THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **ITC Corporation Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

ITC CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 372)

MAJOR TRANSACTION – SUBSCRIPTION OF CONVERTIBLE NOTES OF HANNY HOLDINGS LIMITED AND A POSSIBLE VERY SUBSTANTIAL ACQUISITION

Financial adviser to ITC Corporation Limited

SOMERLEY LIMITED

A notice convening a special general meeting of the holders of ordinary shares of ITC Corporation Limited to be held at Conference Room, 11th Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Monday, 25th September, 2006 at 2:30 p.m. is set out on pages 245 and 246 of this circular. There is a form of proxy for use at the special general meeting of ITC Corporation Limited accompanying this circular. If holders of ordinary shares of ITC Corporation Limited are not able to attend the meeting, they are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the principal place of business of the Company in Hong Kong 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 the holding of the special general meeting. Completion and delivery of the form of proxy will not preclude ordinary shareholders from attending and voting in person at the meeting or any adjournment thereof should they so wish.

8th September, 2006

CONTENTS

In this circular, unless the context requires otherwise, the following terms have the meanings as follows:

"associates"	has the meaning ascribed to it under the Listing Rules
"CEL"	China Enterprises Limited, a company incorporated in Bermuda with limited liability, the common shares of which are traded on the OTC (over-the-counter) Bulletin Board in the United States and is indirectly owned as to approximately 58.11% equity interests by Hanny (through its subsidiaries) as at the Latest Practicable Date
"CEL Group"	CEL and its subsidiaries
"CEL Notes"	the convertible notes to be issued by CEL and subscribed by Hanny in the principal amount of US$100 million (equivalent to approximately HK$776.6 million) which are convertible into new CEL Shares pursuant to the CEL Note Subscription Agreement
"CEL Note Subscription"	the proposed subscription of the CEL Notes by Hanny pursuant to the CEL Note Subscription Agreement
"CEL Note Subscription Agreement"	a subscription agreement dated 29th August, 2006 entered into between Hanny and CEL in relation to the subscription of the CEL Notes by Hanny, subject to the terms and conditions contained therein
"CEL Shares"	common shares of US$0.01 each in the share capital of CEL
"Centar Investments"	Centar Investments (Asia) Ltd., a fund managed by Stark Investments
"China Strategic"	China Strategic Holdings Limited (stock code: 235), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Completion"	completion of the Subscription Agreements
"Completion Date"	date of Completion
"Concert Parties"	has the meaning ascribed thereto under the Takeovers Code
"connected persons"	has the meaning ascribed to it under the Listing Rules
"Dr. Chan"	Dr. Chan Kwok Keung, Charles, the controlling shareholder of ITC and Chairman of ITC and Hanny
"Enlarged Group"	the ITC Group as enlarged by the Hanny Shares to be issued to ITC upon the exercise of the conversion rights attached to the ITC Subscriber Notes
"Evolution"	Evolution Master Fund Ltd. SPC, Segregated Portfolio M, a fund managed by Evolution Capital Management LLC.
"Exchange Rights"	the rights to exchange all or part of the Hanny Notes into CEL Notes pursuant to the instruments of the Hanny Notes subject to a maximum amount equal to approximately 66.6% of the face value of the Hanny Notes held by the Noteholders

"Executive"	the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director
"Existing Hanny Bonds"	the 2% convertible bonds of Hanny due 2011 with aggregate principal amount of HK$770,744,256, which are convertible into new Hanny Shares starting from June 2006 at an initial conversion price of HK$9.0 per Hanny Share
"Famex"	Famex Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of ITC
"GDI"	Group Dragon Investments Limited, a company incorporated in the British Virgin Islands with limited liability
"Hanny"	Hanny Holdings Limited (stock code: 275), a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Hanny Conversion Shares"	the 294,117,645 new Hanny Shares which fall to be issued upon exercise in full of the conversion rights attaching to the Hanny Notes at the Initial Conversion Price
"Hanny Directors"	directors of Hanny
"Hanny Group"	Hanny and its subsidiaries
"Hanny Notes"	the US$150 million (equivalent to approximately HK$1,164.9 million) 1% convertible exchangeable notes (including ITC Subscriber Notes) due 2011 proposed to be issued by Hanny and subscribed by the Subscribers pursuant to the Subscription Agreements, which entitle the holders thereof, among others, to convert the principal amount outstanding into the Hanny Conversion Shares at the Initial Conversion Price, subject to adjustments
"Hanny Shareholders"	holders of the Hanny Shares
"Hanny Share(s)"	ordinary share(s) of HK$0.01 each in the issued share capital of Hanny
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Hanny Shareholders"	Hanny Shareholders other than (i) ITC and its Concert Parties (including Dr. Chan) and their respective associates; (ii) Mr. Ma Ho Man, Hoffman, the vendor of the 22,812,359 Hanny Shares to be disposed of to Famex pursuant to the sale and purchase agreement dated 17th August, 2006 (as supplemented by a supplemental agreement dated 28th August, 2006), and his associates; and (iii) those involved in or interested in the transactions contemplated under the Subscription Agreements and the CEL Note Subscription
"Initial Conversion Price"	the initial conversion price of US$0.51 (equivalent to approximately HK$3.96) per Hanny Share (subject to adjustments) of the Hanny Notes
"ITC" or "Company"	ITC Corporation Limited (stock code: 372), a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange

"ITC Directors"	directors of ITC
"ITC Group"	ITC and its subsidiaries
"ITC Offers"	the conditional mandatory cash offers to be made by Kingston Securities Limited on behalf of Famex for all the issued Hanny Shares and Existing Hanny Bonds (other than those already owned by Famex or agreed to be acquired by Famex and its Concert Parties (except Cobbleford Limited)), details of which are set out in the joint announcement of ITC and Hanny dated 1st September, 2006
"ITC Ordinary Shares"	ordinary shares of ITC of HK$0.10 each
"ITC Preference Shares"	redeemable convertible preference shares of ITC of HK$0.10 each
"ITC Shareholders"	shareholders of ITC
"ITC Subscriber Notes"	US$75 million (equivalent to approximately HK$582.5 million) 1% convertible exchangeable notes due 2011 proposed to be issued by Hanny and subscribed by ITC pursuant to the ITC Subscription Agreement, which entitle the holders thereof to convert the principal amount outstanding into the Hanny Conversion Shares at the Initial Conversion Price
"ITC Subscription"	the subscription of the ITC Subscriber Notes by ITC pursuant to the ITC Subscription Agreement
"ITC Subscription Agreement"	a conditional subscription agreement dated 27th June, 2006 (as supplemented by the ITC Supplemental Agreement) entered into between ITC and Hanny in relation to the ITC Subscription, subject to the terms and conditions contained therein
"ITC Supplemental Agreement"	the supplemental agreement entered into between Hanny and ITC on 30th August, 2006, pursuant to which ITC Subscription Agreement is amended to the effect that, among others, completion of the ITC Subscription Agreement is to be conditional on the closing or lapse (whichever is earlier) of the ITC Offers
"Joint Announcement"	the joint announcement dated 6th July, 2006 published by Hanny and ITC in respect of, among other things, the ITC Subscription
"Latest Practicable Date"	5th September, 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular.
"Last Trading Date"	27th June, 2006, being the last trading day for the Hanny Shares prior to the suspension of dealings of the Hanny Shares on the Stock Exchange pending the issue of the Joint Announcement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Maturity Date"	the fifth anniversary of the date of issue of the Hanny Notes
"Noteholders"	holders of the Hanny Notes

