THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Premium Land Limited, you should at once hand this circular and the enclosed form of proxy to the purchaser(s) or the transferee(s), or to the bank, licensed securities dealer or registered institution or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or the transferee(s).

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities.

PREMIUM LAND LIMITED
（上海策略置地有限公司）*

(incorporated in Bermuda with limited liability)

(Stock Code: 164)

MAJOR TRANSACTION

A notice convening the special general meeting to be held at Unit 3411, 34/F, COSCO Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong at 10:00 a.m. on Monday, 31 December 2007 (or any adjournment thereof) is set out on pages 183 to 184 of this circular. Form of proxy for use in the special general meeting is enclosed. Whether or not you propose to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding of the special general meeting or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting thereof, should you so desire.

14 December 2007

* *For identification purposes only*

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the acquisition by the Purchaser from the Vendor of the entire equity interest in Winmax Asia pursuant to the Acquisition Agreement
"Acquisition Agreement"	the agreement dated 24 October 2007 entered into between the Purchaser and the Vendor in relation to the Acquisition
"Announcement"	the announcement dated 6 November 2007 made by the Company in relation to the Acquisition
"associate(s)"	has the meaning ascribed to it in the Listing Rules
"Beijing Villa Project"	the villa project in Beijing, the PRC, being undertaken by JXRE
"Board"	board of Directors
"Cash Consideration"	RMB433 million, being the cash consideration of the Acquisition
"Company"	Premium Land Limited, a company incorporated in Bermuda whose securities are listed on the Main Board of the Stock Exchange
"Consideration Villas"	two of the villas to be given to the Vendor as part of the consideration for the Acquisition and which will be built in Phase III of New Star Garden Villa with total gross floor area of not more than 946 sqm where each of the Consideration Villas will be built on land of not less than 1.5 mu
"Directors"	directors of the Company
"Enlarged Group"	the Group as enlarged by the Acquisition
"Group"	the Company and its subsidiaries
"JXRE"	北京建興房地產開發有限公司 (Beijing Jianxing Real Estate Development Co., Ltd.**), a Sino-foreign Co-operative Joint Venture incorporated in Beijing, the PRC
"HK$"	Hong Kong dollars

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	12 December 2007, being the latest practicable date before the printing of this Circular for the purpose of ascertaining certain information for inclusion in this circular
"Liabilities"	the total liabilities of approximately RMB261.4 million relating to JXRE and the Beijing Villa Project which shall be settled out of the total consideration for the Acquisition
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	The People's Republic of China
"Purchaser"	Silver Wind International Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly-owned subsidiary of the Company
"Purchaser's Call Option"	a call option granted on 24 October 2007 (being the same date of the Acquisition Agreement) by the Vendor to the Purchaser where the Purchaser can acquire the rest of 45% shareholding interest in Winmax Asia at a price of HK$1 in the event that the increase in registered capital of JXRE to be applied by the Vendor is not approved and the Purchaser determines to terminate the Acquisition and where the Vendor fails to repay the Purchaser the Partial Payment within 3 months thereafter
"RMB"	Renminbi, the lawful currency of the PRC
"SGM"	the special general meeting of the Company to be convened to approve, amongst other things, the Acquisition Agreement
"Share(s)"	ordinary share(s) of HK$0.01 each in the existing share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transfer"	the transfer of the entire equity interest of JXRE from the existing foreign partner to Winmax Asia

"Vendor"	Stronway Development Limited, a company incorporated in the British Virgin Islands with limited liability
"Vendor's Call Option"	a call option granted on 24 October 2007 (being the same date of the Acquisition Agreement) by the Purchaser to the Vendor where the Vendor can acquire the 55% shareholding interest of Winmax Asia from the Purchaser at HK$1 in the event that provided that the increase in registered capital of JXRE has been approved but the Purchaser fails to fulfill its remaining payment obligations (including the rest of the payment obligations under (2) and (3) under the sub-section headed "Cash Consideration" in the section headed "Acquisition Agreement" set out in Letter from the Board) after taking up the 55% of the shareholding interest in Winmax Asia
"Winmax Asia"	Winmax Asia Investment Limited, a company incorporated in Hong Kong with limited liability which is wholly-owned by the Vendor
"US$"	the lawful currency of the United States
"%" or "per cent"	percent
"sqm"	square meter
"mu"	a unit of area equivalent to approximately 666 sqm

** *The unofficial English transliterations or translations are for identification purposes only.*

For the purpose of this circular, unless otherwise specified, conversion of (i) RMB into HK$ is based on the approximate exchange rate of HK$1.00 to RMB0.97; and (ii) US$ into HK$ is based on the approximate exchange rate of HK$1.00 to US$0.13. The exchange rates are for illustration purpose only and do not constitute a representation that any amounts have been or could have been or may be exchanged at these or any other rates at all.

PREMIUM LAND LIMITED
（上海策略置地有限公司）*

(incorporated in Bermuda with limited liability)

(Stock Code: 164)

Executive Directors:
Mr. Ma Kwok Hung, Warren
Mr. Ho Chi Ho

Non-executive Director:
Mr. Chow Siu Ngor

Independent non-executive Directors:
Mr. Wong Hoi Kuen, Edmund
Mr. Chan Chi Yuen
Mr. Tsang Kwong Chiu, Kevin

Registered Office:
Clarendon House
Church Street
Hamilton HM11
Bermuda

Principal Place of Business in Hong Kong:
Unit 3411, 34/F.
COSCO Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

14 December 2007

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

INTRODUCTION

On 6 November 2007, the Board announced that on 24 October 2007, the Purchaser, the Company's wholly-owned subsidiary, entered into the Acquisition Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to acquire from the Vendor the entire equity interest in Winmax Asia at a total consideration of RMB433 million in cash and two Consideration Villas.

* *For identification purposes only*

This circular is to provide you with, amongst other things, (i) further details of the Acquisition and other required disclosures in connection with the Acquisition pursuant to the Listing Rules; and (ii) notice of the SGM.

THE ACQUISITION AGREEMENT

Date 24 October 2007

Parties

Purchaser: Silver Wind International Limited, a wholly-owned subsidiary of the Company
Vendor: Stronway Development Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules). The Vendor is an investment holding company and its ultimate beneficial owner is principally engaged in property development in Beijing, the PRC.

Subject asset

The entire equity interest in Winmax Asia which upon completion of the Transfer, being one of the conditions of the Acquisition Agreement, will hold the entire equity interest in JXRE, being the developer of the Beijing Villa Project.

Conditions

The Acquisition Agreement is subject to the following conditions:

(i) the passing of relevant resolution at the SGM by the Shareholders for approving the Acquisition Agreement no later than 31 December 2007 (or such other dates as agreed by the Purchaser and the Vendor) subject to the Vendor having provided all the necessary information to the Purchaser in order for the Company to comply with the relevant disclosure requirements under the Listing Rules and to convene the SGM within the said timeframe;

(ii) the Purchaser having been satisfied with its due diligence review on, amongst other things, Winmax Asia, JXRE and the Beijing Villa Project;

(iii) the completion of the Transfer by the Vendor; and

(iv) the articles of association of JXRE be amended to the effect that the members of the board of directors of JXRE to be appointed by Winmax Asia constituting such proportion of the board of JXRE that entitle Winmax Asia to have an effective control over all the material events (except where it is required under the PRC Laws that certain events need to be passed by all the board members).

All the conditions above (other than holding of the SGM for the passing, if thought fit, the Acquisition Agreement as required under the Listing Rules) can only be waived subject to a mutual agreement between the Vendor and the Purchaser. As at the Latest Practicable Date, condition (ii) has been fulfilled.

In the event that conditions (iii) and (iv) above are not fulfilled by the end of three months after the fulfillment of condition (ii) (or such other later date as may be agreed between the Purchaser and the Vendor), the Acquisition Agreement shall forthwith be of no further effect.

Consideration

The consideration for the Acquisition will be RMB433 million in cash and the two Consideration Villas.

The consideration was determined after arm's length negotiations between the Company and the Vendor with reference to the prospect of the Beijing Villa Project having taken into account, amongst other things, the prime location of site of the Beijing Villa Project, the scarcity of villa projects in the PRC property market and the profitability to be generated from the Beijing Villa Project in the coming anticipated prosperous years of the PRC (Please also refer to the section headed "Reasons for the Acquisition" below). The cash consideration will be financed by internal resources of the Group and bank financing. The Company may also consider conducting fund raising exercise to finance part of the cash consideration.

Cash Consideration

The cash consideration in the amount of RMB433 million shall be satisfied as to:

(1) RMB20 million was paid as earnest deposit (the "Deposit") where RMB5 million thereof was paid to the Vendor on the business day after the date of the Acquisition Agreement and the remaining RMB15 million thereof which shall be applied by the Vendor for the sole purpose of settling part of the Liabilities which amount to approximately RMB261.4 million in total have been paid to the Vendor as at the Latest Practicable Date;

(2) RMB240 million to be paid upon fulfillment of all the conditions of the Acquisition Agreement for the sole purpose of settling the remaining balance of the Liabilities; and

(3) RMB173 million to be paid to the Vendor after the Liabilities have been settled in full. In the event that the Liabilities exceed RMB261.4 million, then such balance of RMB173 million payable to the Vendor will be deducted dollar by dollar.

In respect of the procedures of the RMB240 million payment mentioned in (2) above, RMB173 million (the "Partial Payment") out of the RMB240 million will firstly be arranged as a loan to JXRE for partially settling the Liabilities and the Purchaser will firstly take up 55% shareholding interest of Winmax Asia from the Vendor for such Partial Payment such that the Purchaser will obtain a controlling interest in the Beijing Villa Project to ensure that such Partial Payment be appropriately used for settling the Liabilities. Thereafter, the Vendor will procure Winmax Asia to apply for increase in its registered capital from relevant authority in PRC. The Purchaser will arrange the payment to the Vendor for further settling the remaining balance of the Liabilities of RMB67 million after the approval on the increase in registered capital of Winmax Asia has been procured.

In the event that the increase in registered capital of JXRE to be applied by the Vendor is not approved, it is at the sole discretion of the Purchaser on whether the Acquisition should be proceeded or terminated. In the event that the Purchaser determines to terminate the Acquisition, the Purchaser has a right to demand the Vendor to procure repayment of the Partial Payment within 3 months and the Deposit within 5 months, and where the Vendor fails to repay the Partial Payment within 3 months, then the Purchaser has a right to take up the balance of the 45% shareholding interest of Winmax Asia under the Acquisition Agreement and/or by exercising the Purchaser's Call Option (at its sole discretion) granted to the Purchaser by the Vendor such that the Purchaser can procure sale of the entire interest of Winmax Asia by way of an auction (details of the arrangement to be agreed between the Vendor and the Purchaser) in 2 months, the proceeds of which will firstly be applied for repayment of the Partial Payment to the Purchaser and where the proceeds thereof is not sufficient for repayment of the Partial Payment, the Vendor is liable to repay the shortfall immediately. The Purchaser's Call Option serves to be an additional mechanism under which the Purchaser can acquire the rest of the 45% shareholding interest of Winmax Asia from the Vendor under the aforesaid circumstances, and such mechanism is exactly the same as the terms set out under the Acquisition Agreement.

In the event that the increase in the registered capital has been approved but the Purchaser does not fulfill its remaining payment obligations after taking up the 55% of the shareholding interest in Winmax Asia, then the Vendor has a right to take back the 55% shareholding interest of Winmax Asia from the Purchaser under the Acquisition Agreement and/or by exercising the Vendor's Call Option (at its sole discretion) notwithstanding that the Vendor is still obliged to repay the Partial Payment. The Vendor's Call Option serves to be an additional mechanism under which the Vendor can acquire back the 55% shareholding interest of Winmax Asia from the Purchaser under the aforesaid circumstances, and such mechanism is exactly the same as the terms set out under the Acquisition Agreement. For avoidance of doubt, the Vendor remains to be obliged to repay the Partial Payment.

Further announcements will be made upon the occurrence of either of the two above-mentioned circumstances including but not limited to the exercise of the Purchaser's Call Option or the Vendor's Call Option.

Consideration Villas

The Purchaser shall hand over two Consideration Villas (with a total gross floor area of 946 sqm and each of the Consideration Villas situated on a land of not less than 1.5 mu but without interior decoration) to the Vendor by 31 December 2009. Upon delivery of the two Consideration Villas, the Purchaser shall also provide the Vendor with a decoration compensation of RMB1 million for each of the Consideration Villas. Based on the preliminary valuation carried out on 1 November 2007 under direct comparison approach by the professional valuer, RHL Appraisal Ltd., a third party independent of the Company and its connected persons (as defined under the Listing Rules) appointed by the Company, the fair value of the Consideration Villas is approximately RMB23 million. The Consideration Villas will be built in Phase III of New Star Garden Villa, details of which has been set out in the sub-section headed "Beijing Villa Project" in this circular.

INFORMATION ON WINMAX ASIA, JXRE AND THE BEIJING VILLA PROJECT

Winmax Asia

Winmax Asia, a company incorporated in Hong Kong on 14 June 2007 with limited liability, is wholly owned by the Vendor. Winmax Asia has no assets, save for HK$1, being its issued share capital and does not have any operation as at the Latest Practicable Date. Upon completion of the Transfer, Winmax Asia will hold the entire shareholding interest in JXRE.

JXRE

JXRE, a sino-foreign co-operative joint venture incorporated in Beijing, the PRC in 1993, has a registered capital of approximately US$14.3 million and its entire equity interest is held by the foreign joint venture partner which together with the sino joint venture partner including their respective ultimate beneficial owners are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules). JXRE is principally engaged in property development in the PRC and is being the developer of the Beijing Villa Project.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the sino joint venture partner of JXRE is principally engaged in property development and the foreign joint venture partner of JXRE is an investment holding company. The ultimate beneficial owner of the Vendor is the chairman of the foreign joint venture partner and save for being the sino joint venture partner of JXRE, the sino joint venture partner has no other relationship with the Vendor.

Based on its audited consolidated financial results, JXRE made a net loss of approximately RMB2.25 million before and after tax for the year ended 31 December 2006 and a net loss of approximately RMB5.55 million before tax and net loss of approximately RMB5.56 million after tax for the year ended 31 December 2005. As at 31 December 2006, JXRE has an audited net asset value of approximately RMB29.04 million.

Beijing Villa Project

JXRE has been engaged in the Beijing Villa Project which involves the development of residential villas, namely 新星花園別墅 (New Star Garden Villa**), in a total land area of approximately 121,700 sqm (with an additional greenbelt of approximately 480,000 sqm surrounding the site) with a total gross floor area of approximately 52,338 sqm.

The New Star Garden Villa is located at a prime location right off the Dong Wei Road Exit (5th) of the Beijing Capital Airport Expressway, in the midway between the Third Ring Road (approximately 9 km distance) and Beijing Capital Airport (approximately 11 km distance), in Beijing, the PRC, hence ones residing in the villa can reach the airport in about 10 minutes and the central business district in about 20 minutes.

The Beijing Villa Project comprises three phases (Phase I, Phase II and Phase III) and the Purchaser is effectively acquiring the Phase II and Phase III with a total gross floor area of 38,373 sqm (including clubhouse/community centre of approximately 5,311 sqm).

Phase I

The construction under the Phase I of the Beijing Villa Project was completed and the villas thereon with a total gross floor area of approximately 13,965 sqm were all sold in about 1998.

Phase II and Phase III

The principal construction under the Phase II of the Beijing Villa Project has almost been completed. The total gross floor area is approximately 12,359 sqm. There are 68 villas constructed thereon, of which approximately 67 villas have been registered as sold under provisional sale and purchase contracts. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, JXRE has failed to deliver the villas to the registered villa buyers in accordance to such provisional sale and purchase contracts and accordingly, it has resulted in liabilities of approximately RMB133 million (the "Phase II Liabilities").

In order to proceed with the Acquisition, the Vendor has to procure the land and properties of Phase II and Phase III to be registered under the name of JXRE. The Vendor and JXRE has procured the signing of the cancellation agreements from all registered villa buyers of Phase II. The Phase II Liabilities relating to the reversal of the provisional sale and purchase contracts of approximately RMB133 million form part of the RMB261.4 million Liabilities and shall be settled out of the Cash Consideration. The due diligence conducted by the Purchaser has not discovered any contingent liabilities arising as a result of such cancellation agreements.

The Phase III comprises a total gross floor area of approximately 20,415 sqm and remains undeveloped.

As at the Latest Practicable Date, all the properties and land of both Phase II and Phase III are attached (查封) by the court in the PRC due to the incapability of JXRE on repaying liabilities of approximately RMB233 million (being part of the Liabilities) which include Phase II Liabilities of approximately RMB133 million and a project loan for Phase III of approximately RMB100 million as at the Latest Practicable Date. The Liabilities amount to approximately RMB261.4 million which shall be settled out of the Cash Consideration, and upon settlement of which all the properties and land of both Phase II and Phase III will be detached (解封). In normal practice, detachment (解封) will usually take place in about 3 months after full settlement of the Liabilities, subject to the procedures of the court in the PRC. To the best of Directors' knowledge, information and belief having made all reasonable enquires, apart from the Liabilities amounting to approximately RMB261.4 million, the Group will not expose to any other major contingent liabilities arising from the Acquisition.

On the overall planning on the site of the New Star Garden Villa, it is the intention of the Purchaser that all the constructions under Phase II be demolished and the blueprint on the development of Phase II will be redone to cope with the development of Phase III and ancillary facilities including clubhouse. The Purchaser will propose to engage an internationally famous architect firm to proceed with the splendid design of the whole site. The demolishment and construction cost cannot be accurately estimated before finalisation of the blueprint for Phase II and Phase III.

FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

Upon completion of the Acquisition, the net asset of the Group will be increased by the net asset value of Winmax Asia and JXRE while the cash and cash equivalent balances will be decreased to the extent of the consideration paid. There is no material impact on the Group's earnings upon completion of the Acquisition.

Upon completion of the Acquisition, Winmax Asia will become a wholly-owned subsidiary of the Company and its results will be consolidated into the results of the Group.

The statement below shows the reconciliation of inventories (properties under development, at cost) from the audited financial statements of JXRE as at 30 June 2007 to the valuation as at 1 November 2007 set out in Appendix V of this circular.

	RMB'000
Book value of inventories as at 30 June 2007 as set out in the Accountants' Report included in Appendix III of this circular	283,278
Movement of inventories from 1 July 2007 to 1 November 2007*	-
Book value as at 1 November 2007*	283,278
Market value of land parcel as at 1 November 2007 as set out in the Valuation Report included in Appendix V of this circular	485,000
Valuation surplus*	201,722

* *Unaudited figures*

REASONS FOR THE ACQUISITION

The Group is principally engaged in securities trading and investments, property development and sales, trading of building materials and provision of renovation services and property rental.

As set out in the 2007 annual report of the Company, the Group has been actively identifying potential property investment and development opportunities in major cities in the PRC. In view that no more villa projects in the PRC will be granted under the overall policy of the central government of the PRC, the Directors consider that the Beijing Villa Project under the Acquisition is a scarce resource in the property development market in the PRC and anticipate that the property prices of villas, which are generally viewed as luxury products in economic terms, will continue to be on an upward trend especially under the momentum of the fast growing economy in the PRC. In addition, Beijing, being the capital of the PRC with high population density and playing a leading role in the economy of the PRC, is expected to attract substantial number of high net worth individuals which will likely support the demand for luxury living places such as villas. Given the prime location of the site of the Beijing Villa Project under the Acquisition, the Directors believe that there will be a strong demand for the villas to be built thereon and, if realised, will enable the Group to generate substantial profits. The Directors are also of the view that through the Acquisition, the Group will be able to strengthen its position as an active player in the property development and investment in the PRC.

The Directors consider that the terms of the Acquisition are in normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

The Acquisition constitutes a major transaction of the Company under the Listing Rules. The Company will, in compliance with the Listing Rules, convene the SGM to seek the approval of the Shareholders on the Acquisition. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders have any interest in the Acquisition and therefore no Shareholders are required to abstain from voting for the approval of the Acquisition at the SGM.

FINANCIAL AND TRADING PROSPECT

The Group is confident in the robust economic development in the PRC. With consistent economic growth, quality commercial as well as residential properties are highly demanded in prime locations in the PRC with high population density. The Enlarged Group will continue to adopt an active but prudent strategy and create value to the shareholders. Property projects with high potential investment value and high rental yield at reasonable price will be the major area of focus. In the long run, the Enlarged Group aim to have a balanced portfolio of commercial and residential properties which may include villas, serviced apartments, offices, shopping malls and hotels.

Save for the Acquisition, the followings are the acquisition or proposed acquisition that entered by the Company after the latest published audited accounts and up to the Latest Practicable Date:

On 1 September 2007, the Company signed a letter of intent (the "Letter of Intent') in respect of a proposed acquisition of the entire interest in both 重慶鳳弘吉實業有限責任公司 (Chongqing Feng Hong Ji Industrial Company Limited**) and 重慶旭日房地產開發有限公司 (Chongqing Xu Ri Property Development Company Limited**), which are principally interested in existing properties with a gross floor area of 9,500 sqm mainly for commercial use and car park slots, and a land parcel of approximately 7,000 sqm located at Yubei District, Chongqing, PRC, on which a gross floor area of approximately 43,000 sqm can be built for mainly residential purpose. Details of the Letter of Intent has been set out in the Company's announcement dated 3 September 2007.

On 2 October 2007, the Board announced that on 28 September 2007 the Company has entered into a sale and purchase agreement pursuant to which the Company has conditionally agreed to purchase and the vendor is a third party independent of the Company and its connected persons (as defined in the Listing Rules) conditionally agreed to sell the entire registered capital of 北京德邦富策劃咨詢有限公司 (Beijing De Bang Fu Strategic Consultancy Company Limited**), a limited liability company established in the PRC, which together with its subsidiaries principally engaged in property development for a total consideration of RMB2,000,000 (equivalent to approximately HK$2,068,500). The consideration will be satisfied in cash on completion. Details of such acquisition has been set out in the Company's announcement dated 2 October 2007 and circular dated 23 October 2007.

THE SGM

The SGM will be held to consider and, if thought fit, pass the resolution to approve the Acquisition.

Form of proxy for use at the SGM is enclosed in this circular. Whether or not you are able to attend the SGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible but in any event not later than 48 hours before the time appointed for holding of the SGM or any adjourned meeting thereof. Completion of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting thereof should you so wish.

RECOMMENDATION

The Directors consider that the terms and conditions of the Acquisition are fair and reasonable and are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Acquisition.

ADDITIONAL INFORMATION

Please refer to the Appendices to this circular for additional information.

Yours faithfully,
For and on behalf of the Board
Premium Land Limited
HO, Chi Ho
Executive Director

** *The unofficial English transliterations or translations are for identification purposes only.*

(A) SUMMARY OF FINANCIAL RESULTS FOR THE THREE YEARS ENDED 31 MARCH 2007

Set out below are (i) a summary of the audited consolidated results of the Group for each of the three financial years ended 31 March 2005, 2006 and 2007; and (ii) qualified opinions on the financial statements of the Group for the three years ended 31 March 2007 extracted from the relevant annual reports of the Group.

