ITC CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 372)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH, 2006

FINANCIAL HIGHLIGHTS *(HK$ million)*

	2006	2005	Change
RESULTS			
Turnover	**253**	104	+143%
Profit attributable to equity holders	**107**	89	+21%
Cash, bank deposits and balances	**228**	16	+1,325%
EPS *(HK cents)*			
– Basic	**9.4**	10.8	-13%
– Diluted	**6.8**	5.7	+19%
Dividend per share *(HK cents)*			
– Interim	**1.5**	1.0	+50%
– Final	**1.7**	1.5	+13%
	3.2	2.5	+28%
KEY FINANCIAL RATIOS			
Dividend payout ratio	**54.0%**	37.4%	+44%
Return on equity	**5.3%**	5.6%	-5%
Current ratio	**12.9**	0.6	+2,050%
Gearing ratio	**7.5%**	33.7%	-78%

RESULTS

The board of directors (the "Board") of ITC Corporation Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31st March, 2006, together with comparative figures for the previous year, as follows:

		For the year ended 31st March,	
	Notes	**2006** ***HK$'000***	2005 *HK$'000* (Restated)
Continuing operations			
Turnover	2	**252,959**	104,361
Cost of sales		**(205,884)**	(48,117)
Gross profit		**47,075**	56,244
Other income (expenses)		**1,260**	(3,189)
Administrative expenses		**(59,199)**	(64,612)
Discount on acquisition released to income arising from acquisition of:			
– additional interest in a subsidiary		**2,578**	–
– interest in a subsidiary		**–**	20,938
Finance costs		**(28,012)**	(23,868)
Net investment expenses	3	**–**	(8,182)
Allowance for amounts due from associates and related companies		**(3,064)**	(17,001)
Net loss on disposal and dilution of interests in subsidiaries and associates		**(31,596)**	(141,028)
Share of results of associates		**174,499**	146,468
Profit (loss) before taxation		**103,541**	(34,230)
Taxation	4	**–**	(260)
Profit (loss) for the year from continuing operations		**103,541**	(34,490)
Discontinued operations			
Profit for the year from discontinued operations		**–**	151,672
Profit for the year	5	**103,541**	117,182

	Notes	For the year ended 31st March, 2006 HK$'000	2005 HK$'000 (Restated)
Attributable to:			
Equity holders of the parent		**107,394**	88,898
Minority interests		**(3,853)**	28,284
		103,541	117,182
Dividend paid	6	**30,755**	6,543
		HK cents	*HK cents*
Earnings per share	7		
From continuing and discontinued operations:			
Basic		**9.4**	10.8
Diluted		**6.8**	5.7

Notes:

1. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and prior accounting periods are prepared and presented:

Business Combinations

In the current year, the Group has elected to apply HKFRS 3 "Business Combinations" retrospectively to goodwill existing at or acquired after, and to business combinations for which the agreement date is on or after 1st December, 2002 as the Group acquired a significant subsidiary in December 2002. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions prior to 1st April, 2001 was held in reserves, and goodwill arising on acquisitions on or after 1st April, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3 retrospectively to goodwill existing at or acquired after, and to business combinations for which the agreement date is on or after 1st December, 2002. Goodwill previously recognised in reserves has been transferred to the accumulated profits of the Group on 1st December, 2002. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1st December, 2002 (the date on which the Group applied the HKFRS 3 with retrospective effect) onwards and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions on or after 1st December, 2002 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures have been restated (see note below for the financial impact).

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to 1st April, 2001 was held in reserves, and negative goodwill arising on acquisitions on or after 1st April, 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill as at 1st December, 2002 which was previously presented as a deduction from assets or hold in reserve, with a corresponding increase to accumulated profits.

Intangible Assets

In the current year, the Group has elected to apply HKAS 38 "Intangible Assets", along with the application of HKFRS 3, retrospectively to intangible assets at or acquired after, and to intangible assets for which the agreement date is on or after 1st December, 2002.

In previous years, intangible assets were amortised over their estimated useful lives. HKAS 38 requires intangible assets to be assessed at the individual asset level as having either finite or indefinite life. A finite-life intangible asset is amortised over its estimated useful life whereas an intangible asset with an indefinite useful life is carried at cost less accumulated impairment losses. Intangible assets with indefinite lives are not subject to amortisation but are tested for impairment annually or more frequently when there are indications of impairment. The retrospective application of HKAS 38 has had no material effect on how the results for the current or prior accounting years are prepared and presented.

Impairment of Assets

In the current year, the Group has elected to apply HKAS 36 "Impairment of Assets", along with the application of HKFRS 3 and HKAS 38, retrospectively to goodwill and intangible assets acquired on or after 1st December, 2002.

In previous years, the recoverable amount of an asset was to be measured whenever there is an indication of impairment. HKAS 36 requires the recoverable amount of an asset with an indefinite useful life and goodwill to be measured annually, irrespective of whether there is any indication that the asset may be impaired. The retrospective application of HKAS 36 has had no material effect on how the results for the current or prior accounting years are prepared and presented.

Financial Instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 39 generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Convertible notes and redeemable convertible preference shares

HKAS 32 requires an issuer of a compound financial instrument (that contains both financial liability and equity components) to separate the compound financial instrument into its liability and equity components on its initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The principal impact of HKAS 32 on the Group is in relation to the convertible notes and the redeemable convertible preference shares issued by the Company that contain both liability and equity components. Previously, the convertible notes and the redeemable convertible preference shares were classified as liabilities and equity, respectively, on the balance sheet. Because HKAS 32 requires retrospective application, comparative figures have been restated. Comparative results for 2005 have been restated in order to reflect the increase in effective interest on the liability component (see note below for the financial impact).

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31st March, 2005, the Group classified and measured its investments in equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 "Accounting for Investments in Securities" ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities" or "other investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. From 1st April, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss" or "available-for-sale financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity, respectively.

On 1st April, 2005, the Group has classified and measured its investment in equity securities in accordance with the requirements of HKAS 39. The adoption of HKAS 39 has resulted in the reclassification of investments in securities for the Group to held for trading investments at 1st April, 2005. In addition, the adoption of HKAS 39 by an associate of the Group has resulted in an increase in the Group's interest in associates, a decrease in other reserve, an increase in investment revaluation reserve and an increase in accumulated profits as at 1st April, 2005 (see note below for the financial impact).

Owner-occupied Leasehold Interest in Land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see note below for the financial impact).

Investment Properties

In the current year, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in profit or loss for the year in which they arise. In previous years, investment properties under the predecessor standard (SSAP 13 "Accounting for Investment Properties") were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 retrospectively.