"Other Concert Party"	Mr. Cheung Shu Wan, the sole shareholder of a company which holds 50% interests in a 50%-owned associated company of ITC
"Other Subscribers"	Centar Investments, Stark Asia, Stark Master and Evolution, being subscribers (other than ITC) of the Hanny Notes
"PRC"	the People's Republic of China
"PYI"	PYI Corporation Limited (stock code: 498), a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (chapter 571 of the Laws of Hong Kong)
"SGM"	a special general meeting of ITC to be convened to consider and, if thought fit, to approve the necessary resolution in respect of (i) the ITC Subscription; and (ii) the possible very substantial acquisition of equity interests in Hanny on conversion of the ITC Subscriber Notes
"Stark Asia"	Stark Asia Master Fund, Ltd., a fund managed by Stark Investments
"Stark Funds"	Centar Investments, Stark Asia and Stark Master, all of which are funds managed by a common investment manager, Stark Investments
"Stark Investments"	Stark Investments (Hong Kong) Limited, a corporation licensed under the SFO and the manager of the Asian investments of Centar Investments, Stark Master and Stark Asia
"Stark Master"	Stark Master Fund Ltd., a fund managed by Stark Investments
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscribers"	ITC and the Other Subscribers
"Subscription"	the subscription of the relevant Hanny Notes by the relevant Subscribers pursuant to the respective Subscription Agreements
"Subscription Agreements"	a total of 5 conditional subscription agreements all dated 27th June, 2006 (as supplemented on 30th August, 2006) entered into between Hanny and each of ITC and the Other Subscribers in relation to the Subscription, subject to the terms and conditions contained therein
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Whitewash Waiver"	a waiver pursuant to Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code from making a general offer for all the Hanny Shares as a result of any acquisition of voting rights in Hanny by virtue of the exercise of conversion rights attached to the Hanny Notes held by ITC and its Concert Parties

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"US$"	United States dollars, the lawful currency of the United States
"%"	per cent.

Amounts denominated in US$ in this circular have been converted into HK$ at the rate of US$1.0 = HK$7.766 for illustration purpose.

ITC CORPORATION LIMITED

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

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*

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

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

8th September, 2006

To the holders of ITC Ordinary Shares and, for information only, holders of ITC Preference Shares

Dear Sir or Madam,

MAJOR TRANSACTION – SUBSCRIPTION OF CONVERTIBLE NOTES OF HANNY HOLDINGS LIMITED AND A POSSIBLE VERY SUBSTANTIAL ACQUISITION

INTRODUCTION

Hanny and ITC jointly announced on 6th July, 2006, among others, that Hanny and the Subscribers entered into the Subscription Agreements in relation to the subscription by 5 Subscribers of the 1% convertible exchangeable notes with an aggregate principal amount of US$150 million (equivalent to approximately HK$1,164.9 million) to be issued by Hanny. ITC has conditionally agreed to subscribe for the Hanny Notes with a principal amount of US$75 million (equivalent to approximately HK$582.5 million) by cash. Save for the principal value of the Hanny Notes to be subscribed and the identity of the Subscribers, the principal terms of each of the Subscription Agreements are identical.

On 1st September, 2006, Hanny and ITC jointly announced that Hanny and ITC entered into the ITC Supplemental Agreement on 30th August, 2006, pursuant to which the ITC Subscription Agreement is amended to the effect that, among others, completion of the ITC Subscription Agreement is to be conditional on the closing or lapse (whichever is the earlier) of the ITC Offers.

The ITC Subscription under the ITC Subscription Agreement constitutes a major transaction for ITC under the Listing Rules. Upon exercise of the conversion rights attached to the ITC Subscriber Notes, the resulting acquisition of equity interests in Hanny by ITC may constitute a very substantial acquisition for ITC under the Listing Rules. Accordingly, the ITC Subscription and the transactions contemplated under the ITC Subscription Agreement (including the possible very substantial acquisition of equity interests in Hanny on conversion of the ITC Subscriber Notes) are subject to the approval of the holders of ITC Ordinary Shares at the SGM. By virtue of Dr. Chan's interests in ITC and Hanny, Dr. Chan and his associates are required to abstain from voting on the ITC Subscription at the SGM. In the event that ITC exercises the conversion rights attached to the CEL Notes, ITC will comply with the relevant provisions in the Listing Rules (including any shareholders' approval requirements if necessary).

The purpose of this circular is to provide you with (i) further details of the ITC Subscription and the possible very substantial acquisition of equity interests in Hanny on conversion of the ITC Subscriber Notes; (ii) the financial information on ITC and Hanny; and (iii) a notice of the SGM.

SUBSCRIPTION OF THE ITC SUBSCRIBER NOTES

On 27th June, 2006, Hanny and ITC entered into the ITC Subscription Agreement in relation to the subscription by ITC of the ITC Subscriber Notes with a principal amount of US$75 million (equivalent to approximately HK$582.5 million).

1. ITC Subscription Agreement (as supplemented by the ITC Supplemental Agreement)

Date: 27th June, 2006 (as supplemented on 30th August, 2006)

Parties to the ITC Subscription Agreement:

Issuer: Hanny

Subscriber: ITC, conditionally agreeing to subscribe at Completion for the ITC Subscriber Notes with a principal amount of US$75 million (equivalent to approximately HK$582.5 million) by cash

ITC is an investment holding company which directly and indirectly holds strategic investments in a number of listed companies. The principal activities of the ITC 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 precious metals trading platform. ITC is the single largest shareholder of Hanny indirectly holding 60,516,951 Hanny Shares (representing approximately 24.16% of the total issued Hanny Shares) as at the Latest Practicable Date. ITC also held on that day the Existing Hanny Bonds with face value of HK$95,966,280. Upon full conversion of the Existing Hanny Bonds held by ITC at the prevailing conversion price of HK$9 per Hanny Share, ITC will be interested in an aggregate of 71,179,871 Hanny Shares representing approximately 27.26% of the enlarged issued Hanny Shares.

On 1st September, 2006, ITC and Hanny jointly announced that Famex, a wholly-owned subsidiary of ITC, has entered into a conditional agreement on 17th August, 2006 (as supplemented on 28th August, 2006) with an independent third party regarding an acquisition of 22,812,359 Hanny Shares by Famex. Should the aforesaid agreement become unconditional, Famex is required to make conditional mandatory cash offers to acquire all the securities of Hanny in accordance with the Takeovers Code.

ITC confirms that to the best of the knowledge, information and belief of the ITC Directors and having made all reasonable enquiries, each of the Other Subscribers and the respective ultimate beneficial owners of the Other Subscribers are third parties independent of ITC and its connected persons. As at the date of the Subscription Agreements, none of the Other Subscribers held any ITC Ordinary Shares, ITC Preference Shares or other securities in ITC.

Conditions of the ITC Subscription Agreement:

Completion of the ITC Subscription Agreement is conditional upon:

(i) the passing by the requisite majority of the Independent Hanny Shareholders in general meeting of all necessary resolutions required to approve:

(a) the performance by Hanny of the transactions contemplated in the ITC Subscription Agreement including the issue of the Hanny Notes and the Hanny Conversion Shares which fall to be issued and allotted on exercise of conversion rights attached to the ITC Subscriber Notes, the subscription of the CEL Notes, the transfer of the CEL Notes on exchange of the ITC Subscriber Notes and any deemed disposal of interests in CEL by Hanny as a result of the exercise of conversion rights by transferees of the CEL Notes;

(b) (if required by ITC) the Whitewash Waiver;

(ii) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Hanny Conversion Shares;

(iii) the passing by the requisite majority required under the Listing Rules of holders of ITC Ordinary Shares in general meeting of a resolution to approve the terms of the ITC Subscription Agreement (including the exercise of conversion rights and exchange rights attached to the ITC Subscriber Notes and, subject to compliance with applicable Listing Rules at the time of conversion, the exercise of conversion rights attached to the CEL Notes);

(iv) (if required by ITC) the Executive having granted in favour of ITC and its Concert Parties the Whitewash Waiver;

(v) ITC receiving evidence to its satisfaction that (a) Hanny has irrevocably contracted to subscribe for the CEL Notes; (b) the CEL Notes are, subject to restrictions specified in the Hanny Notes, freely transferable on the exercise of the Exchange Rights by the holder of the ITC Subscriber Notes; and (c) save for payment of subscription moneys by Hanny for the CEL Notes after Completion, CEL is irrevocably obliged to issue to Hanny or its nominee the CEL Notes;