CONSOLIDATED INCOME STATEMENT
for the three years ended 31 March 2007

	2007	2006	(As Restated) 2005 (Note)
	HK$'000	*HK$'000*	*HK$'000*
Turnover	361,961	33,273	95,364
Cost of sales	(351,458)	(34,243)	(93,823)
Gross profit (loss)	10,503	(970)	1,541
Other income and gains, net	4,866	51,269	10,424
Administrative expenses	(34,815)	(15,063)	(29,455)
Loss on disposal of available-for-sale financial assets	–	(70)	–
Impairment losses on trade and other receivables	(9,289)	(1,521)	–
Net impairment losses on trade and other receivables written back	–	–	12,110
Impairment losses on investment securities	–	–	(41,000)
Impairment losses on available-for-sale financial assets	–	(44,205)	–
Impairment loss on property, plant and equipment	–	–	(200,000)
Loss from operations	(28,735)	(10,560)	(246,380)
Finance costs	(5,136)	(9,561)	(9,602)
Gain (loss) on disposal of subsidiaries	18,080	(2,913)	–
Loss on deconsolidation of subsidiaries	(7,194)	–	–
Impairment losses on amount due from an associate	–	(3,671)	–
Share of profits less losses of associates	(8)	(447)	–
Loss for the year	(22,993)	(27,152)	(255,982)
Attributable to:			
Equity holders of the Company	(22,993)	(26,438)	(121,158)
Minority interests	–	(714)	(92,824)
	(22,993)	(27,152)	(213,982)
Basic loss per share attributable to the equity holders of the Company during the year	(5.7) cents	(7.6) cents	(50.2) cents

Note: Restatement for the year ended 31 March 2005 was due to the change in accounting policy.

Auditors' report extracted from the Group's annual report for the year ended 31 March 2005.

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

TO THE MEMBERS OF PREMIUM LAND LIMITED
(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 20 to 70 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, except that the scope of work was limited as explained below.

An audit includes examination on a test basis, of evidence to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanation which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. However, the evidence available to use was limited as set out below.

1. As explained in note 2 to the financial statements, for reasons relating to current legal proceedings in respect of 杭州恆運交通開發有限公司(the "HZHY"), the subsidiary of the Company, the directors were unable to satisfy themselves that the following amounts included in the consolidated financial statements relating to HZHY, based on its unaudited management accounts for the eleven months ended 28th February, 2005, were free from material misstatement:

–	Turnover	HK$11,154,000
–	Cost of sales	HK$4,136,000
–	Other operating income	HK$366,000
–	Administrative expenses	HK$7,843,000
–	Property, plant and equipment	HK$64,460,000
–	Bank balances and cash	HK$7,217,000
–	Trade and other receivables	HK$4,303,000
–	Trade and other payables	HK$58,545,000
–	Minority interests	HK$10,241,000

The directors were also unable to satisfy themselves as to the validity and completeness of the amounts attributable to HZHY included in the notes to the financial statements, including but not limited to the disclosure of commitments, pledge of assets and contingent liabilities.

2. Included in the consolidated income statement of the Group for the year ended 31st March 2005 is an impairment loss recognised in respect of property, plant and equipment of HZHY of HK$200,000,000. However, we were unable to obtain sufficient information and explanations to satisfy ourselves as to whether the impairment loss recognised in respect of the toll highway as determined by the directors and the carrying value of the toll highway and the associated deferred tax liability as disclosed in notes 14 and 25, respectively, were free from material misstatement.

Any adjustments found to be necessary to the above amounts would, as appropriate, affect the net assets of the Group and of the Company as at 31st March, 2005 and the loss and cash flows of the Group for the year then ended.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides reasonable basis for our opinion.

Qualified opinion arising from limitation of scope

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning HZHY referred to in the "Basis of Opinion" section of this report, in our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March, 2005 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitation on our work relating to HZHY as set out in the "Basis of Opinion" section of this report:

(i) we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

(ii) we were unable to determine whether proper books of account had been kept.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 27th July, 2005

Auditors' report extracted from the Group's annual report for the year ended 31 March 2006.

REPORT OF THE AUDITORS

TING HO KWAN & CHAN

CERTIFIED PUBLIC ACCOUNTANTS

9th Floor, Tung Ning Building
249-253 Des Voeux Road Central
Hong Kong

TO THE MEMBERS OF PREMIUM LAND LIMITED
(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 40 to 126 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgement and estimates are made which are prudent and reasonable and that the reasons for any significant department from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants, except that the scope of work was limited as explained below.

An audit includes examination on a test basis, of evidence to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanation which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement.

However, the evidence available to us was limited as set out below.

1. Scope limitation – prior year's audit scope limitation affecting opening balances

We were appointed as auditors during the current year and did not report on the financial statements for the year ended 31st March, 2005. Furthermore, the auditors appointed in respect of the year ended 31st March, 2005 were unable to form an opinion as to whether the financial statements gave a true and fair view of the state of affairs of the Company and of the Group as at 31st March, 2005 and of the loss and cash flows of the Group for the year then ended because of the possible effect of the limitations in evidence available to them. Therefore, we are unable to express an opinion on the figures brought forward as at 1st April, 2005 and the comparative figures included in these financial statements.

As explained in notes 2 and 43 to the financial statements and for reasons relating to current legal proceedings in respect of 杭州恆運交通開發有限公司 (the "HZHY"), the subsidiary of the Company, the directors were unable to satisfy themselves as to whether the following amounts included in the consolidated balance sheets as at 31st March, 2005 and 31st March, 2006 were free from material misstatement.

- Property, plant and equipment of HK$64,460,000;
- Bank balances and cash of HK$7,217,000;
- Trade and other receivables of HK$4,303,000;
- Trade and other payables of HK$58,545,000;
- Deferred tax liability with nil amount;
- Minority interests of HK$10,241,000.

The property, plant and equipment of the HZHY included a toll highway with the net book value of HK$63,899,000 which had been written down by an impairment loss of HK$200,000,000 during the year ended 31st March, 2005. The auditors appointed in respect of the year ended 31st March, 2005 were unable to obtain sufficient information and explanations to satisfy themselves as to whether the impairment loss recognised in respect of the toll highway as determined by the directors and the carrying value of the toll highway and the associated deferred tax liability were free from material misstatement. As with previous auditors, the directors were not able to provide us with sufficient information about HZHY's toll highway for us to determine whether the carrying value of the toll highway shown in note 15 to the financial statements was fairly stated.

Accordingly, we were unable to form an opinion as to whether the net assets of the Group as at 31st March, 2005, and the results and cash flows of the Group for the year then ended were free from material misstatement. Any adjustments to the opening net assets of the Group would affect the net loss and cash flows of the Group for the year ended 31st March, 2006.

2. Scope limitation – absence of the financial statements of HZHY for the year ended 31st March, 2006

As explained in note 2 to the financial statements, the management has been unable to gain access to the books and records HZHY since July 2005 due to the lack of co-operation from management of HZHY. As a result, the consolidated income statement of the Company for the current year has not incorporated the results of HZHY for the year ended 31st March, 2006 and the consolidated balance sheet of the Company as at 31st March, 2006 has only incorporated the balance sheet of HZHY up to 28th February, 2005. The directors are unable to satisfy themselves that the amounts referred to in paragraph 1 above included in the consolidated balance sheet as at 31st March, 2006 were free from material misstatement. The directors were also unable to satisfy themselves as to the validity and completeness of the amounts attributable to HZHY included in the notes to the financial statements, including but not limited to the disclosure of commitments, pledge of assets and contingent liabilities.

Therefore, adequate audit evidence to satisfy ourselves as to the nature, completeness, appropriateness, classification and disclosure in respect of the transactions undertaken by HZHY as included in the Group's financial statements is not available. For the same reasons, we have been unable to satisfy ourselves that (i) whether those disclosures which had incorporated the amounts referred to in paragraph 1 above and the corresponding cash flows and operating results arising from the operations of HZHY which are omitted from the consolidated cash flow statements and consolidated income statement respectively, are fairly stated; and (ii) whether those segmental information disclosures as shown in note 7 to the financial statements are reliable and adequate.

There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the matters above. Any adjustments to the figures would have a consequential effect on the Group's net assets as at 31st March, 2006 and the loss and cash flows for the year then ended and the related disclosures thereof in these financial statements.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides reasonable basis for our opinion.

Disclaimer of opinion

Because of the significance of the possible effect of the limitations in evidence available to us referred to in the basis of opinion section of this report, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st March, 2006 or of the loss and cash flows of the Group for the year then ended. In all other respects, in our opinion the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance. In respect alone of the limitations on our work as set out in the basis of opinion section of this report:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

- we were unable to determine whether proper books of accounts had been kept.

Ting Ho Kwan & Chan
Certified Public Accountants (practising)

Hong Kong, 27th July, 2006

Auditors' report extracted from the Group's annual report for the year ended 31 March 2007.

INDEPENDENT AUDITOR'S REPORT

TING HO KWAN & CHAN
CERTIFIED PUBLIC ACCOUNTANTS

9th Floor, Tung Ning Building
249-253 Des Voeux Road Central
Hong Kong

TO THE MEMBERS OF PREMIUM LAND LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Premium Land Limited (the "Company") set out on pages 40 to 127, which comprise the consolidated and Company balance sheets as at 31st March, 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the 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. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except as described in the basis for qualified opinion paragraph, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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.

Basis for qualified opinion

1. Scope limitation – prior year's audit scope limitation affecting comparative figures

The comparative figures in the current year's financial statements are derived from the financial statements for the year ended 31st March, 2006 which contained a disclaimer of opinion. We were unable to carry out audit procedures necessary to obtain adequate assurance on the preceding year's figures. Accordingly, we were unable to express an opinion on the comparative figures appearing in the current year's financial statements. We have not been able to ascertain whether the comparative figures will have any effect on the current year's balance sheet and income statement items.

2. Scope limitation – loss on deconsolidation of subsidiaries

As explained in notes 32 and 41 to the financial statements, the management has been unable to gain access to the books and records of its subsidiary, 杭州恆運交通開發有限公司 ("HZHY") since July 2005 due to the lack of co-operation from management of HZHY and has commenced legal proceedings for the recovery and declaration of its beneficial ownership in 51% of the issued share capital of Gold United International Industries Limited ("Gold United") which has 80% direct interest in HZHY. The directors considered that the Group was unable to exercise its rights as shareholder either to control the assets and operations or to exercise significant influence over the financial and operating policy decisions of both subsidiaries, therefore they were deconsolidated as of 1st April, 2006.

We were unable to obtain sufficient audit evidence or perform alternative audit procedures to satisfy ourselves as to the timing, accuracy and completeness of the deconsolidation and to quantify the effect of the deconsolidation as at 1st April, 2006 and the loss arising from the deconsolidation of approximately HK$7,194,000. We were also unable to satisfy ourselves that the analysis of net assets of approximately HK$17,435,000 of the deconsolidated subsidiaries at the date of deconsolidation, as disclosed in note 32 to the financial statements, is free from material misstatement.

There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the matters above. Any adjustments to the above figures would have a consequential effect on the Group's loss and cash flows for the year ended 31st March, 2007 and the related disclosures thereof in these financial statements.

Qualified opinion arising from limitation of audit scope

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to comparative figures and loss on deconsolidation of subsidiaries, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st March, 2007 and of the loss and cash flows of the Group 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.

Ting Ho Kwan & Chan
Certified Public Accountants (practising)

Hong Kong, 18th July, 2007

(B) FINANCIAL RESULTS FOR THE TWO YEARS ENDED 31 MARCH 2007

The following financial information has been extracted from the audited financial statements of the Group for each of the two years ended 31 March 2007:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2007

	Notes	2007 HK$'000	2006 HK$'000
Turnover	8	361,961	33,273
Cost of sales		(351,458)	(34,243)
Gross profit (loss)		10,503	(970)
Other income and gains, net	8	4,866	51,269
Administrative expenses		(34,815)	(15,063)
Loss on disposal of available-for-sale financial assets		–	(70)
Impairment losses on trade and other receivables		(9,289)	(1,521)
Impairment losses on available-for-sale financial assets		–	(44,205)
Loss from operations		(28,735)	(10,560)
Finance costs	9	(5,136)	(9,561)
Gain (loss) on disposal of subsidiaries	31	18,080	(2,913)
Loss on deconsolidation of subsidiaries	32	(7,194)	–
Impairment losses on amount due from an associate		–	(3,671)
Share of profits less losses of associates		(8)	(447)
Loss for the year	10	(22,993)	(27,152)
Attributable to:			
Equity holders of the Company	13	(22,993)	(26,438)
Minority interests		–	(714)
		(22,993)	(27,152)
Basic loss per share attributable to the equity holders of the Company during the year	14	(5.7) cents	(7.6) cents

CONSOLIDATED BALANCE SHEET

At 31st March, 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current Assets			
Property, plant and equipment	15	1,751	66,472
Investment properties	16	–	15,324
Interests in associates	18	–	2,040
Available-for-sale financial assets	19	12,852	12,153
		14,603	95,989
Current Assets			
Inventories	20	6,594	4,761
Trade and other receivables	21	128,632	171,725
Other financial assets at fair value through profit or loss	22	41,574	110,987
Cash and cash equivalents	23	177,312	8,517
		354,112	295,990
Current Liabilities			
Trade and other payables	24	20,886	82,921
Amount due to a minority shareholder of a subsidiary		5,233	2,442
Bank and other borrowings	25	43,815	86,231
		69,934	171,594
Net Current Assets		284,178	124,396
Net Assets		298,781	220,385
Equity			
Capital and reserves attributable to the Company's equity holders:			
Share capital	28	5,137	3,512
Share premium		584,307	481,286
Other reserves	30	784,004	777,020
Accumulated losses		(1,074,667)	(1,051,674)
		298,781	210,144
Minority interests		–	10,241
Total Equity		298,781	220,385

BALANCE SHEET

At 31st March, 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current Assets			
Property, plant and equipment	15	28	129
Interests in subsidiaries	17	31,629	60,729
		31,657	60,858
Current Assets			
Other receivables		52,117	138,639
Cash and cash equivalents	23	176,898	334
		229,015	138,973
Current Liabilities			
Other payables		6,021	9,553
Amount due to an associate		–	225
Other borrowing	25	–	23,643
		6,021	33,421
Net Current Assets		222,994	105,552
Net Assets		254,651	166,410
Capital and Reserves			
Share capital	28	5,137	3,512
Reserves	30	249,514	162,898
Total Equity		254,651	166,410

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2007

	Share capital	Share premium account	Other reserves	Accumulated losses	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP						
Balance at 1st April, 2005	64,937	465,651	777,020	(1,087,520)	10,955	231,043
Initial recognition of convertible notes	–	–	594	–	–	594
Redemption of convertible notes	–	–	(594)	594	–	–
Capital reduction	(61,690)	–	–	61,690	–	–
Loss for the year	–	–	–	(26,438)	(714)	(27,152)
Issue of shares	265	15,635	–	–	–	15,900
Balance at 31st March, 2006	3,512	481,286	777,020	(1,051,674)	10,241	220,385
Issue of shares	1,600	102,260	–	–	–	103,860
Share issue expenses	–	(279)	–	–	–	(279)
Share options granted	–	–	7,658	–	–	7,658
Exercise of share options	25	1,040	(337)	–	–	728
Loss for the year	–	–	–	(22,993)	–	(22,993)
Deconsolidation of subsidiaries	–	–	–	–	(10,241)	(10,241)
Currency translation differences	–	–	(337)	–	–	(337)
Balance at 31st March, 2007	5,137	584,307	784,004	(1,074,667)	–	298,781

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31st March, 2007

	Notes	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES			
Loss from operations		(28,735)	(10,560)
Adjustments for:			
Interest income	8	(206)	(515)
Depreciation and amortisation of property, plant and equipment	15	594	575
Impairment losses on available-for-sale financial assets		–	44,205
Loss on disposal of available-for-sale financial assets		–	70
Net realised (gains) losses on other financial assets at fair value through profit or loss	10	(7,380)	3,181
Net unrealised gains on other financial assets at fair value through profit or loss	8	(4,119)	(48,613)
Write-back of provision on properties held for sale	8	–	(160)
Impairment losses on trade and other receivables		9,289	1,521
Equity-settled share option expenses		7,658	–
Fair value gains on investment properties	8	–	(1,666)
Operating cash outflow before movements in working capital		(22,899)	(11,962)
Increase in inventories		(4,675)	(85)
Decrease (Increase) in trade and other receivables		6,155	(38,923)
Decrease in other financial assets at fair value through profit or loss		80,912	10,539
Decrease in trade and other payables		(2,243)	(3,630)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES		57,250	(44,061)
INVESTING ACTIVITIES			
Interest received	8	206	515
Purchase of property, plant and equipment	15	(255)	(115)
Advances to associates		–	(7)
Decrease in pledged bank deposits		–	5,041
Disposal of subsidiaries	31	32,702	4,568
Deconsolidation of subsidiaries	32	(7,217)	–
Purchase of available-for-sale financial assets		(148)	–
Proceeds from disposal of available-for-sale financial assets		–	1,432
NET CASH GENERATED FROM INVESTING ACTIVITIES		25,288	11,434

	Notes	2007 HK$'000	2006 HK$'000
FINANCING ACTIVITIES			
Proceeds from issue of convertible notes		–	31,200
Redemption of convertible notes		–	(31,200)
New bank and other borrowings raised		36,490	12,925
Net proceeds from issue of shares		103,581	15,900
Proceeds on exercise of share options		728	–
Advance from minority shareholder		2,791	1,837
Repayment of bank and other borrowings		(52,257)	(24,849)
Interest paid		(5,136)	(7,124)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES		86,197	(1,311)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		168,735	(33,938)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,579	35,517
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		26	–
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	*23*	170,340	1,579

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2007

1. General

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

The Company is an investment holding company. The registered office of the Company is located at Clarendon House, Church Street, Hamilton HM11, Bermuda. The principal place of business of the Group is located at Unit 3411, 34/F, Cosco Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong. The principal activities of its principal subsidiaries and associates are set out in notes 42 and 18 respectively.

2. Basis of Preparation of Financial Statements

The consolidated financial statements of the Group have been prepared, except for the deconsolidation of subsidiaries as explained in note 32 to the financial statements, in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which also include Hong Kong Accounting Standards ("HKAS") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of 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. The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and financial liabilities which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 6 to the financial statements.

The HKICPA has issued certain new and revised HKFRS that are first effective for the accounting period beginning on or after 1st January, 2006 as follows:

HKAS 19 Amendment	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
HKAS 27 Amendment	Consolidated and Separate Financial Statements Amendments as a consequence of the Companies (Amendments) Ordinance 2005
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intra-group Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environment Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies

The adoption of the above new/revised HKFRS, amendments and interpretations did not result in substantial changes to the Group's accounting policies. The impact of adopting the HKFRS is summarised as follows:

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

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This is consistent with the current accounting treatment of the Group, thus the management considered that there is no significant impact.

(b) HKAS 39 Financial Instruments: Recognition and Measurement

(i) Amendment for financial guarantee contracts

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

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as at fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on these financial statements.

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

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

(c) HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease

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

(d) Other Standards

The adoption of HKAS 19 Amendment, HKAS 27 Amendment, HKFRS 6, HK (IFRIC)-Int 5, HK(IFRIC)-Int 6 and HK(IFRIC)-Int 7 had no material impact on the Group's accounting policies and did not result in any changes to the amounts or disclosures in these financial statements.

3. Hong Kong Financial Reporting Standards issued but not yet effective for the year

The Group has not early applied the following amendments, new standards and interpretations that have been issued but are not yet effective. The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. Other than certain new or amended disclosures in the financial statements may be required, it was concluded that the adoption of them is unlikely to have a significant impact on the Company's results of operations and financial position.

		Effective for accounting period beginning on or after
HKAS 1 (Amendment)	Capital Disclosures	1st January, 2007
HKFRS 7	Financial Instruments: Disclosures	1st January, 2007
HKFRS 8	Operating Segments	1st January, 2009
HK(IFRIC) – INT 8	Scope of HKFRS 2	1st May, 2006
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives	1st June, 2006
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment	1st November, 2006
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions	1st March, 2007
HK(IFRIC) – INT 12	Service Concession Arrangements	1st January, 2008

4. Summary of significant accounting policies

The principal accounting policies adopted are set out below:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

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.

(b) Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains 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 outside shareholders in the results and net assets of the Company's subsidiaries.

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

(c) Associates

Associates are all entities, not being a subsidiary or a jointly controlled entity, over which the Group has significant influence but not control or joint control, over its management, including participation in the financial and operating policy decisions, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investments in associates include goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition results is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

(d) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or 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 system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. 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 entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

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.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses. A discontinued segment is separately presented from continuing segments.

(e) Revenue recognition

Sales of other financial assets at fair value through profit or loss are recognised on a trade-date basis.

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

When the renovation services are provided and the outcome of the renovation project can be estimated reliably, renovation service income is recognised on the percentage of completion method measured by reference to the value of work carried out during the year. When the outcome of a renovation project cannot be measured reliably, revenue is recognised only to the extent of the project costs incurred that it is probable will be recoverable.

Sales of building materials are recognised when they are delivered and title has passed.

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

Dividend income from investments is recognised when the Group's rights to receive payment have been established prior to the balance sheet date.

(f) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the international Valuation Standards Committee. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property, others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount 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 costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

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 under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss arising from the retirement or disposal of investment property, calculated as the difference between the net disposal proceeds and the carrying amount of the investment property, is recognised in the income statement in the period of the retirement or disposal.

(g) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and amortisation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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 income statement during the financial period in which they are incurred.

Depreciation and amortisation are provided to write off the cost of other property, plant and equipment to their residual values (if there are any) over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land	Over the term of the lease
Leasehold buildings	2% to 4% or over the term of the lease, if shorter
Leasehold improvements	10% to 15% or over the term of the lease, if shorter
Others	10% to 30%

The assets' residual values (if any) and useful lives are reviewed, and adjusted if appropriate at each balance sheet date. An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the item, is included in the income statement in the period the item is derecognised.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(h) Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(i) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investment in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest are computed at initial recognition of these assets), where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indicators that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– pre-paid interests in leasehold land classified as being held under an operating lease;

– intangible assets;

– investments in subsidiaries, associates and joint ventures (except for those classified as held for sale or included in a disposal group that is classified as held for sale); and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price 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 time value of money and the risks specific to the asset. Where an asset does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. cash-generated unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generated units (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(j) Inventories

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes the acquisition cost, architect's fees and other direct costs attributable to such properties.

Other inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

(k) Trade and other receivables

Trade and other receivables are initially measured at fair value and, after initial recognition, at amortised cost less any impairment losses for bad and doubtful debts, except for the following receivables:

– Interest-free loans made to related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost less any impairment losses for bad and doubtful debts, and

– Short term receivables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount less any impairment losses for bad and doubtful debts.

(l) Convertible notes

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity.

Convertible notes 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.

Convertible notes which are due before balance sheet date are reclassified as current liabilities included in other payables.

(m) Leases

Operating lease (both as the lessee or the lessor)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Where the Group is the lessee, payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease. Where the Group is the lessor, assets leased by the Group under operating leases are included in non current assets and rentals receivable under the operating leases are credited to the income statement in a straight line basis over the lease period.

(n) Foreign currencies

(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 HK dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held 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 equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) 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 dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

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

(o) Income tax

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

Deferred tax 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 consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(p) Employee benefits

(i) Retirement benefit costs

Payments to defined contribution plans under the mandatory provident fund scheme, the ORSO scheme and state-managed retirement benefits scheme are charged as expenses as they fall due.

(ii) Share-based compensation

The Group operates share options scheme where employees (and including directors) are granted options to acquire shares of the Company at specified exercise prices. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(q) Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that costs incurred to date bear to estimated total costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the balance sheet under trade and other receivables.

(r) Borrowing costs

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

(s) Financial guarantees issued, provisions and contingent liabilities

(i) 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 or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 4(s)(iii) if and when (1) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (2) 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.

(ii) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 4(s)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 4(s)(iii).

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a 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 expenditure 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 of economic benefits 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 of economic benefits is remote.

(t) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within bank and other borrowings in current liabilities on the balance sheet.