The adoption of HKAS 40 has resulted in a change of classification of certain properties which were previously exempted for classifying as investment properties according to SSAP 13. In previous year, property with 15% or less by area of value that was owned by the Group and leased out should normally not be regarded as an investment property. According to HKAS 40, if a portion of properties could be sold separately (or leased out separately under a finance lease), an entity accounts for the portion separately. In the current year, the Group applied HKAS 40 retrospectively and has reclassified certain such properties that could be sold separately (or leased out separately under a finance lease) from property, plant and equipment to investment properties. Comparative figures for 2005 have been restated (see note below for the financial impact).

SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above on the results for the current and prior years are as follows:

(i) On results

For the year ended 31st March, 2006

	HKAS 1	HKAS 38	HKAS 32	HKAS 39	HKAS 40	HKFRS 2	HKFRS 3	Total effects
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-amortisation of goodwill	–	–	–	–	–	–	77	77
Decrease in depreciation	–	–	–	–	66	–	–	66
Increase in negative goodwill credited to income	–	–	–	–	–	–	15,285	15,285
Decrease in revaluation of land and buildings	–	–	–	–	(401)	–	–	(401)
Increase in fair value of investment properties	–	–	–	–	335	–	–	335
Increase in loss on disposal and dilution of interest in associates	–	–	–	–	–	–	(84,141)	(84,141)
Increase in effective interest on the liability component of convertible notes	–	–	(1,731)	–	–	–	–	(1,731)
Increase in effective interest on the liability component of redeemable convertible preference shares	–	–	(10,952)	–	–	–	–	(10,952)
Decrease in income tax expense	36,020	–	–	–	–	–	–	36,020
Increase (decrease) in share of results of associates	(36,020)	1,178	–	49,079	–	(1,520)	10,309	23,026
Decrease in profit for the year and attributable to equity holders of the parent	–	1,178	(12,683)	49,079	–	(1,520)	(58,470)	(22,416)

For the year ended 31st March, 2005

	HKAS 1	HKAS 32	HKFRS 3	HKAS 40	HK-INT 2	Total effects
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Decrease in depreciation	–	–	–	62	–	62
Decrease in negative goodwill credited to income	–	–	(47,790)	–	–	(47,790)
Decrease in surplus arising from land and building	–	–	–	(62)	–	(62)
Increase in loss on disposal and dilution of interest in associates	–	–	(42,036)	–	–	(42,036)
Increase in effective interest on the liability component of convertible notes	–	(2,908)	–	–	–	(2,908)
Increase in effective interest on the liability component of redeemable convertible preference shares	–	(4,439)	–	–	–	(4,439)
Decrease in income tax expense	41,383	–	–	–	41,383	
Decrease in share of results of associates	(41,383)	–	–	–	(657)	(42,040)
Decrease in profit for the year and attributable to equity holders of the parent	–	(7,347)	(89,826)	–	(657)	(97,830)

(ii) On income statement line items

	2006	2005
	HK$'000	*HK$'000*
Decrease in other income	**(66)**	(27,192)
Decrease in administrative expenses	**66**	62
Increase in discount on acquisition released to income	**2,578**	–
Increase in finance costs	**(12,683)**	(7,347)
Increase in net loss on disposal and dilution of interests in subsidiaries and associates	**(84,141)**	(42,036)
Increase (decrease) in share of results of associates	**35,810**	(62,700)
Decrease in taxation	**36,020**	41,383
Decrease in profit for the year and attributable to equity holders of the parent	**(22,416)**	(97,830)

The cumulative effects of the application of the new HKFRSs on 31st March, 2005 and 1st April, 2005 are summarised below:

	31/3/2005	Effect of HKFRS 3	Effect of HKAS 17	Effect of HKAS 32	Effect of HKAS 40	31/3/2005	Effect of HKAS 39	Share of effect of HKAS 39 on associates	1/4/2005
	HK$'000 (Originally stated)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Restated)	*HK$'000*	*HK$'000*	*HK$'000* (Restated)
Balance sheet items									
Property, plant and equipment	151,785	–	(107,500)	–	(3,525)	40,760	–	–	40,760
Investment properties	–	–	–	–	3,525	3,525	–	–	3,525
Prepaid lease payments	–	–	94,079	–	–	94,079	–	–	94,079
Interests in associates	1,652,095	260,191	–	–	–	1,912,286	–	30,978	1,943,264
Investments in securities	5,025	–	–	–	–	5,025	(5,025)	–	–
Held for trading investments	–	–	–	–	–	–	5,025	–	5,025
Convertible notes	(164,378)	–	–	1,750	–	(162,628)	–	–	(162,628)
Deferred tax liabilities	(2,396)	–	2,348	–	–	(48)	–	–	(48)
Redeemable convertible preference shares	–	–	–	(286,537)	–	(286,537)	–	–	(286,537)
Total effects on assets and liabilities	1,642,131	260,191	(11,073)	(284,787)	–	1,606,462	–	30,978	1,637,440
Share capital	133,896	–	–	(26,695)	–	107,201	–	–	107,201
Share premium	293,220	–	–	(253,710)	–	39,510	–	–	39,510
Other reserve	(1,721)	2,675	–	–	–	954	–	(228)	726
Investment revaluation reserve	–	–	–	–	–	–	–	491	491
Property revaluation reserve	11,297	–	(11,073)	–	–	224	–	–	224
Goodwill reserve	(44,851)	44,851	–	–	–	–	–	–	–
Convertible notes reserve	–	–	–	5,337	–	5,337	–	–	5,337
Preference shares reserve	–	–	–	871	–	871	–	–	871
Accumulated profits	78,391	212,665	–	(10,590)	–	280,466	–	30,715	311,181
Total effects on equity	470,232	260,191	(11,073)	(284,787)	–	434,563	–	30,978	465,541
	1,171,899	–	–	–	–	1,171,899	–	–	1,171,899

The cumulative effects of the application of the new HKFRSs on 31st March, 2004 are summarised below:

	31/3/2004	Effect of HKFRS 3	Effect of HKAS 32	Effect of HKAS 40	31/3/2004
	HK$'000 (Originally stated)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Restated)
Balance sheet items					
Property, plant and equipment	452,374	–	–	(3,525)	448,849
Investment properties	515,000	–	–	3,525	518,525
Interests in associates	1,750,489	40,351	–	–	1,790,840
Negative goodwill	(314,540)	314,540	–	–	–
Convertible notes	(289,050)	–	6,210	–	(282,840)
Total effects on assets and liabilities	2,114,273	354,891	6,210	–	2,475,374
Share premium	209,889	–	60	–	209,949
Other reserve	7,130	2,675	–	–	9,805
Goodwill reserve	(49,067)	49,067	–	–	–
Convertible notes reserve	–	–	9,393	–	9,393
Accumulated losses	(1,085,101)	303,150	(3,243)	–	(785,194)
Minority interests	–	1,195,364	–	–	1,195,364
Total effects on equity	(917,149)	1,550,256	6,210	–	639,317
Minority interests	1,195,365	(1,195,365)	–	–	–
	1,836,057	–	–	–	1,836,057

2. TURNOVER AND SEGMENT INFORMATION

Business segments

For management purposes, the Group's operations are currently organised into four operating divisions namely finance, investment (including treasury investment), property investment and trading of building materials and machinery. These divisions are the basis on which the Group reports its primary segment information.

