



Tai Cheung Holdings Limited

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)
(Stock Code: 88)

2007 ANNUAL REPORT

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Financial Highlights

	2007	2006	Percentage
	HK\$Million	HK\$Million	Change
Profit Attributable to Equity Holders of the Company	271.8	216.8	+25%
Dividends	111.2	86.5	+29%
Total Equity	3,432.6	3,248.1	+6%
Earnings Per Share	\$0.44	\$0.35	+26%
Dividends Per Share	\$0.18	\$0.14	+29%

Corporate Information

Board of Directors

David Pun CHAN *Chairman*
Ivy Sau Ching CHAN
* Joseph Wing Siu CHEUNG
* Karl Chi Leung KWOK
* Man Sing KWONG
William Wai Lim LAM
Wing Sau LI

** Independent non-executive directors*

Audit Committee

Karl Chi Leung KWOK *Chairman*
Ivy Sau Ching CHAN
Joseph Wing Siu CHEUNG
Man Sing KWONG

Secretary

Ivy Yee Har TAM

Bankers

Citibank, N.A.
Hang Seng Bank Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking
Corporation Limited
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Auditor

PricewaterhouseCoopers
Certified Public Accountants

Registered Office

Rosebank Centre,
14 Bermudiana Road,
Pembroke,
Bermuda.

Head Office

20th Floor, The Hong Kong
Club Building,
3A Chater Road, Central,
Hong Kong.
Telephone: 2532 2688, 2522 3112
Fax: 2810 4108
2868 5230
2877 2487
Website: <http://www.taicheung.com>

Principal Registrars

Butterfield Fund Services (Bermuda)
Limited
Rosebank Centre,
14 Bermudiana Road,
Pembroke,
Bermuda.

Registrars in Hong Kong

Computershare Hong Kong Investor
Services Limited
Shops 1712-16,
17th Floor, Hopewell Centre,
183 Queen's Road East,
Wanchai,
Hong Kong.

Depository

The Bank of New York
American Depositary Receipts
101 Barclay Street,
22nd Floor West,
New York, NY 10286,
U.S.A.

Directors

David Pun CHAN, SB HonLLD

David Pun CHAN, 56, joined the group in 1973, appointed a director of its holding company in 1975 and Chairman in 1981. He has more than 25 years' experience in construction, property development and investment businesses. Currently, he is a member of Council of Lingnan University, a committee member of The Chinese General Chamber of Commerce and a director of The Hong Kong Real Estate Developers Association and 2009 East Asian Games (Hong Kong) Limited. He is the brother of Ivy Sau Ching Chan, another director of the Company.

Ivy Sau Ching CHAN, BA

Ivy Sau Ching CHAN, 54, has been a director of the group's holding company since 1981. She is currently a Partner with Messrs Woo, Kwan, Lee & Lo. She advises on legal matters of the businesses of the group. She is the sister of David Pun Chan, another director of the Company.

Joseph Wing Siu CHEUNG, MS

Joseph Wing Siu CHEUNG, 61, appointed a director of the group's holding company in 2004. He is a director of The Garden Company Limited and its major subsidiaries ("The Garden Group") and has over 25 years' experience in manufacturing, sales and marketing management in The Garden Group.

Karl Chi Leung KWOK, BA MBA

Karl Chi Leung KWOK, 58, has been a director of the group's holding company since 1983. He has more than 25 years' management experience in the banking and finance businesses. He is Chairman of Wing On International Holdings Limited, Wing On Company International Limited, the Board of The Trustees of Chung Chi College

of The Chinese University of Hong Kong and The Hong Kong – America Center, a member of University Council and Executive Committee of the Council of The Chinese University of Hong Kong, a trust member of The Outward Bound Trust of Hong Kong Limited, president of Hong Kong Sailing Federation, vice president of Sports Federation & Olympic Committee of Hong Kong, China and a director of The Hong Kong Safety Institute Ltd..

Man Sing KWONG, BAsc FHKICPA CA (Canada)

Man Sing KWONG, 60, appointed a director of the group's holding company in 2006. He is an independent non-executive director of Chevalier Pacific Holdings Limited. He was with PricewaterhouseCoopers, Certified Public Accountants for more than 32 years, of which he was an audit partner since 1980 until he retired from the firm on 30th June 2002.

William Wai Lim LAM, BBus MBA CPA CPA(Aust.) CPA(US) FCCA

William Wai Lim LAM, 43, joined the group in 1996, appointed a director of its holding company in 2004. He has more than 20 years' experience in auditing, accounting, corporate finance and strategic planning. He is also the Chief Accountant of the group.

Wing Sau LI, BA DipMS

Wing Sau LI, 54, joined the group in 1994, appointed a director of its holding company in 1997. Prior to joining the group, he worked as project manager of a project and construction management consultant company in Canada. He has more than 25 years' project management experience both in Hong Kong and Canada. He is also the Controller – Project and Construction of the group.

Biography of Directors and Senior Management

Senior Management

Head of Construction

Sun Yuen LEE, BSc MASc, 65, the Construction Manager of the group. He joined the group in 1991, prior to which he was construction manager of major listed property developers. He has more than 25 years' experience in the construction industry both in Hong Kong and Singapore.

Head of Sales and Property Management

Ting Wah YUEN, FCCA, 55, the Property Manager of the group. He joined the group in 1980 initially as accountant and subsequently transferred to the Sales and Property Management division in 1991. Prior to joining the group, he was an internal auditor with a listed company. He has more than 25 years' experience in commercial and public accounting, corporate auditing, property management and property sales.

Head of US Operations

Chi Hung POON, BA MSc MBA, 60, the Vice President of the US Operations. He joined the group in 1988. He has more than 25 years' experience in property development, civil engineering and construction in the United States. He is the cousin of David Pun Chan and Ivy Sau Ching Chan, the directors of the Company.

Head of Secretarial

Yee Har TAM, FCIS, 56, the Secretarial Manager of the group. She joined the group in 1981, prior to which she was a chartered secretary and legal officer of an international company. She has more than 25 years' company secretarial experience.

Head of Information Technology

Wing Ip TANG, MBA, 57, the I T Manager and also the Senior Manager of Corporate Affairs of the group. He joined the group in 1979 initially as accountant and subsequently transferred to the Information Technology division in 1982. Prior to joining the group, he was an internal auditor with a listed company. He has more than 25 years' experience in commercial accounting, corporate auditing and information technology.

Head of Human Resources

Kam Fung WONG, MBA, 42, the Human Resources Manager of the group. She joined the group in 1993, prior to which she was the assistant personnel manager of an international hotel group. She has more than 20 years' human resources management experience.

Report of the Directors

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31st March 2007.

Principal Activities

The principal activity of the company is investment holding. The principal activities of its subsidiaries include property investment and development, investment holding and property management. Details are set out in note 36 to the financial statements.

An analysis of the group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

Results and Appropriations

The results of the group for the year are set out in the consolidated profit and loss account on page 19.

The directors declared an interim dividend of HK8 cents per ordinary share, totalling HK\$49.4 million, which was paid on 8th February 2007.

The directors recommend the payment of a final dividend of HK10 cents per ordinary share, totalling HK\$61.8 million, to persons registered as shareholders on 13th September 2007.

Reserves

Movements in the reserves of the group and the company during the year are set out in note 28 to the financial statements.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the group are set out in note 15 to the financial statements.

Financial Summary

A five year financial summary of the group is set out on page 64.

Borrowings

Details of the borrowings of the group are set out in note 25 to the financial statements.

Major Properties

Particulars of major properties of the group are set out on page 63.

Directors

The directors in office during the year and up to the date of this report are Messrs David Pun Chan, Joseph Wing Siu Cheung*, Karl Chi Leung Kwok*, Man Sing Kwong* (appointed on 7th September 2006), William Wai Lim Lam, Wing Sau Li, Benedict Cho Hung Woo* (resigned on 13th September 2006) and Ms Ivy Sau Ching Chan.

Report of the Directors

In accordance with Bye law 83(2) of the company's Bye-laws, Mr Man Sing Kwong retires from the board and, being eligible, offers himself for re-election at the forthcoming annual general meeting.

In accordance with Bye-law 84 of the company's Bye-laws, Mr William Wai Lim Lam and Mr Wing Sau Li retire from the board by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The company has received from each of its independent non-executive directors a confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The company is of the view that all independent non-executive directors are independent in accordance with the terms of the guidelines set out in Rule 3.13 of the Listing Rules.

None of the directors has a service contract with the company which is not determinable within one year without payment of compensation.

* Independent non-executive directors

Biography of Directors and Senior Management

The biographical details of the directors and senior management are set out on pages 3 and 4.

Directors' Interests

At 31st March 2007, the interests of the directors and chief executive in the shares of the company as recorded in the register maintained under section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

Name	Number of shares				Total
	Personal interests	Family interests	Corporate interests	Other interests	
David Pun Chan	111,387,971	–	*61,335,074	–	172,723,045
Ivy Sau Ching Chan	20,132,706	–	–	–	20,132,706
Karl Chi Leung Kwok	221,212	–	–	–	221,212
Wing Sau Li	63,000	–	–	–	63,000

* Such shares were held through a corporation wholly owned by Mr David Pun Chan.

All the interests disclosed above represent long position in the shares of the company.

Save as disclosed above, no directors, chief executive or their associates had any interest or short position in the shares of the company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

Report of the Directors

During the year, the company did not grant to the directors or chief executive any right to subscribe for shares of the company.

