'000
Salaries and allowances	35,227	46,622
Retirement benefit cost (note 10)	2,384	971
	37,611	47,593

NOTES TO THE FINANCIAL STATEMENTS

8. FINANCE COSTS

Finance costs comprise the following:

	2007 HK\$'000	2006 HK\$'000 (Restated)
From continuing operations		
Interest on bank loans not wholly payable within five years	20,888	7,946
Interest on other loans wholly payable within five years	2,532	686
Interest on convertible notes	—	4,840
Interest on promissory notes	—	6,076
Total borrowing costs incurred	23,420	19,548
Bank charges	10	—
Bank facilities arrangement fee	—	2,165
	23,430	21,713
From discontinued operations		
Interest on bank loans and overdrafts		
— wholly payable within five years	639	24,191
— not wholly payable within five years	96,818	28,176
Interest on other loans wholly payable within five years	—	13,827
Interest element of finance lease	13	30
Interest paid to continuing operations	—	9,219
Total borrowing costs incurred	97,470	75,443
Bank charges	207	1,361
Bank facilities arrangement fee paid to continuing operations	—	4,125
	97,677	80,929

NOTES TO THE FINANCIAL STATEMENTS

9. TAXATION

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

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

	2007 HK\$'000	2006 HK\$'000
Hong Kong profits tax		
— over provision in prior years	—	(1,423)
Deferred taxation resulting from origination and reversal of temporary differences	(5)	748
Taxation credit	(5)	(675)
From continuing operations	—	2,571
From discontinued operations	(5)	(3,246)
	(5)	(675)

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

	2007 HK\$'000	2006 HK\$'000
Loss before taxation		
— from continuing operations	(46,171)	(40,246)
— from discontinued operations	(46,138)	(69,305)
	(92,309)	(109,551)
Calculated at a taxation rate of 17.5%	(16,154)	(19,171)
Income and expenditure not subject to taxation	2,019	2,468
Expenses not deductible for tax purposes	1,816	12,298
Non-taxable items	(609)	(4,813)
Unrecognised tax losses and deductible temporary differences	12,923	7,648
Tax effect of share of results of a jointly controlled entity	—	915
Over provision in prior years	—	(20)
Taxation credit	(5)	(675)

NOTES TO THE FINANCIAL STATEMENTS

10. RETIREMENT BENEFIT COSTS

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

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

The MPF contributions made by the Group during the year amounted to HK\$1,044,000 (2006: HK\$920,000).

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

11. DISCONTINUED OPERATIONS

Proposal to dispose of the toll road operation and management business

As disclosed in note 1 to the financial statements, on 2 January 2007, the Group proposed the Group Reorganisation to dispose of the Group’s business of toll road operation and management by distribution in specie of shares in Inventive.

Disposal of the property investment business

In the year ended 31 March 2006 and 2007, the Group disposed of its business of property investment.

NOTES TO THE FINANCIAL STATEMENTS

11. DISCONTINUED OPERATIONS (continued)

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

	2007 HK\$'000	2006 HK\$'000 (Restated)
Loss of discontinued operations for the year	(46,133)	(41,753)
Gain on disposal of discontinued operations	—	25,700
Cost on disposal of property investment operation	—	(50,006)
	(46,133)	(66,059)

The combined results of the discontinued operations during the year are set out below. The comparative loss and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current period.

	2007 HK\$'000	2006 HK\$'000 (Restated)
Turnover	159,832	95,804
Direct costs	(71,130)	(28,869)
Gross profit	88,702	66,935
Other revenue	13,683	14,662
Administrative expenses	(50,846)	(41,916)
Finance costs	(97,677)	(80,929)
Increase in fair value of investment property	—	1,475
Share of results of a jointly controlled entity	—	(5,226)
Loss before taxation	(46,138)	(44,999)
Taxation credit	5	3,246
Loss for the year	(46,133)	(41,753)