Business segment information for the year ended 31st March, 2006 is presented below:

	Continuing operations							Discontinued operations							
	Finance	Investment	Property investment	Trading of building materials and machinery	Unallocated	Eliminations	Sub-total	Building construction	Civil engineering	Specialist works	Trading of construction materials	Unallocated	Eliminations	Sub-total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER															
External sales	32,409	210,765	674	4,234	4,877	–	252,959	–	–	–	–	–	–	–	252,959
Inter-segment sales	4,233	–	5,075	–	–	(9,308)	–	–	–	–	–	–	–	–	–
Total	36,642	210,765	5,749	4,234	4,877	(9,308)	252,959	–	–	–	–	–	–	–	252,959
RESULT															
Segment result	8,886	5,671	1,967	163	(513)	–	16,174	–	–	–	–	–	–	–	16,174
Unallocated corporate expenses	–	–	–	–	(27,038)	–	(27,038)	–	–	–	–	–	–	–	(27,038)
Discount on acquisition released to income arising from acquisition of additional interest in a subsidiary	–	–	–	–	2,578	–	2,578	–	–	–	–	–	–	–	2,578
Allowance for amounts due from associates and related companies	–	–	–	–	(3,064)	–	(3,064)	–	–	–	–	–	–	–	(3,064)
Net loss on disposal and dilution of interests in associates	–	–	–	–	(31,596)	–	(31,596)	–	–	–	–	–	–	–	(31,596)
Share of results of associates	–	–	–	–	174,499	–	174,499	–	–	–	–	–	–	–	174,499
Finance costs	–	–	–	–	(28,012)	–	(28,012)	–	–	–	–	–	–	–	(28,012)
Profit before taxation							103,541							–	103,541
Taxation							–							–	–
Profit for the year							103,541							–	103,541

Business segment information for the year ended 31st March, 2005 (Restated) is presented below:

	Continuing operations							Discontinued operations							
	Finance	Investment	Property investment	Trading of building materials and machinery	Unallocated	Eliminations	Sub-total	Building construction	Civil engineering	Specialist works	Trading of construction materials	Unallocated	Eliminations	Sub-total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER															
External sales	26,592	44,676	24,806	5,276	3,011	–	104,361	1,424,932	272,972	223,239	824	–	–	1,921,967	2,026,328
Inter-segment sales	955	–	1,783	29	150	(2,917)	–	–	–	98,977	33,150	–	(132,127)	–	–
Total	27,547	44,676	26,589	5,305	3,161	(2,917)	104,361	1,424,932	272,972	322,216	33,974	–	(132,127)	1,921,967	2,026,328
RESULT															
Segment result	12,819	(8,316)	21,006	224	(622)	–	25,111	41,812	7,841	6,413	24	–	–	56,090	81,201
Unallocated corporate expenses	–	–	–	–	(36,668)	–	(36,668)	–	–	–	–	–	–	–	(36,668)
Discount on acquisition released to income arising from acquisition of interest in a subsidiary	–	–	–	–	20,938	–	20,938	–	–	–	–	–	–	–	20,938
Net investment (expenses) income	–	(9,821)	1,129	–	510	–	(8,182)	–	–	–	–	–	–	–	(8,182)
Allowance for amounts due from associates and a related company	–	–	–	–	(17,001)	–	(17,001)	–	–	–	–	–	–	–	(17,001)
Net loss on disposal and dilution of interests in associates	–	–	–	–	(141,028)	–	(141,028)	–	–	–	–	878	–	878	(140,150)
Share of results of associates															
– an associate of PYI Corporation Limited ("PYI") engaged in engineering and infrastructure service	–	–	–	–	–	–	–	–	–	–	–	95,722	–	95,722	95,722
– others	–	–	–	–	146,468	–	146,468	11,552	3,327	–	198	–	–	15,077	161,545
Share of results of jointly controlled entities	–	–	–	–	–	–	–	(45)	162	–	–	–	–	117	117
Finance costs	–	–	–	–	(23,868)	–	(23,868)	–	–	–	–	(67)	–	(67)	(23,935)
(Loss) profit before taxation							(34,230)							167,817	133,587
Taxation	–	–	(287)	–	27	–	(260)	(4,546)	(460)	–	38	(11,177)	–	(16,145)	(16,405)
(Loss) profit for the year							(34,490)							151,672	117,182

Over 90% of the turnover of the Group was to the customers in Hong Kong; accordingly, no geographical analysis of turnover was presented.

Inter-segment sales are charged at prevailing market rate or, where no market rate was available, at terms determined and agreed by both parties.

3. NET INVESTMENT EXPENSES

	Continuing operations and consolidated	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Impairment loss on investment securities	**–**	(9,821)
Gain on disposal of investment properties	**–**	1,129
Reverse of provision of settlement of option agreement	**–**	510
	–	(8,182)

4. TAXATION

	Continuing operations		Discontinued operations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)		(Restated)
Hong Kong Profits Tax						
Current year	**–**	–	**–**	–	**–**	–
Underprovision in previous years	**–**	–	**–**	21	**–**	21
	–	–	**–**	21	**–**	21
Overseas taxation	**–**	–	**–**	3,995	**–**	3,995
	–	–	**–**	4,016	**–**	4,016
Deferred tax						
Charge for the year	**–**	260	**–**	12,129	**–**	12,389
Taxation attributable to the Company and its subsidiaries	**–**	260	**–**	16,145	**–**	16,405

For 2006, no provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit for the year.