No contracts of significance in relation to the group's business to which the company or its subsidiaries was a party and in which a director of the company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year was the company or its subsidiaries a party to any arrangement to enable the directors of the company to acquire benefits by means of the acquisition of shares in, or debentures of, the company or any other body corporate.

Substantial Shareholders

At 31st March 2007, the register of substantial shareholders maintained under section 336 of the SFO showed that the company has been notified of the following interest, being 5% or more in the company's issued share capital. This interest is in addition to those disclosed above in respect of the directors and chief executive:

Name	Number of shares
Chan Poon Wai Kuen	96,185,380

All the interests disclosed above represent long position in the shares of the company.

Save as disclosed above, the company has not been notified by any other person (other than a director of the company disclosed above) who has an interest or short position in the shares of the company which are required to be recorded in the register kept by the company pursuant to section 336 of the SFO as at 31st March 2007.

Purchase, Sale or Redemption of Shares

The company did not redeem any of its shares during the year. Neither the company nor any of its subsidiaries purchased or sold any of the company's shares during the year.

Public Float

Based on the information that is publicly available to the company and within the knowledge of the directors, the company has maintained the prescribed amount of public float during the year and up to the date of this report as required under the Listing Rules.

Pre-emptive Rights

No pre-emptive rights exist under Bermuda law in relation to the issue of new shares by the company.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the company were entered into or existed during the year.

Report of the Directors

Assets Value

The group's interest in Sheraton-Hong Kong Hotel is stated at cost less accumulated depreciation and amortisation on the hotel land and buildings in accordance with the current accounting standards.

In order to fully reflect the underlying economic values of the group's hotel properties, the group considers it appropriate also to present to shareholders, as set out below, supplementary information on the group's statement of net assets on the basis that the group were to state its hotel properties at their open market valuations as at 31st March 2007.

	2007 (Unaudited) <i>HK\$Million</i>	2006 (Unaudited) <i>HK\$Million</i>
Non-current assets, including interest in associates	1,828.7	1,838.9
Add: Attributable revaluation surplus relating to hotel properties*	1,938.3	1,922.1
	3,767.0	3,761.0
Current assets	2,042.9	1,827.5
Current liabilities	(434.6)	(201.5)
Net current assets	1,608.3	1,626.0
Total assets less current liabilities	5,375.3	5,387.0
Non-current liabilities	(4.4)	(216.8)
Net assets as if the hotel properties were stated at open market value	5,370.9	5,170.2
Net assets per ordinary share as if the hotel properties were stated at open market value	HK\$8.70	HK\$8.37

* Based on open market valuations as at 31st March 2007.

Major Suppliers and Customers

For the year ended 31st March 2007, the five largest suppliers and the largest supplier of the group accounted for approximately 58% and 19% respectively of the group's total purchases and the five largest customers and the largest customer of the group accounted for approximately 52% and 32% respectively of the group's turnover.

At 31st March 2007, none of the directors, their associates or any shareholder (which to the knowledge of the directors owned more than 5% of the company's share capital) had a beneficial interest in any of the group's five largest suppliers or five largest customers.

Operational Review

Liquidity and Financial Resources

The group's funding requirements are met with cash on hand, internally generated cash and, to the extent required, by external floating rate bank borrowings. Other sources of funds include dividends received from associates.

At 31st March 2007, the group's borrowings net of cash, was HK\$183.9 million as compared with HK\$230.4 million last year. The group's borrowings were secured by certain investment properties and other properties held by the group with a total carrying value of HK\$1,137.3 million. Approximately 88.4% of the group's borrowings were denominated in Hong Kong dollars and the remaining 11.6% were in United States dollars. The US dollar loans are directly tied in with the business of the group's US operations, and therefore these loans are substantially hedged by assets in the same currency.

As at year end, all the group's borrowings were payable within one year.

The gearing ratio, which is calculated as the ratio of the bank borrowings to equity, is maintained at a low level of 9.5% at 31st March 2007. The gearing ratio was 9.8% last year.

Committed borrowing facilities available to the group, but not drawn at 31st March 2007, amounted to HK\$437.9 million. Together with the receipts over the next twelve months from tenants and purchasers of the group's properties, the liquid funds of the group is adequate to meet the anticipated working capital requirement in the coming year.

Treasury Policies

The group's overall treasury and funding policy is that of risk management and control. The assets and liabilities of the group are denominated either in Hong Kong or United States dollars. Accordingly, the group has minimal exposure to foreign exchange fluctuation. However, the group will closely monitor the overall currency and interest rate exposures and, when considered appropriate, the group will take the necessary actions to ensure that such exposures are properly hedged.

Emolument policy

The emolument policy of the general staff of the group is set up by the management of the group on the basis of their merits, qualifications and competence.

The emoluments of the directors and senior management of the company are decided by the Remuneration Committee, having regard to individual duties and market practices.

Human Resources

The group, excluding associates, employs a total of 242 people in Hong Kong and the United States. Employees' costs, excluding directors' emoluments, amounted to HK\$49.1 million for the year ended 31st March 2007. Remuneration packages are reviewed annually with other employee benefits including medical subsidies, a non-contributory provident fund scheme and a mandatory provident fund scheme.

Contingent Liabilities

The company executed corporate guarantee as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries.

Corporate Governance

Details of the corporate governance practices of the company are set out on pages 11 to 17.

Connected Transactions

No transaction entered by the group during the year ended 31st March 2007 constituted connected transaction under the Listing Rules.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

David P. Chan

Chairman

Hong Kong, 27th June 2007

(A) Corporate Governance Practices

During the year ended 31st March 2007, all those principles as set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules (the “CG Code”) were applied by the company, and the relevant code provisions in the CG Code were met by the company, with the exception of certain deviations to be discussed below. The application of the relevant principles, and the reasons for the abovementioned deviations from the CG code provisions, are stated in the following sections.

(B) Directors’ Securities Transactions

The company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. All directors have confirmed, following enquiry by the company, that they have complied with the required standard set out in the Model Code throughout the year.

(C) Board of Directors

(i) Composition of the Board, number of Board meetings and Directors’ attendance

The company’s board has a balance of skills and experience and a balanced composition of executive and non-executive directors. The board comprises Mr David Pun Chan (Chairman), Mr William Wai Lim Lam and Mr Wing Sau Li as executive directors, Ms Ivy Sau Ching Chan as non-executive director and Mr Joseph Wing Siu Cheung, Mr Karl Chi Leung Kwok and Mr Man Sing Kwong as independent non-executive directors. Ms Ivy Sau Ching Chan is the sister of Mr David Pun Chan.

Four board meetings were held during the financial year ended 31st March 2007. The attendance of the directors are set out below:

Directors	Attendance at Meetings
David Pun Chan, <i>Chairman</i>	4
Ivy Sau Ching Chan	4
Joseph Wing Siu Cheung	3
Karl Chi Leung Kwok	2
Man Sing Kwong (appointed on 7th September 2006)	2
William Wai Lim Lam	4
Wing Sau Li	4
Benedict Cho Hung Woo (resigned on 13th September 2006)	1

Each director of the company has been appointed on the strength of his/her calibre, experience and stature, and his/her potential to contribute to the proper guidance of the group and its business. Apart from formal meetings, matters requiring board approval were arranged by means of circulation of written resolutions.

(ii) Operation of the Board

The company is headed by an effective board which takes decisions objectively in the interests of the company. The company's management has closely monitored changes to regulations that affect its corporate affairs and businesses, and changes to accounting standards, and adopted an appropriate reporting format in its interim report, annual report and other related documents to present a balanced, clear and comprehensive assessment of the group's performance, position and prospects. Where these changes are pertinent to the company or directors' disclosure obligations, the directors are either briefed during board meetings or issued with regular updates and materials to keep them abreast of their responsibilities and of the conduct, business activities and development of the group. Newly appointed directors receive briefings and materials on their legal and other responsibilities as a director and the role of the board. The company has also provided appropriate information in a timely manner to the directors to enable them to make an informed decision and to discharge their duties and responsibilities as directors of the company.

There is a clear division of responsibilities between the board and the management. Decisions on important matters are specifically reserved to the board while decisions on the group's general operations are delegated to the management. Important matters include those affecting the group's strategic policies, major investment and funding decisions and major commitments relating to the group's operations.

The company has arranged appropriate insurance cover in respect of legal actions against its directors and officers. The board reviews the extent of this insurance annually.

(iii) Re-election of Directors

A Special Resolution to amend the company's Bye-law 84(2) was passed at the Annual General Meeting held on 6th September 2006 in order to achieve compliance with code provision A.4.2 of the CG Code, such that every director, including those appointed for a specific term (save for any chairman or managing director under the company's Private Act which was enacted in Bermuda in 1990), shall be subject to retirement by rotation at least once every three years.

Pursuant to section 4(g) of the Private Act of the company, any chairman or any managing director of the company shall not be subject to retirement by rotation under the Bye-laws.

(D) Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The company does not have a separate Chairman and Chief Executive Officer and Mr David Pun Chan currently holds both positions. The board considers that the combination of the roles of Chairman and Chief Executive Officer can promote the efficient formulation and implementation of the company's strategies to grasp business opportunities efficiently and promptly. Such arrangement, which has been adopted by many local and international corporations, enables the company to meet the rapidly changing business environment which needs quicker decision making to achieve business efficiency.

(E) Non-executive Directors

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election.

Non-executive directors of the company are not appointed for a specific term. However, they are subject to retirement by rotation and re-election at the annual general meeting of the company in accordance with the company's Bye-laws.