NOTES TO THE FINANCIAL STATEMENTS

11. DISCONTINUED OPERATIONS (continued)

	2007 HK\$'000	2006 HK\$'000
Net cash inflow/(outflow) from operating activities	90,747	(970)
Net cash inflow from investing activities	3,328	165,565
Net cash outflow from financing activities	(57,998)	(177,411)
	36,077	(12,816)

12. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

As described in note 11, the Group proposed to dispose of the Group's business of toll road operation and management by distribution in specie of shares in Inventive which was completed by 12 April 2007. The major classes of assets and liabilities comprising the operations classified as disposal group at the balance sheet date are as follows:

Group

	2007 HK\$'000	2006 HK\$'000
Property, plant and equipment (note 16)	55,605	—
Intangible assets (note 18)	1,800,326	—
Goodwill (note 19)	276,259	—
Amount due from a related company (note 34(c))	268,605	—
Trade and other receivables, deposits and prepayments (note 24)	113,908	—
Cash and bank balances	37,682	—
Assets of toll road and management businesses classified as held for sale	2,552,385	—
Other payables, deposits received and accrued charges (note 25)	33,333	—
Amounts due to related companies (note 34(c))	5,804	—
Bank loans (note 29)	1,628,841	—
Liabilities of toll road and management businesses associated with assets classified as held for sale	1,667,978	—
Net assets of toll road and management businesses classified as held for sale	884,407	—

NOTES TO THE FINANCIAL STATEMENTS

12. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Company

	2007 HK\$'000	2006 HK\$'000
Non-current assets held for sale		
Investment in a subsidiary	100	—
Amounts due from subsidiaries, net of provision	920,579	—
	920,679	—
Liabilities associated assets held for sale		
Amounts due to subsidiaries	36,272	—

13. DIVIDEND

In the year ended 31 March 2006, a dividend of HK\$0.19 per share (total dividend HK\$249,076,000) was paid to holders of fully paid ordinary shares.

In respect of the current year and as disclosed in note 1, the directors proposed a special cash dividend of HK\$0.06865 per share which would be paid to shareholders upon completion of the Group Reorganisation. This dividend was approved by shareholders at the special general meeting on 12 April 2007 and has not been included as a liability in these financial statements for the year ended 31 March 2007. The dividend was payable to all shareholders on the Register of Members on 12 April 2007. The total dividend was HK\$89,995,000.

14. LOSS PER SHARE

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

Earnings

	2007 HK\$'000	2006 HK\$'000 (Restated)
Loss for the year from continuing operations	(46,171)	(42,817)
Loss for the year from discontinued operations	(46,133)	(66,059)
Loss for the year attributable to equity holders of the Company	(92,304)	(108,876)

NOTES TO THE FINANCIAL STATEMENTS

14. LOSS PER SHARE (continued)

Number of shares

	2007	2006
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,310,925,244	1,310,925,244

Basic loss per share from the discontinued operations is 3.52 HK cents (2006 (restated): 5.04 HK cents), which is calculated based on the loss for the year from discontinued operations attributable to equity holders of the Company of HK\$46,133,000 (2006 (restated): HK\$66,059,000) and the weighted average number of ordinary shares for the purpose of basic loss per share detailed above.

No fully diluted loss per share is shown as the Company has no potential dilutive ordinary shares at 31 March 2007 and 2006.

15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

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

For the year ended 31 March 2007

Name of director	Fees HK\$'000	Salary, allowances and benefit in kind HK\$'000	Discretionary bonus HK\$'000	MPF contributions HK\$'000	Total HK\$'000
<i>Executive directors</i>					
Lau Kan Shan	—	4,560	—	12	4,572
Tse On Kin	—	2,970	—	12	2,982
Ching Yung	—	743	—	12	755
	—	8,273	—	36	8,309
<i>Independent non-executive directors</i>					
Chan Wai Dune	200	—	—	—	200
Lau Wai	100	—	—	—	100
Tong Kwai Lai	100	—	—	—	100
	400	—	—	—	400
Total	400	8,273	—	36	8,709

NOTES TO THE FINANCIAL STATEMENTS

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

(a) (continued)

For the year ended 31 March 2006

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

There were no arrangements under which any director waived or agreed to waive any emoluments in respect of the years ended 31 March 2007 and 2006.