(u) Trade and other payables

Trade and other payables are initially measured at fair value and, after initial recognition, at amortised cost, except for the following payables:

– short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount.

– interest free loans from related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost.

(v) Bank and other borrowings

Bank and other borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Bank and other borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Bank and other 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.

(w) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (Treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes,) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(x) Discontinued operation

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.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(y) Related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party 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.

5. Financial risk management objectives and policies

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow interest-rate risk. The Group's risk management objectives and policies mainly focus on minimizing the potential adverse effects of these risks on the Group by closely monitoring the individual exposure as follows:

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk of loss due to adverse movements in foreign exchange rates relating to investments denominated in foreign currencies. The Group's assets and liabilities are primarily denominated in Hong Kong dollars. When seeking to optimise the returns on its funds available for investment, the Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale financial assets or as financial assets at fair value through profit or loss. As the Group's policy is only to invest on such investments by its surplus funds, the exposure may not have significant impact on the Group's financial position. The Group is not exposed to commodity price risk.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made and services are provided to customers with an appropriate credit history. The customer with sound payment history would accumulate a higher credit limit.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, 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 and sufficient bank deposits to meet short term cash requirements.

(d) Cash flow interest rate risk

The Group's interest-rate risk arises from bank and other borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. The Group's borrowings are based on Prime interest rates. Details of the Group's borrowings are set out in note 25 to the financial statements. Bank deposits are primarily short term in nature. In order to manage the cash flow interest rate risk, the Group will repay the corresponding borrowing when it has surplus funds.

6. Critical accounting estimates and judgements

Estimates and judgements 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.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to 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.

(i) Estimate of fair value of unlisted securities

Certain unlisted securities included in available-for-sale financial assets are stated at cost at the balance sheet date as the Group determines the fair value of such assets closely approximates to the cost. For the unlisted securities valued at fair value, the Group uses the discounted cashflows valuation method and makes assumptions that are based on market conditions existing at each balance sheet date for the determination of the fair value.

(ii) Impairment losses on trade and other receivables

The Group assesses impairment losses on trade and other receivables based upon evaluation of the recoverability of the trade and other receivables at each balance sheet date. The estimates are based on the ageing of the trade and other receivables and the historical write-off experience, net of recoveries. If the financial condition of the debtors were to deteriorate, additional impairment may be required.

(iii) Impairment of property, plant and equipment

Property, plant and equipment are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value.

(iv) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences.

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

(b) Critical judgements in applying the entity's accounting policies

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

7. Segmental information

Business segments

For management purpose, the Group is currently organised into four major operating divisions – securities trading and investment, trading of building materials and renovation services, property development and sales and property rental. In 2007, the operation of toll highway was excluded by deconsolidation of a group of subsidiaries holding the relevant assets.

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

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

2007

	Continuing operations					Discontinued operation	
	Securities trading and investment	**Trading of building materials and renovation services**	**Property development and sales**	**Property rental**	**Unallocated**	**Operation of toll highway**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007							
REVENUE							
External sales	351,937	9,986	22	16	–	–	361,961
Segment results	11,604	54	(10,949)	11	–	–	720
Unallocated other operating income							66
Unallocated corporate expenses							(29,521)
Loss from operations							(28,735)
Finance costs							(5,136)
Gain on disposal of subsidiaries							18,080
Loss on deconsolidation of subsidiaries							(7,194)
Share of profits less losses of associates							(8)
Loss for the year from continuing operations							(22,993)

	Continuing operations					Discontinued operation	
	Securities trading and investment	Trading of building materials and renovation services	Property development and sales	Property rental	Unallocated	Operation of toll highway	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
BALANCE SHEET AT 31ST MARCH, 2007							
ASSETS							
Segment assets	107,266	5,440	26,960	–	–	–	139,666
Unallocated corporate assets							229,049
Consolidated total assets							368,715
LIABILITIES							
Segment liabilities	–	2,207	12,655	–	–	–	14,862
Unallocated corporate liabilities							55,072
Consolidated total liabilities							69,934
OTHER INFORMATION FOR THE YEAR ENDED 31ST MARCH, 2007							
Capital additions	–	255	–	–	–	–	255
Depreciation and amortisation	–	94	354	–	146	–	594
Net unrealised gain on other financial assets at fair value through profit or loss	4,119	–	–	–	–	–	4,119

2006

	Continuing operations					Discontinued operation	
	Securities trading and investment	**Trading of building materials and renovation services**	**Property development and sales**	**Property rental**	**Unallocated**	**Operation of toll highway**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006							
REVENUE							
External sales	23,543	9,667	22	41	–	–	33,273
Segment results	1,310	(3,373)	(1,853)	(43)	–	–	(3,959)
Unallocated other operating income							2,023
Unallocated corporate expenses							(8,624)
Loss from operations							(10,560)
Finance costs							(9,561)
Loss on disposal of subsidiaries							(2,913)
Impairment losses on amounts due from an associate							(3,671)
Share of profits less losses of associates							(447)
Loss before minority interests							(27,152)
Minority interests							714
Loss for the year from continuing operations							(26,438)

	Continuing operations					Discontinued operation	
	Securities trading and investment	Trading of building materials and renovation services	Property development and sales	Property rental	Unallocated	Operation of toll highway	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
BALANCE SHEET AT 31ST MARCH, 2006							
ASSETS							
Segment assets	115,228	4,872	39,118	15,488	–	75,979	250,685
Interests in associates	–	–	–	2,040	–	–	2,040
Unallocated corporate assets							139,254
Consolidated total assets							391,979
LIABILITIES							
Segment liabilities	15	2,696	11,986	6	–	58,545	73,248
Unallocated corporate liabilities							98,346
Consolidated total liabilities							171,594
OTHER INFORMATION FOR THE YEAR ENDED 31ST MARCH, 2006							
Capital additions	–	53	–	–	62	–	115
Depreciation and amortisation	–	53	352	13	157	–	575
Impairment losses on available-for-sale financial assets	44,205	–	–	–	–	–	44,205
Net unrealised gain on other financial assets at fair value through profit or loss	48,613	–	–	–	–	–	48,613
Write-back of provision on properties held for sale	–	–	160	–	–	–	160
Fair value gains on investment properties	–	–	–	1,666	–	–	1,666

Geographical segments

All of the Group's operations are principally located in Hong Kong and the People's Republic of China (the "PRC"). The Group's administration is carried out in Hong Kong.

An analysis of the Group's turnover by geographical market, irrespective of the origin of the goods and services, is presented below:

	2007	**2006**
	HK$'000	*HK$'000*
Hong Kong	361,939	33,250
The PRC	22	23
	361,961	33,273

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

	Carrying amount of assets		**Capital additions to property, plant and equipment**	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	341,164	270,216	255	115
The PRC	27,551	121,763	–	–
	368,715	391,979	255	115

8. Turnover, other income and gains, net

Turnover represents the aggregate of the net amounts received and receivable from third parties, during the year. An analysis of the Group's turnover, other income and gains, net is as follows:

	2007	2006
	HK$'000	*HK$'000*
Turnover		
Securities trading and investment	351,937	23,543
Renovation services	4,042	5,993
Trading of building materials	5,944	3,674
Property rental	38	63
	361,961	33,273
Other income		
Interest income	206	515
Sundry income	541	315
	747	830
Gains, net		
Net unrealised gain on other financial assets at fair value through profit or loss	4,119	48,613
Fair value gains on investment properties	–	1,666
Write-back of provision on properties held for sale	–	160
	4,119	50,439
	366,827	84,542

9. Finance Costs

	2007	2006
	HK$'000	*HK$'000*
Interest on:		
Borrowings wholly repayable within five years		
– bank borrowings	3,581	6,144
– other borrowings	1,555	1,843
Convertible notes	–	1,574
	5,136	9,561

10. Loss for the year

Loss for the year has been arrived at after charging and crediting the following:

	2007	2006
	HK$'000	*HK$'000*
Charging:		
Staff costs		
– directors' remuneration	2,132	725
– basic salaries and other benefits	2,700	4,041
– retirement benefits scheme contributions	101	281
– share-based payments	6,796	–
	11,729	5,047
Auditors' remuneration		
– Current year	700	775
– Overprovision in prior years	(19)	–
Depreciation and amortisation of property, plant and equipment	594	575
Net realised losses on other financial assets at fair value through profit or loss	–	3,181
Operating lease payments	1,642	1,818
Cost of inventories sold	6,900	7,517
and crediting:		
Net rental income from investment properties under operating leases, after deduction of outgoings of approximately HK$1,000 (2006: HK$2,000)	37	61
Share of associate's taxation	–	7
Net realised gains on other financial assets at fair value through profit or loss	7,380	–

11. Directors' and employees' emoluments

(a) Directors' emoluments

Directors' remuneration for the year, disclosed pursuant to The Rules Governing the Listing of Securities on the Stock Exchange and Section 161 of the Hong Kong Companies Ordinance, is as follows:

Name of directors	Directors' fees	Salaries and allowances	Retirement benefits scheme contributions	Share-based payments	2007 Total	2006 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
Mr. Ma Kwok Hung, Warren *(note a)*	–	480	8	–	488	–
Mr. Ho Chi Ho *(note b)*	–	113	–	862	975	–
Mr. Dong Bo, Frederic *(note c)*	–	217	7	–	224	332
Mr. Gao Feng *(note d)*	85	–	–	–	85	38
Mr. Lau Man Tak *(note e)*	–	–	–	–	–	21
Independent non-executive directors						
Mr. Wong Hoi Kuen	120	–	–	–	120	15
Mr. Pang Haiou	–	–	–	–	–	–
Mr. Zuo Guang	–	–	–	–	–	–
Mr. Chan Chi Yuen *(note f)*	110	–	–	–	110	–
Mr. Chow Siu Ngor *(note f)*	110	–	–	–	110	–
Mr. Ting Leung Huel *(note g)*	–	–	–	–	–	–
Mr. Fung Po Chuen *(note h)*	10	–	–	–	10	5
Mr. Tooze Henry *(note h)*	10	–	–	–	10	5
Mr. Shum Ka Hei *(note i)*	–	–	–	–	–	209
Mr. Kan Kwok Shu *(note j)*	–	–	–	–	–	100
Total 2007	445	810	15	862	2,132	725
Total 2006	372	340	13	–		

Notes:

(a) Appointed on 24th July, 2006

(b) Appointed on 2nd March, 2007

(c) Resigned on 7th November, 2006

(d) Resigned on 29th May, 2007

(e) Resigned on 5th August, 2005

(f) Appointed on 30th April, 2006

(g) Appointed on 30th April, 2006 and resigned on 29th May, 2006

(h) Resigned on 30th April, 2006

(i) Resigned on 13th February, 2006

(j) Resigned on 1st September, 2005

(b) Highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2006: one) were directors of the Company whose emoluments are set out above. The emoluments of the remaining individuals were as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Salaries and other benefits	701	1,085
Retirement benefits scheme contributions	22	57
	723	1,142

The emoluments of the remaining highest paid individuals were within the following bands:

	2007	**2006**
	Number of employees	*Number of employees*
Up to HK$1,000,000	3	4

During the year, no emoluments were paid by the Group to the five highest paid individuals, including directors and employees, as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

12. Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as either the Company and its subsidiaries have no assessable profits for both years or have their profits wholly absorbed by tax losses brought forward.

The taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the domestic taxation rates applicable to losses of the consolidated companies as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Loss before taxation	(22,993)	(27,152)
Tax at the domestic income tax rate of 17.5% (2006: 17.5%)	(4,024)	(4,752)
Tax effect of expenses that are not deductible for tax purpose	5,282	10,312
Tax effect of income that are not taxable for tax purpose	(3,103)	(737)
Tax effect of temporary differences not recognised for the year	19	(312)
Tax effect of utilisation of tax losses not previously recognised	(535)	(5,587)
Effect of different tax rates of subsidiaries operating in other jurisdictions	2,361	1,076
Taxation charge	–	–

13. Loss attributable to equity holders of the Company

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of loss of HK$23,726,000. (2006: Loss of HK$65,392,000)

14. Basic loss per share

The calculation of the basic loss per share is based on the loss for the year of HK$22,993,000 (2006: HK$26,438,000) and on the weighted average number of 401,304,107 (2006: 347,773,969) ordinary shares in issue during the year.

Diluted loss per share is not presented as the potential shares arising from share options granted during the year ended 31st March, 2007 would have anti-dilutive effect on the basic loss per share.

15. Property, plant and equipment

	Toll highway	Leasehold land and buildings	Leasehold improvements	Plant and machinery	Motor vehicles	Furniture and fixtures	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP							
Cost							
At 1st April, 2005	288,266	3,245	2,067	731	2,141	763	297,213
Additions	–	–	62	–	–	53	115
Disposals	–	–	(1,302)	–	–	–	(1,302)
Disposal of subsidiaries	–	–	(665)	–	–	(18)	(683)
At 31st March, 2006	288,266	3,245	162	731	2,141	798	295,343
At 1st April, 2006	288,266	3,245	162	731	2,141	798	295,343
Additions	–	–	–	–	–	255	255
Deconsolidation of subsidiaries	(288,266)	–	–	(723)	–	–	(288,989)
Exchange realignment	–	147	–	1	87	–	235
At 31st March, 2007	–	3,392	162	9	2,228	1,053	6,844
Depreciation, amortisation and impairment							
At 1st April, 2005	224,367	3,016	1,534	167	207	463	229,754
Depreciation provided for the year	–	13	31	1	382	148	575
Disposals	–	–	(1,302)	–	–	–	(1,302)
Disposal of subsidiaries	–	–	(145)	–	–	(11)	(156)
At 31st March, 2006	224,367	3,029	118	168	589	600	228,871
At 1st April, 2006	224,367	3,029	118	168	589	600	228,871
Depreciation provided for the year	–	14	31	1	384	164	594
Deconsolidation of subsidiaries	(224,367)	–	–	(162)	–	–	(224,529)
Exchange realignment	–	137	–	1	19	–	157
At 31st March, 2007	–	3,180	149	8	992	764	5,093
Net book values							
At 31st March, 2007	–	212	13	1	1,236	289	1,751
At 31st March, 2006	63,899	216	44	563	1,552	198	66,472

The Group's leasehold land and buildings are situated in the PRC held under long term land use rights. As the prepaid land lease payment cannot be allocated reliably between the land and building elements, the entire lease payment is included in the cost of land and buildings as a finance lease in property, plant and equipment in accordance with HKAS 17.

	Leasehold improvements	**Furniture and fixtures**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
THE COMPANY			
Cost	1,402	467	1,869
At 1st April, 2005			
Additions	62	–	62
Disposals	(1,302)	–	(1,302)
At 31st March, 2006 and 31st March, 2007	162	467	629
Depreciation and amortisation			
At 1st April, 2005	1,402	288	1,690
Depreciation provided for the year	18	94	112
Disposals	(1,302)	–	(1,302)
At 31st March, 2006	118	382	500
At 1st April, 2006	118	382	500
Depreciation provided for the year	31	70	101
At 31st March, 2007	149	452	601
Net book values			
At 31st March, 2007	13	15	28
At 31st March, 2006	44	85	129

16. Investment properties

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
At beginning of the year	15,324	23,118
Fair value gains	–	1,666
Disposal of subsidiaries	(5,520)	(9,460)
Reclassified to other receivables *(Note 21(b))*	(10,249)	–
Exchange realignment	445	–
At end of the year	–	15,324

The investment properties were revalued at 31st March, 2006 on market value basis by RHL Appraisal Ltd. as to approximately HK$5,520,000 and LCH (Asia-Pacific) Surveyor's Limited as to approximately HK$9,804,000, both of which were independent firms of professional property valuers. The fair value gains of approximately HK$1,666,000 had been credited to the income statement for the year ended 31st March, 2006.

The Group's investment properties comprised:

	2007	**2006**
	HK$'000	*HK$'000*
Properties situated in Hong Kong held under:		
– long leases	–	5,420
– medium-term leases	–	100
Properties situated in the PRC held under:		
– medium-term land use rights	–	9,804
	–	15,324

During the year ended 31st March, 2003, a receivable of approximately HK$10,166,000 was settled by a transfer of a block of industrial building to the Group at a fair value of HK$10,166,000. In prior years, the Group held this property as security for the receivable and regarded it as an investment property. However, the transfer of the legal ownership of the property has not been completed since then. During the year ended 31st March, 2007, the directors are of the opinion that the carrying value of this investment property (approximately HK$10,249,000) should be reclassified to other receivables. *(Note 21(b))*

17. Interests in subsidiaries

	THE COMPANY	
	2007	**2006**
	HK$'000	*HK$'000*
Unlisted shares, at cost	–	–
Amounts due from subsidiaries less impairment losses	44,372	67,004
Amounts due to subsidiaries	(12,743)	(6,275)
	31,629	60,729

The Company's cost of investments in the unlisted shares of its directly held subsidiaries is in aggregate less than HK$1,000.

Amounts due from (to) subsidiaries are unsecured, interest free and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within twelve months of the balance sheet date and are accordingly classified as non-current.

Details of the Company's principal subsidiaries at 31st March, 2007 are set out in note 42.

18. Interests in associates

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Share of net assets	1,871	1,879
Amounts due from associates less impairment losses	161	161
Eliminated on disposal of subsidiaries	(2,032)	–
	–	2,040

The amounts due from associates are unsecured and non-interest bearing. In the opinion of the directors, the amounts due from associates will not be repayable within one year of the balance sheet date and are accordingly classified as non-current.

As at 31st March, 2006, the Group had interests in the following significant associates:

Name of associate	Form of business structure	Place of incorporation/ establishment	Paid up share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by subsidiaries	Principal activity/ place of operation
				%	
Asia Standard Development Company Limited	Incorporated	Hong Kong	HK$2	50	Investment holding/ Hong Kong
Era Winner Limited	Incorporated	Hong Kong	HK$2	50	Property holding/ Hong Kong

The above table lists the associates of the Group which, in the opinion of the directors, principally affect the results of the Group for the year or form a substantial portion of the net assets of the Group at the end of the year.

Summarised financial information in respect of the Group's associates is set out below:

	2007	2006
	HK$'000	*HK$'000*
Total assets	–	32,658
Total liabilities	–	(85,112)
Net liabilities	–	(52,454)
Revenue	–	186
Loss for the year	–	(893)

The Group had no unrecognised losses in respect of the associates during the year ended 31st March, 2006 and cumulatively.

19. Available-for-sale financial assets

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Unlisted equity securities in overseas, at cost less impairment losses	12,852	12,153

During the year ended 31st March, 2006, impairment losses of approximately HK$44,205,000 in respect of investments in unlisted equity securities had been identified and charged to the income statement, which were determined with reference to the investees' financial results and operations.

Details of the Group's investments in unlisted equity securities included above disclosed pursuant to section 129(1) of the Hong Kong Companies Ordinance are as follows:

Name of investee	Place of incorporation/ operations	Proportion of nominal value of issued share capital/ registered capital held by the subsidiaries	Effective proportion of issued share capital/registered capital held by the Group
上海南曉消防工程設備有限公司	PRC/PRC	45%	22.95%

The above company is not regarded as an associate of the Group because the Group has no significant influence over its affairs.

20. Inventories

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Building materials	1,501	1,509
Properties held for sale	5,093	3,252
	6,594	4,761

Included in properties held for sale amounting to HK$5,093,000 (2006: HK$3,252,000) were properties carried at net realisable value. The remaining inventories were carried at cost.

21. Trade and other receivables

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Trade receivables	3,373	2,965
Retentions receivable	–	122
Other receivables and prepayments *(Note a)*	125,259	168,638
	128,632	171,725

The directors consider that the carrying amounts of trade and other receivables approximate to their fair values.

The Group allows an average credit period of 60 days to 90 days to its trade customers. As at 31st March, 2007 and 31st March, 2006, the ageing analysis of the Group's trade receivables is as follows:

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Up to 30 days	610	821
31 to 90 days	679	459
91 to 365 days	1,071	1,635
Over 365 days	1,013	50
	3,373	2,965

Included in trade and other receivables is the following amount denominated in a currency other than the functional currency of the Company to which they relate:

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Renminbi	7,874	26,958

Notes:

(a) Included in other receivables and prepayments is an amount of approximately HK$36,081,000 (2006: HK$123,437,000) placed with a company which is an independent third party, for securities trading and other investment purposes.

The amount is unsecured, interest free and repayable on demand.

(b) As mentioned in note 16 to the financial statements, an amount approximately of HK$10,249,000 has been reclassified from investment properties to other receivables during the year ended 31st March, 2007. In the opinion of the directors, due to the failure to transfer the legal title of the property to the Group after several years, full impairment loss of this receivable has been charged to the income statement in the current year.

22. Other financial assets at fair value through profit or loss

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Listed securities held for trading:		
– Equity securities – Hong Kong	40,501	103,237
– Equity securities – Overseas	1,073	7,750
Market value of listed securities	41,574	110,987

At 31st March, 2007, none of the carrying amount of interest in listed securities exceeded 10% of total assets of the Group.

At 31st March, 2006, the carrying amount of interest in the following company exceeded 10% of total assets of the Group.

Name	Place of incorporation	Principal activities	Particulars of issued shares held	Interest held
China Solar Energy Holdings Limited	Bermuda	Provision of investment advisory services, participation in securities market and money lending	Ordinary share	2.78%

23. Cash and cash equivalents

	THE GROUP		THE COMPANY	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank balances and cash	177,312	8,517	176,898	334

Cash and cash equivalents include the following for the purposes of the consolidated cash flow statement.

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Bank balances and cash as per above	177,312	8,517
Bank overdrafts *(Note 25)*	(6,972)	(6,938)
	170,340	1,579

Included in cash and cash equivalents in the balance sheet are the following amounts denominated in currencies other than the functional currency of the Company to which they relate:

	THE GROUP		THE COMPANY	
	2007	**2006**	**2007**	**2006**
	'000	*'000*	*'000*	*'000*
United States Dollar	38	2	–	–
Renminbi	358	8,252	–	–

24. Trade and other payables

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Trade payables	1,620	1,834
Retention payables	28	179
Other payables and accruals	19,238	80,908
	20,886	82,921

The directors consider that the carrying amount of trade payables approximates to their fair value.

As at 31st March, 2007 and 31st March, 2006, the ageing analysis of the Group's trade payables is as follows:

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Up to 30 days	213	420
31 to 90 days	582	239
Over 90 days	825	1,175
	1,620	1,834

Included in trade and other payables is the following amount denominated in a currency other than the functional currency of the Company to which they relate:

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Renminbi	12,832	74,762

25. Bank and other borrowings

	THE GROUP		THE COMPANY	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current				
Bank borrowings				
– secured	354	1,354	–	–
– unsecured	36,489	41,226	–	–
Bank overdrafts				
– secured *(Note 23)*	6,972	6,938	–	–
	43,815	49,518	–	–
Other borrowings				
– secured	–	36,713	–	23,643
Total borrowings	43,815	86,231	–	23,643

As at 31st March, 2007 the average effective interest rate of the bank borrowings is approximately 7.37% p.a. (2006: 6.70% p.a.).

Other borrowings are interest bearing at the rate of approximately 9.02% p.a.

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

	THE GROUP		THE COMPANY	
	2007	**2006**	**2007**	**2006**
	'000	*'000*	*'000*	*'000*
Hong Kong Dollar	7,133	44,869	–	23,643
Renminbi	36,489	41,226	–	–
Euro	65	–	–	–
Japanese Yen	128	–	–	–
United States Dollar	–	136	–	–
	43,815	86,231	–	23,643

Included in the other borrowings as at 31st March, 2006 was an amount of HK$23,643,000 advanced by Asean Resources Limited ("Asean"). It bore interest at Hong Kong prime rate plus 1% p.a. and was originally unsecured and due for repayment in full in November 2002. In May 2002, Asean agreed to reschedule the repayment date until May 2004 and the amount was secured by the entire issued share capital of a wholly-owned subsidiary, Huey Tai Holdings Limited ("Huey Tai"), of the Company.