(F) Remuneration of Directors

The company has set up a Remuneration Committee consisting of a non-executive director and two other independent non-executive directors.

One Remuneration Committee meeting was held during the financial year ended 31st March 2007. Attendance of the Members is set out below:

Members	Attendance at Meeting
Karl Chi Leung Kwok, <i>Chairman of the Committee</i>	1
Ivy Sau Ching Chan	1
Man Sing Kwong (appointed on 7th September 2006)	0
Benedict Cho Hung Woo (resigned on 13th September 2006)	1

The terms of reference of the Remuneration Committee are aligned with the code provisions set out in the CG Code. Given below are the main duties of the Remuneration Committee:

- (a) to consider the company's policy and structure of all remuneration of directors and senior management;
- (b) to determine the specific remuneration packages of all executive directors and senior management;

- (c) to review performance-based remuneration by reference to corporate goals and objectives resolved by the board from time to time;
- (d) to review the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment; and
- (e) to review compensation arrangements relating to dismissal or removal of directors for misconduct.

The work performed by the Remuneration Committee for the financial year ended 31st March 2007 is summarized below:

- (a) review of the company's policy and structure for all remuneration of directors and senior management;
- (b) consideration of the emoluments for all directors and senior management; and
- (c) review of the level of fees for directors.

The basis of determining the emoluments payable to its directors and senior management by the company is by reference to individual duties and market practices. The basis of determining the directors' fees (2006: HK\$100,000 per annum for each director) is by reference to the level of fees of similar nature normally paid by a listed company in Hong Kong to its directors. The directors' fees are subject to approval from time to time by shareholders at annual general meetings of the company.

(G) Nomination of Directors

The company does not have a nomination committee as the role and function of such a committee are performed by the board.

The board is responsible for the formulation of nomination policies, making recommendations to shareholders on directors standing for re-election, providing sufficient biographical details of directors to enable shareholders to make an informed decision on the re-election, and where necessary, nominating appropriate persons to fill casual vacancies or as additions to the board. The Chairman from time to time reviews the composition of the board with particular regard to ensuring that there is an appropriate number of directors on the board independent of management. He also identifies and nominates qualified individuals for appointment as new directors of the company. New directors of the company will be appointed by the board. The board will take into consideration criteria such as expertise, experience, integrity and commitment when considering new director appointments. Every new director is subject to retirement from the board at the annual general meeting of the company immediately following his or her appointment and may stand for re-election at the annual general meeting. During the year, Mr Man Sing Kwong has been appointed to the Board.

(H) Auditor's Remuneration

The fees in relation to the audit and other services provided by PricewaterhouseCoopers, the external auditor of the company, amounted to HK\$1.0 million and HK\$0.1 million respectively.

(I) Audit Committee

The company has set up an Audit Committee consisting of a non-executive director and three other independent non-executive directors.

Two Audit Committee meetings were held during the financial year ended 31st March 2007. Attendance of the Members is set out below:

Members	Attendance at Meetings
Karl Chi Leung Kwok, <i>Chairman of the Committee</i>	2
Ivy Sau Ching Chan	2
Joseph Wing Siu Cheung	2
Man Sing Kwong (appointed on 7th September 2006)	1
Benedict Cho Hung Woo (resigned on 13th September 2006)	1

The terms of reference of Audit Committee are aligned with the code provisions set out in the CG Code. Given below are the main duties of the Audit Committee:

- (a) to consider the appointment of the external auditor and any questions of resignation or dismissal;
- (b) to discuss with the external auditor before the audit commences, the nature and scope of the audit;
- (c) to review the half-year and annual financial statements before submission to the board, focusing particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from the audit;
 - (iv) the going concern assumption;
 - (v) compliance with accounting standards; and
 - (vi) compliance with stock exchange and legal requirements;

- (d) to discuss problems and reservations arising from the audit, and any matters the external auditor may wish to discuss; and
- (e) to review the audit program, and ensure co-ordination with external auditor, of the internal audit function.

The work performed by the Audit Committee for the financial year ended 31st March 2007 is summarized below:

- (a) approval of the remuneration and terms of engagement of the external auditor;
- (b) review of the half-year and annual financial statements before submission to the board;
- (c) review of the internal audit findings and internal audit plan;
- (d) approval of the framework for reviewing the effectiveness of the internal control system of the group;
- (e) review of the external auditor's audit plan; and
- (f) making recommendation to the board on the re-appointment of external auditor.

(J) Internal Control

The directors are ultimately responsible for the internal control system of the group and, through the Audit Committee, have reviewed the effectiveness of the system. The internal control system comprises a well-defined organizational structure with specified limits of authority in place. Areas of responsibility of each business and operational units are also clearly defined to ensure effective checks and balances.

Procedures have been designed for safeguarding assets against unauthorized use or disposition, maintenance of proper accounting records, assurance of the reliability of financial information for internal use or publication and compliance with relevant legislation and regulations. Such procedures are designed to manage risks of failure in operational systems and can provide reasonable assurance against material errors, losses or fraud.

The internal audit function monitors compliance with policies and standards and the effectiveness of internal control structures across the whole group. The Internal Auditor report to the Audit Committee.

A review of the effectiveness of the group's internal control system and procedures covering all controls, including financial, operational and compliance and risk management, was conducted by the Audit Committee and subsequently reported to the board. Based on the result of the review in respect of the year ended 31st March 2007, the directors considered that the internal control system and procedures of the group were effective and adequate.

(K) Directors' Responsibilities for the Financial Statements

The directors acknowledge their responsibilities for overseeing the preparation of the financial statements for each financial year which give a true and fair view of the state of affairs of the company. In preparing the financial statements for the year ended 31st March 2007, the directors have ensured the selection of suitable accounting policies and consistent application thereof; made judgments and estimates that are prudent and reasonable, stated the reasons for any significant departures from applicable accounting standards in Hong Kong and ensured the going concern basis of presentation has been applied.

Financial Results

I am pleased to report that the audited group profit attributable to the equity holders of the company for the year ended 31st March 2007 amounted to HK\$271.8 million, as compared with the profit of HK\$216.8 million last year, representing an increase of 25%. The improvement in earnings is mainly due to the improvements in the property market and the hotel industry in Hong Kong.

An interim dividend of HK 8 cents per share was paid on 8th February 2007. The board has recommended the payment of a final dividend of HK 10 cents per share to persons registered as shareholders on 13th September 2007. Subject to the approval of shareholders at the forthcoming Annual General Meeting, the final dividend will be payable on 20th September 2007 and the total dividend for the year will be HK 18 cents per share representing 29% increase over last year.

Property Development

Superstructure work at the luxury residential project at Plunkett's Road on the Peak has already been finished and construction work is expected to be completed in November 2007. Recent sales at the Peak have achieved record prices.

The planning and rezoning of Stage One of French Valley Airport Center in California is expected to be finished in next few months and construction will begin thereafter.

Hotel

As the supply of new 5-star hotels is going to be limited over the next few years and with increasing tourist arrivals, the Sheraton-Hong Kong Hotel, in which your group has 35% interest, will continue to perform well in the next few years.

The shopping mall at the Sheraton-Hong Kong Hotel will be upgraded next year. This will enhance its competitiveness and income potential.

High-tech Investments

There is a recovery in the U.S. high-tech sector. Some funds that we have invested in have realized the value of some of their companies, such as DivX, Inc., Acme Packet, Inc. and Hansen Medical, Inc. through IPO's or sale. We expect marked improvement in return on our investments in this sector.

Prospects

In view of the current trend, the three strongest sectors of the Hong Kong property market over the next few years are offices, super-luxurious housing and 5-star hotels, which your group has been concentrating on.

As a result, the financial position of your group is very sound and solid. This will enable your group to take advantage of any new opportunities in the future.

Finally, I would like to thank all staff for their loyal support and hard work.

David P. Chan

Chairman

Hong Kong, 27th June 2007

Consolidated Profit and Loss Account

(For the year ended 31st March 2007)

	<i>Note</i>	2007 <i>HK\$Million</i>	2006 <i>HK\$Million</i>
Turnover	5	304.8	267.4
Cost of property sales		(108.1)	(87.2)
Property expenses		(56.8)	(55.7)
Gross profit		139.9	124.5
Other income	6	5.3	1.8
Administrative expenses		(31.9)	(38.5)
Write-back of provision against properties for sale	22	46.8	42.1
Write-back of impairment loss on leasehold land	17	56.4	24.8
Impairment of available-for-sale financial assets	20	–	(5.5)
Fair value gains on investment properties		0.9	1.5
Operating profit	7	217.4	150.7
Finance costs	10	(6.0)	(5.3)
Share of results of associates		99.2	83.6
Profit before income tax		310.6	229.0
Income tax expense	11	(38.8)	(12.2)
Profit attributable to equity holders of the company	12	271.8	216.8
Dividends	13	111.2	86.5
Earnings per share (Basic and Diluted)	14	\$0.44	\$0.35

Consolidated Balance Sheet

(As at 31st March 2007)