For 2005, Hong Kong Profits Tax is calculated at the rate of 17.5% of the estimated assessable profit for the year.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

5. PROFIT FOR THE YEAR

	Continuing operations		Discontinued operations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)		(Restated)
Profit for the year has been arrived at after charging:						
Depreciation and amortisation of property, plant and equipment	**4,440**	14,734	**–**	20,533	**4,440**	35,267
Less: Amount capitalised in respect of contracts in progress	**–**	–	**–**	(934)	**–**	(934)
	4,440	14,734	**–**	19,599	**4,440**	34,333
Loss on disposal of property, plant and equipment	**–**	364	**–**	960	**–**	1,324
Release of prepaid lease payments	**2,214**	554	**–**	–	**2,214**	554
and after crediting:						
Gain on disposal of property, plant and equipment	**295**	–	**–**	–	**295**	–

6. DIVIDEND PAID

	2006	2005
	HK$'000	*HK$'000*
Ordinary shares:		
Final dividend paid for 2005 – HK1.5 cents (2004: Nil) per share	**16,080**	–
Interim dividend paid for 2006 – HK1.5 cents (2005: HK1.0 cent) per share	**16,121**	6,543
Scrip dividend issued in lieu of cash	**(1,446)**	–
	30,755	6,543

Of the dividend paid during the year, approximately HK$1,446,000 (2005: Nil) was settled in shares under the Company's scrip dividend alternative scheme announced by the Company on 6th October, 2005 in respect of the final dividend of the year ended 31st March, 2005.

The amount of the final dividend proposed for the year ended 31st March, 2006 is HK1.7 cents per ordinary share (2005: HK1.5 cents per ordinary share), which will be payable in cash with an option to elect scrip.

The amount of the preference share dividend in respect of the twelve month period ending on but excluding 3rd November, 2006 is HK4 cents per redeemable convertible preference share.

7. EARNINGS PER SHARE

	2006		2005	
	Basic *HK cents*	**Diluted** *HK cents*	Basic *HK cents* (Restated)	Diluted *HK cents* (Restated)
Earnings (loss) per share from continuing operations *(Note a)*	**9.4**	**6.8**	(10.2)	(3.1)
Earnings per share from discontinued operations *(Note b)*	**–**	**–**	21.0	8.8
Earnings per share from continuing and discontinued operations	**9.4**	**6.8**	10.8	5.7

Notes:

(a) Earnings (loss) per share from continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the equity holders of the parent is based on the following data:

	2006 *HK$'000*	2005 *HK$'000* (Restated)
Earnings figures are calculated as follows:		
Profit for the year attributable to equity holders of the parent	**107,394**	88,898
Less: Earnings for the year from discontinued operations	**–**	(151,672)
Earnings (loss) for the purpose of basic earnings per share from continuing operations before dividend for compulsorily convertible cumulative preference shares	**107,394**	(62,774)
Dividend for compulsorily convertible cumulative preference shares	**–**	(10,942)
Earnings (loss) for the purposes of basic earnings per share from continuing operations after dividend for compulsorily convertible cumulative preference shares	**107,394**	(73,716)
Effect of dilutive potential ordinary shares:		
Adjustment of finance cost on convertible notes	**11,938**	16,738
Adjustment of finance cost on redeemable convertible preference shares	**10,952**	4,439
Adjustment to the share of results of associates based on dilution of their earnings per share	**–**	(271)
Earnings (loss) for the purposes of diluted earnings per share from continuing operations	**130,284**	(52,810)

	Number of shares **2006**	2005
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,142,341,794**	722,619,374
Effect of dilutive potential ordinary shares:		
Redeemable convertible preference shares	**272,085,692**	111,337,564
Convertible notes	**500,270,320**	897,979,908
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,914,697,806**	1,731,936,846

(b) Earnings per share from discontinued operations

Basic and diluted earnings per share for discontinued operations for 2005 is HK$0.21 and HK$0.088, respectively, which are calculated based on the profit for the year from discontinued operations of approximately HK$151,672,000 and the denominators detailed above for basic and diluted earnings per share.

There was no discontinued operations during 2006.

The adjustment to comparative basic and diluted earnings per share, arising from changes in accounting policies set out in note 1 above, is as follows:

Reconciliation of basic and diluted earnings per share for the year ended 31st March, 2005:

	Basic *HK cents*	**Diluted** *HK cents*
Reported figure before adjustments	23.7	10.9
Adjustments arising from changes in accounting policies	(12.9)	(5.2)
As restated	10.8	5.7

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK1.7 cents per ordinary share for the year ended 31st March, 2006 (2005: HK1.5 cents) to holders of ordinary shares whose names appear on the register of holders of ordinary shares of the Company as at the close of business on 5th October, 2006. The proposed final dividend is expected to be paid to shareholders by post on or around 3rd November, 2006 following approval at the annual general meeting. The Board has also proposed that the final dividend should be satisfied by cash, with an option to elect scrip dividend of ordinary shares, in respect of part or all of such dividend. The market value of the ordinary shares to be issued under scrip dividend alternate will be fixed by reference to the average of the closing prices of the ordinary shares of the Company for the three consecutive trading days ending 5th October, 2006 less a discount of five per cent. of such average price or the par value of ordinary shares, whichever is the higher. The proposed scrip dividend is conditional upon The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") granting the listing of, and permission to deal in, the new ordinary shares to be issued and the passing at the forthcoming annual general meeting of the Company of an ordinary resolution to approve the final dividend. A circular with full details of the scrip dividend alternate and a form of election will be sent to shareholders of the Company.

DIVIDEND ON PREFERENCE SHARES

The Board has resolved to pay a dividend of HK4 cents per redeemable convertible preference share of the Company of HK$0.1 each in respect of the twelve month period ending on but excluding 3rd November, 2006 to holders of redeemable convertible preference shares whose names appear on the register of redeemable convertible preference shares as at the close of business on 13th October, 2006. The dividend on redeemable convertible preference shares is expected to be paid to holders of redeemable convertible preference shares by post on or around 3rd November, 2006.

CLOSE OF REGISTERS OF MEMBERS

The register of holders of ordinary shares of the Company will be closed from 3rd October, 2006 to 5th October, 2006, both days inclusive, during the period which no ordinary share transfer shall be effected. In order to qualify for the proposed final dividend, all transfers of ordinary shares accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:00 p.m. on 29th September, 2006.

The register of holders of redeemable convertible preference shares of the Company will be closed from 11th October, 2006 to 13th October, 2006, both dates inclusive, during which period no redeemable convertible preference share transfers shall be effected. In order to qualify for the dividend on redeemable convertible preference shares, all transfers of redeemable convertible preference shares accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Secretaries Limited, at the aforesaid address for registration by no later than 4:00 p.m. on 10th October, 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL PERFORMANCE AND POSITIONS

The principal activities of the Group comprise investment holding, the provision of finance, the provision of management services, property investment, treasury investment, trading of building materials and machinery and the provision and operation of an internet-based precious metals trading platform through Trasy Gold Ex Limited ("Trasy").