On 28th September, 2006, the Company entered into a deed of settlement with Asean under which, inter alia, the Company and Asean agreed that the Company shall be required to repay the loan together with all interest accrued thereon and all other moneys owing by the Company to Asean by transferring its legal and beneficial ownership in the entire issued share capital of Huey Tai and assigning all indebtedness owing by Huey Tai to the Company to Asean (the "Disposal"). The consideration for the Disposal was approximately HK$28,553,000 and was satisfied by way of settlement and discharge of the loan due to Asean, accrued interest thereon and all other sums and liabilities owing or incurred by the Company. The Disposal was completed on 28th September, 2006. Details of the Disposal are set out in the circular of the Company dated 20th October, 2006.

26. Convertible notes

The movement of the liability component of the convertible notes for both years is set out below:

	THE GROUP AND THE COMPANY	
	2007	**2006**
	HK$'000	*HK$'000*
Nominal value of convertible notes issued	–	31,200
Equity component *(Note 30)*	–	(594)
Liability component on initial recognition	–	30,606
Interest charged	–	1,574
Interest paid	–	(980)
Redemption of convertible notes	–	(31,200)
	–	–

On 6th January, 2005, the Company entered into placing and subscription agreements with independent third parties for the placing and subscription of convertible notes with an aggregate principal amount of HK$31,200,000 ("CB Placing Agreement") and HK$78,000,000 ("CB Subscription Agreements"), respectively, convertible into shares of the Company at an initial conversion price of HK$0.03 each. These convertible notes carried interest at 3% per annum and are redeemable six months from the date of issue. The CB Placing Agreement was completed on 18th May, 2005. The HK$31,200,000 convertible notes were fully redeemed during the year ended 31st March, 2006.

On 14th July, 2005, the Company entered into cancellation agreements with the subscribers of the CB Subscription Agreements. Details of the CB Subscription Agreements were set out in the circular and announcements to the shareholders of the Company dated 21st February, 2005 and 14th July, 2005, respectively.

Interest expense on the convertible notes is calculated using the effective interest method by applying the effective interest rate of 5% p.a. to the liability component.

27. Deferred taxation

At 31st March, 2007, the Group has unutilised tax losses of approximately HK$214,907,000 (2006: HK$426,559,000), part of which has not yet been agreed with the Hong Kong Inland Revenue Department, available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The balance of unutilised tax losses as at 31st March, 2007 does not expire under the current tax legislation. Included in unutilised tax losses as at 31st March, 2006 were losses of approximately HK$27,757,000 that would be expired in five years and the remaining balance would not expire under the current tax legislation.

At 31st March, 2007, the Group has other deductible temporary differences of approximately HK$624,000 (2006: HK$113,393,000) in respect of allowance and impairment losses recognised. No deferred tax assets has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised. These deductible temporary differences do not expire under the current tax legislation.

28. Share capital

	Notes	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each:			
Authorised:			
At 1st April, 2005, 31st March, 2006 and 31st March, 2007		15,000,000,000	150,000
Issued and fully paid:			
Ordinary shares of HK$0.01 each at 31st March, 2005		6,493,725,970	64,937
Share consolidation		(6,169,039,672)	–
Ordinary shares of HK$0.20 each		324,686,298	64,937
Capital reduction		–	(61,690)
Ordinary shares of HK$0.01 each		324,686,298	3,247
Issue of shares on private placement		26,500,000	265
Ordinary shares of HK$0.01 each at 31st March, 2006		351,186,298	3,512
Issue of shares on private placement	*(a)*	70,000,000	700
Issue of shares on share subscription	*(b)*	90,000,000	900
Exercise of share options	*(c)*	2,500,000	25
Ordinary shares of HK$0.01 each at 31st March, 2007		513,686,298	5,137

Notes:

(a) On 21st August, 2006, a placing agreement was entered into between the Company and certain independent professional investors to subscribe for 70,000,000 new shares of HK$0.01 each in the Company at a price of HK$0.198 per share, representing a discount of approximately 10% to the closing price of the Company's shares as quoted on the Stock Exchange on 21st August, 2006. The net proceeds of approximately HK$13,400,000 were used for general working capital of the Group.

(b) On 29th December, 2006, a subscription agreement was entered into between the Company and the substantial shareholder of the Company, Mega Market Assets Limited, to subscribe for 30,000,000 new shares of HK$0.01 each in the Company at a price of HK$1.00 per share, representing a premium of 12.36% to the closing price of the Company's shares as quoted on the Stock Exchange on 28th December, 2006. On the same date, three subscription agreements were entered into between the Company and certain independent professional institutional investors to subscribe for a total of 60,000,000 shares of HK$0.01 each in the Company at a price of HK$1.00 per share, representing a premium of 12.36% to the closing price of the Company's shares as quoted on the Stock Exchange on 28th December, 2006. The net proceeds of approximately HK$89,700,000 were used as the general working capital of the Group and for future investment.

(c) On 1st December, 2006 and 5th December, 2006, the subscription rights attaching to 1,500,000 and 1,000,000 share options were exercised at the exercise prices of HK$0.270 and HK$0.323 per share respectively, resulting in the issue of a total 2,500,000 shares of HK$0.01 each and new share capital of HK$25,000 and share premium of HK$703,000, together with a release of the share options reserve amounting to HK$337,000 which is credited to the share premium account (Note 30). Details of options outstanding and movements during the year are set out in note 29.

All the ordinary shares issued during the year rank pari passu with the then existing ordinary shares in all respects.

29. Share option scheme

On 24th April, 2002, the Company adopted a share option scheme (the "2002 Scheme") which will expire on 23rd April, 2012 for the primary purpose of providing incentives to directors, eligible employees and consultants. Under the 2002 Scheme, the board of directors of the Company may at its discretion offer to any employee, including executive directors, or consultants of the Company and/or its subsidiaries options to subscribe for shares in the Company at a consideration of HK$1 for each lot of share options granted. Options granted should be accepted within 30 days from the date of grant.

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

The total number of shares in respect of which options may be granted under the 2002 Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of shareholders' approval of the 2002 Scheme, without a prior approval from the Company's shareholders.

The maximum aggregate number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2002 Scheme and any other schemes, must not, in aggregate, exceed 30% of the total number of shares of the Company in issue from time to time.

An option may be exercised in accordance with the terms of the 2002 Scheme at any time after the date upon which the option is granted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the board of directors in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the 2002 Scheme. Subject to earlier termination by the Company in general meeting or by the board of directors' resolution at a general meeting, the 2002 Scheme shall be valid and effective for a period of 10 years after the date of adoption of the 2002 Scheme.

The maximum number of shares (issued and to be issued) in respect of which options may be granted to any eligible person in any 12-month period shall not exceed 1% of the total number of shares of the Company in issue, unless a shareholders' approval has been obtained.

The following table discloses details of the Company's share options held by director, employees and consultants and movements in the 2002 Scheme during the two years ended 31st March, 2007.

				Number of share options					
Grantee	Date of grant	Exercise price per share *HK$*	Exercisable period	Outstanding at 31.03.2005 and 31.03.2006	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.03.2007	Closing share price immediately before exercise date *HK$*
Director									
Ho Chi Ho	02.03.2007	1.122	06.03.2007 – 05.03.2010	–	1,500,000	–	–	1,500,000	N/A
Consultants									
	05.06.2006	0.270	05.06.2006 – 04.06.2009	–	14,040,000	(1,500,000)	–	12,540,000	0.650
	11.10.2006	0.323	11.10.2006 – 10.10.2009	–	33,600,000	(1,000,000)	–	32,600,000	0.780
				–	49,140,000	(2,500,000)	–	46,640,000	

The fair value of the share options granted during the year was HK$7,658,000 of which the Company recognised a share options expense of HK$7,658,000 during the year ended 31st March, 2007.

The fair value of equity-settled share options granted is estimated at the date of grant using the Black-Scholes option pricing model ("Model"), taking into account the terms and conditions upon which the options were granted. Details of the fair values of share options determined at the date of grant using the Model with significant variables and assumptions are as follows:

	Date of share options grant		
	05.06.2006	**11.10.2006**	**02.03.2007**
Exercise price	HK$0.270	HK$0.323	HK$1.122
Dividend yield	0%	0%	0%
Expected volatility	91.17%	92.67%	80.01%
Risk-free interest rate	4.273%	3.804%	3.973%
Expected life of option	2 years	2 years	3 years
Closing share price at grant date	HK$0.255	HK$0.305	HK$1.080
Estimated fair values of options granted	HK$1,749,000	HK$5,047,000	HK$862,000

The expected volatility, which is based on the approximate historical volatility of closing prices of the share of the Company in the past one year immediately before the date of grant, reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The risk fee rate represents the yields to maturity of respective Hong Kong Exchange Fund Note as at the share options grant date. The expected life of the options is based on the historical data and is not necessarily indicative of exercise patterns that may occur.

No other features of options grant were incorporated into the measurement of fair value.

At the balance sheet date, the Company had 46,640,000 share options outstanding under the 2002 Scheme which represented approximately 9.08% of the Company's share in issue at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 46,640,000 additional shares and additional share capital of HK$466,400 and share premium of HK$15,132,200 (before issue expenses).

30. Other reserves

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	Capital redemption reserve	Convertible notes reserve	Share options reserve	Exchange reserve	Special reserve	Contributed surplus	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1st April, 2005	13,878	–	–	–	78,176	684,966	777,020
Initial recognition of convertible notes – equity component and interest expenses *(Note 26)*	–	594	–	–	–	–	594
Redemption of convertible notes	–	(594)	–	–	–	–	(594)
Balance at 31st March, 2006	13,878	–	–	–	78,176	684,966	777,020
Share options granted	–	–	7,658	–	–	–	7,658
Transfer on exercise of share options	–	–	(337)	–	–	–	(337)
Currency translation differences	–	–	–	(337)	–	–	(337)
Balance at 31st March, 2007	13,878	–	7,321	(337)	78,176	684,966	784,004

The contributed surplus of the Group represents the cancellation of an amount of approximately HK$48,000,000 from the share premium account of the Company and the credit of an amount of approximately HK$610,247,000 of the Company's share capital cancelled in 2002 and the contribution of approximately HK$26,719,000 from the placing of warrants in 2002 that were expired in 2003.

The special reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company in exchange for the nominal amount of share capital of its subsidiaries acquired at the date of a previous group reorganisation.

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	Share premium account HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Convertible notes reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK'000	Total HK$'000
Balance at 31st March, 2005	465,651	13,878	907,760	–	–	(1,236,918)	150,371
Initial recognition of convertible notes	–	–	–	594	–	–	594
Redemption of convertible notes	–	–	–	(594)	–	594	–
Capital reduction	–	–	–	–	–	61,690	61,690
Issue of shares	15,635	–	–	–	–	–	15,635
Loss for the year	–	–	–	–	–	(65,392)	(65,392)
Balance at 1st April, 2006	481,286	13,878	907,760	–	–	(1,240,026)	162,898
Issue of shares	102,260	–	–	–	–	–	102,260
Shares issue expenses	(279)	–	–	–	–	–	(279)
Grant of share options	–	–	–	–	7,658	–	7,658
Exercise of share options	703	–	–	–	–	–	703
Transfer on exercise of share options	337	–	–	–	(337)	–	–
Loss for the year	–	–	–	–	–	(23,726)	(23,726)
Balance at 31st March, 2006	584,307	13,878	907,760	–	7,321	(1,263,752)	249,514

The share options reserve represents the fair value of share options granted which are yet to be exercised. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related option expire or be forfeited.

The contributed surplus of the Company represents:

(i) the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company, and the nominal value of the Company's shares issued for the acquisition at the time of a previous group reorganisation;

(ii) the cancellation of an amount of approximately HK$48,000,000 from the share premium account of the Company and the credit of an amount of approximately HK$610,247,000 of the Company's share capital cancelled in 2002; and

(iii) the contribution of approximately HK$26,719,000 from the placing of warrants in 2002 that were expired in 2003.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

In the opinion of the directors, the Company had no reserves available for distribution to shareholders at 31st March, 2006 and 31st March, 2007.

31. Disposal of subsidiaries

During the year ended 31st March, 2007, the Group disposed of its subsidiaries, Huey Tai, Bestcreate Investments Limited and Gold Method Consultants Limited. During the year ended 31st March, 2006, the Group disposed of its subsidiaries, Kingdom Wealthy Limited, New Plaza International Limited and Sharpower Limited.

The net assets at the date of disposals were as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Net assets disposed of:		
Property, plant and equipment	–	527
Investment properties	5,520	9,460
Interests in associates	2,032	–
Properties held for sale	2,860	–
Other receivables	34,554	5
Bank balances and cash	98	46
Bank borrowings	(1,791)	(2,511)
	43,273	7,527
Gain (Loss) on disposal of subsidiaries	18,080	(2,913)
Consideration	61,353	4,614
Satisfied by:		
Other borrowings and interest payable discharged	28,553	–
Cash	32,800	4,614
	61,353	4,614
Net cash inflow arising on disposal:		
Cash consideration	32,800	4,614
Bank balances and cash disposed of	(98)	(46)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	32,702	4,568

The subsidiaries disposed of during the year ended 31st March, 2007 contributed approximately HK$56,000 (2006: nil) to the Group's turnover and loss of approximately HK$411,000 (2006: HK$81,000) to the Group's loss from operations for the year.

32. Deconsolidation of subsidiaries

As explained in note 41 to the financial statements, the Group has commenced legal proceedings for the recovery and declaration of its beneficial ownership in 51% of the issued share capital of Gold United International Industries Limited ("Gold United"), which has 80% direct interest in 杭州恆運交通開發有限公司 ("HZHY"). The management of HZHY has not provided the Company with any financial information subsequent to the provision of unaudited management accounts for the eleven months ended 28 February, 2005.

Due to the above reasons, the directors considered that the Group was unable to exercise its rights as major shareholder either to control the assets and operations or to exercise significant influence over the financial and operating policy decisions of the HZHY. As such, the directors considered that they are unable and it is inappropriate to consolidate the financial results of HZHY into the Group. Two of the Group's subsidiaries, Gold United and HZHY, were deconsolidated as of 1st April, 2006.

	2007	**2006**
	HK$'000	*HK$'000*
Net assets deconsolidated:		
Property, plant and equipment	64,460	–
Other receivables	4,303	–
Bank balances and cash	7,217	–
Bank borrowings	(58,545)	–
Net assets	17,435	–
Minority interests	(10,241)	–
	7,194	–
Loss on deconsolidation of subsidiaries	(7,194)	–
Consideration	–	–
Net cash outflow arising on deconsolidation:		
Bank balances and cash deconsolidated	(7,217)	–
Net outflow of cash and cash equivalents in respect of the deconsolidation of subsidiaries	(7,217)	–

33. Major non-cash transactions

The major non-cash transactions entered into by the Group during the year ended 31st March, 2007 is as follows:

Other borrowings and interest payable of approximately HK$28,553,000 were settled by a transfer of legal and beneficial ownership on the entire issued share capital of Huey Tai.

For the year ended 31st March, 2006, the Group had no major non-cash transactions.

34. Contingent liabilities

The Company has contingent liabilities in respect of financial support given to certain subsidiaries which have capital deficiency to allow them to continue as a going concern and to meet their liabilities as and when they fall due.

35. Capital commitments

The Group and the Company had no significant capital commitment at the balance sheet dates.

36. Operating lease arrangements

The Group as lessee

The Group made minimum lease payments of approximately HK$1,642,000 (2006: HK$1,818,000) under operating leases in respect of office premises during the year.

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

	THE GROUP	
	2007	**2006**
	HK$'000	*HK$'000*
Within one year	507	752
In the second to fifth year inclusive	504	1,407
	1,011	2,159

Operating lease payments represent rentals payable by the Group for certain of its office premises and warehouses. Leases are negotiated and fixed for an average term of two to three years.

The Company had no outstanding commitments under non-cancellable operating leases at the balance sheet date.

37. Bank and other facilities

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At the balance sheet date, the Group's bank and other facilities were secured by:

(a) At 31st March, 2007, the Group has not pledged any asset to secure bank and other facilities. At 31st March, 2006, the other financial assets at fair value through profit or loss at the carrying value of HK$82,576,000 were pledged to secure credit and margin facilities granted by securities brokers.

(b) At 31st March, 2006, the entire issued share capital of a wholly-owned subsidiary was pledged to Asean to secure the Company's borrowings of HK$23,643,000. On 28th September, 2006, the security for the borrowings was disposed of and the borrowings were settled. *(Note 25)*

(c) The minority shareholder of Shanghai Hualong Construction Co., Ltd, a non-wholly owned subsidiary of the Company, and its affiliates had given corporate guarantee to certain banks in respect of credit facilities granted to Shanghai Hualong Construction Co., Ltd..

(d) The minority shareholder (also a director) and his spouse of Prosper City International Limited ("Prosper City"), a non-wholly owned subsidiary of the Company, pledged certain bank deposits of approximately of HK$7,000,000 (2006: HK$7,000,000) and issued personal guarantee to an extent of HK$8,000,000 (2006: HK$8,000,000) in respect of other facilities granted to Prosper City.

38. Retirement benefits scheme

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund 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 rule of the MPF Scheme, the employer and its employees are each required to make contributions at 5% of relevant payroll costs to the scheme, which contribution is matched by employees. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. The contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the fund by the Group at rates specified in the rules of the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The employees in the subsidiaries in the PRC are members of state-managed retirement benefits schemes operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

39. Transactions and balances with related parties

During the year, the Group had significant transactions with the following related parties, together with balances with them as at the balance sheet date, details of which are as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Associates:		
Balances due to the Group as at the balance sheet date	–	161
Key management compensation of the Group:		
Salaries and other short-term employee benefits	1,270	725
Share-based payments	862	–
Substantial shareholder:		
Share-based payments	437	–

The balances were unsecured, interest free and had no fixed repayment terms.

As stated in the announcement on 29th December, 2006 and the circular dated 23rd January, 2007, the Company entered into four subscription agreements with four subscribers. The four subscribers agreed to subscribe for 90,000,000 new shares of HK$0.01 each at the price of HK$1.00 per placing share. Each of the subscription agreements was not interconditional on each other. Mega Market Assets Limited, one of the subscribers, had subscribed for 30,000,000 of the new shares. Mega Market Assets Limited was a substantial shareholder of the Company.

Save as disclosed above, there were no other significant transactions with related parties during the year or significant balances with them at the end of the year.

40. Events after the balance sheet date

On 18th December, 2006, the Company and a wholly owned subsidiary of the Company, Esmian Group Limited ("Purchaser"), and Mr. Hong Loi Fuk ("Warrantor") entered into an agreement ("Agreement") to acquire from Major Win Ltd ("Vendor") the 1 share of HK$1.00 in the share capital of Best Win Properties Ltd ("Best Win") representing 100% of the entire issued share capital of Best Win ("Option Share"); and the assignment of a shareholder's loan owing by Best Win to the Vendor ("Option Loan") for a total consideration of RMB555,000,000. Best Win is wholly owned by the Vendor. Best Win owns the entire share interest in Union Access Limited which will in turn own the entire share interest in a wholly foreign owned enterprise ("WFOE") upon its establishment. WFOE will be committed to real estate business, and will be the legal and beneficial owner of a six-storey shopping mall in Shanghai.

On 27th June, 2007, the Company understood from the Vendor that the completion of the establishment and registration of the WFOE by the Vendor has been further delayed due to some unforeseen complications, the Vendor, the Purchaser, the Company and the Warrantor entered into a Termination Deed to terminate the Agreement. On the same date, the Vendor, the Purchaser, and the Warrantor entered into a Call Option Deed pursuant to which the Purchaser was granted an option ("Option") at a consideration of HK$1 to acquire the Option Share and the Option Loan from the Vendor at the price of RMB555,000,000. The Option is exercisable by the Purchaser at its absolute discretion at any time during the period commencing on the date of the Call Option Deed being 27th June, 2007 and ending on the first anniversary of such date (or such later date as the parties may agree in writing) (the "Option Period"). If the Option is not exercised during the Option Period, the Option shall lapse.

41. Litigation

On 4th July, 2005, the Company was notified by the Hong Kong Companies Registry that the annual return of Gold United International industries Limited ("Gold United"), a non-wholly owned subsidiary of the Company, filed in May 2005 ("May Annual Return") contained information, including information relating to members and directors of Gold United, which are significantly different from the original annual return that was presented by the Group on 29th April, 2005.

On 13th July, 2005, the Company filed a Writ of Summons against four persons (the "Defendants") seeking, amongst others, declarations by the court to effect what Winsky Management Limited, a wholly owned subsidiary of the Company, is the beneficial owner of 51% of the issued share capital of Gold United. The Defendants were those persons who purportedly filed the false information with the Hong Kong Companies Registry and/or were identified as members and directors in the May Annual Return and other documents. Gold United is an investments holding company holding 80% direct interest in 杭州恒運交通開發有限公司 ("HZHY"), which is engaged in the operation of a highway in the PRC.

The Writ of summons was amended on 1st February, 2006 and re-amended on 10th October, 2006.

As at 31st March, 2007, the legal action is still proceeding and there is no significant development.

As regards deconsolidation of Gold United and HZHY, please refer to note 32 to the financial statements.

42. Particulars of principal subsidiaries

Details of the Company's principal subsidiaries at 31st March, 2007 are as follows:

Name of subsidiary	Place of incorporation/ registration	Paid up share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company#/ subsidiaries %	Effective proportion of issued capital held by the Group %	Principal activities
Captain Shore Limited	B.V.I.	US$1	100#	100	Investment holding
Esmian Group Limited	B.V.I.	US$1	100#	100	Investment holding
Full Champion Financial Limited	B.V.I.	US$3	100#	100	Investment holding
Gold United International Industries Limited	Hong Kong	HK$10,000	51	51	Investment holding
New Team Limited	B.V.I.	US$1	100#	100	Investment holding
Power Rise International Limited	B.V.I.	US$1	100#	100	Investment holding
Prosper City International Limited	Hong Kong	HK$100	51	51	Trading of building materials and provision of renovation service
Shanghai Hualong Construction Co. Ltd.	PRC	US$11,080,000	51	51	Property development and sales
Super Target Limited	B.V.I.	US$1	100#	100	Investment holding
Victory Way International Limited	B.V.I.	US$1	100#	100	Investment holding
Winsky Management Limited	B.V.I.	US$1	100#	100	Investment holding
杭州恒運交通開發有限公司	PRC	RMB3,745,000	80	40.8	Operation of highway

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

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

(C) MANAGEMENT DISCUSSION AND ANALYSIS EXTRACTED FROM THE ANNUAL REPORTS 2005, 2006 AND 2007 OF THE GROUP

(i) For the year ended 31 March 2005

Financial Review

The Group's turnover for the year decreased to approximately HK$95,364,000 (2004: HK$183,650,000), representing a decrease of 48.1% when compared to the previous year. Loss attributable to the shareholders amounted to approximately HK$120,841,000 (2004: HK$67,205,000), representing a increase of 79.8% as compared with last year. Loss per share was HK50.1 cents. Included in the reported losses of approximately HK$41,000,000 was an impairment loss recognized in respect of investment in securities and of approximately HK$200,000,000 was an impairment loss recognised in respect of property, plant and equipment.

As at 31st March, 2005, the total assets and net assets of the Group were HK$423,184,000 (2004: HK$691,171,000) and HK$220,088,000 (2004: HK$290,776,000) respectively.