	Note	2007 <i>HK\$Million</i>	2006 <i>HK\$Million</i>
Non-current assets			
Property, plant and equipment	15	1.9	2.3
Investment properties	16	154.5	153.6
Leasehold land	17	1,477.6	1,499.3
Associates	19	63.4	67.8
Available-for-sale financial assets	20	114.0	82.6
Deferred income tax assets	26	4.5	14.1
Mortgage loans receivable	21	12.8	19.2
		1,828.7	1,838.9
Current assets			
Properties for sale	22	1,520.2	1,505.9
Properties under development		228.6	156.6
Mortgage loans receivable	21	0.3	0.3
Debtors, deposits and prepayments	23	144.3	71.8
Amount due from an associate	19	6.3	6.3
Current income tax assets		—	0.1
Bank balances and cash		143.2	86.5
		2,042.9	1,827.5
Current liabilities			
Creditors, deposits and accruals	24	79.9	89.7
Borrowings	25	327.1	104.0
Current income tax liabilities		27.6	7.8
		434.6	201.5
Net current assets		1,608.3	1,626.0
Total assets less current liabilities		3,437.0	3,464.9
Non-current liabilities			
Borrowings	25	—	212.9
Deferred income tax liabilities	26	4.4	3.9
		4.4	216.8
Net assets		3,432.6	3,248.1
Equity			
Share capital	27	61.7	61.7
Reserves	28	3,309.1	3,137.0
Proposed final dividend	28	61.8	49.4
Total equity		3,432.6	3,248.1

Approved by the Board of Directors on 27th June 2007

David P. Chan
Wing Sau Li
Directors

Balance Sheet

(As at 31st March 2007)

	Note	2007 HK\$Million	2006 HK\$Million
Non-current asset			
Subsidiaries	18	2,349.2	2,349.2
Current assets			
Amount due from a subsidiary	18	549.4	547.6
Bank balances and cash		2.3	2.0
		551.7	549.6
Current liabilities			
Creditors, deposits and accruals	24	3.5	3.3
Current income tax liabilities		0.1	—
		3.6	3.3
Net current assets		548.1	546.3
Net assets		2,897.3	2,895.5
Equity			
Share Capital	27	61.7	61.7
Reserves	28	2,773.8	2,784.4
Proposed final dividend	28	61.8	49.4
Total equity		2,897.3	2,895.5

Approved by the Board of Directors on 27th June 2007

David P. Chan

Wing Sau Li

Directors

Consolidated Statement of Changes in Equity

(For the year ended 31st March 2007)

	<i>Note</i>	2007	2006
		<i>HK\$Million</i>	<i>HK\$Million</i>
Total equity at the beginning of the year		3,248.1	3,105.9
Exchange differences	28	0.6	(0.4)
Fair value gain on available-for-sale financial assets	28	10.9	–
Net income/(expense) recognised directly in equity		11.5	(0.4)
Profit attributable to equity holders of the company	28	271.8	216.8
Total recognised income		283.3	216.4
Dividends	28	(98.8)	(74.2)
Total equity at the end of the year		3,432.6	3,248.1

Consolidated Cash Flow Statement

(For the year ended 31st March 2007)

	<i>Note</i>	2007	2006
		<i>HK\$Million</i>	<i>HK\$Million</i>
Cash flows from operating activities			
Cash generated from operations	34	78.4	102.6
Interest paid		(17.0)	(16.4)
Hong Kong profits tax paid		(8.9)	(10.3)
Overseas tax paid		–	(1.2)
Net cash from operating activities		52.5	74.7
Cash flows from investing activities			
Purchase of property, plant and equipment		(0.2)	(1.0)
Interest received		3.7	1.8
Dividends received from associates		103.6	95.7
Investments in available-for-sale financial assets		(20.5)	(20.9)
Decrease in mortgage loans receivable		6.4	5.7
Repayment of amount due from an associate		–	3.7
Net cash from investing activities		93.0	85.0
Cash flows from financing activities			
New borrowings		15.2	–
Repayments of borrowings		(5.2)	(96.4)
Dividends paid		(98.8)	(74.2)
Net cash used in financing activities		(88.8)	(170.6)
Net increase/(decrease) in bank balances and cash		56.7	(10.9)
Bank balances and cash at the beginning of the year		86.5	97.5
Effect of foreign exchange rate changes		–	(0.1)
Bank balances and cash at the end of the year		143.2	86.5

Notes to the Financial Statements

1. General Information

Tai Cheung Holdings Limited is a limited liability company incorporated in Bermuda.

The company has its primary listing on The Stock Exchange of Hong Kong Limited.

2. Principal Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKASs”) (collectively “HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants. The financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and investment properties, 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 financial statements, are disclosed in note 4.

2. Principal Accounting Policies (continued)

(b) Amendments and interpretations to published standards effective in 2006 and adopted by the group

During the year, the group adopted the new amendments and interpretations of HKFRSs and HKASs which are relevant to its operations.

The group has assessed the impact of the adoption of these amendments and interpretations and considered that there was no significant impact on the group's results and financial position nor any substantial changes in the group's accounting policies.

(c) Standards, interpretations and amendments to existing standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published which are relevant to the group's operations and financial statements and are mandatory for the group's accounting periods beginning on or after 1st January 2007 as follows:

Effective from 1st January 2007

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

Effective from 1st January 2009

HKFRS 8	Operating Segments
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The group has not early adopted the above standards, amendments and interpretations and is not yet in a position to state whether substantial changes to the group's accounting policies and presentation of the financial statements will be resulted.

(d) Consolidation

The consolidated financial statements include the financial statements of the company and its subsidiaries for the year ended 31st March 2007 and the group's share of results of its associates and the relevant share of their post-acquisition reserves. The financial statements of the associates used for this purpose cover a year ended not more than three months before the company's year end and serve as the most recent available audited financial information. Where a significant event occurs between the associates' year end and that of the group, adjustments are made in the consolidated financial statements for the effect of the event.

2. Principal Accounting Policies (continued)

(d) Consolidation (continued)

(i) Subsidiaries

Subsidiaries are all entities over which the group has the power to control the financial and operating policies. 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.

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.

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

(ii) Associates

Associates are all entities over which the group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The group's share of its associates' post-acquisition profits or losses is recognised in the profit and loss account, 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.

2. Principal Accounting Policies (continued)

(e) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Property, plant and equipment are depreciated at an annual rate of 20% to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis.

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 costs are expensed in the profit and loss account during the financial period in which they are incurred.

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 (note 2(h)).

(f) Investment Properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for long term rental yields or for capital appreciation or both.

Investment property comprises land held under operating leases and buildings held under finance leases, and 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 reviewed annually by external valuers.

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 profit and loss account during the financial period in which they are incurred.

Changes in fair values are recognised in the profit and loss account.

2. Principal Accounting Policies (continued)

(g) Properties under Development and for Sale

Properties under development are investments in freehold land and buildings on which construction work and development have not been completed. Properties under development are stated at the lower of cost and net realisable value. Cost comprises construction costs and amounts capitalised in respect of amortisation of leasehold land and borrowing costs incurred during the construction period and up to the date of completion of construction. On completion, the properties are reclassified to properties for sale at the then carrying amount.

Properties for sale are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less selling expenses.

(h) Impairment of Assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(i) Financial Assets

Available-for-sale financial assets are initially recognised at fair value plus transaction costs and are subsequently carried at fair value. Changes in the fair value of available-for-sale financial assets are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are recognised in the profit and loss account.

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 an indication that the securities are impaired. If any such evidence exists, 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 profit and loss account – is removed from equity and recognised in the profit and loss account. Such impairment losses are not reversed through the profit and loss account where there is subsequent increase in the fair value of the securities.

2. Principal Accounting Policies (continued)

(j) Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss account. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the profit and loss account.

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

(l) Deferred Income Tax

Deferred income 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 financial statements. Deferred income tax is determined using tax rates when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

2. Principal Accounting Policies (continued)

(m) Financial Guarantees

A financial guarantee (a kind of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The company does not recognise liabilities for financial guarantees at inception, but perform a liability adequacy test at each reporting date by comparing its carrying amount of the net liability regarding the financial guarantee with its present legal or constructive obligation amount. If the carrying amount of the net liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the profit and loss account immediately.

(n) Revenue Recognition

Revenue comprises the fair value for the sale of goods and services in the ordinary course of the group's activities, net of discounts and after eliminating sales within the group. Revenue is recognised as follows:

(i) Sales of properties

Revenue on sales of properties is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties sold. The group considers that the significant risks and rewards of ownership are transferred when the buildings or the portions thereof contracted for sale are completed and the relevant occupation permits have been issued by the authorities.

(ii) Rental income

Rental income from letting the group's portfolio of investment properties and other properties is recognised on a straight-line basis over the lease term.

(iii) Dividend income

Dividend income is recognised when the group's right to receive payment is established.

(iv) Interest income

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

(v) Property management fee

Property management fee is recognised when the services are rendered.

2. Principal Accounting Policies (continued)

(o) Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the profit and loss account on a straight-line basis over the period of the lease.

(p) Employee Benefits

(i) Employee leave entitlements

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

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

(ii) Provident fund scheme

For the non-contributory defined contribution provident fund scheme, regular monthly contributions payable by the group at the rate specified in the trust deed are expensed as incurred. Contributions to the scheme by the group are calculated as a percentage of employees' basic salaries. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the group are reduced by the amount of forfeited contributions. The assets of the scheme are held separately from those of the group in funds under the control of a professional trustee and are managed by an independent fund manager.

For the mandatory provident fund scheme, the group's contributions are at 5% of the employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK\$1,000 per employee per month, and are expensed as incurred.

(q) Foreign Currency Translation

(i) Functional and presentation currency

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

2. Principal Accounting Policies (continued)

(q) Foreign Currency Translation (continued)

(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 profit and loss account.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale 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:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each profit and loss account 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
- 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 operations and of borrowings are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the profit and loss account as part of the gain or loss on disposal.