NOTES TO THE FINANCIAL STATEMENTS

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2006: two) directors whose emoluments are reflected in the analysis presented in note 15(a) above. The emoluments payable to the remaining two (2006: three) individuals during the year are as follows:

	2007 HK\$'000	2006 HK\$'000
Salaries and other benefits	1,100	2,340
MPF contributions	—	12
	1,100	2,352

The emoluments fell within the following band:

Emolument bands	Number of individuals	
	2007	2006
HK\$		
0 — 1,000,000	2	3

- (c) No emoluments were paid or payable to any directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

NOTES TO THE FINANCIAL STATEMENTS

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Hotel property HK\$'000	Leasehold improvements HK\$'000	Toll collection equipment HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles and others HK\$'000	Total HK\$'000
Cost						
At 1 April 2005	686,275	3,647	—	2,508	2,199	694,629
Acquisition of subsidiaries	—	38,703	398	605	1,171	40,877
Additions	—	—	—	262	—	262
Exchange adjustment	—	286	3	5	8	302
At 31 March 2006	686,275	42,636	401	3,380	3,378	736,070
Additions	—	—	—	17,220	388	17,608
Disposals	—	—	—	(108)	(42)	(150)
Exchange adjustment	—	1,744	18	455	62	2,279
Reclassified as held for sale (note 12)	—	(44,380)	(419)	(18,517)	(3,786)	(67,102)
At 31 March 2007	686,275	—	—	2,430	—	688,705
Accumulated depreciation						
At 1 April 2005	4,289	425	—	273	844	5,831
Acquisition of subsidiaries	—	862	145	397	678	2,082
Charge for the year	17,158	1,179	25	579	643	19,584
Exchange adjustment	—	9	1	3	5	18
At 31 March 2006	21,447	2,475	171	1,252	2,170	27,515
Charge for the year	17,156	2,493	78	2,887	765	23,379
Written back on disposal	—	—	—	(82)	(40)	(122)
Exchange adjustment	—	105	10	78	39	232
Reclassified as held for sale (note 12)	—	(5,073)	(259)	(3,231)	(2,934)	(11,497)
At 31 March 2007	38,603	—	—	904	—	39,507
Net book value						
At 31 March 2007	647,672	—	—	1,526	—	649,198
At 31 March 2006	664,828	40,161	230	2,128	1,208	708,555

NOTES TO THE FINANCIAL STATEMENTS

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

Total property, plant and equipment held by the Group at 31 March 2007 amounted to HK\$704,803,000 (2006: HK\$708,555,000), comprising the amount of HK\$649,198,000 analysed above (2006: HK\$708,555,000) and assets of HK\$55,605,000 (2006: Nil) classified held for sale (note 12).

At 31 March 2007, the Group's hotel property with a carrying value of HK\$647,672,000 was located in Hong Kong under lease of less than 50 years and was pledged to a bank and Winland Wealth's related company for granting loans to the Group amounting to HK\$380,207,000 and HK\$59,413,000 respectively (notes 29 and 30).

No property, plant and equipment were held under finance lease as at 31 March 2007. In 2006, net book value of property, plant and equipment under finance lease amounted to HK\$487,500 and the related depreciation for 2006 was HK\$325,000.

Company

	Furniture fixtures and equipment HK\$'000
Cost	
At 1 April 2005 and 31 March 2006	74
Disposals	(74)
At 31 March 2007	—
Accumulated depreciation	
At 1 April 2005	24
Charge for the year	14
At 31 March 2006	38
Charge for the year	14
Written back on disposal	(52)
At 31 March 2007	—
Net book value	
At 31 March 2007	—
At 31 March 2006	36

NOTES TO THE FINANCIAL STATEMENTS

17. INVESTMENT PROPERTY

	HK\$'000
At 1 April 2005	1,692,736
Acquisition of a subsidiary	20,000
Disposal of subsidiaries	(1,694,211)
Increase in fair value during the year	1,475
At 31 March 2006	20,000
Disposals	(20,000)
At 31 March 2007	—