During the year under review, the Group's business activities and its assets and liabilities were mainly denominated in Hong Kong dollars, Renminbi and US dollars. In view of stable exchange rates of between these currencies, the foreign currency exchange risk of the Group is not significant. It is the Group's policy to manage its foreign currency exposure whenever its financial effect is material to the Group.

Business Review and Prospect

The Group is principally engaged in securities trading and investments, property development and sales, trading of building materials and provision of renovation services and operation of toll highway. The business environment in Hong Kong and the PRC remained difficult and highly competitive.

During the later part of 2004, the investment market in Hong Kong has experienced a period of consolidation after the rapid rebound in the economy after the SARS and the turbulence in middle east.

The fiscal measures taken by the Chinese Government since April 2004 to tighten up bank lending and to dampen the over-heated economy have produced some cooling effect on the economy. Property markets in many provinces have consolidated, in particularly Shanghai where excessive speculation was experienced. The property market in Hong Kong rebound very well in 2004 but started to feel the pinch of the higher interest rates and higher prices, although the outlook is still bullish.

Segment results

For securities trading and investment, segment turnover amounted to HK$63,638,000, decreased by HK$59,549,000 (48.34%) and segment result recorded losses of HK$38,025,000, decreased by HK$45,653,000 (54.56%).

For trading of building materials and renovation services, segment turnover amounted to HK$20,306,000, increased by HK$2,500,000 (14.04%) and segment result recorded losses of HK$5,671,000, increased by HK$3,005,000 (112.72%).

For property development and sales, segment turnover amounted to HK$246,000, decreased by HK$17,429,000 (98.61%) and segment result recorded profit of HK$8,796,000.

For operation of toll highway, segment turnover amounted to HK$11,153,000, decreased by HK$11,575,000 (50.93%) and segment result recorded losses of HK$200,214,000.

The official appreciation of the Chinese currency by 2% would have some encouraging impact on Hong Kong's economy, particularly for those that have substantial earnings in China, in retail, tourism, property and those that have sales proceeds in China but with substantial US$ borrowings. The smaller that expected adjustment might continue to attract money flow into Hong Kong on speculation of further revaluation, thus improving the banking liquidity and the economy at a whole.

The Board would regularly review its investment portfolio and to increase in sectors where higher growth is envisaged and to reduce in sectors where conditions are less favourable. Careful selection of investments is important to improve the financial returns to the Group. In the coming year, the performance of the investee companies would be closely monitored and for those where future financial returns are not expected to be satisfactory would possibly be divested in order to re-allocate the resources to other more profitable ventures.

The Board will not only focus on those listed securities, but also equity investments that possess sound fundamental growth potential and strong management and are able to give rise to recurring dividend income and capital appreciation for medium to long term strategic investment purposes. Looking ahead, the investment market condition remains challenging but somewhat more favourable. The Board will continue to do their utmost to properly manage the investment portfolio and to capture any profitable opportunities at all times with the main objective to maximize shareholders' benefit in the coming year.

Litigation

On 4th July, 2005 the Company was notified by the Hong Kong Companies Registry that the annual return of Gold United International Industries Limited ("Gold United"), a nonwholly owned subsidiary of the Company, filed in May 2005 ("May Annual Return") contained information, including members and directors of Gold United, which are incorrect and significantly different from the original annual return that are presented by the Group on 29th April, 2005.

On 13th July, 2005, the Company filed a writ against certain persons (the "Defendants") seeking, amongst others, declarations by the court to effect that Winsky Management Limited, a wholly owned subsidiary of the Company, is the beneficial owner of 51% of the issued share capital of Gold United. The Defendants were the people, which purportedly filed the false information to the Hong Kong Companies Registry and/or identified as members and directors in the May Annual Return. Gold United is an investments holding company, which has an 80% direct interest in 杭州恆運交通開發有限公司, which is engaged in the operation of a highway in the Peoples' Republic of China ("PRC").

Details of the above are set out in the announcement of the Company dated 13th July, 2005.

Liquidity and financial resources

As at 31st March, 2005, the Group had cash at bank and in hand totaled approximately HK$53,658,000 (2004: HK$65,954,000) including pledged bank deposits of HK$5,041,000 (2004: HK$5,034,000) and net asset value of approximately HK$220,088,000 (2004: HK$290,776,000).

Interest-bearing bank loans and other bank borrowings at 31st March, 2005 amounted to HK$106,828,000 (2004: HK$170,557,000), of which HK$104,491,000 (2004: HK$143,680,000) were repayable within one year. The gearing ratio, being the ratio of total bank loans and other borrowings of approximately HK$106,828,000 to shareholders'par fund of approximately HK$220,088,000, was about 0.49 (2004: 0.59).

The Group generally finances its operations from internally generated cashflow and banking facilities. In addition, the Company raised approximately HK$45,500,000 before expenses through placements and subscription, which was conducted in May 2005. The proceeds of the placements and subscription had been utilized for working capital and for acquisitions related to Group's business.

Contingent Liabilities

As at 31st March, 2005, the Company had contingent liabilities in respect of corporate guarantees given to the banks and a securities broker in connection with the credit facilities utilized by the subsidiaries amounting to approximately HK$7,650,000 (2004: HK$7,897,000).

Capital Structure

As at 31st March, 2005, the Group's shareholders' funds amounted to approximately HK$220,088,000 (2004: HK$290,776,000).

In December 2004, the Company entered into a subscription agreement with Peakhill Investment Limited ("Peakhill"), an independent third party, for the subscription of convertible notes of the Company with a principal amount of HK$32,400,000, convertible into shares of the Company at an initial conversion price of HK$0.03 per share ("Peakhill Convertible Notes"). The Peakhill Convertible Notes were fully converted into shares of the Company during the year.

On 6th January, 2005, the Company entered into (i) a share subscription agreement with Willplus Assets Limited ("Willplus"), an independent third party, for the subscription of 530,000,000 new shares in the Company at HK$0.03 per share ("Share Subscription Agreement"); and (ii) placing and subscription agreements with Kingston Securities Limited and Centar Investments, Shepherd Investments, Stark Asia and Stark International, independent third parties for the placing and subscription of the convertible notes with principal amounts of HK$31,200,000 ("CB Placing Agreement") and HK$78,000,000 ("CB Subscription Agreements"), respectively, convertible into shares of the Company at an initial conversion price of HK$0.03 each.

The Share Subscription Agreements, CB Placing Agreement and CB Subscription Agreements were approved by the shareholders of the Company on 9th March, 2005, details of which were set out in the circular to the shareholders of the Company dated 21st February, 2005. The Share Subscription Agreement and CB Placing Agreement were completed on 18th May, 2005.

On 14th July, 2005, the Company entered into cancellation agreements with the subscribers of the CB Subscription Agreements, details of which were set out in the announcement to the shareholders of the Company on the same date.

In addition, on 17th November, 2004, the Company entered into placing agreement in relation to the placing of 902,280,000 new shares in the Company at a placing price of HK$0.02 per share. These shares were issued under the general mandate granted to the directors of the Company on 3rd September, 2004. The net proceeds of approximately HK$17,700,000 were used for general working capital of the Group.

Staff

As at 31st March, 2005, the Group employed 151 employees (2004: 159). Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are reviewed annually based on performance appraisal and other relevant factors. Staff benefits plans maintained by the Group include medical insurance, hospitalization scheme, mandatory provident fund and share option scheme.

Employees in the PRC are remunerated according to the prevailing market conditions in the locations of their employments.

(ii) For the year ended 31 March 2006

Financial review

For the year ended 31st March, 2006, the Group recorded a turnover of HK$33,273,000 (2005: HK$95,364,000), representing a decrease of 65.1% when compared to the previous year. The decrease in turnover was mainly due to less trading in securities and building materials as well as low property sales. Loss attributable to the shareholders amounted to HK$26,438,000, representing a decrease in loss of approximately 78% as compared with HK$121,158,000 for the last year. Loss per share was HK7.6 cents (2005: HK50.2 cents). The decrease in loss attributable to shareholders was mainly due to the net unrealised gain on other financial assets at fair value through profit or loss amounted to HK$48,613,000. While the effect was partial offset by provision of impairment loss on available-for-sale financial assets, due from an associate and loss on disposal of subsidiaries of approximately total HK$50,789,000. In last year, the Group made an impairment loss of approximately HK$241,000,000 in respect of the operation of toll highway and investment securities.

As at 31st March, 2006, the total assets and net assets of the Group were HK$391,979,000 (2005: HK$423,184,000) and HK$220,385,000 (2005: HK$231,043,000) respectively.

Business Review

The Group is principally engaged in securities trading and investments, property development and sales, trading of building materials and provision of renovation services and operation of toll highway.

During the year under review, rising interest rates and soaring oil prices have dampened sentiment in the property and stock market. The Board was conservative in investment strategies and it resulted in decrease in securities trading and investment. The business in trading of building materials and renovation services was adversely affected by fierce competition in the industry.

Segment Results

For securities trading and investment, segment turnover decreased by 63% to HK$23,543,000 (2005: HK$63,638,000) and segment result recorded profit of HK$1,310,000 (2005: loss of HK$38,025,000) that mainly contributed by the net unrealised gain on other financial assets at fair value through profit or loss.

For trading of building materials and renovation services, segment turnover decreased by 52.4% to HK$9,667,000 (2005: HK$20,306,000). Segment loss amounted to HK$3,373,000 (2005: HK$5,671,000) representing a decrease of 41%.

For property development and sales, segment turnover decreased by 91.1% to HK$22,000 (2005: HK$246,000) and segment loss amounted to HK$1,853,000 (2005: profit of HK$8,796,000). The profit for last year was mainly contributed by a bad debt written back.

For the operation of toll highway, as explained in note 2 to the financial statements, due to the lack of co-operation of the management of 杭州恒運交通開發有限公司 (the "HZHY"), the book and records of HZHY after February 2005 are not available. As a result, the consolidated income statement of the Company for the current year has not incorporated the results of HZHY for the year ended 31st March, 2006. In addition, the consolidated balance sheet of the Company as at 31st March, 2006 has only incorporated the balance sheet of HZHY up to 28th February, 2005.

Prospect

The austerity measures introduced by the PRC Government recently had "cool down" effect on the overheated property market in various cities such as Shanghai, Beijing and Shenzhen. However, it also represents great opportunities to further participate into the market. The economic growth and urbanization in the PRC are expected to sustain, in the light of upcoming Olympic Games in 2008 and the World Expo in 2010. The Group maintains an optimistic outlook for businesses in the PRC and continues its efforts to improve the business by actively looking for any potential investment opportunities that can benefit the Group's earning and assets base with focus on mid-to-long term property investment in Mainland China.

Litigation

In July 2005, the Company was notified by the Hong Kong Companies Registry that the annual return of Gold United International Industries Limited ("Gold United"), a non-wholly owned subsidiary of the Company, filed in May 2005 contained information, including members and directors of Gold United, which are incorrect and significantly different from the original annual return that are presented by the Group on 29th April, 2005.

On 13th July, 2005, the Company filed a writ against certain persons (the "Defendants") seeking, amongst others, declarations by the court to effect that Winsky Management Limited, a wholly owned subsidiary of the Company, is the beneficial owner of 51% of the issued share capital of Gold United. The Defendants were the people, which purportedly filed the false information to the Hong Kong Companies Registry and/or identified as members and directors in the May Annual Return. Gold United is an investments holding company, which has an 80% direct interest in 杭州恆運交通開發有限公司, which is engaged in the operation of a highway in the PRC.

Details of the above are set out in the announcement of the Company dated 13th July, 2005. As at date of the annual report, the legal action is still proceeding, and there is no significant development.

Liquidity and Financial Resources

As at 31st March, 2006, the Group had cash at bank and in hand totaled approximately HK$8,517,000 (2005: HK$48,617,000). Last year cash at bank and in hand balance include pledged bank deposit of HK$5,041,000 (2006: nil). The decrease in cash at bank and in hand was mainly due to the repayment of loan during the year. The net asset value of approximately HK$220,385,000 (2005: HK$231,043,000 as restated). Interest-bearing bank loans and other bank borrowings at 31st March, 2006 amounted to HK$86,231,000 (2005: HK$106,828,000) which were repayable within one year (2005: HK$104,491,000). The gearing ratio, being the ratio of total bank loans and other borrowings of approximately HK$86,231,000 to shareholders' fund of approximately HK$210,244,000 was about 0.41 (2005: 0.49). The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 172% (2005:142%).

Taking into account the financial resources available to the Group including internally generated funds and available facilities, the Group has sufficient working capital to meet its present requirements.

Contingent Liabilities

As at 31st March, 2006, the Company had no significant contingent liabilities (2005: HK$7,650,000).

Capital Structure

On 6th April, 2005, the Company has undertaken a capital reorganization (the "Capital Reorganization"). Pursuant to the Capital Reorganization, (i) every 20 issued shares of HK$0.01 each in the share capital of the Company were consolidated into 1 issued share of HK$0.20 each (the "Consolidated Share"); (ii) the issued share capital of the Company was reduced by canceling paid-up capital to the extent of HK$0.19 on each Consolidated Share in issue so that each Consolidated Share be treated as one fully-paid up share of HK$0.01 each in the capital of the Company (the "Capital Reduction"); and (iii) the entire credit amount arising from the Capital Reduction be applied to the contributed surplus account of the Company. Details of the Capital Reorganization are set out in the circular of the Company dated 14th March, 2005. The Capital Reorganization became effective on 7th April, 2005.

Details of movements in the share capital of the Company during the year are set out in Note 30 to the financial statements

Staff

As at 31st March, 2006, the Group employed 145 employees (2005: 151). Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are reviewed annually based on performance appraisal and other relevant factors. Staff benefits plans maintained by the Group include medical insurance, hospitalization scheme, mandatory provident fund and share option scheme.

Employees in the PRC are remunerated according to the prevailing market conditions in the locations of their employments.

(iii) For the year ended 31 March 2007

Financial Review

For the year ended 31st March, 2007, the Group recorded a turnover of HK$361,961,000 (2006: HK$33,273,000), mainly generated from increase of securities trading and investment. Loss attributable to shareholders amounted to HK$22,993,000, representing a decrease of approximately 13% as compared with HK$26,438,000 of previous year. Loss per share was HK5.7 cents. Included in the reported loss was an impairment recognized in relation to loss on receivables of HK$9,289,000, share option expenses of HK$7,658,000 as well as loss on deconsolidation of HK$7,194,000 from toll highway operation.

As at 31st March, 2007, the total assets and net assets of the Group were HK$368,715,000 (2006: HK$391,979,000) and HK$298,781,000 (2006: HK$220,385,000) respectively.

Business Review

The Group is principally engaged in securities trading and investments, property development and sales, trading of building materials and provision of renovation services and property rental.

During the year under review, the Group has been actively reviewing a number of potential property investment and development projects in major cities in the PRC. Subsequent to the year end in June 2007, the Group acquired a call option under which it would be entitled to acquire a 6-storey shopping mall in Shanghai for a total consideration of RMB555,000,000 up to mid June 2008 and it still has a flexibility to invest in other projects when any suitable investment opportunities arise.

Segment Results

For securities trading and investment, segment turnover increased significantly to HK$351,937,000 (2006: HK$23,543,000). Satisfactory profit of HK$11,604,000 (2006: HK$1,310,000) was realized on this segment. The increment is attributable to well-performed local stock market during the year under review.

For trading of building materials and renovation services, segment turnover increased by 3% to HK$9,986,000 (2006: HK$9,667,000), which was benefited from the improved local property market. Segment result recorded profit of HK$54,000 (2006: loss of HK$3,373,000).

For property development and sales, segment turnover amounted to HK$22,000 (2006: HK$22,000) and segment loss amounted to HK$10,949,000 (2006: HK$1,853,000), the loss was mainly due to an impairment recognized in relation to loss on receivables of HK$9,289,000.

The operation of toll highway was excluded by deconsolidation of a group of subsidiaries holding the relevant assets. Loss on deconsolidation of HK$7,194,000 has been charged to the income statement.

Prospect

The Group is confident in the robust economic development in the PRC. With consistent economic growth, quality commercial as well as residential properties are highly demanded in prime locations in the PRC with high population density. The Group will continue to adopt an active but prudent strategy and create value to the shareholders. Property projects with high potential investment value and high rental yield at reasonable price will be the major area of focus. In the long run, we aim to have a balanced portfolio of commercial and residential properties which may include villas, serviced apartments, offices, shopping malls and hotels.

Deconsolidation of a Group of Subsidiaries

As explained in this section under the heading "Litigation" below, the Group has commenced legal proceedings for the recovery and declaration of its beneficial ownership in 51% of the issued share capital of Gold United International Industries Limited ("Gold United"), which has 80% direct interest in 杭州恒運交通開發有限公司 ("HZHY"). The management of HZHY has not provided the Company with any financial information subsequent to the provision of unaudited management accounts for the eleven months ended 28th February, 2005.

Due to the above reasons, the directors of the Company considered that the Group was unable to exercise its rights as major shareholder either to control the assets and operations or to exercise significant influence over the financial and operating policy decisions of the HZHY. As such, the directors considered that they are unable and it is inappropriate to consolidate the financial results of HZHY into the Group. Two of the Group's subsidiaries, Gold United and HZHY, were deconsolidated as of 1st April, 2006.

Capital Investment and Commitments

The Group did not incur or commit any material investment or capital expenditure during the period under review.

Liquidity and Financial Resources

At 31st March, 2007, the Group had cash and cash equivalents of approximately HK$177,312,000 (2006: HK$8,517,000). The increase in cash and cash equivalents was mainly due to proceeds from issue of shares and disposal of subsidiaries. Bank and other borrowings of HK$43,815,000 at 31st March, 2007 were substantially improved as compared to last year of HK$86,231,000. The gearing ratio, being the ratio of total bank loans and other borrowings over shareholders' equity, was 0.15 (2006: 0.41). The liquidity ratio of the Group, being the ratio of current assets over current liabilities, was 506% (2006: 172%).

Taking into account the financial resources available to the Group, the Group has sufficient working capital to meet its present requirements.

Contingent Liabilities

As at 31st March, 2007, the Company had no significant contingent liabilities (2006: Nil).

Capital Structure

Pursuant to a placing agreement dated 21st August, 2006, the Company issued 70,000,000 new shares of HK$0.01 each to no less than six placees who were independent professional and institutional investors, at the issue price of HK$0.198 per share. Details of which are set out in the announcement of the Company dated 21st August, 2006.

Pursuant to the subscription agreements dated 29th December, 2006, the Company issued and allotted an aggregate of 90,000,000 placing shares to the placees at a price HK$1.00 per share. Details of the placing are set out in the circular of the Company dated 23rd January, 2007.

2,500,000 new shares of HK$0.01 each were issued and allotted during the year upon exercise of share options granted by the Company.

Save as the above, there was no change in the share capital structure of the Company during the year ended 31st March, 2007.

Material Acquisitions and Disposals of Subsidiaries

On 28th September, 2006, the Company entered into a deed of settlement with Asean Resources Limited (the “Lender”) under which, inter alia, the Company and the Lender agreed that the Company shall be entitled to repay the loan together with all interest accrued thereon and all other moneys owing by the Company to the Lender by transferring its legal and beneficial ownership in the entire issued share capital of Huey Tai Holdings Limited (“Huey Tai”) and assigning all indebtedness owing by Huey Tai to the Company to the Lender (the “Disposal”). The consideration for the Disposal was approximately HK$28,600,000 and was satisfied by way of settlement and discharge of the loan due to the Lender, accrued interest thereon and all other sums and liabilities owing or incurred by the Company. The Disposal was completed on 28th September, 2006. Details of the Disposal are set out in the circular of the Company dated 20th October, 2006.

On 18th December, 2006, the Company and Esmian Group Limited (“Esmian”), a wholly owned subsidiary of the Company, entered into a conditional agreement (the “Share Purchase Agreement”) with Major Win Ltd (“Major Win”) and Mr. Hong Loi Fuk (“Mr. Hong”), pursuant to which the Group agreed to acquire from Major Win the entire issued share capital of Best Win Ltd (“Best Win”) and the shareholder’s loan (the “Loan”) which was to be due and owing by Best Win. The aggregate consideration for the acquisition was RMB555,000,000. Details of the transaction are set out in the Company’s announcement dated 21st December, 2006.

On 27th June, 2007, the parties entered into a termination deed to terminate the Share Purchase Agreement. On the same day, Esmian, Major Win and Mr. Hong entered into a deed of call option (the “Call Option Deed”), pursuant to which Esmian was granted an option at a consideration of HK$1.00 to acquire the entire issued share capital in Best Win and the Loan at a consideration of RMB555,000,000. The option is exercisable by Esmian at its absolute discretion at any time within 1 year from the date of the Call Option Deed. Details of the transaction are set out in the Company’s announcement dated 28th June, 2007.

Apart from the above, the Group had no material acquisition and disposal of subsidiaries during the year ended 31st March, 2007.

Litigation

In July 2005, the Company was notified by the Hong Kong Companies Registry that an annual return of Gold United, a non-wholly owned subsidiary of the Company, filed in May 2005 ("May Annual Return") contained information, including information relating to members and directors of Gold United, which are significantly different from the original annual return that was presented by the Group on 29th April, 2005.

On 13th July, 2005, the Company filed a Writ of Summons against four persons (the "Defendants") seeking, amongst others, declarations by the court to the effect that Winsky Management Limited, a wholly owned subsidiary of the Company, is the beneficial owner of 51% of the issued share capital of Gold United. The Defendants were those persons who purportedly filed the false information with the Hong Kong Companies Registry and/or were identified as members and directors in the May Annual Return and other documents. Gold United is an investments holding company holding an 80% direct interest in HZHY, which is engaged in the operation of a highway in the PRC.

The Writ of Summons was amended on 1st February, 2006 and re-amended on 10th October, 2006.

As at 31st March, 2007, the legal action is still proceeding and there is no significant development.

As regards deconsolidation of Gold United and HZHY, please refer to the paragraph with heading "Deconsolidation of a Group of Subsidiaries" in this section.

Exchange Exposure

The Group's transactions are denominated in Hong Kong dollars and Renminbi and the related exchange rates are considered relatively stable, and accordingly, the exposure to fluctuations in exchange rate is minimal, and no foreign exchange and interest rate risk management or related hedges were made.

Staff

As at 31st March, 2007, the Group employed 24 employees (2006: 26). Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are reviewed annually based on performance appraisal and other relevant factors. Staff benefits plans maintained by the Group include medical insurance, hospitalization scheme, mandatory provident fund and share option scheme.

Employees in the PRC are remunerated according to the prevailing market conditions in the locations of their employments.

(D) MANAGEMENT DISCUSSION AND ANALYSIS ON JXRE

To the best of Directors' knowledge, information and belief having made all reasonable enquires, set out below is the management discussion and analysis on JXRE for the three years ended 31 December 2006 and six months ended 30 June 2007 (the Relevant Period").

Financial and Business Review

JXRE is principally engaged in property development in the PRC and is being the developer of the Beijing Villa Project. There was no significant operating activities carried out by JXRE during the Relevant Period. JXRE did not have any turnover for the Relevant Period.

Prospect

On the overall planning on the site of the New Star Garden Villa, it is the intention of the Purchaser that all the constructions under Phase II be demolished and the blueprint on the development of Phase II will be redone to cope with the development of Phase III and ancillary facilities including clubhouse. The Purchaser will propose to engage an internationally famous architect firm to proceed with the splendid design of the whole site. The demolishment and construction cost cannot be accurately estimated before finalisation of the blueprint for Phase II and Phase III.

Material Investment

JXRE did not have any material investment for the Relevant Period.