During the year under review, turnover from continuing operations increased by approximately 143% to approximately HK$253 million due to the increase in turnover from treasury investment and the provision of finance. The Group reported a profit attributable to equity holders of approximately HK$107 million, an increase of approximately 21% as compared to approximately HK$89 million for the last corresponding year. The increase in profit was mainly due to the release to income regarding the discount arising from acquisition of additional interest in Hanny Holdings Limited ("Hanny"). Basic earnings per ordinary share was HK9.4 cents (2005: HK10.8 cents). The Board has recommended the payment of a final dividend of HK1.7 cents per ordinary share, together with the interim dividend and the dividend on preference shares, the dividend payout ratio was approximately 54.0%.

Regarding the financial position of the Group, the total assets increased by 13% to approximately HK$2,461 million. Owing to the combined effects of the current year's profit for the year, the placement of 214.4 million new ordinary shares and the full conversion of convertible notes into approximately 548.3 million ordinary shares, the equity attributable to equity holders increased to approximately HK$2,010 million.

The Consolidated Balance Sheet as at 31st March, 2006 is as follows:

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment		**50,835**	40,760
Investment properties		**4,016**	3,525
Prepaid lease payments		**89,651**	91,865
Other intangible assets		**1,080**	1,840
Interests in associates		**1,179,749**	1,912,286
Available-for-sale investments		**83,730**	–
		1,409,061	2,050,276
Current assets			
Inventories		**137**	115
Debtors, deposits and prepayments	a	**14,370**	4,587
Margin account receivables		**10,791**	25
Prepaid lease payments		**2,214**	2,214
Amounts due from associates		**205,083**	8,538
Amounts due from related companies		**247,362**	1,632
Loans receivable		**205,400**	23,231
Investments in securities		**–**	5,025
Held for trading investments		**138,474**	–
Gold bullion		**–**	65,303
Bank deposits		**223,230**	12,814
Bank balances and cash		**4,578**	3,218
		1,051,639	126,702
Current liabilities			
Creditors and accrued expenses	b	**25,383**	20,306
Margin account payables		**25,048**	–
Derivative financial instruments		**460**	–
Amounts due to associates		**123**	93
Convertible notes		**–**	162,628
Bank borrowings – due within one year		**30,667**	17,372
Other loans – due within one year		**–**	18,774
		81,681	219,173
Net current assets (liabilities)		**969,958**	(92,471)
Total assets less current liabilities		**2,379,019**	1,957,805
Non-current liabilities			
Redeemable convertible preference shares		**286,811**	286,537
Bank borrowings – due after one year		**60,100**	62,550
Deferred tax liabilities		**99**	48
		347,010	349,135
Net assets		**2,032,009**	1,608,670

	2006 HK$'000	2005 HK$'000 (Restated)
Capital and reserves		
Share capital	**183,750**	107,201
Reserves	**1,826,195**	1,471,810
Equity attributable to equity holders of the parent	**2,009,945**	1,579,011
Minority interests	**22,064**	29,659
Total equity	**2,032,009**	1,608,670

Notes:

(a) DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments are trade debtors of approximately HK$11,747,000 (2005: HK$2,090,000) and their aged analysis at the balance sheet date is as follows:

	2006	2005
	HK$'000	*HK$'000*
Trade debtors		
0-30 days	**11,587**	1,852
31-60 days	**129**	24
61-90 days	**28**	90
Over 90 days	**3**	124
	11,747	2,090

Trade debtors that arise from property investment business are payable monthly in advance and the credit terms granted by the Group to other trade debtors normally range from 30 days to 90 days.

The directors consider that the fair values of the Group's debtors and deposits at 31st March, 2006 approximate the corresponding carrying amounts.

(b) CREDITORS AND ACCRUED EXPENSES

Included in creditors and accrued expenses are trade payables of approximately HK$758,000 (2005: HK$4,925,000) and their aged analysis at the balance sheet date is as follows:

	2006	2005
	HK$'000	*HK$'000*
Trade creditors		
0-30 days	**730**	4,817
31-60 days	**22**	54
61-90 days	**4**	33
Over 90 days	**2**	21
	758	4,925

The directors consider that the fair values of creditors and accrued expenses at 31st March, 2006 approximate the carrying amounts.

The Condensed Consolidated Cash Flow Statement is as follows:

	Year ended 31st March,	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Net cash from operating activities	**142,230**	85,870
Net cash used in investing activities	**(15,842)**	(579,889)
Net cash from financing activities	**85,434**	208,011
Net increase (decrease) in cash and cash equivalents	**211,822**	(286,008)
Cash and cash equivalents at beginning of the year	**16,032**	303,051
Effect of foreign exchange rate changes	**(46)**	(1,011)
Cash and cash equivalents at end of the year	**227,808**	16,032
Analysis of the balances of cash and cash equivalents		
Bank deposits, bank balances and cash	**227,808**	16,032

REVIEW OF OPERATIONS

During the year ended 31st March, 2006, the Group continued to hold significant interests, directly or indirectly, in a number of companies listed in Hong Kong, Canada, Singapore, the United States, Australia and Germany and other high potential unlisted investments pursuant to its long-term strategy of exploring potential investments in an aggressive, but cautious, manner and enhancing the value of its strategic investments by active participation in or close liaisons with the management of the investee companies of the Group.

Strategic Investments

As at 31st March, 2006, the Group had the following significant strategic investments:

Listed subsidiary and strategic investments directly held

PYI

Based in Hong Kong, the PYI group focuses on infrastructure investment in and operation of bulk cargo port and logistics facilities in the Yangtze River region in the PRC. It also engages in land and property development in association with port facilities. In addition, PYI provides comprehensive engineering and construction services through Paul Y. Engineering Group Limited ("Paul Y. Engineering"). In September 2005 and February 2006, the Group disposed an aggregate of 300 million shares in PYI and reported a loss of approximately HK$20.1 million. For the year ended 31st March, 2006, PYI reported a consolidated profit of approximately HK$310.5 million and its overall after tax contribution to the Group was a profit of approximately HK$129.8 million.

Hanny

Hanny is an investment holding company. After completion of the disposal of its business of development, marketing, distribution and sale of hardware, media and accessories used for the storage of electronic data, accessories and hardware under the Memorex® brand in April 2006, the Hanny group concentrates on the trading of securities, property investment and trading and other strategic investments including investments in associated companies which are listed on various stock exchanges including those in Hong Kong, Singapore, the United

States and Australia and long-term convertible notes issued by companies listed on the Hong Kong Stock Exchange. For the year ended 31st March, 2006, Hanny reported a consolidated profit of approximately HK$8.9 million and its overall after tax contribution to the Group was a profit of approximately HK$2.3 million.

Trasy
The Trasy group is principally engaged in the provision and operation of an internet-based precious metals trading platform known as the "Trasy System". Trading in Trasy's shares has been suspended since 10th June, 2003. Subsequent to the takeover by the Company in March 2005, Trasy has put in place a sustainable business plan to strengthen its overall business performance and reformed its the board of directors with an aim to seek resumption of trading of its shares as soon as possible. For the year ended 31st March, 2006, Trasy's after tax contribution to the Group was a loss of approximately HK$4.9 million.