2. Principal Accounting Policies (continued)

(r) Borrowing Costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

(s) Contingent Liabilities

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

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

(t) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

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

Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land, properties for sale, properties under development, available-for-sale financial assets, receivables and operating cash excluding taxation. Segment liabilities comprise operating liabilities excluding taxation. Capital expenditure comprises additions to property, plant and equipment.

In respect of geographical segment reporting, turnover, operating results, total assets and capital expenditure are based on the country in which the relevant assets are located.

(u) Dividend Distribution

Dividend distribution to the company's shareholders is recognised as liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders.

3. Financial Risk Management

(a) Financial risk factors

The group's activities are exposed to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow interest-rate risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

(i) Foreign exchange risk

The group operates internationally but is exposed to limited foreign exchange risk as most debtors and creditors are denominated in HK Dollars and US Dollars.

The group has not entered into any forward contracts to manage the exposure to foreign exchange risk. When considered appropriate, the group will take the necessary actions to ensure that such exposure is properly hedged.

(ii) Credit risk

Credit risk is managed on a group basis. Credit risk arises from deposits with banks and financial institutions, mortgage loans receivable, as well as credit exposures to customers for sales and leases of properties, including outstanding receivables and committed transactions. The group has no significant concentrations of credit risk. It has policies in place to ensure that sales and leases of properties are made to customers with an appropriate credit history. The group's risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

(iii) Liquidity risk

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

(iv) Cash flow interest-rate risk

The group's interest-rate risk arises from long term borrowings. Borrowings issued at variable rates expose the group to cash flow interest-rate risk. The group has not entered into any interest-rate swaps contracts as the exposure to interest-rate risk is not significant.

3. Financial Risk Management (continued)

(b) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The nominal value less impairment provision of debtors and creditors are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

4. Critical Accounting Estimates and Assumptions

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

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

(a) Estimate of net realisable value of properties for sale

Net realisable value of properties for sale is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling properties of similar nature. It could change significantly as a result of changes in market condition. Management will reassess the estimations at each balance sheet date.

4. Critical Accounting Estimates and Assumptions (continued)

(b) Estimate of fair value of investment properties

The valuation of investment properties is performed in accordance with the “Valuation Standards on Valuation of Properties” published by the Hong Kong Institute of Surveyors. The valuation is reviewed annually by qualified valuers by considering the information from a variety of sources including i) current prices in an active market for properties of different nature, condition or location, 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; and iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using yield rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

(c) Deferred income tax

The group’s management determines the amount of deferred income tax assets to be recognised by estimating the amount of future profit available to utilise the tax losses in the relevant tax jurisdiction and entity. The estimation is based on the projected profit in respective jurisdiction that is mainly based on market conditions existing on the balance sheet date. It could change as a result of the uncertainties in the market conditions.

5. Turnover and Segment Information

The principal activity of the company is investment holding. The group is principally engaged in property investment and development, investment holding and property management.

Turnover recognised during the year comprises:

	2007	2006
	<i>HK\$Million</i>	<i>HK\$Million</i>
Gross proceeds from sales of properties	185.6	158.1
Gross rental income from		
– investment properties	8.3	9.1
– other properties	105.1	94.7
Property management fees	5.8	5.5
	304.8	267.4

Notes to the Financial Statements

5. Turnover and Segment Information (continued)

(a) Primary reporting format – business segments As at and for the year ended 31st March 2007

	Property development and leasing <i>HK\$Million</i>	Property management <i>HK\$Million</i>	Hotel operation <i>HK\$Million</i>	Investment holding <i>HK\$Million</i>	Group <i>HK\$Million</i>
Turnover	299.0	5.8	–	–	304.8
Segment results before provision	106.6	2.6	–	5.0	114.2
Write-back of provision against properties for sale	46.8	–	–	–	46.8
Write-back of impairment loss on leasehold land	56.4	–	–	–	56.4
Fair value gains on investment properties	0.9	–	–	–	0.9
Segment results	210.7	2.6	–	5.0	218.3
Unallocated costs					(0.9)
Operating profit					217.4
Finance costs					(6.0)
Share of results of associates	4.7	–	94.5	–	99.2
Profit before income tax					310.6
Income tax expense					(38.8)
Profit attributable to equity holders of the company					271.8
Segment assets	3,635.7	36.2	–	131.8	3,803.7
Associates	8.7	–	59.0	(4.3)	63.4
Unallocated assets					4.5
Total assets					3,871.6
Segment liabilities	365.7	36.3	–	5.0	407.0
Unallocated liabilities					32.0
Total liabilities					439.0
Capital expenditure	0.2	–	–	–	0.2
Depreciation	0.6	–	–	–	0.6
Amortisation	30.0	–	–	–	30.0

Notes to the Financial Statements

5. Turnover and Segment Information (continued)

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

As at and for the year ended 31st March 2006

	Property development and leasing <i>HK\$Million</i>	Property management <i>HK\$Million</i>	Hotel operation <i>HK\$Million</i>	Investment holding <i>HK\$Million</i>	Group <i>HK\$Million</i>
Turnover	261.9	5.5	–	–	267.4
Segment results before provision	84.9	2.4	–	1.4	88.7
Write-back of provision against properties for sale	42.1	–	–	–	42.1
Write-back of impairment loss on leasehold land	24.8	–	–	–	24.8
Impairment of available-for-sale financial assets	–	–	–	(5.5)	(5.5)
Fair value gains on investment properties	1.5	–	–	–	1.5
Segment results	153.3	2.4	–	(4.1)	151.6
Unallocated costs					(0.9)
Operating profit					150.7
Finance costs					(5.3)
Share of results of associates	0.6	–	83.0	–	83.6
Profit before income tax					229.0
Income tax expense					(12.2)
Profit attributable to equity holders of the company					216.8
Segment assets	3,438.4	40.0	–	106.0	3,584.4
Associates	3.0	–	68.2	(3.4)	67.8
Unallocated assets					14.2
Total assets					3,666.4
Segment liabilities	362.3	39.5	–	4.8	406.6
Unallocated liabilities					11.7
Total liabilities					418.3
Capital expenditure	1.0	–	–	–	1.0
Depreciation	0.7	–	–	–	0.7
Amortisation	29.9	–	–	–	29.9

Notes to the Financial Statements

5. Turnover and Segment Information (continued)

(b) Secondary reporting format – geographical segments

As at and for the year ended 31st March 2007

	Turnover <i>HK\$Million</i>	Operating profit <i>HK\$Million</i>	Total assets <i>HK\$Million</i>	Capital expenditure <i>HK\$Million</i>
Hong Kong	304.8	224.6	3,749.1	0.2
United States of America	–	(7.2)	122.5	–
	304.8	217.4	3,871.6	0.2

As at and for the year ended 31st March 2006

	Turnover <i>HK\$Million</i>	Operating profit <i>HK\$Million</i>	Total assets <i>HK\$Million</i>	Capital expenditure <i>HK\$Million</i>
Hong Kong	211.3	148.8	3,547.3	0.9
United States of America	56.1	1.9	119.1	0.1
	267.4	150.7	3,666.4	1.0

6. Other Income

	2007 <i>HK\$Million</i>	2006 <i>HK\$Million</i>
Interest income	3.8	1.8
Investment income from unlisted investment	1.5	–
	5.3	1.8

Notes to the Financial Statements

7. Operating Profit

	2007	2006
	<i>HK\$Million</i>	<i>HK\$Million</i>
Operating profit is stated after charging the following:		
Amortisation of leasehold land	30.0	29.9
Auditor's remuneration	1.0	1.1
Depreciation	0.6	0.7
Operating lease rentals in respect of land and buildings	3.0	3.0
Outgoings in respect of		
– investment properties	2.6	2.8
– other properties	3.3	3.1

8. Staff Costs

The amount of staff costs (excluding directors' emoluments as disclosed in note 9) charged to the profit and loss account represents:

	2007	2006
	<i>HK\$Million</i>	<i>HK\$Million</i>
Salaries and allowances	46.2	44.6
Provident fund contributions less forfeitures (<i>note (a)</i>)	2.9	2.8
Less: Recharge of staff costs to building management funds (<i>note (b)</i>)	(21.9)	(20.9)
	27.2	26.5

Notes:

- (a) No forfeited contributions arising from employees leaving the scheme were utilised to offset contributions during the year (2006: Nil). At the balance sheet date, there were no forfeited contributions (2006: Nil) which are available to reduce the contributions payable in future years. Contributions payable at the year end was HK\$0.2 million (2006: HK\$0.2 million).
- (b) Recharge of staff costs represents reimbursement for property management services rendered.