Liquidity and Financial Resources

JXRE had cash and cash equivalents of approximately RMB9.21 million, RMB2.66 million and RMB0.45 million as at 31 December 2004, 2005 and 2006 respectively and 0.85 million as at 30 June 2007. As there was no significant operating activities conducted under the Relevant Period, only daily administrative work, as a result the cash balance was relatively low as at each year/period end. The gearing ratios, being the ratio of total bank borrowings over total equity, were 0.33, nil, 1.92 as at 31 December 2004, 2005 and 2006 respectively and 70.18 as at 30 June 2007.

Contingent Liabilities

JXRE has no significant contingent liabilities under the Relevant Period.

Capital Structure

Under the Relevant Period, JXRE has a registered capital of approximately US$14.3 million. As at 30 June 2007, the outstanding amount of registered capital of approximately US$2.4 million has not yet been paid.

Material Acquisitions and Disposals

Save for the Acquisition, JXRE had no material acquisitions and disposals for the Relevant Period.

Charges on Assets

Save for the attachment of Phase II and Phase III by the court, to the best of Directors' knowledge, information and belief having made all reasonable enquires, JXRE has no other charges on assets under the Relevant Period.

Staff

Details of staff costs of JXRE has been set out in note 6 of the Accountants' Report on JXRE in Appendix III of this circular.

Foreign Currency Risk

Under the Relevant Period, JXRE has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in RMB. JXRE currently does not have a foreign currency hedging policy in respect of foreign currency debt.

(E) STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 31 October 2007, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this circular, the Enlarged Group had the following outstanding borrowings:

	The Group	Winmax Asia	JXRE	Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings *(note 1)*	34,021	–	139,767	173,788
Other borrowings *(note 2)*	–	–	134,745	134,745
Bank overdraft *(note 3)*	2,683	–	–	2,683
Bills payable *(note 3)*	456	–	–	456
Finance lease obligation *(note 4)*	578	–	–	578
	37,738	–	274,512	312,250

Notes:

1. The bank borrowings were unsecured and carried an average interest rate of 10.92% per annum and were repayable within one year.

2. The other borrowings were unsecured and repayable within one year and included an amount of HK$2,763,000 (equivalent to RMB2,680,000) being full provision of JXRE's financial guarantee given to an independent third party.

3. These banking facilities were secured by the personal bank deposits of a minority shareholder and his spouse of a non-wholly owned subsidiary of Premium Land Limited.

4. The finance lease obligation was secured by a motor vehicle with a net book value of HK$569,000.

Debt Securities

As at the close of business on 31 October 2007, the Enlarged Group did not have debt securities.

Contingent Liabilities

As at the close of business on 31 October 2007, the Enlarged Group did not have any material contingent liabilities.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, as at the close of business on 31 October 2007, the Enlarged Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdraft, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities. Foreign currency amounts have been translated into Hong Kong dollars at the approximately exchange rates prevailing at the close of business on 31 October 2007.

Save as disclosed above, the Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Enlarged Group since 31 October 2007.

(F) WORKING CAPITAL

As at the Latest Practicable Date, after taking into account of the available banking and other borrowing facilities, the internal resources of the Enlarged Group and subject to completion of new bank loan financing or other forms of financing as appropriate, the Directors were of the opinion that the working capital available to the Enlarged Group is sufficient for the 12-month period from the date of this circular.

TING HO KWAN & CHAN
CERTIFIED PUBLIC ACCOUNTANTS

9th Floor, Tung Ning Building
249-253 Des Voeux Road Central
Hong Kong

14 December 2007

The Board of Directors
Premium Land Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Winmax Asia Investment Limited ("Winmax Asia") for the period from 14 June 2007 (date of incorporation) to 30 June 2007 (the "Relevant Period") for inclusion in the circular of Premium Land Limited (the "Company") dated 14 December 2007 (the "Circular") in connection with the proposed acquisition of the entire issued capital of Winmax Asia by Silver Wind International Limited, a wholly-owned subsidiary of the Company.

Winmax Asia is a company incorporated in Hong Kong on 14 June 2007 with limited liability. Winmax Asia has not yet commenced business.

No audited financial statements of Winmax Asia have been prepared since the date of incorporation.

The Financial Information has been prepared by the director of Winmax Asia based on the unaudited financial statements of Winmax Asia.

The directors of the Company are responsible for the preparation of the Financial Information which gives a true and fair view. The directors of the Company are responsible for the content of the Circular relating to Winmax Asia in which this report is included. The director of Winmax Asia is responsible for the preparation of the financial statements of Winmax Asia which give a true and fair view. In preparing the Financial Information and financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that the judgements and estimates made are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

We have performed our independent audit on the Hong Kong Financial Reporting Standards ("HKFRS") Financial Statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have examined the HKFRS Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of Winmax Asia as at 30 June 2007 and of its results and cash flows for the Relevant Period.

I. FINANCIAL INFORMATION

INCOME STATEMENT

	Notes	**For the period from 14 June 2007 (date of incorporation) to 30 June 2007** *HK$*
Turnover	*5*	–
Administrative expenses		–
Profit before taxation	*6*	–
Taxation	*8*	–
Profit for the period		–

BALANCE SHEET

		As at 30 June 2007
	Note	*HK$*
Asset		
Current Asset		
Other receivable		1
Total Asset		1
Equity		
Share capital	*9*	1
Total Equity		1
Net Current Asset		1

STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained profits	Total
	HK$	*HK$*	*HK$*
At 14 June 2007 (date of incorporation)			
Issue of share on incorporation	1	–	1
At 30 June 2007	1	–	1

CASH FLOW STATEMENT

	For the period from 14 June 2007 (date of incorporation) to 30 June 2007
	HK$
Operating activities	
Operating cash outflow before movements in working capital	–
Increase in other receivable	(1)
NET CASH USED IN OPERATING ACTIVITIES	(1)
Financing activities	
Issue of share on incorporation	1
NET CASH GENERATED FROM FINANCING ACTIVITIES	1
NET CHANGE IN CASH AND CASH EQUIVALENTS	–
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	–
CASH AND CASH EQUIVALENTS AT 30 JUNE 2007	–

II. NOTES TO THE FINANCIAL INFORMATION

1. General information

Winmax Asia is a limited liability company domiciled and incorporated in Hong Kong. The address of its registered office is Room 2707, 27/F, Shui On Centre, 28 Harbour Road, Wanchai, Hong Kong.

Winmax Asia has not yet commenced business. Upon completion of the transfer of the entire equity interest of Beijing Jianxing Real Estate Development Co., Ltd. (北京建興房地產開發有限公司) ("JXRE") from the existing foreign partner to Winmax Asia, Winmax Asia will be the holding company of JXRE.

2. Summary of significant accounting policies

The HKICPA issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and HKFRSs and Interpretations ("INTs") (hereinafter collectively referred to as the "new HKFRSs") which are currently in use and effective for accounting periods beginning on or after 1 January 2007. For the purpose of preparing and presenting Financial Information of the Relevant Period, Winmax Asia has adopted all these new HKFRSs over the Relevant Period.

Winmax Asia has not early adopted the following new standards, amendments or interpretations issued by the HKICPA that have been issued but are not yet effective.

		Effective for annual periods beginning on or after
HKAS 23 (revised)	Borrowing costs	1 January 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions	1 March 2007
HK(IFRIC) – Int 12	Service Concession Arrangements	1 January 2008

Winmax Asia has already commenced an assessment of the impact these new HKFRSs that are not yet effective but is not yet in a position to state whether these new HKFRSs would have a material effect on the results of operations and financial position of Winmax Asia.

The Financial Information has been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

The Financial Information has been prepared under the historical cost convention.

The preparation of Financial Information in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires management to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to the Financial Information are disclosed in note 3 to the Financial Information.

The significant accounting policies applied in the preparation of the Financial Information are set out below.

(a) Revenue recognition

No turnover was generated during the Relevant Period.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the Financial Information are measured using the currency of the primary economic environment in which Winmax Asia operates (the "currency"). The financial information is presented in Hong Kong Dollars ("HK$"), which is Winmax Asia's functional and presentation currency.

(ii) Transactions and balances in financial statements

Transactions in foreign currencies are translated into the 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 income statement.

(c) Trade and other receivables

Trade and other receivables are initially measured at fair value and, after initial recognition, at amortised cost less any impairment losses for bad and doubtful debts, except for the following receivables:

– interest-free loans made to related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost less any impairment losses for bad and doubtful debts; and

– short term receivables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount less any impairment losses for bad and doubtful debts.

(d) Income tax

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

Deferred tax 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 consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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.

(e) Financial guarantees issued, provisions and contingent liabilities

(i) 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 Winmax Asia 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 Winmax Asia's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(e)(iii) if and when (1) it becomes probable that the holder of the guarantee will call upon Winmax Asia under the guarantee, and (2) the amount of that claim on Winmax Asia 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.

(ii) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(e)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 2(e)(iii).

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when Winmax Asia has a 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 expenditure 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 of economic benefits is remote. Possible obligations, whose existence will only be confirmed by occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(f) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within bank and other borrowings in current liabilities on the balance sheet.

(g) Trade and other payables

Trade and other payables are initially measured at fair value and, after initial recognition, at amortised cost, except for the following payables:

– short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount; and

– interest free loans from related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost.

(h) Related parties

A party is related to Winmax Asia if:

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

(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 Winmax Asia or its parent;

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

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, any individual referred to in (iv) or (v); or

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

3. Critical accounting estimates and judgements

Estimates and judgements 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.

Capital risk management

Winmax Asia's objectives of managing capital are to safeguard Winmax Asia's ability to continue as a going concern in order to provide adequate returns for shareholders in the long term and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Winmax Asia may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, Winmax Asia monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

4. Financial risk management

Fair values

The carrying amounts of Winmax Asia's financial assets and financial liabilities as reflected in the balance sheet approximate their respective fair value.

5. Turnover

No turnover was generated during the Relevant Period.

6. Profit before taxation

	For the period from 14 June 2007 (date of incorporation) to 30 June 2007
	HK$
Profit before taxation is stated after charging:	
Auditors' remuneration	–
Director's remuneration	–
Staff costs	–

7. Director's remuneration

The emolument of the director during the Relevant Period was as follows:

Name of director	Fees	Salaries and allowances	Retirement benefit scheme contributions	Total
	HK$	*HK$*	*HK$*	*HK$*
Richard WANG	–	–	–	–

During the Relevant Period, the director did not waive or agreed to waive any emolument and no emoluments were paid by Winmax Asia to the director of Winmax Asia as an inducement to join or upon joining Winmax Asia or as compensation for loss of office.

8. Income tax

No provision for Hong Kong profits tax is made in the financial statements as Winmax Asia did not have any assessable income during the Relevant Period.

No deferred tax has been provided for the Relevant Period as there are no material temporary differences.

9. Share capital

	No. of shares	*HK$*
Authorised:		
Ordinary shares of HK$1 each		
On incorporation and at 30 June 2007	10,000	10,000
Issued and fully paid:		
Ordinary share of HK$1 each		
On incorporation and at 30 June 2007	1	1

10. Contingent liabilities

Winmax Asia did not have any significant contingent liabilities as at 30 June 2007.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Winmax Asia in respect of any period subsequent to 30 June 2007.

Yours faithfully,
Ting Ho Kwan & Chan
Certified Public Accountants (practising)

TING HO KWAN & CHAN
CERTIFIED PUBLIC ACCOUNTANTS

9th Floor, Tung Ning Building
249-253 Des Voeux Road Central
Hong Kong

14 December 2007

The Board of Directors
Premium Land Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Beijing Jianxing Real Estate Development Co., Ltd.(北京建興房地產開發有限公司)("JXRE") for each of the three years ended 31 December 2006 and the six months ended 30 June 2007 (the "Relevant Periods") for inclusion in the circular of Premium Land Limited (the "Company") dated 14 December 2007 (the "Circular") in connection with the proposed acquisition of the entire equity interest in Winmax Asia Investment Limited by Silver Wind International Limited, a wholly-owned subsidiary of the Company.

JXRE is a sino-foreign co-operative joint venture incorporated in Beijing, the People's Republic of China (the "PRC"), in 1993. JXRE is principally engaged in property development in the PRC and is being the developer of the New Star Garden Villa(新星花園別墅)in Beijing, the PRC.

The statutory financial statements of JXRE for the year ended 31 December 2004 and years ended 31 December 2005 and 31 December 2006 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited in accordance with Independent Auditing Standards for Chinese Certified Public Accountants by Beijing Hengweixin Certified Public Accountants and Beijing H&O Certified Public Accountants Co., Ltd. registered in the PRC respectively.

The Financial Information set out in this report, including the statement of changes in equity and the cash flow statement of JXRE for the Relevant Periods and the balance sheet of JXRE as at 30 June 2007 together with the notes thereon has been prepared from the audited financial statements under relevant accounting principles and regulations applicable to enterprises established in the PRC of JXRE after making such adjustments as are appropriate to comply with Hong Kong Financial Reporting Standards ("HKFRSs").

The directors of the Company are responsible for the preparation of the Financial Information which gives a true and fair view. The directors of the Company are responsible for the content of the Circular relating to JXRE in which this report is included. The directors of JXRE are responsible for the preparation of the financial statements of JXRE which give a true and fair view. In preparing the Financial Information and financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that the judgements and estimates made are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

We have performed our independent audit on the HKFRS Financial Statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have examined the HKFRS Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the purpose of this report, the directors of the Company have prepared the comparative financial information of JXRE for the six months ended 30 June 2006 (the "Comparative Financial Information") in accordance with HKFRSs. We have reviewed the Comparative Financial Information in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports'' issued by the HKICPA. A review consists principally of making enquiries of the management of JXRE and applying analytical procedures to the Comparative Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the Comparative Financial Information.

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the Comparative Financial Information.

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of JXRE as at 31 December 2004, 31 December 2005, 31 December 2006 and 30 June 2007 and of its results and cash flows for the Relevant Periods.

I. FINANCIAL INFORMATION

INCOME STATEMENTS

		Year ended 31 December			Six months ended 30 June	
		2004	**2005**	**2006**	**2006**	**2007**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Turnover	*5*	–	–	–	–	–
Other income	*5*	1,664	288	254	52	112
Administrative expenses		(9,678)	(7,306)	(3,427)	(2,354)	(3,685)
Impairment losses on trade and other receivables		(476)	(2,481)	(650)	–	(146)
Loss from operations	*6*	(8,490)	(9,499)	(3,823)	(2,302)	(3,719)
Finance costs	*7*	(1,572)	(31)	(2,017)	(1)	(9,882)
Loss before income tax		(10,062)	(9,530)	(5,840)	(2,303)	(13,601)
Income tax expenses	*9*	(56)	(11)	–	–	–
Loss for the year/period		(10,118)	(9,541)	(5,840)	(2,303)	(13,601)

BALANCE SHEETS

		As at 31 December			As at 30 June
		2004	**2005**	**2006**	**2007**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-Current Assets					
Property, plant and equipment	*10*	126	645	500	432
Current Assets					
Inventories	*11*	280,621	283,104	283,278	283,278
Trade and other receivables	*12*	10	202	195	187
Cash and cash equivalents		9,213	2,662	455	845
		289,844	285,968	283,928	284,310
Current Liabilities					
Trade and other payables	*13*	248,962	265,307	239,208	151,999
Bank borrowings	*14*	10,161	–	29,754	130,878
		259,123	265,307	268,962	282,877
Net Current Assets		30,721	20,661	14,966	1,433
Net Assets		30,847	21,306	15,466	1,865
Capital and Reserve					
Paid-up capital	*15*	99,363	99,363	99,363	99,363
Accumulated losses		(68,516)	(78,057)	(83,897)	(97,498)
Total Equity		30,847	21,306	15,466	1,865

STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2004	99,363	(58,398)	40,965
Loss for the year	–	(10,118)	(10,118)
At 31 December 2004 and 1 January 2005	99,363	(68,516)	30,847
Loss for the year	–	(9,541)	(9,541)
At 31 December 2005 and 1 January 2006	99,363	(78,057)	21,306
Loss for the year	–	(5,840)	(5,840)
At 31 December 2006 and 1 January 2007	99,363	(83,897)	15,466
Loss for the period	–	(13,601)	(13,601)
At 30 June 2007	99,363	(97,498)	1,865

UNAUDITED STATEMENT OF CHANGES IN EQUITY

	Paid-up capital	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2006	99,363	(78,057)	21,306
Loss for the period	–	(2,303)	(2,303)
At 30 June 2006	99,363	(80,360)	19,003

CASH FLOW STATEMENTS

	Notes	Year ended 31 December 2004 RMB'000	2005 RMB'000	2006 RMB'000	Six months ended 30 June 2006 RMB'000 (Unaudited)	2007 RMB'000
Operating activities						
Loss from operations		(8,490)	(9,499)	(3,823)	(2,302)	(3,719)
Adjustment for:						
Bank interest income	*5*	(141)	(50)	(55)	(52)	(1)
Depreciation on property, plant and equipment	*6*	187	173	157	67	76
Loss on disposal of property, plant and equipment	*6*	–	49	–	–	–
Impairment losses on trade and other receivables		476	2,481	650	–	146
Operating cash outflow before movements in working capital		(7,968)	(6,846)	(3,071)	(2,287)	(3,498)
Increase in inventories		(14,212)	(2,483)	(174)	(174)	–
Decrease (Increase) in trade and other receivables		4,501	(2,673)	(643)	7	(138)
Increase in trade and other payables		20,044	16,386	1,646	1,790	4,358
Cash generated from (used in) operations		2,365	4,384	(2,242)	(664)	722
Tax paid		(7)	(52)	(7)	(9)	–
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES		2,358	4,332	(2,249)	(673)	722

		Year ended 31 December			Six months ended 30 June	
		2004	**2005**	**2006**	**2006**	**2007**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
INVESTING ACTIVITIES						
Interest received		141	50	55	52	1
Purchase of property, plant and equipment		(266)	(741)	(12)	–	(8)
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES		(125)	(691)	43	52	(7)
FINANCING ACTIVITIES						
Repayment of bank borrowings		(20,000)	(10,161)	–	–	–
Interests paid		(1,572)	(31)	(1)	(1)	(325)
NET CASH USED IN FINANCING ACTIVITIES		(21,572)	(10,192)	(1)	(1)	(325)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(19,339)	(6,551)	(2,207)	(622)	390
CASH AND CASH EQUIVALENTS AT 1 JANUARY		28,552	9,213	2,662	2,662	455
CASH AND CASH EQUIVALENTS AT 31 DECEMBER/30 JUNE		9,213	2,662	455	2,040	845
ANALYSIS OF CASH AND CASH EQUIVALENTS						
Cash and bank balances		9,213	2,662	455	2,040	845

II. NOTES TO THE FINANCIAL INFORMATION

1. General information

JXRE is a sino-foreign co-operative joint venture incorporated in Beijing, the PRC in 1993. The address of its registered office and its principal place of business is No.3 Dongwei Road, Chaoyang District, Beijing, the PRC.

JXRE is principally engaged in property development in the PRC and is being the developer of the New Star Garden Villa in Beijing, the PRC.

2. Summary of significant accounting policies

JXRE has previously prepared its financial statements in accordance with the relevant accounting principles and regulations applicable in the PRC ("PRC GAAP"). For the purpose of this report, JXRE has adopted all the Hong Kong Financial Reporting Standards ("HKFRSs") that are relevant to its operations and effective for accounting period beginning on or after 1 January 2005. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

JXRE has not early adopted the following new standards, amendments or interpretations issued by the HKICPA that have been issued but are not yet effective.

		Effective for annual periods beginning on or after
HKAS 23 (revised)	Borrowing costs	1 January 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions	1 March 2007
HK(IFRIC) – Int 12	Service Concession Arrangements	1 January 2008

JXRE has already commenced an assessment of the impact these new HKFRSs that are not yet effective but is not yet in a position to state whether these new HKFRSs would have a material effect on the results of operations and financial position of JXRE.

The Financial Information has been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

The Financial Information has been prepared under the historical cost convention.

The preparation of Financial Information in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires management to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to the Financial Information are disclosed in note 3 to the Financial Information.

The significant accounting policies applied in the preparation of the Financial Information are set out below.

(a) Revenue recognition

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

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. 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 JXRE and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

Depreciation and amortisation are provided to write off the cost of other property, plant and equipment to their residual values (if there are any) over their estimated useful lives, using the straight-line method, at the following rates per annum:

Furniture, fixtures and equipment	10%-20%
Motor vehicles	20%

*(c) **Impairment of assets***

(i) Impairment of trade and other receivables

Trade and other receivables are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest are computed at initial recognition of these assets), where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indicators that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– goodwill

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price 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 time value of money and the risks specific to the asset. Where an asset does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. cash-generated unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generated units (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the Financial Information are measured using the currency of the primary economic environment in which JXRE operates (the "currency"). The financial information is presented in Renminbi ("RMB"), which is JXRE's functional and presentation currency.

(ii) Transactions and balances in financial statements

Transactions in foreign currencies are translated into the 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 income statement.

(e) Inventories

Inventories on stock of properties, which are held for trading, are stated at the lower of cost and net realisable value. Cost includes the land use right acquisition cost, architect's fees and other direct costs attributable to such properties. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(f) Trade and other receivables

Trade and other receivables are initially measured at fair value and, after initial recognition, at amortised cost less any impairment losses for bad and doubtful debts, except for the following receivables:

– interest-free loans made to related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost less any impairment losses for bad and doubtful debts; and

– short term receivables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount less any impairment losses for bad and doubtful debts.

(g) Income tax

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

Deferred tax 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 consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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.

(h) Borrowing costs

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

(i) Financial guarantees issued, provisions and contingent liabilities

(i) 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 JXRE 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 JXRE's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(i)(iii) if and when (1) it becomes probable that the holder of the guarantee will call upon JXRE under the guarantee, and (2) the amount of that claim on JXRE 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.

(ii) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(i)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 2(i)(iii).

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when JXRE has a 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 expenditure 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 of economic benefits 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 of economic benefits is remote.

(j) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within bank and other borrowings in current liabilities on the balance sheet.

(k) Trade and other payables

Trade and other payables are initially measured at fair value and, after initial recognition, at amortised cost, except for the following payables:

– short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount; and

– interest free loans from related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost.

(l) Bank and other borrowings

Bank and other borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Bank and other borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Bank and other borrowings are classified as current liabilities unless JXRE has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(m) Related parties

A party is related to JXRE if:

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

(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 JXRE or its parent;

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

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, any individual referred to in (iv) or (v); or

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

3. Critical accounting estimates and judgements

Estimates and judgements 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.

Capital risk management

JXRE's objectives of managing capital are to safeguard JXRE's ability to continue as a going concern in order to provide adequate returns for equity holders in the long term and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, JXRE may adjust the amount of dividends paid to equity holders, increase registered capital or sell assets to reduce debt.

Consistent with others in the industry, JXRE monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

4. Financial risk management

JXRE's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and cash flow interest rate risk. JXRE's overall risk management objectives and policies mainly focus on minimizing the potential adverse effects of these risks by closely monitoring the individual exposure as follows:

(a) Foreign currency risk

JXRE has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in RMB. JXRE currently does not have a foreign currency hedging policy in respect of foreign currency debt. JXRE will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The carrying amount of cash and cash equivalents, trade and other receivables except for prepayments and other tax recoverable represent the maximum exposure of JXRE to the credit risk in relation to financial assets.

(c) Liquidity risk

JXRE'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 longer term.

(d) Cash flow interest rate risk

JXRE's interest-rate risk arises from bank and other borrowings. Borrowings obtained at variable rates expose JXRE to cash flow interest-rate risk. However, JXRE's borrowings are based on fixed interest rates. Details of JXRE's borrowings are set out in note 14 to the Financial Information. Bank deposits are primarily short term in nature. In order to manage the cash flow interest rate risk, JXRE will repay the corresponding borrowing when it has surplus funds.