Trasy is now preparing a viable resumption proposal to the Hong Kong Stock Exchange for consideration failing which the Hong Kong Stock Exchange may give notice to cancel the listing of Trasy on 18th November, 2006. The board of directors of Trasy considers that the current scale of operations of the Trasy group is sufficient to warrant continued listing of its shares.

Burcon NutraScience Corporation ("Burcon")
Burcon is a research and development company building a portfolio of composition, application and process patents around its plant protein extraction and purification technology. Burcon's patented process utilises inexpensive oilseed meals for the production of purified plant proteins that exhibit valuable nutritional, functional or nutraceutical profiles. Burcon, in conjunction with Archer Daniels Midland, is currently focusing its efforts on developing the world's first commercial canola proteins, namely Puratein® and Supertein™ (the "Products"). Canola, recognised for its nutritional qualities, is the second-largest oilseed crop in the world after soybeans. Burcon's goal is to develop the Products to participate with soy, dairy and egg proteins in the expanding multi-billion dollar protein ingredient market, with potential uses in prepared foods, nutritional supplements and personal care products. In December 2005, Burcon was recognised as a TSX Venture 50™ company. TSX Venture 50™ is the first ever ranking of the top 50 emerging public companies listed on the TSX Venture Exchange in Canada. For the year ended 31st March, 2006, Burcon's after tax contribution to the Group was a loss of approximately HK$4.7 million.

Hong Kong listed strategic investments indirectly held
Paul Y. Engineering
The Paul Y. Engineering group is an international engineering services group, headquartered in Hong Kong. It operates three core business: management contracting, project management and facilities management. The Paul Y. Engineering group is committed to build, to manage and to add value for its board and distinguished client base in Hong Kong, the PRC and overseas.

Macau Prime Properties Holdings Limited ("MPP", formerly known as Cheung Tai Hong Holdings Limited)
The MPP group is principally engaged in property development and investment in Macau, the PRC and Hong Kong, operations of golf resort and hotel in the PRC, trading of motorcycles, manufacturing and retailing of "Tung Fong Hung" branded Chinese pharmaceutical and health products, production and distribution of western pharmaceutical products, and securities investment.

See Corporation Limited ("See")
The See group engages in the entertainment and media business, which includes film and television programme productions; event productions; and artiste and model management. It also owns significant interest in TVB Pay Vision Holdings Limited (formerly known as Galaxy Satellite TV Holdings Limited), which operates a pay-television business in Hong Kong.

Wing On Travel (Holdings) Limited ("Wing On Travel")
Wing On Travel group is principally engaged in the business of providing package tours, travel and other related services, and hotel operation including a hotel chain with the "Rosedale" brand in Hong Kong and the PRC.

China Strategic Holdings Limited ("China Strategic")
China Strategic is an investment holding company. After completion of the reorganisation of China Strategic group in May 2006, the China Strategic group concentrates on the business of manufacturing and trading of battery products, investments in securities and property and investment in unlisted investments.

Overseas listed strategic investments indirectly held
PSC Corporation Ltd. ("PSC")
The PSC group's three core business activities are consumer business, packaging and healthcare. PSC's consumer business division involves in food trading, logistics, manufacturing and retail franchising. This division has conceived and grown successful proprietary brands and honed a distribution service for its products. In 2005, the acquisition of Tat Seng Packaging Group Ltd. ("Tat Seng Packaging"), which is one of the Singapore's leading manufacturers of corrugated paper packaging products, marked PSC's entry into the packaging business. The healthcare division of the PSC Group provides turnkey solutions in developing primary to tertiary healthcare facilities.

China Enterprises Limited ("China Enterprises")
China Enterprises group is engaged in the business of property investment and development in the PRC; and has substantial interests in certain investment holding companies, the subsidiaries of which are principally engaged in the business of manufacturing and marketing of tires in the PRC and other countries abroad and the business of providing package tours, travel and other related services, and hotel operation.

MRI Holdings Limited ("MRI")
MRI is an investment company, which has a major investment in one of the leading health and fitness chain in Australia. The MRI group continues to identify appropriate, strategic investment opportunities that maximize returns to shareholders, within the clear mandate determined by shareholders.

Intraco Limited ("Intraco")

The Intraco group has developed its business portfolio under four core areas, which include commodities trading, projects, semiconductors and info-communications.

Tat Seng Packaging

The Tat Seng Packaging group is one of Singapore's leading manufacturers of corrugated paper packaging product with operations in Singapore and Suzhou in the PRC. The Tat Seng Packaging group designs, manufactures and sells corrugated paper packaging products for the packing of diverse range of products according to customers' specifications. Its key products include corrugated paper boards, corrugated paper cartons, die-cut boxes, assembly cartons, heavy duty corrugated paper products and other packaging related products.

The Group's interests in listed subsidiary and strategic investments are summarised below:

Listed subsidiary and strategic investments directly held

Name of investee company	Place of listing	Stock code	Shareholding percentage As at 31/3/2006	As at the date of this announcement
PYI	Hong Kong Stock Exchange	498	29.0%	27.3%
Hanny	Hong Kong Stock Exchange	275	24.3%	23.3%
Trasy	The Growth Enterprise Market of Hong Kong Stock Exchange	8063	56.5%	56.5%
Burcon	TSX Venture Exchange and Frankfurt Stock Exchange	BU WKN 157793	25.6%	25.6%

Hong Kong listed strategic investments indirectly held

Name of investee company	Place of listing	Stock code	Effective interest As at 31/3/2006	As at the date of this announcement
Paul Y. Engineering	Hong Kong Stock Exchange	577	18.7% *(Note a)*	17.6% *(Note a)*
MPP	Hong Kong Stock Exchange	199	–	3.5% *(Note b)*
See	Hong Kong Stock Exchange	491	3.7% *(Note b)*	4.1% *(Note b)*
China Strategic	Hong Kong Stock Exchange	235	15.6% *(Note c)*	7.1% *(Note c)*
Wing On Travel	Hong Kong Stock Exchange	1189	2.3% *(Note d)*	2.5% *(Note d)*

Overseas listed strategic investments indirectly held

Name of investee company	Place of listing	Stock code	Effective interest As at 31/3/2006	As at the date of this announcement
PSC	Singapore Exchange Securities Trading Limited	PSC	7.4% *(Note e)*	7.6% *(Note e)*
China Enterprises	OTC Bulletin Board, U.S.A.	CSHEF	8.6% *(Note f)*	12.7% *(Note f)*
MRI	Australian Stock Exchange	MRI	8.9% *(Note f)*	13.2% *(Note f)*
Tat Seng Packaging	Singapore Exchange Securities Trading Limited	TAT SENG	4.7% *(Note g)*	4.9% *(Note g)*
Intraco	Singapore Exchange Securities Trading Limited	INTRACO	2.2% *(Note g)*	2.2% *(Note g)*

Notes:

(a) The Group's interest is held through its direct interests in PYI.