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

	2007 HK\$'000	2006 HK\$'000
Investment property		
— in Hong Kong, held on leases of less than 50 years	—	20,000

NOTES TO THE FINANCIAL STATEMENTS

18. INTANGIBLE ASSETS

	Operating right of Ningbo Beilun Port Expressway HK\$'000	Licence HK\$'000	Total HK\$'000
Cost			
Additions during the year ended			
31 March 2005 and balance			
as at 31 March 2005	—	14,000	14,000
Acquisition of a subsidiary	1,862,607	—	1,862,607
Exchange adjustment	13,764	—	13,764
At 31 March 2006	1,876,371	14,000	1,890,371
Exchange adjustment	83,941	—	83,941
Reclassified as held for sale (note 12)	(1,960,312)	—	(1,960,312)
At 31 March 2007	—	14,000	14,000
Accumulated amortisation			
Charge for the year ended			
31 March 2005 and balance			
as at 31 March 2005	—	486	486
Acquisition of a subsidiary	87,654	—	87,654
Charge for the year	13,283	1,167	14,450
Exchange adjustment	701	—	701
At 31 March 2006	101,638	1,653	103,291
Charge for the year	52,460	1,166	53,626
Exchange adjustment	5,888	—	5,888
Reclassified as held for sale (note 12)	(159,986)	—	(159,986)
At 31 March 2007	—	2,819	2,819
Net book value			
At 31 March 2007	—	11,181	11,181
At 31 March 2006	1,774,733	12,347	1,787,080

Total intangible assets held by the Group at 31 March 2007 amounted to HK\$1,811,507,000 (2006: HK\$1,787,080,000), comprising the amount of HK\$11,181,000 analysed above (2006: HK\$1,787,080,000) and assets of HK\$1,800,326,000 (2006: Nil) classified held for sale (note 12).

The amortisation charge of the operating right of Ningbo Beilun Port Expressway and licence for the year are included in loss for the year from discontinued operations and administrative expenses respectively in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

18. INTANGIBLE ASSETS (continued)

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

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

19. GOODWILL

	HK\$'000
At 1 April 2005	—
Arising on acquisition of a subsidiary	237,413
Transfer from interest in a jointly controlled entity	24,623
Exchange adjustment	2,394
At 31 March 2006	264,430
Exchange adjustment	11,829
Reclassified as held for sale (note 12)	(276,259)
At 31 March 2007	—

For the purpose of impairment review, goodwill set out above is allocated to the cash generating unit (“CGU”), toll road operation of Ningbo Beilun Port Expressway Company Limited.

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

During the year, the Group performed impairment review for goodwill based on cash flow forecasts derived from the most recent financial budgets approved by management using a discount rate of 13.22%, while the forecast is based on the financial budget. The value in use calculated by using the discount rate is higher than the carrying amount of the goodwill allocated to the CGU and accordingly, no impairment loss was considered necessary.

NOTES TO THE FINANCIAL STATEMENTS

20. INVESTMENTS IN SUBSIDIARIES

	Company	
	2007 HK\$'000	2006 HK\$'000
Unlisted shares, at cost	1	1
Amounts due from subsidiaries	263,446	1,182,171
	263,447	1,182,172
Less: Provision	(42,995)	(384,906)
	220,452	797,266

As at 31 March 2007, the amounts due from subsidiaries are unsecured, non-interest bearing and in substance represent the Company's interests in the subsidiaries in the form of quasi-equity loans.

As disclosed in note 1, the interests in subsidiaries which would be carrying on the Group's business of toll road operation and management were distributed in specie to the shareholders of the Company on 12 April 2007. The interests in these subsidiaries were reclassified as held for sale as at 31 March 2007 (note 12).

Particulars of principal subsidiaries are set out in note 37 to the financial statements.