(vi) ITC having received in form and substance to its satisfaction (acting reasonably) legal opinions from Hong Kong and Bermuda counsels (in respect of the legality and enforceability of the ITC Subscription Agreement, the ITC Subscriber Notes, the subscription agreement relating to the CEL Notes and the CEL Notes under Hong Kong and Bermuda laws respectively) and a legal opinion from United States counsel (to the effect the offer and sale of the CEL Notes by CEL is exempt from the registration requirements of Section 5 of the US Securities Act), each dated the Completion Date;

(vii) if required, an increase of authorised share capital of Hanny to facilitate the issue of the Hanny Conversion Shares and the Bermuda Monetary Authority having approved the issue of Hanny Shares permitted by such increased authorised capital, the issue of the ITC Subscriber Notes and the Hanny Conversion Shares and the transferability of the Hanny Notes and the Hanny Conversion Shares;

(viii) the warranties made by Hanny in the ITC Subscription Agreement are complete and accurate and not misleading in all material respects when made and shall be true, complete and accurate, and not misleading in all material respects as at Completion as if made at Completion;

(ix) evidence to the satisfaction of ITC that all supervoting shares of CEL in issue have been converted into CEL Shares;

(x) the closing or lapse (whichever is the earlier) of the ITC Offers for the purposes of the Takeovers Code; and

(xi) (if immediately after the close of the ITC Offers, there are insufficient Hanny Shares in the hands of the public for the purposes of Rule 8.08(1)(a) of the Listing Rules) Hanny notifying ITC in writing of the day on which the public float has been restored for the purposes of such rule.

The Subscription Agreements are to be completed at the same time and none of the Subscribers are obliged to complete, if all of the other Subscribers do not complete the Subscription under the relevant Subscription Agreements. If any of the above conditions precedent have not been fulfilled or (in respect of the conditions (vi), (viii) and (xi) above) waived by ITC on or before 29th December, 2006 (or such later date as may be agreed by the parties to the ITC Subscription Agreement in writing), then the ITC Subscription Agreement shall lapse immediately thereafter and be of no further effect and neither party to the ITC Subscription Agreement shall have any claim against or liability or obligation to the other party under the ITC Subscription Agreement.

ITC announced on 2nd August, 2006 that ITC has decided not to proceed with the application of the Whitewash Waiver. The conditions set out in (i)(b) and (iv) above are therefore no longer applicable. ITC will comply with the relevant provisions of the Takeovers Code in respect of any acquisition of voting rights of Hanny on conversion of the ITC Subscriber Notes. Save for the aforesaid and condition (v), no other conditions have been satisfied or waived as at the Latest Practicable Date.

Completion:

Subject to the fulfilment or waiver of the conditions precedent of the ITC Subscription Agreement above, Completion shall take place on the later of:

(i) the third business day next following the date of fulfilment or waiver of the conditions (as the case may be); and

(ii) a business day to be agreed in writing between Hanny and ITC being a date which falls within 60 days after the date on which the last of the condition precedent being fulfilled, or in the absence of such agreement, the last day of such 60-day period,

or such other date as the parties to the ITC Subscription Agreement may agree in writing.

Termination by ITC:

ITC may by prior notice to Hanny terminate the ITC Subscription Agreement at any time prior to payment for the ITC Subscriber Notes to Hanny on the Completion Date if:

(i) there develops, occurs or comes into effect:

(a) any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date of the ITC Subscription Agreement), including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, whether or not ejusdem generis with any of the foregoing, resulting in a material and adverse change in, or which would be expected to result in a material and adverse change in, political, economic, fiscal, financial, regulatory or stock market conditions in Hong Kong or the United States;

(b) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange or on the OTC Bulletin Board in the United States due to exceptional financial circumstances or otherwise;

(c) any material and adverse change in conditions of local, national or international securities markets;

(d) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Hanny Group which shall materially and adversely affect the business or the financial or trading position of Hanny or CEL;

(e) any suspension of dealings in the Hanny Shares for a period exceeding ten (10) business days other than due to the clearance of the Joint Announcement;

(f) a change or development involving a prospective change of taxation or exchange control (or the implementation of exchange control) in Hong Kong or elsewhere which would materially and adversely affect the business, financial or trading position of Hanny; or

(g) the instigation of any litigation or claim of material importance by any third party against any member of the Hanny Group which would materially and adversely affect the business, financial or trading position of Hanny,

and which can reasonably be expected, in the opinion of ITC acting reasonably, to have or has had a material adverse effect upon the condition (financial or otherwise) or earnings, business affairs or business prospects of Hanny; or

(ii) there is any breach of any of the warranties made by Hanny as set out in the ITC Subscription Agreement which have come to the knowledge of ITC or any event which has occurred or any matter which has arisen on or after the date of the ITC Subscription Agreement and prior to the Completion which if it had occured or arisen would have rendered any of such warranties untrue, inaccurate or misleading in any material respect or in the opinion of ITC acting reasonably, materially and adversely affects the financial position or business of Hanny; or

(iii) there has been a breach of or failure to perform any of Hanny's obligations in any material respect under the ITC Subscription Agreement.

2. Principal terms of the ITC Subscriber Notes

Principal amount:	US$75 million (equivalent to approximately HK$582.5 million)
Initial Conversion Price:	US$0.51 (equivalent to approximately HK$3.96) per Hanny Share, subject to customary anti-dilution adjustments in certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivatives issues. The Initial Conversion Price of US$0.51 (equivalent to approximately HK$3.96) per Hanny Share represents: • a premium of approximately 9.2% over the closing price of HK$3.625 per Hanny Share as quoted on the Stock Exchange on the Last Trading Date; • a premium of approximately 3.0% over the average closing price of HK$3.845 per Hanny Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Date; and • a premium of approximately 6.7% over the closing price of HK$3.71 per Hanny Share as quoted on the Stock Exchange on the Latest Practicable Date. The Initial Conversion Price was determined after arm's length negotiations between the Subscribers and Hanny with reference to the prevailing market price of the Hanny Shares before the date of the Joint Announcement.
Interest rate:	1.0% per annum, payable annually in arrears
Maturity:	The fifth anniversary of the date of issue of the ITC Subscriber Notes
Redemption:	Unless previously converted or exchanged or redeemed by Hanny, Hanny will redeem the ITC Subscriber Notes on the Maturity Date at the redemption amount which is 110% of the principal amount of the ITC Subscriber Notes outstanding. In the event of a change of control of Hanny (where person(s) other than ITC and/or its Concert Parties acquire control of Hanny or the consolidation or merger of substantially all of the assets of Hanny with such person(s)) prior to the Maturity Date, the Noteholders may require Hanny to redeem at the redemption amount which is 110% of the principal amount of the ITC Subscriber Notes then outstanding plus interest accrued. If a listing of CEL Shares on NASDAQ or such other stock exchange as may be approved by the Noteholders holding at least 75% of the principal amount of the CEL Notes outstanding at the time such approval is sought does not take place before expiry of the 30th month next following the date of issue of the ITC Subscriber Notes, ITC may within a prescribed period of not shorter than 30 days require Hanny to redeem all but not some of the ITC Subscriber Notes at the redemption amount which is 106% of the principal amount of the ITC Subscriber Notes then outstanding plus interest accrued.