(e) Fair values

The carrying amounts of JXRE's financial assets and financial liabilities as reflected in the balance sheets approximate their respective fair value.

5. Turnover and other income

JXRE did not have any turnover during the Relevant Periods. An analysis of JXRE's other income is as follows:

	Year ended 31 December			**Six months ended 30 June**	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Bank interest income	141	50	55	52	1
Sundry income	1,523	238	199	–	111
	1,664	288	254	52	112

6. Loss from operations

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Loss from operations is stated after charging:					
Auditor's remuneration	150	180	60	60	60
Depreciation and amortisation	187	173	157	67	76
Loss on disposal of property, plant and equipment	–	49	–	–	–
Staff costs					
– directors' remuneration *(note 8)*	140	267	338	182	34
– basic salaries and other benefits	290	675	886	677	135
– retirement benefits scheme contribution	–	–	–	–	–

7. Finance costs

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Bank loan interest	1,572	31	2,017	1	9,558
Other loan interest	–	–	–	–	324
	1,572	31	2,017	1	9,882

8. Directors' remuneration

The emoluments of each director were as follows:

Name of directors	Fees	Salaries and allowances	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2004				
金亨旭	–	–	–	–
金正一	–	140	–	140
金奉柱	–	–	–	–
王明遠	–	–	–	–
宛士林	–	–	–	–
賀德成	–	–	–	–
	–	140	–	140
Year ended 31 December 2005				
王明遠	–	–	–	–
王亮棋	–	177	–	177
李淑琴	–	90	–	90
宛士林	–	–	–	–
賀德成	–	–	–	–
	–	267	–	267
Year ended 31 December 2006				
王明遠	–	–	–	–
王亮棋	–	205	–	205
李淑琴	–	133	–	133
宛士林	–	–	–	–
賀德成	–	–	–	–
	–	338	–	338

Name of directors	Fees	Salaries and allowances	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2006 (unaudited)				
王明遠	–	–	–	–
王亮棋	–	102	–	102
李淑琴	–	80	–	80
宛士林	–	–	–	–
賀德成	–	–	–	–
	–	182	–	182
Six months ended 30 June 2007				
王明遠	–	–	–	–
王亮棋	–	34	–	34
李淑琴	–	–	–	–
宛士林	–	–	–	–
賀德成	–	–	–	–
	–	34	–	34

During the Relevant Periods, no director waived or agreed to waive any emolument and no emoluments were paid by JXRE to the directors of JXRE as an inducement to join or upon joining JXRE or as compensation for loss of office.

The emoluments of the five highest paid individuals fell within the emolument band of Nil to RMB1,000,000.

During the Relevant Period, no emoluments were paid by JXRE to the five highest paid individuals, including the director, as an inducement to join or upon joining JXRE or as compensation for loss of office.

9. Income tax expenses

JXRE is subject to PRC Enterprise Income Tax ("EIT") on the taxable income as reported in the statutory financial statements adjusted in accordance with the PRC Enterprise Income Tax Law (collectively, the "PRC Income Tax Laws"). Pursuant to the PRC Income Tax Laws, JXRE is generally subject to EIT at a statutory tax rate of 33%.

	Year ended 31 December			Six months ended 30 June	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Current tax	56	11	–	–	–
Deferred tax	–	–	–	–	–
	56	11	–	–	–

No deferred tax has been provided for the Relevant Periods as there are no material temporary differences.

The reconciliation between the income tax expense and the product of loss before tax multiplied by the applicable PRC Enterprise Income Tax rate is as follows:

	Year ended 31 December			Six months ended 30 June	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Loss before tax	(10,062)	(9,530)	(5,840)	(2,303)	(13,601)
Tax at the domestic tax rate of 33%	(3,320)	(3,145)	(1,927)	(760)	(4,488)
Tax effect of expenses that are not deductible	2,141	1,154	1,185	267	4,262
Tax effect of temporary differences not recognised for the year/period	1,235	2,002	742	493	226
Income tax expense	56	11	–	–	–

10. Property, plant and equipment

	Motor vehicles *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Total *RMB'000*
Cost			
At 1 January 2004	–	342	342
Additions	–	266	266
At 31 December 2004	–	608	608
Additions	425	316	741
Disposals	–	(151)	(151)
At 31 December 2005	425	773	1,198
Additions	–	12	12
At 31 December 2006	425	785	1,210
Additions	–	8	8
At 30 June 2007	425	793	1,218
Accumulated depreciation			
At 1 January 2004	–	295	295
Charge for the year	–	187	187
At 31 December 2004	–	482	482
Charge for the year	27	146	173
Written back on disposal	–	(102)	(102)
At 31 December 2005	27	526	553
Charge for the year	70	87	157
At 31 December 2006	97	613	710
Charge for the period	38	38	76
At 30 June 2007	135	651	786
Net book value			
At 31 December 2004	–	126	126
At 31 December 2005	398	247	645
At 31 December 2006	328	172	500
At 30 June 2007	290	142	432

11. Inventories

	As at 31 December			As at 30 June
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties under development, at cost	280,621	283,104	283,278	283,278

The inventories represent the construction cost of Phase II villas and cost of land parcel for Phase II and Phase III of the New Star Garden Villa. At 30 June 2007, certain villas and land parcel of Phase III were attached by the courts in the PRC in connection with a legal claim by a PRC listed company, Tibet Rhodiola Pharmaceutical Holding Company, against JXRE to recover the amount of RMB92,844,000 due to them *(note 17)* and a mortgage loan dispute (approximately RMB4,231,000) with a villa buyer.

12. Trade and other receivables

	As at 31 December			As at 30 June
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	–	–	–	–
Other receivables and prepayments	10	202	195	187
	10	202	195	187

The director considers that the carrying amounts of trade and other receivables approximate to their fair values. Its aged analysis as at 31 December 2004, 2005 and 2006 and 30 June 2007 are as follows:

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Up to 30 days	–	39	17	–
31 to 90 days	7	–	–	–
91 to 365 days	–	153	17	7
Over 365 days	3	10	161	180
	10	202	195	187

13. Trade and other payables

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	6,224	2,786	2,785	2,786
Other payables and accruals (notes below)	242,738	262,521	236,423	149,213
	248,962	265,307	239,208	151,999

Notes:

(a) At 31 December 2004, 2005, 2006 and 30 June 2007, the other payables included an amount due to a former equity holder of JXRE of RMB35,178,000 (USD4,320,000). According to an agreement dated 31 December 2006, JXRE would be exempted from settlement of such amount on the condition that JXRE has remitted USD300,000 to the former equity holder. The parties to the agreement agreed that the condition is continued to be effective as long as JXRE is actively seeking funds to fulfill its obligations.

(b) At 31 December 2004, 2005, 2006 and 30 June 2007, the other payables included a provision of RMB2,680,000 for JXRE's financial guarantee given to China Airport Construction Group Cooperation "中國航空港建設總公司" ("CACGC") in favour of a third party in May 2002. In January 2003, JXRE signed an agreement with CACGC to repay an amount due by that third party to the CACGC. In April 2004, CACGC sued JXRE for the repayment of guaranteed principal, accrued interest and penalty. In November 2004, a PRC court had concluded that JXRE is liable to repay CACGC the amount of guaranteed principal and interest only *(see also note 17)*.

(c) The other payables included the deferred income arising on the pre-sales of Phase II villas. At 31 December 2004, 2005, 2006 and 30 June 2007, the amount of deferred income was RMB146,430,000, RMB146,430,000, RMB118,692,000 and nil respectively *(see also note 14)*.

The director considers that the carrying amount of trade payables approximates to their fair value. Its aged analysis as at 31 December 2004, 2005 and 2006 and 30 June 2007 are as follows:

	As at 31 December			**As at 30 June**
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Up to 30 days	–	–	–	–
31 to 90 days	–	–	–	–
Over 90 days	6,224	2,786	2,785	2,786
	6,224	2,786	2,785	2,786

14. Bank borrowings

	As at 31 December			**As at 30 June**
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings				
– secured *(note 1)*	10,161	–	–	–
– unsecured *(note 2)*	–	–	29,754	130,878
	10,161	–	29,754	130,878

At 31 December 2004, the effective interest rate of the bank borrowing was 6.90%. At 31 December 2006 and 30 June 2007, the effective interest rates of the bank borrowings were ranging from 6.98% to 8.37%.

Notes:

1. In 2004, the bank borrowing was secured by certain villas of Phase II and land parcel of Phase III of Beijing Green Villa. The charge to these properties was released after full settlement of the bank borrowing during 2005.

2. The amount was reclassified from deferred income (pre-sales proceeds) as included in other payables in prior years plus outstanding loan interest as a result of the court judgements *(see also note 17).*

15. Paid-up capital

		Amount	
	Note	*US$'000*	*RMB'000*
Registered:			
At 1 January 2004, 31 December 2004, 2005, 2006 and 30 June 2007		14,286	
Paid-up:			
At 1 January 2004, 31 December 2004, 2005, 2006 and 30 June 2007	*a*	11,848	99,363

Note a:

As at 30 June 2007, the outstanding amount of registered capital of US$2,438,000 has not yet been paid.

16. Deferred taxation

At 30 June 2007, the amount of tax losses available for offset against future profits of JXRE has not yet been agreed with the tax authorities. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The balance of unutilised tax losses would be expired in five years, if any.

17. Legal claims

In 2000, JXRE signed mortgage loan co-operation agreements with two banks for arranging mortgage loans to Phase II villas buyers. During 2000 and 2001, JXRE entered into pre-completion sale contracts for Phase II villas with a number of individual buyers for procuring the finance to meet the obligation of mortgage loans. As JXRE was unable to complete the construction of Phase II villas on schedule and failed to deliver the villas to the buyers, a majority of the pre-completion sale contracts were cancelled with the cancellation agreements signing between JXRE and the buyers. The buyers ceased to repay the mortgage loans since July 2006. According to mortgage loan co-operation agreements, JXRE is liable to the banks if the villas buyers failed to repay the mortgage loans. The banks sued JXRE and a number of villas buyers for non-repayment of loans. During the period from December 2006 to July 2007, the PRC court had concluded judgements on litigations with the banks that JXRE is required to settle the outstanding loan principals, accrued loan interests, late penalties interests and penalties not later than December 2007. As a result of these court judgements, as at 30 June 2007, an amount of RMB119,305,000 (31 December 2006: RMB27,738,000) had been reclassified from deferred income (pre-sales proceeds) as included in other payables in prior years to bank borrowings. Furthermore, at 30 June 2007, outstanding loan interest of RMB11,573,000 (31 December 2006: RMB2,016,000) had also been accrued and included in the bank borrowings *(note 14)*.

In May 2002, JXRE issued a financial guarantee to China Airport Construction Group Cooperation "中國航空港建設總公司" ("CACGC") in favour of a third party. In 2002, the third party failed to settle the amount due to CACGC. In January 2003, JXRE signed an agreement with CACGC to repay the guaranteed amount due by that third party. In April 2004, CACGC sued JXRE for the repayment of guaranteed principal, accrued interest and penalty. In November 2004, a PRC court had concluded that JXRE is liable to repay CACGC the amount of guaranteed principal and interest only. As a result of the court judgement, a provision of RMB2,680,000 for the claim was made in the financial statements in 2004.

In 2003 and 2005, JXRE signed agreements with a PRC listed company, Tibet Rhodiola Pharmaceutical Holding Company ("Tibet Rhodiola") (西藏諾迪康藥業股份有限公司), to jointly develop the Phase III of New Star Garden Villa. As the construction was still not yet commenced in 2006, the parties to the agreement signed a repayment agreement in September 2006. According to the repayment agreement, JXRE agreed to pledge its land parcel for Phase III as a security and to repay Tibet Rhodiola the amount of RMB89,600,000 by 31 December 2006. In June 2007, Tibet Rhodiola sued JXRE in a PRC court for the repayment the principal of RMB89,600,000 and interest of RMB3,244,000. The PRC court ordered an attachment on certain villas and land parcel of Phase III for the amount of RMB92,844,000 subsequently. At 30 June 2007, no judgement had been concluded by the court and full amount of the claim has been recognised as other payables in the financial statements.

18. Transactions and balances with related parties

JXRE had the following transactions with related parties for the years ended 31 December 2004, 2005, 2006 and period ended 30 June 2007:

	Year ended 31 December			Six months ended 30 June	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Amount due to a former equity holder	35,178	35,178	35,178	35,178	35,178

The balance is unsecured, interest free and without indication of repayment date.

III. SUBSEQUENT EVENTS

There were no significant events taken place subsequent to 30 June 2007.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by JXRE in respect of any period subsequent to 30 June 2007.

Yours faithfully,
Ting Ho Kwan & Chan
Certified Public Accountants (practising)

(I) BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The accompanying unaudited pro forma statement of assets and liabilities of the Group (the "Statement") has been prepared to illustrate the effect of the Acquisition, assuming the transaction had been completed as at 31 March 2007 and might have affected the financial position of the Group.

The Statement is prepared based on the audited consolidated balance sheet of the Group as at 31 March 2007 as extracted from the annual report of the Group for the year ended 31 March 2007 and the audited balance sheets of Winmax Asia Investment Limited ("Winmax Asia") and Beijing Jianxing Real Estate Development Co., Ltd. (北京建興房地產開發有限公司) ("JXRE") as at 30 June 2007 as extracted from the Accountants' Reports set out in Appendix II and Appendix III of the Circular after making certain pro forma adjustments resulting from the Acquisition. The Financial Information of JXRE and the pro forma adjustments are translated from RMB to HK$ at the rate of 0.97.

The Statement is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Statement, it may not give a true picture of the actual financial position of the Group that would have been attained had the Acquisition actually occurred on 31 March 2007. Furthermore, the Statement does not purport to predict the Group's future financial position.

The Statement should be read in conjunction with the financial information of the Group as set out in Appendix I of the Circular, the financial information of Winmax Asia and JXRE as set out in Appendix II and Appendix III of the Circular and other financial information included elsewhere in the Circular.

(II) UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS IF THE ACQUISITION HAD BEEN COMPLETED ON 31 MARCH 2007

	The Group as at 31 March 2007 (Audited) *HK$'000*	Winmax Asia as at 30 June 2007 (Audited) *HK$'000*	JXRE as at 30 June 2007 (Audited) *HK$'000*	Total *HK$'000*	Pro forma adjustments *HK$'000*	*Notes*	Enlarged Group *HK$'000*
Non-Current Assets							
Property, plant and equipment	1,751	–	445	2,196	–		2,196
Available-for-sale financial assets	12,852	–	–	12,852	–		12,852
Goodwill	–	–	–	–	468,851	*1*	468,851
	14,603	–	445	15,048	468,851		483,899
Current Assets							
Inventories	6,594	–	292,039	298,633	–		298,633
Trade and other receivables	128,632	–	193	128,825	–		128,825
Other financial assets at fair value through profit or loss	41,574	–	–	41,574	–		41,574
Cash and cash equivalents	177,312	–	871	178,183	(178,183)	*2*	–
	354,112	–	293,103	647,215	(178,183)		469,032
Current Liabilities							
Trade and other payables	20,886	–	156,700	177,586	24,381	*3*	201,967
Amount due to a minority shareholder of a subsidiary	5,233	–	–	5,233	–		5,233
Bank and other borrowings	43,815	–	134,926	178,741	268,209	*2*	446,950
	69,934	–	291,626	361,560	292,590		654,150
Net Current Assets (Liabilities)	284,178	–	1,477	285,655	(470,773)		(185,118)
Net Assets	298,781	–	1,922	300,703	(1,922)		298,781

(III) NOTES TO PRO FORMA ADJUSTMENTS:

1. To reflect the payment of total consideration of RMB456,650,000 (approximately HK$470,773,000) being the aggregate of cash of RMB433,000,000 (approximately HK$446,392,000) and the fair value of two villas of RMB23,650,000 (approximately HK$24,381,000) and the goodwill of HK$468,851,000 arising from acquisition of the Winmax Asia and JXRE. The goodwill is calculated based on the total consideration less the carrying amounts of identifiable assets and liabilities of Winmax Asia and JXRE at 30 June 2007 assuming that the fair values of the identifiable assets, liabilities and contingent liabilities at 30 June 2007 approximate to their carrying amounts. As the carrying amounts of the identifiable assets and liabilities of Winmax Asia and JXRE at the date of Completion may be substantially different from their carrying amounts as at 30 June 2007, the actual goodwill arising from the Acquisition may be different from the estimated goodwill as shown above.

2. To recognise the remaining consideration in excess of the cash and cash equivalents as bank borrowings.

3. To recognise the consideration payable by two villas in Phase III of New Star Garden Villa taking the fair value as at 1 November 2007.

TING HO KWAN & CHAN
CERTIFIED PUBLIC ACCOUNTANTS

丁何關陳會計師行

9th Floor, Tung Ning Building
249-253 Des Voeux Road Central
Hong Kong

14 December 2007

The Board of Directors
Premium Land Limited

Dear Sirs,

We report on the unaudited pro forma statement of assets and liabilities (the "Statement") of Premium Land Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed acquisition of the 100% interests in Winmax Asia Investment Limited ("Winmax Asia") and Beijing Jianxing Real Estate Development Co., Ltd.(北京建興房地產開發有限公司)("JXRE") might have affected the assets and liabilities of the Group presented, for inclusion in Appendix IV to the circular of the Company dated 14 December 2007 (the "Circular"). The basis of preparation of the Statement is set out on pages 159 to 161 to the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the Statement in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Statement with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Statement has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Statement as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Statement is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2007 or at any future date.

OPINION

In our opinion:

(a) the Statement has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Statement as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
Ting Ho Kwan & Chan
Certified Public Accountants (practising)

A. PHASE II AND PHASE III

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from RHL Appraisal Ltd., an independent valuer, in connection with its valuation of the property interests to be acquired by Premium Land Limited as at 1 November 2007

永利行評值顧問有限公司 | RHL Appraisal Ltd
Surveying Practices – Corporate Valuation and Property Consultancy
License No.: C-015672

HONG KONG 香港
Room 1010, Star House
Tsimshatsui, Hong Kong

香港尖沙咀星光行1010室

T +852 2730 6212
F +852 2736 9284
E info@rhl-int.com
W www.rhl-int.com

14th December 2007

The Board of Directors
Premium Land Limited
Unit 3411, 34th Floor
COSCO Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

Dear Sirs,

INSTRUCTIONS

In accordance with your instructions to value the property interests held by Beijing Jian Xing Real Estate Development Co., Ltd (北京建興房地產開發有限公司) (hereinafter referred to as "Beijing Green Villa") which Premium Land Limited (referred to as "the Company") and its subsidiaries (hereinafter together referred to as the "Group") propose to acquire, we confirm that we have carried out property inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 1st November 2007 (referred to as "the valuation date")

This letter which forms part of our valuation report explains the basis and methodology of valuation, clarifying assumption, valuation considerations, title investigation and limiting conditions of this valuation.

BASIS OF VALUATION

Our valuation of the property interests represent their market values which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

METHODOLOGY OF VALUATION

In valuing the property interests, which are to be acquired by the Group for future development, we have valued each of these property interests on the basis that these properties will be developed and completed in accordance with the Group's latest development proposals provided to us. In arriving at our opinion of value, we also adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market.

VALUATION ASSUMPTIONS

We have assumed that the property interests to be acquired are held under Land Use Rights Grant Contracts and the owner has free and uninterrupted rights to use the property interests for the whole of the unexpired term subject to payment of annual ground rent/land use fees, and all outstanding land premium/purchase consideration and any substantial sum of taxes or expenses (if any). We have valued the property interests on an open market basis assuming sale with vacant possession.

Our valuation has been made on the assumption that the owner sells the property interests in the open market on vacant possession without the benefit of a deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements, which could serve to affect the values of the property interests.

No allowance has been made in our report valuation for any outstanding or additional land premium, charges, mortgages, comprehensive infrastructure provision fee, resettlement compensation or amounts owing on the property interests nor for expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

VALUATION CONSIDERATIONS

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, and the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors effective from 1st January 2005.

TITLE INVESTIGATION

We have been shown copies of various title documents relating to the property interests in the PRC. We have relied considerably on the advice given by the Company's PRC legal adviser, King and Wood PRC Lawyers（金杜律師事務所）concerning Beijing Jian Xing Real Estate Development Co., Ltd's titles to the property interests.

All legal documents supplied by the Group have been used for reference only. No responsibility regarding legal title to the property interests are assumed in this valuation report.

LIMITING CONDITIONS

We have relied to a considerable extent on information given by the Group, in particular, but not limited to, the sales records, tenure, planning approvals, statutory notices, easements, particulars of occupancy, site and floor areas and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the property interests but have assumed that the site areas shown on the documents are correct. All documents have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken. No tests were carried out on any of the services.

We have inspected the property interests. During our inspection, no site investigation has been carried out to determine the suitability of the ground conditions or the services of the property interests for future development, nor did we undertake archaeological, ecological, environmental surveys and consider the property interests has been or is being put to any contamination (if any). Our valuation is made on the basis that these aspects are satisfactory. We have assumed that these aspects and other archaeological or ecological matters are satisfactory and that no extraordinary expense or delay will be incurred during the construction period. Our valuation has been made on the basis that there is no substantial change in the physical conditions of the property interests between the Valuation Date and the date of our inspection.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Liability in connection with this valuation report is limited to the Group to whom this report is addressed and for the purpose for which it is carried out only. We will accept no liability to any other parties or any other purposes.

EXCHANGE RATE

Unless otherwise stated, all monetary sums stated in this report are in Renminbi ("RMB").

Our valuation is summarised below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
RHL Appraisal Ltd.

Serena S. W. Lau	**Ian K. F. Ng**
FHKIS AAPI RPS(GP)	*MBA BSc(EstMan) BSc MHKIS MRICS RPS(GP)*
Managing Director	*Senior Manager*

Ms. Serena S. W. Lau is a Registered Professional Surveyor with over 16 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Ms. Lau is an Associate of Australian Property Institute, a Fellow of The Hong Kong Institute of Surveyors as well as a registered real estate appraiser in the PRC.

Mr. Ian K. F. Ng is a Registered Professional Surveyor with over 4 years' experience in valuation of properties in HKSAR, Macau SAR and mainland China. Mr. Ng is a Professional Member of The Hong Kong Institute of Surveyors as well as the Royal Institution of Chartered Surveyors.

SUMMARY OF VALUATION

	Property	Market value in existing state as at 1st November 2007
	Property interests to be acquired for future development by the Group in the PRC	
1.	Land Parcel located at Phase 2 of Beijing Green Villa Beigao Flyover East Beijing Capital Airport Expressway Beijing Municipality The PRC	RMB156,000,000
2.	Land Parcel located at Phase 3 of Beijing Green Villa Located at Beigao Flyover East Beijing Capital Airport Expressway Beijing Municipality The PRC	RMB329,000,000
	Total:	RMB485,000,000

VALUATION CERTIFICATE

Property interests to be acquired for future development by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 1st November 2007
1.	Land Parcel located at Phase 2 of Beijing Green Villa Beigao Flyover East Beijing Capital Airport Expressway Beijing Municipality The PRC	Beijing Green Villa is a medium-scale residential estate upon completion. It is planned to be developed into 3 phases of villas together with ancillary facilities such as clubhouse, car parking spaces and landscaped garden to be provided therein. The property comprises a parcel of land with a site area of approximately 21,750.40 square meters. The villas of a total gross floor area of approximately 12,359.87 square meters are planned to be developed on the property. The land use rights of the property were granted for a term of 70 years commencing on 26th January 1995 for villa-typed residential use.	At the valuation date, there are 68 villas including 14 detached and 54 terrace-typed villas currently standing on the land. As advised by the Group, the existing villas and ancillary facilities will be demolished after acquisition for future development.	RMB156,000,000

Note:

1. Pursuant to the State-owned Land Use Rights Grant Contract entered into between Beijing Municipal Land Administration Bureau (北京市土地管理局) ("Party A") and Beijing Jian Xing Real Estate Development Co., Ltd. (北京建興房地產開發有限公司) ("Party B") dated 20th December 1994, the land with a site area of approximately 121,700 square meters was granted to Party B at a consideration of RMB79,105,000 for a term of 70 years commencing on the date of issue of the State-owned Land Use Rights Certificate.