21. CLUB DEBENTURES

	Group and Company	
	2007 HK\$'000	2006 HK\$'000
Club debentures — at cost	1,350	1,350

NOTES TO THE FINANCIAL STATEMENTS

22. DEPOSIT FOR ACQUISITION OF A SUBSIDIARY

In March 2006, the Group intended to acquire 100% equity interest in an enterprise which owned and operated a toll road in the PRC. An amount of HK\$70,000,000 was paid into an escrow account held by a PRC lawyer for the proposed acquisition. Subsequent to 31 March 2006, the Group decided to put aside the proposal temporarily and the deposit was then refunded in full on 15 June 2006.

23. DEPOSIT FOR ACQUISITION OF AN INVESTMENT PROPERTY

The balance in 2006 represented payments for acquisition of property which was located in the PRC. In August 2006, the Group decided not to acquire the property and the deposit was then fully refunded.

24. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Group	Continuing operations HK\$'000	Discontinued operations HK\$'000	2007 HK\$'000	2006 HK\$'000
Trade receivables (note (a))	3,417	3,693	7,110	21,496
Loan receivables (note (b))	—	—	—	34,000
Other receivables	2,273	2,152	4,425	33,752
Deposits and prepayments	91,665	108,063	199,728	87,280
	97,355	113,908	211,263	176,528
Company			2007 HK\$'000	2006 HK\$'000
Deposits and prepayments			90,432	81,628

NOTES TO THE FINANCIAL STATEMENTS

24. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

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

	Continuing operations HK\$'000	Discontinued operations HK\$'000	2007 HK\$'000	2006 HK\$'000
Within 30 days	3,188	3,693	6,881	14,724
31 — 60 days	205	—	205	5,890
61 — 90 days	24	—	24	882
	3,417	3,693	7,110	21,496

- (b) In 2005, the Group entered into a call option agreement with three third parties (collectively the “Vendors”) whereby an option premium of HK\$55 million was paid to the Vendors to acquire a right (the “Call Option”) to buy 65% equity interest in a company which holds equity interest in a number of toll road projects in the PRC at consideration of HK\$500 million. Subsequently, the Call Option was cancelled and partial refunds of option premium in the amount of HK\$19 million and HK\$2 million were received in the year ended 31 March 2005 and 2006 respectively. On 5 January 2007, the Group received the remaining amount of HK\$34 million.

25. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

Group	Continuing operations HK\$'000	Discontinued operations HK\$'000	2007 HK\$'000	2006 HK\$'000
Rental deposits	1,823	—	1,823	180
Other payables and accrued charges	14,683	33,333	48,016	39,971
	16,506	33,333	49,839	40,151
Company			2007 HK\$'000	2006 HK\$'000
Other payables and accrued charges			4,240	3,000

NOTES TO THE FINANCIAL STATEMENTS

26. OBLIGATIONS UNDER FINANCE LEASE

At 31 March 2007, the Group's obligations under finance lease are repayable as follows:

	Group	
	2007	2006
	HK\$'000	HK\$'000
Within one year	—	354
In the second year	—	59
	—	413
Future finance charges on finance lease	—	(13)
Present value of finance lease obligations	—	400
The present value of finance lease obligations is as follows:		
Within one year	—	342
In the second year	—	58
	—	400

27. SHARE CAPITAL

	Ordinary shares of HK\$0.10 each	
	Number of shares	HK\$'000
Authorised:		
At 31 March 2006 and 2007	2,000,000,000	200,000
Issued and fully paid:		
At 31 March 2006 and 2007	1,310,925,244	131,092

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

NOTES TO THE FINANCIAL STATEMENTS

28. RESERVES

Group

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserves HK\$'000 (Note (i))	Exchange reserve HK\$'000 (Note (ii))	Retained profits HK\$'000	Total HK\$'000
At 1 April 2005	57,556	129	14,959	—	1,405,948	1,478,592
Exchange difference arising on translation of foreign operations recognised directly in equity	—	—	—	10,674	—	10,674
Loss for the year	—	—	—	—	(108,876)	(108,876)
Total recognised income and expense for the year	—	—	—	10,674	(108,876)	(98,202)
Redemption of convertible notes	—	—	(2,803)	—	—	(2,803)
Dividends paid	—	—	—	—	(249,076)	(249,076)
At 31 March 2006	57,556	129	12,156	10,674	1,047,996	1,128,511
Exchange difference arising on translation of foreign operations recognised directly in equity	—	—	—	34,455	—	34,455
Loss for the year	—	—	—	—	(92,304)	(92,304)
Total recognised income and expense for the year	—	—	—	34,455	(92,304)	(57,849)
At 31 March 2007	57,556	129	12,156	45,129	955,692	1,070,662