Notes to the Financial Statements

9. Directors' and Senior Management's Emoluments

(a) Directors' emoluments

The remunerations of the directors for the year ended 31st March 2007 are set out below:

Name of director	Fees <i>HK\$Million</i>	Salaries and other emoluments <i>HK\$Million</i>	Discretionary bonuses <i>HK\$Million</i>	Provident fund contributions <i>HK\$Million</i>	Total <i>HK\$Million</i>
David Pun Chan	0.20	1.94	0.16	0.19	2.49
William Wai Lim Lam	0.10	0.97	0.08	0.10	1.25
Wing Sau Li	0.10	1.19	0.10	0.12	1.51
Ivy Sau Ching Chan	0.10	-	-	-	0.10
Joseph Wing Siu Cheung	0.10	-	-	-	0.10
Karl Chi Leung Kwok	0.10	-	-	-	0.10
Man Sing Kwong	0.06	-	-	-	0.06
Benedict Cho Hung Woo	0.04	-	-	-	0.04
	0.80	4.10	0.34	0.41	5.65

The remunerations of the directors for the year ended 31st March 2006 are set out below:

Name of director	Fees <i>HK\$Million</i>	Salaries and other emoluments <i>HK\$Million</i>	Discretionary bonuses <i>HK\$Million</i>	Provident fund contributions <i>HK\$Million</i>	Total <i>HK\$Million</i>
David Pun Chan	0.16	1.88	0.16	0.19	2.39
William Wai Lim Lam	0.08	0.93	0.08	0.09	1.18
Wing Sau Li	0.08	1.14	0.10	0.11	1.43
Ivy Sau Ching Chan	0.08	-	-	-	0.08
Joseph Wing Siu Cheung	0.08	-	-	-	0.08
Karl Chi Leung Kwok	0.08	-	-	-	0.08
Benedict Cho Hung Woo	0.08	-	-	-	0.08
	0.64	3.95	0.34	0.39	5.32

Notes to the Financial Statements

9. Directors' and Senior Management's Emoluments (continued)

(b) Five highest paid individuals

The five highest paid individuals of the group included three (2006: three) directors of the company, details of whose emoluments are set out above. The emoluments of the remaining two (2006: two) highest paid employees of the group are as follows:

	2007 <i>HK\$Million</i>	2006 <i>HK\$Million</i>
Salaries and other emoluments	2.2	2.1
Discretionary bonuses	0.2	0.2
Provident fund contributions	0.2	0.2
	2.6	2.5

The above emoluments are analysed as follows:

	Number of employees	
	2007	2006
HK\$1,000,001 – HK\$1,500,000	2	2

10. Finance Costs

	2007 <i>HK\$Million</i>	2006 <i>HK\$Million</i>
Finance costs comprise the following:		
Interest on bank borrowings – bank loans and overdrafts wholly repayable within five years	16.7	16.8
Less: Amount capitalised in properties under development <i>(note)</i>	(10.7)	(11.5)
	6.0	5.3

Note: A capitalisation rate of 5.2% (2006: 5.2%) was used, representing the cost of the borrowings used to finance the properties under development.

Notes to the Financial Statements

11. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates prevailing in the countries in which the group operates.

	2007	2006
	HK\$Million	<i>HK\$Million</i>
Current income tax		
Hong Kong profits tax	28.7	10.9
Overseas tax	–	0.2
Deferred income tax (<i>note 26</i>)	10.1	1.1
	38.8	12.2

The taxation on the group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2007	2006
	HK\$Million	<i>HK\$Million</i>
Profit before income tax	310.6	229.0
<i>Less:</i> Share of results of associates	(99.2)	(83.6)
	211.4	145.4
Theoretical tax at a tax rate of 17.5% (2006: 17.5%)	37.0	25.4
Effect of different tax rate in other country	–	0.1
Expenses not deductible for tax purposes	5.3	6.2
Income not subject to tax	(0.7)	(0.1)
Utilisation of previously unrecognised tax losses	(4.3)	(19.9)
Tax losses not recognised	1.8	0.8
Other temporary differences	(0.3)	(0.3)
Income tax expense	38.8	12.2

Notes to the Financial Statements

12. Profit Attributable to Equity Holders of the Company

The profit attributable to equity holders of the company is dealt with in the financial statements of the company to the extent of HK\$100.6 million (2006: HK\$75.4 million).

13. Dividends

	2007	2006
	<i>HK\$Million</i>	<i>HK\$Million</i>
Interim, paid, of HK 8 cents (2006: HK 6 cents) per ordinary share	49.4	37.1
Final, proposed, of HK 10 cents (2006: HK 8 cents) per ordinary share (<i>note</i>)	61.8	49.4
	111.2	86.5

Note: At a meeting held on 27th June 2007, the directors proposed a final dividend of HK 10 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st March 2008.

14. Earnings Per Share

The calculation of earnings per share is based on the profit attributable to equity holders of the company of HK\$271.8 million (2006: HK\$216.8 million) and ordinary shares in issue of 617,531,425 (2006: 617,531,425). There were no potential dilutive ordinary shares outstanding during the year (2006: Nil).

Notes to the Financial Statements

15. Property, Plant and Equipment

	Group	
	2007	2006
	<i>HK\$Million</i>	<i>HK\$Million</i>
Cost		
At the beginning of the year	35.5	35.5
Additions	0.2	1.0
Disposals	(0.3)	(1.0)
At the end of the year	35.4	35.5
Accumulated depreciation		
At the beginning of the year	33.2	33.5
Charge for the year	0.6	0.7
Disposals	(0.3)	(1.0)
At the end of the year	33.5	33.2
Net book value		
At the beginning of the year	2.3	2.0
At the end of the year	1.9	2.3

16. Investment Properties

	Group	
	2007	2006
	<i>HK\$Million</i>	<i>HK\$Million</i>
At the beginning of the year	153.6	152.1
Fair value gains	0.9	1.5
At the end of the year	154.5	153.6

Notes to the Financial Statements

16. Investment Properties (continued)

Investment properties are held in Hong Kong and their net book values are analysed as follows:

	Group	
	2007	2006
	<i>HK\$Million</i>	<i>HK\$Million</i>
On long term leases	9.5	8.6
On medium term leases	145.0	145.0
	154.5	153.6

Investment properties were revalued on 31st March 2007 by DTZ Debenham Tie Leung Limited, an independent firm of professional valuers, on an open market value basis.

As at 31st March 2007, investment properties amounting to HK\$145.0 million (2006: 145.0 million) were pledged as security for bank loan facilities granted to the group (note 29).

17. Leasehold Land

The group's interests in leasehold land in Hong Kong represent prepaid operating lease payments related to the group's properties for sale and properties under development and their net book value are analysed as follows:

	Group	
	2007	2006
	<i>HK\$Million</i>	<i>HK\$Million</i>
On leases of between 10 to 50 years	1,477.6	1,499.3
	2007	2006
	<i>HK\$Million</i>	<i>HK\$Million</i>
At the beginning of the year	1,499.3	1,526.4
Write-back of impairment loss	56.4	24.8
Additions	13.0	–
Disposals	(53.1)	(14.0)
Amortisation		
– charged to profit and loss account	(30.0)	(29.9)
– capitalised in properties under development	(8.0)	(8.0)
At the end of the year	1,477.6	1,499.3

Notes to the Financial Statements

17. Leasehold Land (continued)

As at 31st March 2007, leasehold land amounting to HK\$511.1 million (2006: HK\$526.5 million) were pledged as security for bank loan facilities granted to the group (note 29).

Due to the improvement of the property market in Hong Kong, a write-back of impairment loss on leasehold land of HK\$56.4 million (2006: HK\$24.8 million) was made in the profit and loss account.

18. Subsidiaries

	Company	
	2007	2006
	<i>HK\$Million</i>	<i>HK\$Million</i>
Unlisted shares, at cost	2,349.2	2,349.2

The amount due from a subsidiary is unsecured, interest free and has no fixed terms of repayment.

Particulars of subsidiaries are shown in note 36 to the financial statements.

19. Associates

	Group	
	2007	2006
	<i>HK\$Million</i>	<i>HK\$Million</i>
At the beginning of the year	67.8	79.9
Share of results of associates		
– profit before income tax	120.1	100.9
– income tax expense	(20.9)	(17.3)
Dividends	(103.6)	(95.7)
At the end of the year	63.4	67.8

The amount due from the associate is unsecured, interest free and has no fixed terms of repayment.

Notes to the Financial Statements

19. Associates (continued)

Share of financial results and positions of the associates, all of which are unlisted, are as follows:

	Group	
	2007	2006
	<i>HK\$Million</i>	<i>HK\$Million</i>
Assets		
Non-current assets	251.5	268.3
Current assets	62.9	66.1
	314.4	334.4
Liabilities		
Non-current liabilities	122.7	143.6
Current liabilities	128.3	123.0
	251.0	266.6
Net assets	63.4	67.8
Income	292.7	262.2
Expenses	(193.5)	(178.6)
Share of results	99.2	83.6

Other particulars of associates are shown in note 36 to the financial statements.

Notes to the Financial Statements

20. Available-for-sale Financial Assets

	Group	
	2007	2006
	HK\$Million	HK\$Million
<hr/>		
Unlisted equity securities – overseas:		
At the beginning of the year	82.6	67.2
Additions	20.5	20.9
Fair value gain	10.9	–
Impairment loss	–	(5.5)
	<hr/>	
At the end of the year	114.0	82.6

The group's available-for-sale financial assets are denominated in US dollar.

21. Mortgage Loans Receivable

Mortgage loans receivable carry interest at 1% over the Hong Kong dollars prime rate with interest free periods of 18 months to 3 years from the respective dates when the mortgage loans were drawn. Repayments will commence after the expiry of the interest free period and will be by instalments over a period of 10 years to 23 years thereafter.

The carrying amounts of mortgage loans receivable approximate their fair value.

22. Properties for Sale

As at 31st March 2007, properties for sale amounting to HK\$252.6 million (2006: HK\$253.8 million) were pledged as security for bank loan facilities granted to the group (note 29).

Due to the improvement of the property market in Hong Kong, a write-back of provision against properties for sale of HK\$46.8 million (2006: HK\$42.1 million) was made in the profit and loss account.