2. Pursuant to the State-owned Land Use Rights Certificate – Jing Guo Yong (94 Chu) Zi Di No.098 issued by the People's Government of Beijing Municipality on 26th January 1995, the land with a site area of approximately 121,700 square meters were granted to Beijing Jian Xing Real Estate Development Co., Ltd (北京建興房地產開發有限公司) for a term of 70 years for villa-style residential use. A portion of the land with a site area of approximately 32,156 was developed and granted with building ownership certificates as stated in the remark of the State-owned Land Use Rights Certificate which was changed to the Stated-owned Land Use Rights Certificate – Jing Zhao She Wai Guo Yong (2000 Chu) Zi Di No.10129 with a site area of approximately 89,543.80 square meters.

3. Pursuant to the Construction Land Use Planning Permit – Document No. (94) Shi Gui Di Zi No.0282 dated 31st December 1994, Beijing Jian Xing Real Estate Development Co., Ltd. (北京建興房地產開發有限公司) was approved to develop the land with a site area of approximately 121,700 square meters for villa use.

4. Pursuant to the Construction Project Planning Permit – Document No. 97-Gui Jian Zi No.0120 dated 12th February 1997, Beijing Jian Xing Real Estate Development Co., Ltd. (北京建興房地產開發有限公司) was approved for the construction project of 123 units of villas with a total gross floor area of approximately 52,338.74 square meters.

5. Pursuant to the Construction Work Commencement Permit – Jing Jian Kai Zi [95] Di No.03699 dated 19th October 1995, issued by Beijing Municipal Urban and Rural Construction Commission (北京市城鄉建設委員會) ("the commission"), Beijing Jian Xing Real Estate Development Co., Ltd. (北京建興房地產開發有限公司) was approved to commence the construction work of the Beijing Green Villas with a total gross floor area of approximately 52,338.00 square meters.

6. Pursuant to the關於中外合作北京建興房地產開發有限公司開發建設朝陽區新星花園項目核准的批復-Jing Fa Gai [2006] No.490 issued by the北京市發展和改革委員 dated 31st March 2006, Beijing Jian Xing Real Estate Development Co., Ltd. (北京建興房地產開發有限公司) was approved up to 31st March 2008 to continue the development of Beijing Green Villa project.

7. As advised by the Group, 67 villas in Phase 2 of Beijing Green Villa have been registered as sold under provisional sale and purchase contracts and the purchasers of those pre-sold units had entered into mortgage agreements with banks. In addition, the subject land and related property interests of Phase 2 and Phase 3 Green Villas had been attached by the court in the PRC due to the incapability of Beijing Jian Xing Real Estate Development Co., Ltd. (北京建興房地產開發有限公司) on repaying liabilities. The amount of the liabilities is approximately RMB261.4 million.

8. In the course of our valuation, we have not taken into account the liabilities in aforesaid Note 7 because the property was valued under the assumption that it is free from any encumbrance.

9. Pursuant to an Acquisition Agreement entered into between the Stronway Development Limited (the "Vendor) and the Group (the "Purchaser"), the Purchaser has conditionally agreed to acquire from the Vendor the entire equity interest in Winmax Asia which will hold the entire shareholders interest in Beijing Jian Xing Real Estate Development Co., Ltd. (北京建興房地產開發有限公司) at a total consideration of RMB433 million in cash and two Consideration Villas. The two Consideration Villas located in the Phase 3 of Beijing Green Villas with a total gross floor area of approximately 964 square metres and each of the Consideration Villas erected on a land of not less than 1.5 mu but without interior decoration should be handed over to the Vendor by 31st December 2009. Upon delivery of the two Consideration Villas, the Purchaser shall also provide the Vendor with a decoration compensation of RMB1 million for each of the Consideration Villas.

10. The major certificates and relevant approvals of the property are summarized as follows:

State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Construction Land Use Planning Permit	Yes
Construction Project Planning Permit	Yes
Construction Work Commencement Permit	Yes

11. We have been provided with a legal opinion regarding the property interests by Group's PRC legal advisers, which contains, inter alia, the following:

(i) Beijing Jian Xing Real Estate Development Co., Ltd. (北京建興房地產開發有限公司) has been issued with a business licence and is legally established under the PRC law as a limited company with a registered capital of US$14,286,000 and started operation from 9th November 1993;

(ii) 67 villas in Phase 2 of Beijing Green Villa have been registered as sold under provisional sale and purchase contracts and the purchasers of those pre-sold units had entered into mortgage agreements with banks. In addition, the subject land and related property interests of Phase 2 and Phase 3 Green Villas had been attached by the court in the PRC due to the incapability of Beijing Jian Xing Real Estate Development Co., Ltd. (北京建興房地產開發有限公司) on repaying liabilities. The amount of the liabilities is approximately RMB261.4 million.

(iii) Beijing Jian Xing Real Estate Development Co., Ltd. (北京建興房地產開發有限公司) legally owns the land use rights of the property and upon the settlement of the liability as stated in Note 11 (ii) above, is entitled to use, occupy, transfer, lease or mortgage the land use rights of the property at no extra land premium payable to the government;

(iv) Beijing Jian Xing Real Estate Development Co., Ltd. (北京建興房地產開發有限公司) has obtained State-owned Land Use Rights Certificate and has paid in full all land premium;

(v) The Construction Land Use Planning Permit, the Construction Project Planning Permit and the Construction Work Commencement Permit as stated in Notes 3, 4 and 5 are valid;

(vi) Beijing Jian Xing Real Estate Development Co., Ltd. (北京建興房地產開發有限公司) was approved up to 31st March 2008 to continue the development of Beijing Green Villa project as stated in Note 6;

(vii) The property is not subject to mortgage.

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 1st November 2007
2.	Land Parcel Located at Phase 3 of Beijing Green Villa Beigao Flyover East Beijing Capital Airport Expressway Beijing Municipality The PRC	Beijing Green Villa is a medium-scale residential estate upon completion. It is planned to be developed into 3 phases of villas together with ancillary facilities such as clubhouse, car parking spaces and landscaped garden to be provided therein. The property comprises a parcel of land with a site area of approximately 64,577.00 square meters. The villas of a total gross floor area of approximately 20,415.98 square meters together with clubhouse and ancillary facilities of a total gross floor area of approximately 5,597.87 square metres are planned to be developed on the property. The land use rights of the property were granted for a term of 70 years commencing on 26th January 1995 for villa-typed residential use.	As at the valuation date, the property is cleared and vacant.	RMB329,000,000

Note:

1. Pursuant to the State-owned Land Use Rights Grant Contract entered into between Beijing Municipal Land Administration Bureau (北京市土地管理局) ("Party A") and Beijing Jian Xing Real Estate Development Co., Ltd. (北京建興房地產開發有限公司) ("Party B") dated 20th December 1994, the land with a site area of approximately 121,700 square meters was granted to Party B at a consideration of RMB 79,105,000 for a term of 70 years commencing on the date of issue of the State-owned Land Use Rights Certificate.

2. Pursuant to the State-owned Land Use Rights Certificate – Jing Guo Yong (94 Chu) Zi Di No.098 issued by the People's Government of Beijing Municipality on 26th January 1995, the land with a site area of approximately 121,700 square meters were granted to Beijing Jian Xing Real Estate Development Co., Ltd (北京建興房地產開發有限公司) for a term of 70 years for villa-style residential use. A portion of the land with a site area of approximately 32,156 was developed and granted with building ownership certificates as stated in the remark of the State-owned Land Use Rights Certificate which was changed to the Stated-owned Land Use Rights Certificate – Jing Zhao She Wai Guo Yong (2000 Chu) Zi Di No.10129 with a site area of approximately 89,543.80 square meters.

3. Pursuant to the Construction Land Use Planning Permit – Document No. (94) Shi Gui Di Zi No.0282 dated 31st December 1994, Beijing Jian Xing Real Estate Development Co., Ltd.（北京建興房地產開發有限公司）was approved to develop the land with a site area of approximately 121,700 square meters for villa use.

4. Pursuant to the Construction Project Planning Permit – Document No. 97-Gui Jian Zi No.0120 dated 12th February 1997, Beijing Jian Xing Real Estate Development Co., Ltd.（北京建興房地產開發有限公司）was approved for the construction project of 123 units of villas with a total gross floor area of approximately 52,338.74 square meters.

5. Pursuant to the Construction Work Commencement Permit – Jing Jian Kai Zi [95] Di No.03699 dated 19th October 1995, issued by Beijing Municipal Urban and Rural Construction Commission（北京市城鄉建設委員會）(“the commission”), Beijing Jian Xing Real Estate Development Co., Ltd.（北京建興房地產開發有限公司）was approved to commence the construction work of the Beijing Green Villas with a total gross floor area of approximately 52,338.00 square meters.

6. Pursuant to the 關於中外合作北京建興房地產開發有限公司開發建設朝陽區新星花園項目核准的批復- Jing Fa Gai [2006] No.490 issued by the 北京市發展和改革委員 dated 31st March 2006, Beijing Jian Xing Real Estate Development Co., Ltd.（北京建興房地產開發有限公司）was approved up to 31st March 2008 to continue the development of Beijing Green Villa project.

7. As advised by the Group, 67 villas in Phase 2 of Beijing Green Villa have been registered as sold under provisional sale and purchase contracts and the purchasers of those pre-sold units had entered into mortgage agreements with banks. In addition, the subject land and related property interests of Phase 2 and Phase 3 Green Villas had been attached by the court in the PRC due to the incapability of Beijing Jian Xing Real Estate Development Co., Ltd.（北京建興房地產開發有限公司）on repaying liabilities. The amount of the liabilities is approximately RMB261.4 million.

8. In the course our valuation, we have not taken into account the liabilities in aforesaid Note 7 because the property was valued under the assumption that it is free from any encumbrance.

9. Pursuant to an Acquisition Agreement entered into between the Stronway Development Limited (the “Vendor) and the Group (the “Purchaser”), the Purchaser has conditionally agreed to acquire from the Vendor the entire equity interest in Winmax Asia which will hold the entire shareholders interest in Beijing Jian Xing Real Estate Development Co., Ltd.（北京建興房地產開發有限公司）at a total consideration of RMB433 million in cash and two Consideration Villas. The two Consideration Villas located in the Phase 3 of Beijing Green Villas with a total gross floor area of approximately 964 square metres and each of the Consideration Villas erected on a land of not less than 1.5 mu but without interior decoration should be handed over to the Vendor by 31st December 2009. Upon delivery of the two Consideration Villas, the Purchaser shall also provide the Vendor with a decoration compensation of RMB1 million for each of the Consideration Villas.

10. For your reference, we are of the opinion that the market value of the Consideration Villas valued by the Comparison Method as at the date of valuation, assuming the Consideration Villas have been completely built in reasonable condition and relevant building ownership and land use rights certificates have been obtained would be RMB23,650,000 million (market value for each of the Consideration Villas : RMB11,825,000 million).

11. The major certificates and relevant approvals of the property are summarized as follows:

State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Construction Land Use Planning Permit	Yes
Construction Project Planning Permit	Yes
Construction Work Commencement Permit	Yes

12. We have been provided with a legal opinion regarding the property interests by Group's PRC legal advisers, which contains, inter alia, the following:

(i) Beijing Jian Xing Real Estate Development Co., Ltd.（北京建興房地產開發有限公司）has been issued with a business licence and is legally established under the PRC law as a limited company with a registered capital of US$14,286,000 and started operation from 9th November 1993;

(ii) 67 villas in Phase 2 of Beijing Green Villa have been registered as sold under provisional sale and purchase contracts and the purchasers of those pre-sold units had entered into mortgage agreements with banks. In addition, the subject land and related property interests of Phase 2 and Phase 3 Green Villas had been attached by the court in the PRC due to the incapability of Beijing Jian Xing Real Estate Development Co., Ltd.（北京建興房地產開發有限公司）on repaying liabilities. The amount of the liabilities is approximately RMB261.4 million.

(iii) Beijing Jian Xing Real Estate Development Co., Ltd.（北京建興房地產開發有限公司）legally owns the land use rights of the property and upon the settlement of the liability as stated in Note 12 (ii) above, is entitled to use, occupy, transfer, lease or mortgage the land use rights of the property at no extra land premium payable to the government;

(iv) Beijing Jian Xing Real Estate Development Co., Ltd.（北京建興房地產開發有限公司）has obtained State-owned Land Use Rights Certificate and has paid in full all land premium;

(v) The Construction Land Use Planning Permit, the Construction Project Planning Permit and the Construction Work Commencement Permit as stated in Notes 3, 4 and 5 are valid;

(vi) Beijing Jian Xing Real Estate Development Co., Ltd.（北京建興房地產開發有限公司）was approved up to 31st March 2008 to continue the development of Beijing Green Villa project as stated in Note 6;

(vii) The property is not subject to mortgage.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the following Directors and chief executive of the Company were interested, or were deemed to be interested in the following long position in the Shares of the Company (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") adopted by the Company to be notified to the Company and the Stock Exchange:

Name of Director	Personal interests	Corporate interests	Total interests	Total interests as % of the issued share capital	Interests in underlying shares	Total interests (including underlying shares) as % of issued share capital
Ho Chi Ho	–	–	–	–	5,100,000	0.95%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company were interested, or were deemed to be interested, in long or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WITH NOTIFIABLE INTERESTS

So far as is known to the directors or chief executives of the Company, as at the Latest Practicable Date, the following persons (other than the Directors, chief executives of the Company or any member of the Enlarged Group) had an interest in the following long positions in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Nature of Interests	Class of Shares	Number of Shares held	Total interests as % of the issued share capital
Mega Market Assets Limited	Beneficial Owner	Ordinary	133,019,517	24.89%
Chan How Chung, Victor ("Mr. Chan")	Held by controlled corporation	Ordinary	133,019,517	24.89%

Note: Mega Market Assets Limited, which directly owns 133,019,517 Shares is wholly owned by Mr. Chan. As at the Latest Practicable Date, Mr. Chan had a personal interest in 3,510,000 underlying Shares, representing 0.66% of the existing issued share capital of the Company.

Save as disclosed above, the Directors are not aware of any person who, as at the Latest Practicable Date, had an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

There is a service contract entered into between the Company and Mr. Ho Chi Ho ("Mr. Ho"), an executive Director. He is entitled to the salary package of HK$78,000 per month, share options and discretionary bonus. This has been determined with reference to his duties and responsibilities with the Company, the Company's current emolument policy and the market conditions. There is no fixed service period for Mr. Ho's directorship in his service contract.

As at the Latest Practicable Date, save for the above, none of the Directors entered or proposed to enter into any service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

5. COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in, apart from the Group's businesses, any business which competes or is likely to compete, either directly or indirectly, with businesses of the Group.

6. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to the any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to the Enlarged Group since 31 March 2007, being the date to which the latest published audited accounts of the Company were made up.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the business of the Enlarged Group.

7. LITIGATION

In July 2005, the Company was notified by the Hong Kong Companies Registry that an annual return of Gold United International Industries Limited ("Gold United"), a non-wholly owned subsidiary of the Company, filed in May 2005 ("May Annual Return") contained information, including information relating to members and directors of Gold United, which are significantly different from the original annual return that was presented by the Group on 29 April 2005.

On 13 July 2005, the Company filed a Writ of Summons against four persons (the "Defendants") seeking, amongst others, declarations by the court to effect that Winsky Management Limited, a wholly owned subsidiary of the Company, is the beneficial owner of 51% of the issued share capital of Gold United. The Defendants were those persons who purportedly filed the false information with the Hong Kong Companies Registry and/or were identified as members and directors in the May Annual Return and other documents. Gold United is an investments holding company holding 80% direct interest in 杭州恆運交通開發有限公司 ("Hangzhou Hengyun Traffic Development Co., Ltd." in English for translation purpose) ("HZHY"), which is engaged in the operation of a highway in the PRC.

The Writ of Summons was amended on 1 February 2006 and re-amended on 10 October 2006.

As at the Latest Practicable Date, the legal action is still proceeding and there is no significant development. Save for the deconsolidation of the financial results of Gold United and HZHY for the purpose of the financial statements of the Group for the year ended 31 March 2007 as disclosed in the Company's annual report 2007, the Directors are not aware of other financial impact to the Company arising from such litigation in the current stage.

Save as disclosed above and the litigation of JXRE as disclosed in note 17 of the Accountants' Report on JXRE in Appendix III, as at the Latest Practicable Date, none of the members of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

8. MATERIAL CONTRACTS

Save as disclosed below, none of the members of the Enlarged Group had entered into any material contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the Latest Practicable Date which are or may be material:

(a) the legally binding heads of agreement dated 1 March 2006 entered by a wholly-owned subsidiary of the Company in relation to the acquisition of the entire issued share capital of Jet Winner International Investment Limited at the consideration of not less than HK$110 million but not more than HK$140 million (the "1st Acquisition");

(b) the sale and purchase agreement dated 7 March 2007 of the 1st Acquisition at the consideration of HK$120 million;

(c) the deed of termination dated 4 April 2007 to terminate the 1st Acquisition;

(d) the placing agreement dated 21 August 2006 entered into between the Company and the placing agent, on a best effort basis, to raise net proceeds of up to approximately HK$13.4 million by placing up to 70,000,000 new Shares;

(e) the deed of settlement dated 28 September 2006 entered into between the Company and a lender, namely Asean Resources Limited, pursuant to which the Company and the lender agreed that the Company shall be entitled to repay the loan and all interest accrued thereon which were approximately HK$23.64 million and HK$4.91 million respectively as at 28 September 2006 by transferring its legal and beneficial ownership in the 2 shares of Huey Tai Holdings Limited and all indebtedness owing from time to time by Huey Tai Holdings Limited to the Company;

(f) the agreement dated 18 December 2006 entered by inter alia, the Company and Esmian Group Limited, a wholly-owned subsidiary of the Company, in relation to the acquisition of the entire issued share capital of Best Win Properties Ltd and the assignment of shareholder's loan of Best Win Properties Ltd at the consideration of RMB555 million (the "2nd Acquisition");

(g) four subscription agreements dated 29 December 2006 entered into between the Company and the respective placees to raise net proceeds of HK$89.5 million by placing of an aggregate of 90,000,000 new Shares;

(h) the deed of termination dated 27 June 2007 to terminate the 2nd Acquisition;

(i) the deed of call option dated 27 June 2007 entered into between the relevant parties to the 2nd Acquisition, pursuant to such deed of call option, the Company was granted an option exercised at a consideration of HK$1 to acquire 1 share of HK$1.00 in the share capital of Best Win Properties Ltd and a shareholder's loan for an exercise period from 27 June 2007 to the first anniversary thereof (or such other date as the parties may agree in writing);

(j) the sale and purchase agreement dated 28 September 2007 and entered into between Sun Spread Group Limited, a wholly-owned subsidiary of the Company, incorporated in Hong Kong, and 聶鵬飛 (Nie Peng Fei)*, a PRC citizen and a third party independent of the Company and connected persons (as defined in the Listing Rules) of the Company, in connection with the acquisition of the entire registered capital of 北京德邦富策劃咨詢有限公司 (Beijing De Bang Fu Strategic Consultancy Company Limited)*, a limited liability company established in the PRC, at the consideration of RMB2 million; and

(k) the Acquisition Agreement.

9. EXPERTS AND CONSENTS

The followings are the qualifications of the experts who have given opinions, letters or advice contained or referred to in this circular:

Name	Qualification
RHL Appraisal Limited	Independent Property Valuer
Ting Ho Kwan & Chan	Certified Public Accountants

The above experts have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their opinion or letters, as the case may be, as set out in this circular and references to their name, opinion or letters in the form and context in which they appear.

As at the Latest Practicable Date, none of the above experts was beneficially interested in any share capital of any member of the Group nor have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did they have any interest, either direct or indirect, in any assets of the Group which have been, since 31 March 2007 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of or leased to, or are proposed to be acquired or disposed of or leased to, any member of the Group.

10. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, so far as is known to the Directors, the Directors are not aware of any circumstances or events that may give rise to a material adverse change in the financial and trading position or prospect of the Company since 31 March 2007, being the date to which the latest published audited accounts of the Company were made up.

11. PROCEDURES TO DEMAND A POLL AT GENERAL MEETINGS

Pursuant to bye-law 66 of the bye-laws of the Company, a resolution put to the vote of a meeting of the Shareholders shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:–

(a) the chairman of such meeting; or

(b) at least three members present in person or by proxy for the time being entitled to vote at the meeting; or

(c) a member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or

(d) a member or members present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

12. MISCELLANEOUS

(a) The company secretary and qualified accountant of the Company is Mr. Ma Kwok Hung, Warren. He is an associate member of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants.

(b) The principal registrars of the Company is Butterfield Fund Services (Bermuda) Limited in Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda and its branch registrars and transfer office in Hong Kong is Tricor Secretaries Limited in 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong.

(c) The English text of this circular shall prevail over the Chinese text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the head office and principal place of business of the Company at Unit 3411, 34/F., COSCO Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the material contracts referred to in the section headed "Material Contracts" in this appendix;

(c) the written consents referred to under the section headed "Experts and Consents" in this appendix;

(d) the annual reports of the Company for the two years ended 31 March 2006 and 2007;

(e) the accountants' reports on Winmax Asia and JXRE in Appendix II and Appendix III respectively;

(f) the valuation report on Phase II and Phase III in Appendix V;

(g) a copy of each circular issued by the Company pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which has been issued since the date of the latest published audited accounts of the Company; and

(h) this circular.

PREMIUM LAND LIMITED
（上海策略置地有限公司）*

(incorporated in Bermuda with limited liability)

(Stock Code: 164)

NOTICE OF SPECIAL GENERAL MEETING

Notice is hereby given that a special general meeting (the "**SGM**") of Premium Land Limited (the "**Company**") will be held at Unit 3411, 34/F, COSCO Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong at 10:00 a.m. on Monday, 31 December 2007 for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the acquisition agreement (the "**Acquisition Agreement**") dated 24 October 2007 and entered into between Silver Wind International Limited as purchaser and Stronway Development Limited as vendor (a copy of which has been produced at the SGM and marked "A" and signed by the chairman of the SGM for the purposes of identification) relating to, among other matters, the acquisition contemplated under the Acquisition Agreement (the "**Acquisition**") and the transactions contemplated therein be and are hereby approved, ratified and confirmed; and

(b) any one or more of the directors (the "**Directors**") of the Company be and is/are hereby authorized to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Acquisition Agreement and the transactions contemplated thereunder."

By Order of the Board of
PREMIUM LAND LIMITED
HO, Chi Ho
Executive Director

Hong Kong, 14 December 2007

* *For identification purposes only*

Notes:

(1) A member entitled to attend and vote at the meeting is entitled to appoint one or more proxy, if holding two or more shares, to attend and vote instead of him. A proxy need not be a member of the Company.

(2) In order to be valid, the form of proxy must be deposited with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of that power or authority, not less than 48 hours before the time appointed for holding the meeting or adjournment thereof.

(3) The directors of the Company as at the date of this notice are:

Executive Directors:
Mr Ma Kwok Hung, Warren
Mr Ho Chi Ho

Non-executive Director:
Mr Chow Siu Ngor

Independent Non-executive Directors:
Mr Wong Hoi Kuen, Edmund
Mr Chan Chi Yuen
Mr Tsang Kwong Chiu, Kevin