	In the event of the occurrence of events of default specified in the terms and conditions of the ITC Subscriber Notes, which include customary events of default such as delisting of Hanny Shares or prolonged suspension due to default of Hanny and officers, breaches of those terms, insolvency events, cross defaults on other indebtedness payment obligations and non issuance of CEL Notes within 2 business days after completion of the Hanny Notes issue, ITC may also require Hanny to redeem the principal amount of the ITC Subscriber Notes then outstanding plus interest accrued.
Transferability:	The ITC Subscriber Notes are freely transferable but may not be transferred to a connected person of Hanny (unless the Noteholder is already a connected person and the transferee is its associates) without the prior written consent of Hanny. Hanny undertakes to the Stock Exchange that it will promptly notify the Stock Exchange upon becoming aware of any dealings in the ITC Subscriber Notes by any connected persons of Hanny.
Conversion period:	ITC shall have the right to convert, on any business day commencing on and excluding the 7th day after the date of issue of the ITC Subscriber Notes up to and including the date which is 7 days prior to the Maturity Date, the whole or any part (in an amount of US$500,000 or integral multiple thereof) of the principal amount of the ITC Subscriber Notes into Hanny Shares at the then prevailing conversion price.
Hanny Conversion Shares:	Upon full conversion of the ITC Subscriber Notes at the Initial Conversion Price, an aggregate of 147,058,823 Hanny Shares will be issued to ITC, representing approximately 58.7% of the total issued Hanny Shares as at the Latest Practicable Date and approximately 37.0% of the issued Hanny Shares as enlarged by such conversion.
Exchange Rights:	Subject to certain restrictions which are intended to facilitate compliance of relevant rules and regulations, ITC shall have the right to exchange from time to time all or part (in the amount of US$500,000 or integral multiples thereof) of the initial principal amount of the ITC Subscriber Notes for the same principal amount of CEL Notes subject to a maximum amount equal to approximately 66.6% of the face value of ITC Subscriber Notes held by ITC.
Voting:	ITC will not be entitled to receive notice of, attend or vote at any general meetings of Hanny by reason only of it being a Noteholder.
Listing:	No application will be made for the listing of the ITC Subscriber Notes on the Stock Exchange or any other stock exchange. An application will be made by Hanny for the listing of, and permission to deal in, the Hanny Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the ITC Subscriber Notes.
Ranking:	The ITC Subscriber Notes will rank pari passu with all other present and future unsecured and un-subordinated obligations of Hanny (including the Hanny Notes held by the Other Subscribers and the Existing Hanny Bonds).
	The Hanny Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the ITC Subscriber Notes will rank pari passu in all respects with all other Hanny Shares in issue at the date on which the conversion rights attached to the ITC Subscriber Notes are exercised.

3. Subscription of CEL Notes by Hanny:

Pursuant to the terms of the ITC Subscription Agreement, ITC was informed that Hanny and CEL had entered into the CEL Note Subscription Agreement on 29th August, 2006 pursuant to which Hanny agreed to subscribe, and CEL agreed to issue, subject to the fulfilment of certain conditions precedent, the CEL Notes at the subscription price of US$100 million payable in cash on completion. Completion of the CEL Note Subscription Agreement is conditional upon:–

- the passing by the requisite majority of independent shareholders (if required) of Hanny in general meeting of all resolutions required to approve the issue of the Hanny Notes, the subscription of the CEL Notes, the transfer of the CEL Notes on exchange of the Hanny Notes and any deemed disposal of the interests in CEL as a result of the exercise of conversion rights by transferees of the CEL Notes;

- the Hanny Notes being issued;

- Hanny having received in form and substance to its satisfaction (acting reasonable) legal opinions from Hong Kong and Bermuda counsels (in respect of the legality and enforceability of the CEL Note Subscription Agreement), a legal opinion from United States counsel (to the effect that the offer and sale of the CEL Notes by CEL is exempt from registration requirements of Section 5 of the US Securities Act) each dated the date of completion of the CEL Note Subscription;

- if required, an increase of authorised share capital of CEL to facilitate the issue of the CEL Shares on conversion of the CEL Notes and the Bermuda Monetary Authority having approved the issue of shares of CEL permitted by such increased authorised capital, the issue and transferability of the CEL Notes and the CEL Shares which fall to be issued on conversion of the CEL Notes; and

- the warranties made by CEL in the CEL Note Subscription Agreement being true, complete and not misleading in all material respects when made and shall be true, complete and accurate and not misleading in all material respects on completion of the CEL Note Subscription.

The terms of the CEL Notes are substantially the same as those for the ITC Subscriber Notes including the principal terms mentioned in section 2 under the paragraph headed "Subscription of the ITC Subscriber Notes" above (other than those relating to the Exchange Rights) and save that:–

(a) the principal amount of the CEL Notes is US$100 million (equivalent to HK$776.6 million);

(b) the initial conversion price is US$3.0 per CEL Share;

(c) a change of control of CEL (which gives holders of the CEL Notes the right to seek early redemption of the CEL Notes) is defined to take place if person(s) other than Hanny (instead of ITC) and its Concert Parties acquire control of CEL or the consolidation or merger of substantially all of the assets of CEL with such person(s); and

(d) the terms and conditions of the CEL Notes may differ from the Hanny Notes to the extent necessary to comply with applicable laws, regulations and listing rules (changes to be subject to approval in writing by the Subscribers acting reasonably).

Hanny shall complete the subscription of the CEL Notes no later than 2 business days (or such longer period as the Subscribers may agree in writing) after Completion.

The initial conversion price of the CEL Notes of US$3.0 per CEL Share represents:

- a premium of approximately 17.6% over the closing price of US$2.55 per CEL Share as quoted on the OTC (over-the-counter) Bulletin Board in the United States on 27th June, 2006, being the date of the Subscription Agreements;

- a premium of approximately 19.8% over the average closing price of US$2.505 per CEL Share as quoted on the OTC (over-the-counter) Bulletin Board in the United States for the last 10 trading days up to and including 27th June, 2006; and

- a premium of approximately 57.9% over the closing price of US$1.90 per CEL Share as quoted on the OTC (over-the-counter) Bulletin Board in the United States on the Latest Practicable Date.

The initial conversion price of the CEL Notes was determined after arm's length negotiations between the Subscribers, Hanny and CEL with reference to the prevailing market price of the CEL Shares before the date of the Joint Announcement. Upon full conversion of the CEL Notes at the initial conversion price of US$3.0 per CEL Share, an aggregate of 33,333,333 CEL Shares will be issued by CEL, representing approximately 369.7% of the total number of issued shares of CEL (assuming the supervoting shares of CEL have been converted into CEL Shares) as at the Latest Practicable Date and approximately 78.7% of the total number of issued shares of CEL as enlarged by such conversion.

Based on the terms of the ITC Subscriber Notes and CEL Notes, the expected yield to maturity of each of the ITC Subscriber Notes and CEL Notes is approximately 2.89% per annum.

INFORMATION ON HANNY

Following completion of the disposal of the business of trading of computer related products and consumer electronic products, and the manufacturing, distribution and marketing of data storage media on 28th April, 2006, the Hanny Group is now principally engaged in the trading of securities, property investment and trading, holding of vessels for sand mining and other strategic investments including investments in associated companies which are listed on the Stock Exchange and the Singapore Exchange Limited and long-term convertible notes issued by companies listed on the Stock Exchange. Hanny itself is an investment holding company.

The following table sets out a summary of the audited consolidated results of the Hanny Group for each of the three years ended 31st March, 2004, 2005 and 2006 extracted from the annual report of Hanny for the year ended 31st March, 2006:

	For the year ended 31st March,		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Turnover	316,638	257,656	5,025,930
(Loss) Profit before income tax	(144,092)	(248,508)	135,245
Income tax expense	4,331	4,282	25,469
(Loss) profit for the year from continuing operations	(148,423)	(252,790)	109,776
Profit for the year from discontinued operations	52,419	152,552	–
(Loss) profit for the year	(96,004)	(100,238)	109,776
Attributable to:			
Equity holders of the Hanny	8,915	(161,862)	13,300
Minority interests	(104,919)	61,624	96,476
	(96,004)	(100,238)	109,776

The following table sets out a summary of the audited consolidated balance sheet of the Hanny Group as at 31st March, 2004, 2005 and 2006 extracted from the annual report of Hanny for the year ended 31st March, 2006:

	As at 31st March,		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Total assets	4,193,180	3,656,553	3,943,236
Total liabilities	(1,973,857)	(1,400,562)	(1,664,898)
	2,219,323	2,255,991	2,278,338
Equity attributable to equity holders of the Hanny	1,868,889	1,806,374	1,873,181
Minority interests	350,434	449,617	405,157
	2,219,323	2,255,991	2,278,338

Figures above were prepared under the Hong Kong Financial Reporting Standards, and Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants.