Notes to the Financial Statements

23. Debtors, Deposits and Prepayments

	Group	
	2007	2006
	<i>HK\$Million</i>	<i>HK\$Million</i>
Debtors, aged		
0-3 months	112.9	11.8
Over 3 months	18.3	51.1
	131.2	62.9
Deposits and prepayments	13.1	8.9
	144.3	71.8

The carrying amounts of debtors and deposits approximate their fair value.

Credit terms given to customers vary and are generally ranged from 3 to 6 months.

There is no concentration of credit risk with respect to debtors, as the group has a large number of customers.

24. Creditors, Deposits and Accruals

	Group		Company	
	2007	2006	2007	2006
	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>
Creditors, aged				
0-3 months	3.9	1.7	–	–
Over 3 months	1.9	1.3	–	–
	5.8	3.0	–	–
Deposits and accruals	74.1	86.7	3.5	3.3
	79.9	89.7	3.5	3.3

The carrying amounts of creditors, deposits and accruals approximate their fair value.

Notes to the Financial Statements

25. Borrowings

	Group	
	2007	2006
	HK\$Million	HK\$Million
Non-current		
Bank loans, secured (<i>note 29</i>)	–	212.9
Current		
Bank loans		
– unsecured	60.0	50.0
– secured (<i>note 29</i>)	267.1	54.0
	327.1	104.0
Total borrowings	327.1	316.9

The maturity of borrowings is as follows:

	2007	2006
	HK\$Million	HK\$Million
Within one year	327.1	104.0
In the second year	–	212.9
	327.1	316.9

The exposure of the group's borrowings to interest-rate changes and the contractual repricing dates are all within 6 months from year end date.

The effective interest rates at the balance sheet date were as follows:

	2007		2006	
	HK\$	US\$	HK\$	US\$
Bank loans	4.9%	8.3%	4.9%	7.7%

The carrying amounts of borrowings approximate their fair value.

Notes to the Financial Statements

25. Borrowings (continued)

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

	Group	
	2007	2006
	<i>HK\$Million</i>	<i>HK\$Million</i>
Hong Kong dollar	289.0	289.0
US dollar	38.1	27.9
	327.1	316.9

26. Deferred Income Tax Assets/(Liabilities)

Deferred taxation is calculated in full on temporary differences under the liability method using a principal tax rate of 17.5% (2006: 17.5%). Movements in the deferred income tax assets and liabilities during the year are as follows:

Deferred income tax assets

	Group	
	2007	2006
	<i>HK\$Million</i>	<i>HK\$Million</i>
At the beginning of the year	14.1	14.7
Charged to profit and loss account	(9.6)	(0.6)
At the end of the year	4.5	14.1

Notes to the Financial Statements

26. Deferred Income Tax Assets/(Liabilities) (continued)

Deferred income tax liabilities

Group

	Fair value changes on investment properties		Accelerated depreciation allowances		Total	
	2007	2006	2007	2006	2007	2006
	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>
At the beginning of the year	1.4	1.2	2.5	2.2	3.9	3.4
Charged to profit and loss account	0.2	0.2	0.3	0.3	0.5	0.5
At the end of the year	1.6	1.4	2.8	2.5	4.4	3.9

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The group did not recognise deferred income tax assets of HK\$74.3 million (2006: HK\$73.8 million) in respect of losses amounting to HK\$356.5 million (2006: HK\$360.2 million) that can be carried forward against future taxable income. Included in such unused tax losses are amounts of HK\$284.4 million (2006: HK\$294.8 million) which have no expiry date. The remaining balance will expire at various dates up to and including 2027.

27. Share Capital

	2007	2006
	<i>HK\$Million</i>	<i>HK\$Million</i>
Authorised:		
1,000,000,000 (2006: 1,000,000,000) ordinary shares of HK\$0.1 each	100.0	100.0
Issued and fully paid:		
617,531,425 (2006: 617,531,425) ordinary shares of HK\$0.1 each	61.7	61.7

Notes to the Financial Statements

28. Reserves

	Revaluation reserve <i>HK\$Million</i>	Exchange fluctuation reserve <i>HK\$Million</i>	Retained profits <i>HK\$Million</i>	Contributed surplus <i>HK\$Million</i>	Total <i>HK\$Million</i>
Group					
At 1st April 2006	-	0.2	2,838.2	348.0	3,186.4
Exchange differences	-	0.6	-	-	0.6
Profit for the year	-	-	271.8	-	271.8
Fair value gain on available-for-sale financial assets	10.9	-	-	-	10.9
2006 final dividend paid	-	-	(49.4)	-	(49.4)
2007 interim dividend paid	-	-	(49.4)	-	(49.4)
At 31st March 2007	10.9	0.8	3,011.2	348.0	3,370.9
Representing:					
2007 final dividend proposed					61.8
Reserves at 31st March 2007					3,309.1
					3,370.9
Company					
At 1st April 2006	-	-	890.5	1,943.3	2,833.8
Profit for the year	-	-	100.6	-	100.6
2006 final dividend paid	-	-	(49.4)	-	(49.4)
2007 interim dividend paid	-	-	(49.4)	-	(49.4)
At 31st March 2007	-	-	892.3	1,943.3	2,835.6
Representing:					
2007 final dividend proposed					61.8
Reserves at 31st March 2007					2,773.8
					2,835.6

The contributed surplus is related to the group's restructuring in prior years. The distributable reserves of the company at 31st March 2007 amounted to HK\$2,835.6 million (2006: HK\$2,833.8 million).

Notes to the Financial Statements

28. Reserves (continued)

	Exchange fluctuation reserve <i>HK\$Million</i>	Retained profits <i>HK\$Million</i>	Contributed surplus <i>HK\$Million</i>	Total <i>HK\$Million</i>
Group				
At 1st April 2005	0.6	2,695.6	348.0	3,044.2
Exchange differences	(0.4)	-	-	(0.4)
Profit for the year	-	216.8	-	216.8
2005 final dividend paid	-	(37.1)	-	(37.1)
2006 interim dividend paid	-	(37.1)	-	(37.1)
At 31st March 2006	0.2	2,838.2	348.0	3,186.4
Representing:				
2006 final dividend proposed				49.4
Reserves at 31st March 2006				3,137.0
				3,186.4
Company				
At 1st April 2005	-	889.3	1,943.3	2,832.6
Profit for the year	-	75.4	-	75.4
2005 final dividend paid	-	(37.1)	-	(37.1)
2006 interim dividend paid	-	(37.1)	-	(37.1)
At 31st March 2006	-	890.5	1,943.3	2,833.8
Representing:				
2006 final dividend proposed				49.4
Reserves at 31st March 2006				2,784.4
				2,833.8

Notes to the Financial Statements

29. Pledge of Assets

Certain leasehold land, properties for sale, properties under development and investment properties of the group with a carrying value of HK\$1,137.3 million (2006: HK\$1,081.9 million) have been pledged to banks as security for facilities granted to the extent of HK\$449.1 million (2006: HK\$453.9 million) against which HK\$267.1 million (2006: HK\$266.9 million) has been utilised at the balance sheet date.

30. Commitments

	Group	
	2007	2006
	<i>HK\$Million</i>	<i>HK\$Million</i>
Capital commitment in respect of available-for-sale financial assets	70.1	95.5
Development expenses contracted but not provided for in respect of properties under development	80.3	11.7
	150.4	107.2

31. Lease Commitments

The group had future aggregate minimum lease payments under non-cancellable operating leases in respect of properties as follows:

	Group	
	2007	2006
	<i>HK\$Million</i>	<i>HK\$Million</i>
Not later than one year	3.0	3.0
Later than one year and not later than five years	6.8	9.9
	9.8	12.9

Notes to the Financial Statements

32. Future Operating Lease Receivables

The group had future minimum lease receivables under non-cancellable operating leases in respect of properties as follows:

	Group	
	2007	2006
	<i>HK\$Million</i>	<i>HK\$Million</i>
Not later than one year	80.3	72.8
Later than one year and not later than five years	49.5	58.6
	129.8	131.4

33. Contingent Liabilities

	Company	
	2007	2006
	<i>HK\$Million</i>	<i>HK\$Million</i>
Guarantees for credit facilities drawn down by subsidiaries	327.1	316.9

Notes to the Financial Statements

34. Consolidated Cash Flow Statement

Reconciliation of profit before income tax to cash generated from operations:

	2007	2006
	<i>HK\$Million</i>	<i>HK\$Million</i>
Profit before income tax	310.6	229.0
Share of results of associates	(99.2)	(83.6)
Write-back of provision against properties for sale	(46.8)	(42.1)
Write-back of impairment loss on leasehold land	(56.4)	(24.8)
Impairment of available-for-sale financial assets	–	5.5
Amortisation of leasehold land	30.0	29.9
Depreciation	0.6	0.7
Fair value gains on investment properties	(0.9)	(1.5)
Interest expenses	6.0	5.3
Interest income	(3.8)	(1.8)
Operating profit before working capital changes	140.1	116.6
Decrease/(increase) in leasehold land	48.1	(2.8)
Decrease in properties for sale	32.5	33.3
(Increase)/decrease in properties under development	(60.5)	5.2
Increase in debtors, deposits and prepayments	(72.2)	(44.7)
Decrease in creditors, deposits and accruals	(9.6)	(5.0)
Cash generated from operations	78.4	102.6

35. Related Party Transactions

During the year, in addition to the balance with the associate as disclosed in note 19, the following transactions were carried out with related parties in the normal course of its business:

Key management compensation

	2007	2006
	<i>HK\$Million</i>	<i>HK\$Million</i>
Salaries and other employee benefits	2.6	2.5