All the reserves are retained by the Company and subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

28. RESERVES (continued)

Company

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000 (Note (i))	Retained profits HK\$'000	Total HK\$'000
At 1 April 2005	57,556	129	14,959	1,395,873	1,468,517
Loss for the year	—	—	—	(420,508)	(420,508)
Redemption of convertible notes	—	—	(2,803)	—	(2,803)
Dividends paid	—	—	—	(249,076)	(249,076)
At 31 March 2006	57,556	129	12,156	726,289	796,130
Profit for the year	—	—	—	273,602	273,602
At 31 March 2007	57,556	129	12,156	999,891	1,069,732

- (i) The capital reserve comprises the value of the unexercised equity component of convertible notes issued by the Company in prior years.
- (ii) The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3(s).
- (iii) At 31 March 2007, the aggregate amount of reserves available for distribution to equity holders of the Company was HK\$1,012,047,000 (2006: HK\$738,445,000).

NOTES TO THE FINANCIAL STATEMENTS

29. BANK LOANS

	Group	
	2007	2006
	HK\$'000	HK\$'000
Bank loans, secured	380,207	1,986,168
Less: Amount due for settlement within 12 months (shown under current liabilities)	(35,554)	(35,373)
Amount due for settlement after 12 months	344,653	1,950,795

Total bank loans held by the Group at 31 March 2007 amounted to HK\$2,009,048,000 (2006: HK\$1,986,168,000), comprising the amount of HK\$380,207,000 presented above (2006: HK\$1,986,168,000) and a bank loan of HK\$1,628,841,000 (2006: Nil) classified as liabilities associated with assets held for sale (note 12).

The bank loan associated with assets classified as held for sale as at 31 March 2007 is denominated in Renminbi ("RMB") and carries a variable interest rate with reference to lending rates quoted by Bank of China Limited. The effective interest rate at 31 March 2007 is 6.498% (2006: 5.814%). The loan is secured by the operating right of the Ningbo Beilun Port Expressway and a related company in which the Company's director, Mr. Lau Kan Shan has a beneficial interests.

Bank loan as at 31 March 2007 in respect of continuing operations is denominated in Hong Kong dollars ("HKD"), carries a variable interest rate with reference to the Hong Kong Dollar Prime Lending Rate and are repayable in instalments until November 2015. The effective interest rate at 31 March 2007 is 5.245% (2006: 5.321%). The loan is secured by the first legal charge of the hotel property of the Group, the corporate guarantee from the Company and guarantees from a director of Winland Wealth and related parties of Winland Wealth.

NOTES TO THE FINANCIAL STATEMENTS

29. BANK LOANS (continued)

At the balance sheet date, the Group's bank loan in respect of continuing operations is repayable as follows:

	2007 HK\$'000	2006 HK\$'000
Within one year	35,554	35,373
In the second year	37,514	54,025
In the third year	39,529	99,015
In the fourth year	41,653	132,060
In the fifth year	43,865	201,029
After five years	182,092	1,464,666
	380,207	1,986,168

Subsequent to the year end, the Group refinanced the original bank and other loan with the existing bank for (i) instalment loans of HK\$255,000,000 repayable in monthly instalments over a period of 15 years and (ii) a revolving loan of HK\$177,000,000 with a revolving period of one to three months. The new borrowings were secured by the hotel property and corporate guarantee from the Company.