INFORMATION ON CEL

CEL was incorporated in Bermuda on 28th January, 1993 and its common stock are traded on the OTC (over-the-counter) Bulletin Board in the United States. As at the Latest Practicable Date, CEL is interested in approximately 20.29% of Wing On Travel (Holdings) Limited, a company whose shares are listed on the main board of the Stock Exchange. Wing On Travel (Holdings) Limited is principally engaged in the business of providing package tours, travel and other related services with branches in Hong Kong, Macau, Canada and the United Kingdom, and hotel operation business. As at the Latest Practicable Date, CEL held 26% equity interests in Hangzhou Zhongce Rubber Company Limited which is principally engaged in the manufacturing and marketing of tires in the PRC and other countries abroad. Given that the operations of CEL are carried out through its associated companies, no turnover was recorded by CEL for the two years ended 31st December, 2004 and 2005.

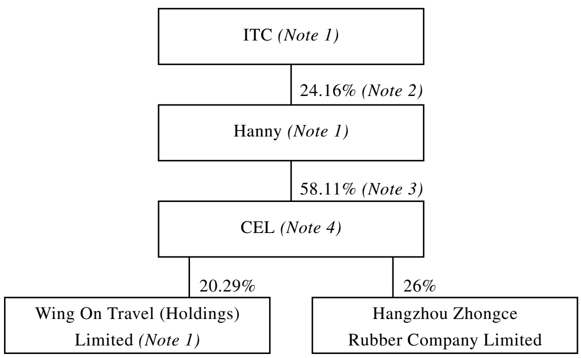
The following table sets out a summary of the audited consolidated results of the CEL Group for each of the three years ended 31st December, 2003, 2004 and 2005 prepared in accordance with the accounting principles generally accepted in United States:

	For the year ended 31st December,		
	2005	**2004**	**2003**
	RMB'000	*RMB'000*	*RMB'000*
Turnover	Nil	Nil	2,808,369
(Loss) profit from continuing operations before income taxes and minority interests	(22,241)	181,942	151
Net (loss) income for the year	(26,324)	181,942	(64,541)
Other comprehensive income (expenses) – foreign currency translation adjustment relating to an affiliate	3,181	(1,092)	1,636
Comprehensive (loss) income	(23,143)	180,850	(62,905)

The following table sets out a summary of the audited consolidated balance sheet of the CEL Group as at 31st December, 2003, 2004 and 2005 prepared in accordance with the accounting principles generally accepted in United States:

	As at 31st December,		
	2005	**2004**	**2003**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	133,973	190,418	118,386
Long term assets	550,300	600,908	391,280
Total assets	684,273	791,326	509,666
Total current liabilities	(21,675)	(73,345)	(36,841)
Due to a fellow subsidiary	–	(50,000)	–
Total shareholders' equity	662,598	667,981	472,825

Set out below is the shareholding structure of CEL and its associated companies:



Notes:

1. Listed on the main board of the Stock Exchange.

2. Represents indirect shareholdings.

3. Represents indirect shareholdings. As at the Latest Practicable Date, Hanny held approximately 54.6% effective equity interest and approximately 87.8% effective voting rights in CEL.

4. The common shares of CEL are traded on the OTC (over-the-counter) Bulletin Board in the United States.

REASONS FOR THE ITC SUBSCRIPTION

Following completion of the disposal of the business of trading of computer related products and consumer electronic products, and the manufacturing, distribution and marketing of data storage media on 28th April, 2006, the Hanny Group has been concentrating on the trading of securities, property investment and trading and other strategic investments and the Hanny Group continues to explore potential investments to enhance its revenue base.

The net proceeds of approximately US$149 million (equivalent to approximately HK$1,157.1 million) raised from the Subscription are expected to be used by the Hanny Group as to US$100 million (equivalent to approximately HK$776.6 million) for the subscription of the CEL Notes and as to US$49 million (equivalent to approximately HK$380.5 million) for working capital and future development purposes. The net proceeds of approximately US$99 million (equivalent to approximately HK$768.8 million) from the issue of CEL Notes are expected to be used by the CEL Group to acquire, subject to entering into appropriate contracts for this purpose, investment properties in China. CEL is at present considering a number of opportunities including a commercial/hotel building complex in Beijing and a commercial/office/hotel building complex in Guangzhou. CEL has been in active negotiations with the vendors regarding the acquisition of the aforesaid investment properties. The potential investment amount for each of the projects is about US$25 million (equivalent to approximately HK$194.2 million). As at the Latest Practicable Date, CEL has not entered into any definitive agreements for any investment. In the event that the aforesaid projects do not materialise, CEL will consider to invest the proceeds raised from the CEL Note Subscription in other multipurpose/residential/commercial property projects in the PRC that CEL is currently looking at.

In light of the above respective intended use of proceeds by Hanny and CEL from the Subscription and the CEL Notes, the ITC Directors consider that the ITC Subscription represents a good opportunity for the ITC Group to enhance the balance of its investment portfolio. The conversion rights and Exchange Rights attached to the ITC Subscriber Notes give the ITC Group flexibility to acquire further equity interests in Hanny and/or CEL should the ITC Directors consider it appropriate. Taking into account the growth potential of the Hanny Group and the CEL Group based on the intended expansion plans of the CEL Group, the flexibility provided by the conversion and exchangeable feature of the Hanny Notes and/or the CEL Notes and the relative long term maturity of the Hanny Notes and the CEL Notes, the ITC Directors consider that the terms of the ITC Subscription which include (i) the initial conversion price of the Hanny Notes and the CEL Notes representing a premium over the respective prevailing market price of the Hanny Shares and the CEL Shares; (ii) the 10% redemption premium amount over the principal amount of the Hanny Notes and the CEL Notes on maturity; (iii) the early redemption right of each of the Hanny Notes and the CEL Notes before expiry of the 30th month next following the date of issue of each of the Hanny Notes and the CEL Notes if CEL does not achieve listing on NASDAQ or another stock exchange approved by the noteholders; and (iv) the coupon rate of the Hanny Notes and the CEL Notes of 1%, to be justifiable. The ITC Group intends to fund the subscription of the ITC Subscriber Notes by its internal resources and/or debt financing. As at the Latest Practicable Date, ITC has not yet decided the apportionment of internal resources and debt financing in relation to the funding of the ITC Subscription.

Based on the above, the ITC Directors consider that the ITC Subscription is in the interests of ITC and the ITC Shareholders as a whole, and the terms of the ITC Subscription Agreement are fair and reasonable as far as the ITC Shareholders are concerned.

SHAREHOLDING STRUCTURE OF HANNY

Set out below are the shareholding structures of Hanny (i) as at the Latest Practicable Date and immediately upon Completion; (ii) upon full conversion of the Existing Hanny Bonds by ITC and Dr. Chan; (iii) upon full conversion of the Existing Hanny Bonds by ITC and Dr. Chan and upon full conversion of the Hanny Notes; (iv) upon full conversion of the Existing Hanny Bonds by ITC and Dr. Chan and upon full conversion of the ITC Subscriber Notes only; and (v) upon full conversion of the ITC Subscriber Notes only, assuming no other changes to the share capital of Hanny.