Notes to the Financial Statements

36. Particulars of Subsidiaries and Associates

Subsidiaries	Principal Activities	Issued ordinary share capital held		Particulars of issued shares	
		by Group %	by Company %	Number of shares	Par value
Tai Cheung (B.V.I.) Company Limited	Investment holding	100	100	100	US\$1
Tai Cheung Properties Limited	Investment holding and property development	100	-	386,633,750	HK\$1
Acmax Enterprises Limited	Property development	100	-	2	HK\$1
Acura Enterprises Limited	Property development	100	-	2	HK\$1
Antier Investment Company Limited	Property development	100	-	3	HK\$100
Avanzado Technology Park, Inc.	Property development	100	-	100	US\$10
+ Centrax Limited	Property investment	100	-	2	HK\$1
Cosmopolitan Estates Limited	Property investment	100	-	1,000,000	HK\$1
Denmore Limited	Investment holding	100	-	2	HK\$1
Dumex Limited	Investment holding	100	-	30,000	HK\$100
Edward Contractors, Inc.	Contracting services	100	-	10,000	US\$1
Enrich Investments Limited	Property development	100	-	2	HK\$1
Fliutshire Properties Limited	Property development	100	-	2	HK\$1
French Valley Airport Center LLC	Property development	100	-	-	-
Hoi Ka Company Limited	Property development	100	-	10,000	HK\$100
Jaco Limited	Property development	100	-	2	HK\$1
Jumbo Realty Limited	Property development	100	-	3,600,000	HK\$10
Junco (Nominees) Limited	Nominee company	100	-	2	HK\$100
Karness Limited	Investment holding	100	-	1	US\$1
Kenic Properties Limited	Investment holding	100	-	2	HK\$100
Lee May Investments Limited	Property development	100	-	12	HK\$5
Maidstone Construction Company Limited	Construction	100	-	60,000	HK\$10
South Land Enterprises Limited	Property development	100	-	2	HK\$1
Sum Lung Investment Company Limited	Property development	100	-	100,000	HK\$100
Tai Cheung Capital Limited	Investment holding	100	-	50,000	HK\$100
Tai Cheung Construction Company Limited	Property development	100	-	2,500	HK\$200
Tai Cheung Management Company Limited	Property management	100	-	45,000	HK\$100
Tai Cheung Secretaries Limited	Corporate secretary	100	-	2	HK\$1
Taico Properties, Inc.	Property development	100	-	1,000,000	US\$1
Tareau International Company Limited	Investment holding	100	-	2	HK\$1
Tatrine Development Company Limited	Property development	100	-	2	HK\$10
Turnhouse Limited	Property development	100	-	2	HK\$1
Walsmith Corporation Limited	Investment holding	100	-	2	HK\$1
Wang Yip Construction Company Limited	Construction	100	-	50,000	HK\$100
Winfield Investments Limited	Property development	100	-	2	HK\$1
+ Woodmont Investments Limited	Property development	100	-	2	HK\$1
Y Lee Enterprises Limited	Property development	100	-	14,000,000	HK\$1
Yescott International Limited	Investment holding	100	-	2	HK\$1
Zebrine Investments Limited	Property development	100	-	2	HK\$10

Notes to the Financial Statements

36. Particulars of Subsidiaries and Associates (continued)

Associates	Principal Activities	Issued ordinary share capital held	
		by Group %	by Company %
** Consolidated Hotels Limited	Hotel investment	35	–
** Macfull Limited	Property development	20	–
** Macfull Finance Limited	Investment holding	20	–
** Shepherd Investments Limited	Investment holding	48	–

All subsidiaries and associates are incorporated in Hong Kong except Avanzado Technology Park, Inc., Edward Contractors, Inc., French Valley Airport Center LLC and Taico Properties, Inc. which are incorporated in the United States; Tai Cheung (B.V.I.) Company Limited which is incorporated in the British Virgin Islands, and Karness Limited which is incorporated in the Cook Islands. The principal country of operation is the same as the country of incorporation except for Tai Cheung (B.V.I.) Company Limited and Karness Limited which operate internationally.

* The financial statements of these associates have been audited by firms other than PricewaterhouseCoopers, Hong Kong. The aggregate net liabilities and profit before income tax of these associates attributable to the group amounted to HK\$354.5 million (2006: HK\$359.2 million) and HK\$4.7 million (2006: HK\$0.7 million) respectively.

** Associates with 31st December year ends.

+ The shares of the subsidiaries have been pledged to banks as security for banking facilities granted to the subsidiaries.

Independent Auditor's Report

Independent Auditor's Report to the Shareholders of Tai Cheung Holdings Limited

(incorporated in Bermuda with limited liability)

We have audited the financial statements of Tai Cheung Holdings Limited (the "company") and its subsidiaries (together, the "group") set out on pages 19 to 60 which comprise the consolidated and company balance sheets as at 31st March 2007, and the consolidated profit and loss account, 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 and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditor's Report

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the group and of the company as at 31st March 2007 and of the profit 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.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27th June 2007

Schedule of Properties

The directors are of the opinion that a complete list of the properties held by the group will be of excessive length and therefore the following list contains only those properties which are material to the group as at 31st March 2007:—

(I) Properties held for development or sale

Location	Stage of completion	Expected date of completion	Type	Group's ownership	Approximate floor area attributable to the group
Southmark 11 Yip Hing St., Aberdeen	Completed	N/A	C/P	100%	413,167 s.f.
Eastern Central Plaza 3 Yiu Hing Road, Shau Kei Wan	Completed	N/A	C	100%	122,221 s.f.
Metropole Square 2 On Yiu St., Sha Tin	Completed	N/A	I	100%	429,483 s.f.
Max Trade Centre 23 Luk Hop St., San Po Kong	Completed	N/A	I	100%	117,979 s.f.
Tuen Mun Parklane Square 2 Tuen Hi Road, Tuen Mun	Completed	N/A	C/P	100%	315,909 s.f.
Tuen Mun Central Square 22 Hoi Wing Road, Tuen Mun	Completed	N/A	C/P	100%	480,409 s.f.
Rural Building Lot No. 1164 33 Cape Road, Chung Hom Kok	Completed	N/A	R	100%	30,029 s.f.
Rural Building Lot No. 647 3-5 Plunkett's Road, The Peak	Concrete structure completed	November 2007	R	100%	23,330 s.f.
French Valley Airport Center California, U.S.A.	Planning stage	By phases from December 2008 to December 2011	I/C	100%	754,000 s.f.

(II) Properties held for investment

Location	Terms of lease	Type	Group's ownership	Approximate floor area attributable to the group
Cosmopolitan Estate Tai Kok Tsui, Kowloon	999 years from 5/8/1871	C	100%	2,161 s.f.
Concordia Plaza Junction of Cheung Wan Road and Science Museum Road, Tsim Sha Tsui	30/6/2047	P	100%	99,562 s.f.

Note: I = Industrial R = Residential C = Commercial P = Public Carpark

Five Year Financial Summary

	2003 <i>HK\$Million</i>	2004 <i>HK\$Million</i>	2005 <i>HK\$Million</i>	2006 <i>HK\$Million</i>	2007 <i>HK\$Million</i>
Consolidated Profit and Loss Account					
Turnover	197.7	182.6	310.2	267.4	304.8
Profit/(loss) attributable to equity holders of the company	(290.4)	101.4	183.0	216.8	271.8
Dividends	12.4	30.9	61.8	86.5	111.2
Consolidated Balance Sheet					
Property, plant and equipment	1.2	1.2	2.0	2.3	1.9
Investment properties	149.2	156.5	152.1	153.6	154.5
Leasehold land	–	–	1,526.4	1,499.3	1,477.6
Associates	1,187.5	1,490.8	79.9	67.8	63.4
Investment securities	47.1	55.8	67.2	–	–
Available-for-sale financial assets	–	–	–	82.6	114.0
Deferred income tax assets	10.8	12.8	14.7	14.1	4.5
Mortgage loans receivable	20.9	23.3	24.9	19.2	12.8
Net current assets	2,785.8	2,812.8	1,486.6	1,626.0	1,608.3
Total assets less current liabilities	4,202.5	4,553.2	3,353.8	3,464.9	3,437.0
Borrowings	98.1	54.9	244.5	212.9	–
Deferred income tax liabilities	1.4	1.9	3.4	3.9	4.4
	99.5	56.8	247.9	216.8	4.4
Net assets	4,103.0	4,496.4	3,105.9	3,248.1	3,432.6
Share capital	61.7	61.7	61.7	61.7	61.7
Reserves	4,041.3	4,416.2	3,007.1	3,137.0	3,309.1
Proposed final dividend	–	18.5	37.1	49.4	61.8
Total equity	4,103.0	4,496.4	3,105.9	3,248.1	3,432.6
Performance Statistics					
Earnings/(loss) per share	(\$0.47)	\$0.16	\$0.30	\$0.35	\$0.44
Dividends per share	\$0.02	\$0.05	\$0.10	\$0.14	\$0.18
Dividend cover	N/A	3.3	3.0	2.5	2.4
Net assets per share	\$6.6	\$7.3	\$5.03	\$5.26	\$5.6
Current ratio	14.5	6.4	6.5	9.1	4.7
Gearing	5.9%	5.8%	13.3%	9.8%	9.5%

Note: The comparative figures for the two years ended 31st March 2003 and 2004 have not been restated to reflect the adoption of new/revised Hong Kong Financial Reporting Standards as the directors consider that this would involve undue delay and expense.