(b) The Group's interest is held through its direct interests in Hanny.

(c) The Group's interest is held through its direct interests in PYI and Hanny.

(d) The Group's interest is held through its indirect interests in China Enterprises.

(e) Other than the Group's direct interest of approximately 1.5% as at 31st March, 2006 (2.0% as at the date of this announcement), the Group's interest is held through its direct interests in Hanny.

(f) The Group's interest was held through its indirect interest in China Strategic as at 31st March, 2006 but it is held through its direct interests in Hanny as at the date of this announcement after the group reorganisation of China Strategic.

(g) The Group's interest is held through its indirect interest in PSC.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. Cash, bank balances and deposits as at 31st March, 2006 amounted to approximately HK$227.8 million. As at 31st March, 2006, the Group had bank borrowings of approximately HK$90.8 million of which approximately HK$30.7 million is repayable within one year or on demand. The redeemable convertible preference shares with an aggregate redemption value of approximately HK$283.0 million will be redeemed on 3rd November, 2007 (or the next following business day if it is not a business day) unless they are previously converted, redeemed or purchased and cancelled.

As at 31st March, 2006, all the Group's borrowings, except the redeemable convertible preference shares, are at floating interest rates and the Group's current ratio was 12.9.

EXCHANGE RATE EXPOSURE

As at 31st March, 2006, approximately 16.8% of the cash, bank balances and deposits were in other currencies and only approximately 3.9% of the Group's total borrowings of approximately HK$377.6 million was denominated in Canadian dollars. The Canadian dollars denominated borrowings are directly tied in with the Group's business in Canada.

GEARING RATIO

The Group's gearing ratio, which was calculated using the Group's net borrowings of approximately HK$149.8 million and the equity attributable to equity holders of approximately HK$2,009.9 million, was 7.5% as at 31st March, 2006, as compared to 33.7% as at 31st March, 2005.

PLEDGE OF ASSETS

As at 31st March, 2006, certain of the Group's properties, margin accounts receivables, held for trading investments and derivative financial instruments with an aggregate carrying value of approximately HK$173.9 million were pledged to banks and financial institutions to secure general facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31st March, 2006, the Group has contingent liabilities in respect of guarantee given to banks on general banking facilities granted to an associate and financial support given to the associate of approximately HK$56 million and approximately HK$9.1 million, respectively.

EMPLOYEE AND REMUNERATION POLICY

As at 31st March, 2006, the Group employed a total of 97 employees. The Group's remuneration policy is that employees' remuneration is based on the employees' skills, knowledge and involvement in the Company's affairs and are determined by reference to the Company's performance, as well as remuneration benchmark in the industry and the prevailing market conditions. The ultimate objective of the remuneration policy is to ensure that the Group is able to attract, retain and motivate a high-calibre team which is essential to the success of the Company. The Group also offers benefits to employees including discretionary bonus, training, provident funds and medical coverage. Share option schemes are established for the eligible employees but no share option was granted during the period and there was no outstanding share option granted by the Company as at 31st March, 2006.

MAJOR EVENTS

Disposal of shares in PYI

In September 2005, the Group disposed of 150 million shares of PYI at HK$1.5 per share to more than six independent third parties through a placing agent. Immediately after such disposal, the Group's shareholding interest in PYI decreased from approximately 49.96% to approximately 38.92%.

In February 2006, the Group further disposed of 150 million shares of PYI at HK$1.78 per share to independent third parties through a placing agent. Immediately after such disposal, the Group's shareholding interest in PYI decreased from approximately 39.81% to approximately 28.84%.

Acquisition of shares in Hanny

In October 2005, the Group acquired 11 million shares of Hanny on market for a consideration of approximately HK$44 million. Immediately after the acquisition, the Group's shareholding interest in Hanny increased from approximately 20.61% to approximately 25.48%.

Placing of new ordinary shares under general mandate

In February 2006, the Company has placed, through a placing agent, 214.4 million new ordinary shares to more than six independent third parties at HK$0.72 per ordinary share and raised approximately HK$154.4 million in cash, before expenses.

Conversion of convertible notes

In February and March 2006, convertible notes issued by the Company in the aggregate principal amount of HK$164.5 million have been converted into approximately 548.3 million new ordinary shares at HK$0.3 per ordinary share.

MAJOR SUBSEQUENT EVENT

Subscription of exchangeable convertible notes of Hanny

In June 2006, the Company has conditionally agreed to subscribe at face value for 1% exchangeable convertible notes due 2011 to be issued by Hanny with a principal amount of US$75 million (equivalent to approximately HK$582.5 million) (the "Hanny Notes") entitling the holder of the Hanny Notes to convert into shares in Hanny at an initial conversion price of US$0.51 per share. The holder of the Hanny Notes shall also have the right to exchange the principal amount of the Hanny Notes, subject to a maximum amount equal to approximately 66% of the face value of the Hanny Notes, for the same principal amount of the convertible notes to be issued by China Enterprises (the "China Enterprises Notes"), entitling the holder of the China Enterprises Notes to convert into shares of China Enterprises at an initial conversion price of US$3 per share. A circular containing, among other things, details of the subscription of the Hanny Notes will be despatched to shareholders of the Company as soon as practicable.

SECURITIES IN ISSUE

As a result of the issue of new ordinary shares under scrip dividend alternative scheme in November 2005, the placing of new shares in February 2006 and the conversion of the convertible notes of the Company in February and March 2006, the total number of issued ordinary shares and issued redeemable convertible preference shares of the Company, all of HK$0.10 each, as at the date of this announcement are 1,837,495,145 and 266,952,000, respectively.

OUTLOOK

The Hong Kong economy has sustained a strong upturn. The improving unemployment rate, together with the rising employment incomes, continues to drive the domestic demand while the fairly strong performance of the global economy provides significant growth impetus to the external trade. However, the high oil price, the rising interest rates, the tightening measures in the PRC have brought along uncertainty to the future. Looking ahead, the Group is cautiously optimistic about its investment and business operation.