	As at the Latest Practicable Date and immediately upon Completion		Upon full conversion of the Existing Hanny Bonds by ITC and Dr. Chan		Upon full conversion of the Existing Hanny Bonds by ITC and Dr. Chan and upon full conversion of the Hanny Notes		Upon full conversion of the Existing Hanny Bonds by ITC and Dr. Chan and upon full conversion of the ITC Subscriber Notes only		Upon full conversion of the ITC Subscriber Notes only	
	Hanny Shares	*%*	*Hanny Shares*	*%*	*Hanny Shares*	*%*	*Hanny Shares*	*%*	*Hanny Shares*	*%*
ITC *(Note 1)*	60,516,951	24.16	71,179,871	27.23	218,238,694	39.28	218,238,694	53.43	207,575,774	52.22
Dr. Chan *(Notes 1, 2, 3 & 4)*	1,600,000	0.64	1,915,756	0.73	1,915,756	0.34	1,915,756	0.47	1,600,000	0.40
Mr. Chan Kwok Hung *(Notes 3, 4 & 5)*	1,600,000	0.64	1,600,000	0.61	1,600,000	0.29	1,600,000	0.39	1,600,000	0.40
Mr. Cheung Hon Kit *(Notes 3, 4 & 5)*	6	0.00	6	0.00	6	0.00	6	0.00	6	0.00
Mr. Shek Lai Him, Abraham *(Note 4)*	32	0.00	32	0.00	32	0.00	32	0.00	32	0.00
Cobbleford Limited *(Note 6)*	10,002,653	3.99	10,002,653	3.83	10,002,653	1.80	10,002,653	2.45	10,002,653	2.52
Other Concert Party *(Note 7)*	52,000	0.02	52,000	0.02	52,000	0.01	52,000	0.01	52,000	0.01
ITC and its Concert Parties	73,771,642	29.45	84,750,318	32.42	231,809,141	41.72	231,809,141	56.75	220,830,465	55.55
Dr. Yap, Allan *(Notes 2, 3 & 5)*	4,850,000	1.94	4,850,000	1.86	4,850,000	0.87	4,850,000	1.19	4,850,000	1.22
Mr. Lui Siu Tsuen, Richard *(Notes 2 & 3)*	3,350,000	1.34	3,350,000	1.28	3,350,000	0.60	3,350,000	0.82	3,350,000	0.84
Stark Funds	–	–	–	–	127,450,979	22.94	–	–	–	–
Evolution	–	–	–	–	19,607,843	3.53	–	–	–	–
Other public Shareholders	168,483,427	67.27	168,483,427	64.44	168,483,427	30.34	168,483,427	41.24	168,483,427	42.39
Total public Shareholders	168,483,427	67.27	168,483,427	64.44	188,091,270	33.87	168,483,427	41.24	168,483,427	42.39
Total	250,455,069	100.00	261,433,745	100.00	555,551,390	100.00	408,492,568	100.00	397,513,892	100.00

Notes:

(1) As at the Latest Practicable Date, ITC, through its indirect wholly-owned subsidiaries, Famex and Hollyfield Group Limited, was beneficially interested in 60,516,951 Hanny Shares. ITC, through Hollyfield Group Limited, also held the Existing Hanny Bonds with face value of HK$95,966,280. Upon full conversion of such Existing Hanny Bonds at the initial conversion price of HK$9.0 per Hanny Share, 10,662,920 Hanny Shares will be issued to Hollyfield Group Limited. Dr. Chan held the Existing Hanny Bonds with face value of HK$2,841,810. Upon full conversion of such Existing Hanny Bonds at the initial conversion price of HK$9.0 per Hanny Share, 315,756 Hanny Shares will be issued to Dr. Chan.

(2) Hanny Director.

(3) Directors of subsidary(ies) of Hanny

(4) ITC Director.

(5) Directors of subsidary(ies) of ITC

(6) Cobbleford Limited is an indirect wholly-owned subsidiary of Hutchison Whampoa Limited.

(7) Mr. Cheung Shu Wan is the sole shareholder of a company which holds 50% interests in a 50%-owned associated company of ITC.

As at the Latest Practicable Date, no decision has been made as to whether or when or the extent to which the conversion rights attached to the ITC Subscriber Notes are to be exercised by ITC. The extent of exercise of the conversion rights attached to the ITC Subscriber Notes by ITC would depend on a number of factors such as the future financial position and business prospects of the Hanny Group, the market performance of the Hanny Shares, and the extent to which the Other Subscribers exercise the conversion rights attached to their Hanny Notes. ITC will comply with the relevant provisions of the Takeovers Code in respect of any acquisition of voting rights of Hanny on conversion of the ITC Subscriber Notes.

On 1st September, 2006, ITC and Hanny jointly announced that Famex, a wholly-owned subsidiary of ITC, has entered into a conditional agreement on 17th August, 2006 (as supplemented on 28th August, 2006) with an independent third party regarding an acquisition of 22,812,359 Hanny Shares by Famex. Should the aforesaid agreement become unconditional, Famex is required to make a conditional mandatory cash offer to acquire all the issued Hanny Shares (other than those already owned or agreed to be acquired by Famex and parties acting in concert with it (except Cobbleford Limited)) under Rule 26.1 of the Takeovers Code and to make a comparable offer to the holders of the Existing Hanny Bonds (other than those already owned or agreed to be acquired by Famex and parties acting in concert with it (except Cobbleford Limited)) pursuant to Rule 13 of the Takeovers Code. Completion of the ITC Subscription Agreement is conditional on, among other things, the closing or lapse (whichever is the earlier) of the ITC Offers. The shareholding structures of Hanny described above have not taken into account the results of the ITC Offers.

SHAREHOLDING STRUCTURE OF CEL

Set out below is the capital structure of CEL as at the Latest Practicable Date:

	Supervoting common stock – par value of US$0.01 per share	**CEL Shares**
Authorised:	20,000,000 shares	50,000,000 shares
Issued:	3,000,000 shares	6,017,310 shares

Each share of supervoting common stock is entitled to 10 votes whereas each CEL Share is entitled to one vote. Save for the difference in voting rights described above, the supervoting common stock of CEL and CEL Shares rank pari passu in all respects including the rights to distribution.

As at the Latest Practicable Date, Hanny, through its subsidiaries, held indirect interests in 3,000,000 shares of supervoting common stock of CEL and an aggregate of 2,239,800 CEL Shares, representing approximately 58.11% of equity interests in CEL. Pursuant to the Subscription Agreements, it is a condition precedent to Completion that all supervoting shares of CEL in issue have to be converted into CEL Shares on a one for one basis. Accordingly, upon Completion and assuming no changes to the share capital of CEL other than the conversion of supervoting shares mentioned above, an aggregate of 9,017,310 CEL Shares will be in issue and Hanny will, through its subsidiaries, be indirectly interested in 5,239,800 CEL Shares representing approximately 58.11% of the issued share capital of CEL. Upon full conversion of the CEL Notes at the initial conversion price of US$3.0 per CEL Share, an aggregate of 33,333,333 CEL Shares will be issued.

Set out below is the capital structure of CEL upon Completion:

	Supervoting common stock – par value of US$0.01 per share	**CEL Shares**
Authorised:	20,000,000 shares	50,000,000 shares
Issued:	nil	9,017,310 shares

Set out below are the shareholding structures of CEL (i) as at the Latest Practicable Date and taking into account all supervoting shares are converted into CEL Shares; (ii) upon full conversion of the CEL Notes by Hanny at the initial conversion price of US$3.0 per CEL Share; (iii) assuming ITC exercises in full its Exchange Rights to exchange the ITC Subscriber Notes into the CEL Notes and the CEL Notes held by ITC are fully converted into CEL Shares by ITC; and (iv) assuming the Subscribers exercise in full their Exchange Rights to exchange the Hanny Notes into the CEL Notes and upon full conversion of the CEL Notes by the holder(s) thereof (including ITC) at the initial conversion price of US$3.0 per CEL Share into CEL Shares, assuming no other changes to the share capital of CEL.