30. OTHER LOAN

The other loan is secured by the second legal charge of the hotel property of the Group and the Company's corporate guarantee, bears interest at rate of 6% per annum and repayable by November 2008. Subsequent to the year end, the amount was paid in full by new bank borrowings refinanced by the Group (note 29).

NOTES TO THE FINANCIAL STATEMENTS

31. DEFERRED TAX LIABILITIES

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

The movement on the deferred tax liabilities account is as follows:

	Group	
	2007	2006
	HK\$'000	HK\$'000
At 1 April	5	398
Deferred taxation (credited)/charged to consolidated income statement (note 9)	(5)	748
Disposal of subsidiaries	—	(1,141)
At 31 March	—	5

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

	Accelerated tax depreciation	
	2007	2006
	HK\$'000	HK\$'000
At 1 April	3,253	3,769
Charged to consolidated income statement	804	625
Disposal of subsidiaries	—	(1,141)
Reclassified as held for sale (note 12)	(154)	—
At 31 March	3,903	3,253

NOTES TO THE FINANCIAL STATEMENTS

31. DEFERRED TAX LIABILITIES (continued)

Deferred tax assets	Tax losses		Others		Total	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April	(3,248)	(3,368)	—	(3)	(3,248)	(3,371)
(Credited)/charged to consolidated income statement	(809)	120	—	3	(809)	123
Reclassified as held for sale (note 12)	154	—	—	—	154	—
At 31 March	(3,903)	(3,248)	—	—	(3,903)	(3,248)

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

	Group	
	2007	2006
	HK\$'000	HK\$'000
Unutilised tax losses	20,780	102,165

The tax losses as at 31 March 2007 may be carried forward indefinitely. The tax losses of the subsidiaries which would be distributed in specie under the Group Reorganisation are not included in the above.

NOTES TO THE FINANCIAL STATEMENTS

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Analysis of changes in financing during the year

	Share capital and premium HK\$'000	Bank loans HK\$'000	Other loan HK\$'000	Obligations under finance lease HK\$'000
At 31 March 2005	188,648	890,000	—	724
Acquisition of subsidiaries	—	1,560,970	—	—
Disposal of subsidiaries	—	(825,000)	(335,000)	—
Other payable re-financed as other loans	—	—	200,000	—
Net cash inflow/(outflow) from financing	—	348,753	160,619	(324)
Exchange adjustment	—	11,445	—	—
At 31 March 2006	188,648	1,986,168	25,619	400
Net cash (outflow)/inflow from financing	—	(46,919)	33,794	(400)
Exchange adjustment	—	69,799	—	—
Reclassified as held for sale (note 12)	—	(1,628,841)	—	—
At 31 March 2007	188,648	380,207	59,413	—

33. COMMITMENTS

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

	Group	
	2007 HK\$'000	2006 HK\$'000
Contracted but not provided for		
— Investment property	—	5,000

NOTES TO THE FINANCIAL STATEMENTS

33. COMMITMENTS (continued)

(b) Operating lease

(i) As a lessee

At the balance sheet date, the Group had future aggregate minimum lease payments payable under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2007	2006
	HK\$'000	HK\$'000
Not later than one year	1,920	2,460
Later than one year and not later than five years	2,880	1,000
	4,800	3,460

The above lease arrangement was discontinued upon the completion of the Group Reorganisation on 12 April 2007.

(ii) As a lessor

At the balance sheet date, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2007	2006
	HK\$'000	HK\$'000
Not later than one year	—	135

34. RELATED PARTY TRANSACTIONS

In opinion of the directors, the ultimate controlling party of the Group is Mexan Group Limited which is incorporated in the British Virgin Islands. With effect from 12 April 2007, Winland Stock (BVI) Limited became the ultimate holding company of the Group after the completion of the Group Reorganisation.

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

NOTES TO THE FINANCIAL STATEMENTS

34. RELATED PARTY TRANSACTIONS (continued)

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

	Group	
	2007	2006
	HK\$'000	HK\$'000
Rental expenses (i)	1,920	1,920
Management fee (ii)	12,325	4,030

- (i) Mexan Resources Limited (“MRL”), a wholly-owned subsidiary of the Company, rented office premises, certain furniture and fixtures and car parks for three years effective from 1 October 2003 at a HK\$160,000 per month from Mexan International Limited (“MIL”). On 18 September 2006, MRL entered into a new tenancy agreement with MIL to extend the lease arrangement for a three-year period to 30 September 2009.