To be a leading diversified and balanced investment conglomerate, the Group will continue to capture investment opportunities which can provide sustainable growth and returns. At the same time, the Group will continue to provide full support to its investments to strive for better performance and increase their profitability. The placing of new shares and full conversion of conversion notes have enhanced the financial position and increased resource of the Group to fund any future investments. It is always the goal of the Group to maximize its shareholder's value and maintain a stable dividend payout. Barring unforeseen circumstances, the Group is confident in meeting its goal.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31st March, 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the year ended 31st March, 2006, complied with the code provisions of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange except for the following deviation from code provision A.4.2 of the Code, details of which, together with the considered reasons therefor, are explained below:

Under code provision A.4.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The rotation of directors at the annual general meeting of the Company held on 12th September, 2005 was in accordance with the Company's previous bye-laws which stipulated, inter alia, that one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that notwithstanding anything therein, the Chairman of the Board and/or the Managing Director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. This deviated from the requirements of code provision A.4.2. To fully comply with code provision A.4.2, relevant amendments to the Company's bye-laws were proposed and approved by the shareholders at the same annual general meeting of the Company, pursuant to which every director shall be subject to retirement by rotation at least once every three years at the annual general meeting.

REVIEW OF ACCOUNTS AND SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The Group's results for the year ended 31st March, 2006 have been reviewed by the Audit Committee. The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31st March, 2006 included in this preliminary results announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary results announcement.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website at *www.itc.com.hk* and the website of the Hong Kong Stock Exchange. The Annual Report will be despatched to shareholders and available at the aforesaid websites in due course.

ANNUAL GENERAL MEETING

The 2006 Annual General Meeting of the Company will be held on 13th September, 2006. Notice of the 2006 Annual General Meeting will be published and issued to shareholders in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank the shareholders for their continuous support to the Company and extend my appreciation to all management and staff members for their contribution and dedication throughout the year.

By Order of the Board
Dr. Chan Kwok Keung, Charles
Chairman

Hong Kong, 28th July, 2006

As at the date of this announcement, the composition of the Board is as follows:

Executive Directors:
Dr. Chan Kwok Keung, Charles *(Chairman)*
Ms. Chau Mei Wah, Rosanna
(Deputy Chairman & Managing Director)
Mr. Chan Kwok Hung
Mr. Chan Fut Yan
Mr. Cheung Hon Kit

Independent Non-executive Directors:
Mr. Chuck, Winston Calptor
Mr. Lee Kit Wah
Mr. Wong Kam Cheong, Stanley
Hon. Shek Lai Him, Abraham, *JP*

ITC CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 372)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of ITC Corporation Limited (the "Company") will be held at Conference Room, 11th Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Wednesday, 13th September, 2006 at 11:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31st March, 2006.
2. To declare the final dividend for the year ended 31st March, 2006.
3. To re-elect retiring directors and to fix the directors' remuneration.
4. To re-appoint auditors and to authorise the board of directors to fix their remuneration.
5. As special business, to consider and, if thought fit, to pass the following resolutions as ordinary resolutions of the Company:

(A) "**THAT**:

(i) subject to sub-paragraph (iii) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which would or might require the exercise of such powers, subject to and in accordance with all applicable laws and the bye-laws of the Company, be and is hereby generally and unconditionally approved;

(ii) the approval in sub-paragraph (i) of this resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which would or might require the exercise of such powers after the end of the Relevant Period;

(iii) the aggregate nominal amount of the share capital of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approvals in sub-paragraphs (i) and (ii) of this resolution, otherwise than pursuant to a Rights Issue (as hereinafter defined) or upon the exercise of rights of subscription or conversion under the outstanding warrants to subscribe for shares of the Company or any securities which are convertible into shares of the Company or the share option scheme of the Company or any scrip dividend in lieu of the whole or part of a dividend on shares of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the ordinary share capital of the Company in issue on the date of this resolution and the said approval shall be limited accordingly; and

(iv) for the purpose of this resolution:

"Relevant Period" means the period from the date of the passing of this resolution until whichever is the earliest of:

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

(b) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws of Bermuda to be held; or

(c) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

(B) "**THAT**:

(i) subject to sub-paragraph (ii) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase issued ordinary shares and preference shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(ii) the approval in paragraph (i) shall be in addition to any other authorization given to the directors of the Company and shall authorize the directors of the Company on behalf of the Company during the Relevant Period to procure the Company to purchase its securities at a price determined by the Directors;

(iii) the aggregate nominal amount of the ordinary share capital and preference share capital of the Company which the directors of the Company are authorised to repurchase pursuant to the approvals in sub-paragraphs (i) and (ii) of this resolution shall not exceed 10 per cent. of the aggregate nominal amount of the ordinary share capital of the Company in issue on the date of this resolution, and 10 per cent. of the aggregate nominal amount of the preference share capital of the Company in issue on the date of this resolution and the said approval shall be limited accordingly; and

(iv) for the purpose of this resolution:

"Relevant Period" means the period from the date of the passing of this resolution until whichever is the earliest of:

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

(b) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws of Bermuda to be held; or

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

(C) "**THAT** conditional upon resolutions numbered 5(A) and 5(B) as set out in the notice convening this meeting being passed, the aggregate nominal amount of the issued ordinary shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors of the Company pursuant to and in accordance with the said resolution numbered 5(B) above shall be added to the aggregate nominal amount of the ordinary share capital that may be allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with by the directors of the Company pursuant to and in accordance with the resolution numbered 5(A) as set out in the notice convening this meeting."

6. To transact any other ordinary business of the Company.

By Order of the Board
Law Hon Wa, William
Company Secretary

Hong Kong, 31st July, 2006

Principal Place of Business:
30th Floor, Bank of America Tower
12 Harcourt Road
Central
Hong Kong

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Notes:

1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a member of the Company.

2. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, together with such evidence as the Board may require under the bye-laws of the Company shall be deposited at the Company's principal place of business at 30th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting at which the person named in the instrument proposes to vote.

3. The register of holders of ordinary shares of the Company will be closed for the purposes of determining the entitlements to the proposed final dividend from Tuesday, 3rd October, 2006 to Thursday, 5th October, 2006, both dates inclusive, during which period no transfers of ordinary shares shall be effected. In order to qualify for the proposed final dividend, all transfers of ordinary shares accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration by 4:00 p.m. on Friday, 29th September, 2006.

As at the date of this notice, the board of directors of the Company comprises:

Executive Directors:

Dr. Chan Kwok Keung, Charles *(Chairman)*
Ms. Chau Mei Wah, Rosanna
(Deputy Chairman & Managing Director)
Mr. Chan Kwok Hung
Mr. Chan Fut Yan
Mr. Cheung Hon Kit

Independent Non-executive Directors:

Mr. Chuck, Winston Calptor
Mr. Lee Kit Wah
Mr. Wong Kam Cheong, Stanley
Hon. Shek Lai Him, Abraham, *JP*

Please also refer to the published version of this announcement in The Standard.