	As at the Latest Practicable Date and upon Completion		Upon full conversion of the CEL Notes by Hanny at the initial conversion price of US$3.0 per CEL Share		Assuming ITC exercises in full its Exchange Rights to exchange the ITC Subscriber Notes into CEL Notes and the CEL Notes held by ITC are fully converted into CEL Shares by ITC		Assuming the Subscribers exercise in full their Exchange Rights to exchange the Hanny Notes into CEL Notes and upon full conversion of the CEL Notes by the holders thereof (including ITC) at the initial conversion price of US$3.0 per CEL Share into CEL Shares	
	CEL Shares	*%*	*CEL Shares*	*%*	*CEL Shares*	*%*	*CEL Shares*	*%*
Hanny	5,239,800	58.11	38,573,133	91.08	5,239,800	20.40	5,239,800	12.37
ITC *(Note 1)*	–	–	–	–	16,666,666	64.89	16,666,666	39.35
Other Subscribers *(Note 2)*	–	–	–	–	–	–	16,666,667	39.35
Other shareholders of CEL	3,777,510	41.89	3,777,510	8.92	3,777,510	14.71	3,777,510	8.93
Total	9,017,310	100.00	42,350,643	100.00	25,683,976	100.00	42,350,643	100.00

Notes:

1. In the event that ITC exercises in full its Exchange Rights to exchange its ITC Subscriber Notes into the CEL Notes, ITC will hold the CEL Notes with principal amount of approximately US$50 million.

2. In the event that the Other Subscribers exercise in full their Exchange Rights to exchange their respective Hanny Notes into the CEL Notes, the Other Subscribers will hold the CEL Notes with aggregate principal amount of approximately US$50 million.

As at the Latest Practicable Date, no decision has been made as to whether or when or the extent to which the Exchange Rights attached to the ITC Subscriber Notes are to be exercised by ITC. The extent of exercise of the Exchange Rights by ITC would depend on a number of factors such as the future financial position and business prospects of the CEL Group, the market performance of the CEL Shares, and the extent to which the Other Subscribers exercise the Exchange Rights. Accordingly, no decision has been made as to whether or when or the extent to which the conversion rights attached to the CEL Notes are to be exercised by ITC. In the event that ITC exercises the conversion rights attached to the CEL Notes, ITC will comply with the relevant provisions in the Listing Rules (including any shareholders' approval requirements if necessary).

IMPLICATIONS OF THE LISTING RULES

The ITC Subscription under the ITC Subscription Agreement constitutes a major transaction for ITC under the Listing Rules. Upon exercise of the conversion rights attached to the ITC Subscriber Notes, the resulting acquisition of equity interests in Hanny by ITC may constitute a very substantial acquisition for ITC under the Listing Rules. Accordingly, the ITC Subscription and the transactions contemplated under the ITC Subscription Agreement (including the possible very substantial acquisition of equity interests in Hanny on conversion of the ITC Subscriber Notes) are subject to the approval of the holders of ITC Ordinary Shares at the SGM. However, in the event that ITC exercises the conversion rights attached to the CEL Notes, ITC will comply with the relevant provisions in the Listing Rules (including any shareholders' approval requirements if necessary). By virtue of Dr. Chan's interests in ITC and Hanny, Dr. Chan and his associates will be required to abstain from voting on the ITC Subscription. The relevant resolution will be conducted by way of poll at the SGM.

FINANCIAL EFFECTS OF THE ITC SUBSCRIPTION

Set out in Appendix III to this circular is the unaudited pro forma financial information on the Enlarged Group which illustrates the financial impact of the ITC Subscription and the possible very substantial acquisition of equity interests in Hanny on conversion of the ITC Subscriber Notes on the assets, liabilities, results and cashflows of the Enlarged Group.

PROSPECTS OF THE ENLARGED GROUP

The principal activities of the ITC Group comprise investment holding, the provision of finance, the provision of management services, property investment, treasury investment, trading of building materials and machinery and provision and operation of an internet-based precious metals trading platform. In respect of strategic investments, the ITC Group holds 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, ITC continues to explore potential investments in an aggressive but cautious manner, with a view to enhancing the value of its strategic investments by active participation in or close liaisons with the management of the investee companies of the ITC Group.

Following the completion of a placing of 214.4 million new ITC Ordinary Shares to more than six independent third parties at HK$0.72 per ITC Ordinary Share in February 2006, ITC raised approximately HK$154.4 million in cash, before expenses, which provided the ITC Group with further resources for future expansion and investments.

In view of the strong upturn of the Hong Kong economy and the diversified and balanced investment profile of the ITC Group, ITC is cautiously optimistic about its investment and business operation. The ITC Group will be enlarged by the Hanny Shares to be issued to ITC upon the exercise of the conversion rights attached to the ITC Subscriber Notes. In view of the diverse business coverage of the Hanny Group, the possible investments that Hanny may participate in China and the rapid economic development in China, ITC is confident that the prospects of the Enlarged Group will be promising.

SGM

The SGM will be held to consider and, if thought fit, approve the necessary resolution in respect of the ITC Subscription and the possible very substantial acquisition of equity interests in Hanny on conversion of the ITC Subscriber Notes. By virtue of Dr. Chan's interests in ITC and Hanny, Dr. Chan and his associates will be required to abstain from voting in this regards.

A notice convening the SGM, at which an ordinary resolution will be proposed to approve the ITC Subscription and the possible very substantial acquisition of equity interests in Hanny on conversion of the ITC Subscriber Notes, is set out on pages 245 and 246 of this circular.

If you are not able to attend the SGM, you are requested to complete and sign the form of proxy accompanying this circular in accordance with the instructions printed thereon and return it to the principal place of business of the Company in Hong Kong at 30th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment of it should you so wish.

RECOMMENDATION

The ITC Directors consider the ITC Subscription and the possible very substantial acquisition of equity interests in Hanny on conversion of the ITC Subscriber Notes are in the interests of the Company and the ITC Shareholders as a whole and recommend the ITC Shareholders to vote in favour of the ordinary resolution to be proposed as set out in the notice of the SGM contained in this circular.

FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
for and on behalf of the Board of
ITC Corporation Limited
Dr. Chan Kwok Keung, Charles
Chairman

(I) THREE YEARS FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated profit and loss account of the ITC Group for each of the three years ended 31st March, 2004, 2005 and 2006 and the audited consolidated balance sheet as at 31st March, 2004, 2005 and 2006 of the ITC Group as extracted from the annual report of ITC for the year ended 31st March, 2006:

Results

	Year ended March, 31st,		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Turnover			
– Continuing operations	252,959	104,361	100,590
– Discontinued operations	–	1,921,967	3,334,076
	252,959	2,026,328	3,434,666
Profit (loss) before income tax	103,541	(34,230)	(278,990)
Income tax expense	–	(260)	–
Profit for the year from discontinued operations	–	151,672	364,119
Profit for the year	103,541	117,182	85,129
Attributable to:			
Equity holders of the parent	107,394	88,898	(16,166)
Minority interests	(3,853)	28,284	101,295
	103,541	117,182	85,129

Assets and Liabilities

	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Total assets	2,460,700	2,176,978	5,337,404
Total liabilities	(428,691)	(568,308)	(2,427,756)
Shareholders' funds	2,032,009	1,608,670	2,909,648
Attributable to:			
Equity holders of the parent	2,009,945	1,579,011	1,714,284
Minority interests	22,064	29,659	1,195,364
	2,032,009	1,608,670	2,909,648

(II) AUDITED FINANCIAL INFORMATION

(i) Audited financial statements

Set out below are the audited consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity and consolidated cash flow statement of the ITC Group together with the relevant notes to the financial statements as extracted from the annual report of ITC for the year ended 31st March, 2006:

"Consolidated Income Statement
For the year ended 31st March, 2006

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
Continuing operations			
Turnover	7	252,959	104,361
Cost of sales		(205,884)	(48,117)
Gross profit		47,075	56,244
Other income (expenses)	8	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	9	(28,012)	(23,868)
Net investment expenses	10	–	(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	11	(31,596)	(141,028)
Share of results of associates		174,499	146,468
Profit (loss) before taxation		103,541	(34,230)
Taxation	12	–	(260)
Profit (loss) for the year from continuing operations		103,541	(34,490)
Discontinued operations			
Profit for the year from discontinued operations	13	–	151,672
Profit for the year	14	103,541	117,182
Attributable to:			
Equity holders of the parent		107,394	88,898
Minority interests		(3,853)	28,284
		103,541	117,182
Dividend paid	16	30,755	6,543
		HK cents	HK cents
Earnings per share	17		
From continuing and discontinued operations:			
Basic		9.4	10.8
Diluted		6.8	5.7