MIL is beneficially owned as to 95% by Mr. Lau Kan Shan, an executive director, chairman and controlling shareholder of the Company. Since 12 April 2007, Mr. Lau has not held any interests in the Company after the completion of the Agreement. On 7 May 2007, Mr. Lau resigned as director of the Company.

The directors of the Company confirmed that this transaction will not continue in the Group in the future after completion of the Group Reorganisation on 12 April 2007.

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

NOTES TO THE FINANCIAL STATEMENTS

34. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

(ii) (continued)

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

Shanghai Mexan is beneficially owned by Mr. Lau Kan Shan.

The directors of the Company confirmed that this transaction will not continue in the Group in the future after the completion of Group Reorganisation on 12 April 2007.

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

- (b) In connection with management contract as disclosed in note (a)(ii), Beilun Company has made prepayment of RMB300 million to Shanghai Mexan which was secured by three properties in the PRC held by related parties upon expiry or early termination of the management contracts, Shanghai Mexan will repay Beilun Company the remaining balance of the prepaid management fees.
- (c) Amounts due from and to related companies are unsecured, interest free, repayable on demand and classified as held for sale as at 31 March 2007.
- (d) The remuneration of directors as disclosed in note 15 and other members of key management during the year was as follows:

	Group	
	2007	2006
	HK\$'000	HK\$'000
Salaries and allowances	10,371	10,694
Discretionary bonuses	—	11,500
MPF contributions	72	71
	10,443	22,265

NOTES TO THE FINANCIAL STATEMENTS

35. CONTINGENT LIABILITIES

At 31 March 2007, the Company had provided guarantees to a bank and Winland Wealth's related company in respect of loans granted to its subsidiary amounting to HK\$380,207,000 and HK\$59,413,000 respectively.

36. FINANCIAL RISK MANAGEMENT

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

(a) Credit risk

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

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

(b) Liquidity risk

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

(c) Fair value and cash flow interest rate risk

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

The Group's exposure to interest rate risks relates primarily to the Group's borrowings with floating interest rate. The interest rates and terms of repayment of the Group's borrowings are disclosed in notes 29 and 30 to the financial statements. The Group's policy is to obtain the most favorable interest rates available for its borrowings.

NOTES TO THE FINANCIAL STATEMENTS

36. FINANCIAL RISK MANAGEMENT (continued)

(d) Foreign exchange risk

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

(e) Fair values estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2007.

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

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

NOTES TO THE FINANCIAL STATEMENTS

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The principal subsidiaries of the Company as at 31 March 2007 are set out below:

Name of subsidiary	Place of incorporation and operation	Particulars of capital	Percentage holding		Principal activities
			2007	2006	
Shares held indirectly:					
City Promenade Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Hotel operation
Ningbo Beilun Port Expressway Company Limited ("Beilun Company") (note (i) and (ii))	PRC	Registered capital of US\$77,800,000	100	100	Toll road operation and management
Mexan Resources Limited (note (ii))	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Provision of management services
Gold Canton Investment Limited (note (ii))	Hong Kong	3 ordinary shares of HK\$1 each	100	100	Property investment (Ceased operation since February 2007)
Portfield Limited (note (ii))	Hong Kong	10 ordinary shares of HK\$1 each	100	100	Investment holding

Notes:

- (i) Beilun Company is a wholly-owned foreign enterprise incorporated in the PRC.
- (ii) On 12 April 2007, these subsidiaries were distributed to the shareholders of the Company under the Group Reorganisation.

38. COMPARATIVE FIGURES

Due to the Group Reorganisation, as disclosed in note 11, which constituted discontinued operations under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", certain comparative figures were restated so as to reflect the results for the continuing operations.

39. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 20 July 2007.