Consolidated Balance Sheet
At 31st March, 2006

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	*18*	50,835	40,760
Investment properties	*19*	4,016	3,525
Prepaid lease payments	*20*	89,651	91,865
Other intangible assets	*21*	1,080	1,840
Interests in associates	*22*	1,179,749	1,912,286
Available-for-sale investments	*23*	83,730	–
		1,409,061	2,050,276
Current assets			
Inventories		137	115
Debtors, deposits and prepayments	*25*	14,370	4,587
Margin account receivables	*26*	10,791	25
Prepaid lease payments	*20*	2,214	2,214
Amounts due from associates	*27*	205,083	8,538
Amounts due from related companies	*28*	247,362	1,632
Loans receivable	*29*	205,400	23,231
Investments in securities	*24*	–	5,025
Held for trading investments	*30*	138,474	–
Gold bullion		–	65,303
Bank deposits	*31*	223,230	12,814
Bank balances and cash		4,578	3,218
		1,051,639	126,702
Current liabilities			
Creditors and accrued expenses	*32*	25,383	20,306
Margin account payables	*26*	25,048	–
Derivative financial instruments	*33*	460	–
Amounts due to associates	*34*	123	93
Convertible notes	*35*	–	162,628
Bank borrowings – due within one year	*36*	30,667	17,372
Other loans – due within one year	*37*	–	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

Consolidated Balance Sheet ***(Cont'd)***
At 31st March, 2006

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
Non-current liabilities			
Redeemable convertible preference shares	*38*	286,811	286,537
Bank borrowings – due after one year	*36*	60,100	62,550
Deferred tax liabilities	*39*	99	48
		347,010	349,135
Net assets		2,032,009	1,608,670
Capital and reserves			
Share capital	*40*	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

Consolidated Statement of Changes in Equity

For the year ended 31st March, 2006

	Attributable to equity holders of the parent														
	Share capital HK$'000	Share premium HK$'000	Con-tributed surplus HK$'000	Capital redemption reserve HK$'000	Other reserve HK$'000	Property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Goodwill reserve HK$'000	Convertible notes reserve HK$'000	Preference share reserve HK$'000	Acc-umulated (losses) profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1st April, 2004 as originally stated	92,227	209,889	2,092,234	908	7,130	3,414	–	81,548	(49,067)	–	–	(1,085,101)	1,353,182	1,195,365	2,548,547
Effects of changes in accounting policies	–	60	–	–	2,675	–	–	–	49,067	9,393	–	299,905	361,100	(55,596)	305,504
As restated	92,227	209,949	2,092,234	908	9,805	3,414	–	81,548	–	9,393	–	(785,196)	1,714,282	1,139,769	2,854,051
Exchange differences arising from translation of overseas operations	–	–	–	–	–	–	–	(16,055)	–	–	–	–	(16,055)	(13,061)	(29,116)
Share of post-acquisition reserve movements of associates	–	–	–	–	(8,707)	(3,074)	–	(24,482)	–	–	–	–	(36,263)	(353)	(36,616)
Surplus arising from revaluation of land and buildings	–	–	–	–	–	272	–	–	–	–	–	–	272	–	272
Deferred tax liability arising on revaluation of land and buildings	–	–	–	–	–	(48)	–	–	–	–	–	–	(48)	–	(48)
Net expenses recognised directly in equity	–	–	–	–	(8,707)	(2,850)	–	(40,537)	–	–	–	–	(52,094)	(13,414)	(65,508)
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	88,898	88,898	28,284	117,182
Released on disposal and dilution of interests in subsidiaries	–	–	–	–	173	(340)	–	(5,767)	–	–	–	–	(5,934)	(1,513,430)	(1,519,364)
Released on disposal and dilution of interests in associates	–	–	–	–	(317)	–	–	(631)	–	–	–	–	(948)	(4,439)	(5,387)
Total recognised income and expenses for the year	–	–	–	–	(8,851)	(3,190)	–	(46,935)	–	–	–	88,898	29,922	(1,502,999)	(1,473,077)
Conversion of compulsorily convertible cumulative preference shares to redeemable convertible preference shares	(26,798)	(256,274)	–	–	–	–	–	–	–	–	874	–	(282,198)	–	(282,198)
Issue of shares arising from conversion of convertible notes	41,667	85,837	–	–	–	–	–	–	–	(4,056)	–	–	123,448	–	123,448
Issue of shares arising from conversion of redeemable convertible preference shares	105	(2)	–	–	–	–	–	–	–	–	(3)	–	100	–	100
Dividend paid	–	–	–	–	–	–	–	–	–	–	–	(6,543)	(6,543)	–	(6,543)
Arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	392,889	392,889
Transfer of contributed surplus	–	–	(983,307)	–	–	–	–	–	–	–	–	983,307	–	–	–
At 31st March, 2005	107,201	39,510	1,108,927	908	954	224	–	34,613	–	5,337	871	280,466	1,579,011	29,659	1,608,670
Effects of changes in accounting policies	–	–	–	–	(228)	–	491	–	–	–	–	30,715	30,978	–	30,978
At 1st April, 2005 as restated	107,201	39,510	1,108,927	908	726	224	491	34,613	–	5,337	871	311,181	1,609,989	29,659	1,639,648

Consolidated Statement of Changes in Equity ***(Cont'd)***
For the year ended 31st March, 2006

	Attributable to equity holders of the parent														
	Share capital	Share premium	Con-tributed surplus	Capital redemption reserve	Other reserve	Property revaluation reserve	Investment revaluation reserve	Translation reserve	Goodwill reserve	Convertible notes reserve	Preference share reserve	Acc-umulated (losses) profits	Total	Minority interests	Total
	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*
Exchange differences arising from translation of overseas operations	–	–	–	–	–	–	–	3,122	–	–	–	–	3,122	–	3,122
Share of post-acquisition reserve movements of associates	–	–	–	–	4,090	–	(9,175)	264	–	–	–	–	(4,821)	–	(4,821)
Surplus arising from revaluation of land and buildings	–	–	–	–	–	294	–	–	–	–	–	–	294	–	294
Deferred tax liability arising on revaluation of land and buildings	–	–	–	–	–	(51)	–	–	–	–	–	–	(51)	–	(51)
Surplus arising from revaluation of available-for-sale investments	–	–	–	–	–	–	23,224	–	–	–	–	–	23,224	–	23,224
Net income recognised directly in equity	–	–	–	–	4,090	243	14,049	3,386	–	–	–	–	21,768	–	21,768
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	107,394	107,394	(3,853)	103,541
Released on disposal and dilution of interests in associates	–	–	–	–	(1,346)	–	719	(12,308)	–	–	–	–	(12,935)	–	(12,935)
Total recognised income and expenses for the year	–	–	–	–	2,744	243	14,768	(8,922)	–	–	–	107,394	116,227	(3,853)	112,374
Issue of shares arising from conversion of convertible notes	54,834	114,984	–	–	–	–	–	–	–	(5,337)	–	–	164,481	–	164,481
Issue of shares arising from issue of scrip dividend	275	(275)	–	–	–	–	–	–	–	–	–	–	–	–	–
Issue of shares	21,440	128,563	–	–	–	–	–	–	–	–	–	–	150,003	–	150,003
Dividend paid	–	–	–	–	–	–	–	–	–	–	–	(30,755)	(30,755)	–	(30,755)
Acquisition of additional interest in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(3,742)	(3,742)
At 31st March, 2006	183,750	282,782	1,108,927	908	3,470	467	15,259	25,691	–	–	871	387,820	2,009,945	22,064	2,032,009

The contributed surplus of the Group comprises the difference between the nominal amount of the ordinary shares capital issued by the Company in exchange for the nominal amount of the share capital of a subsidiary acquired pursuant to a corporate reorganisation on 24th January, 1992 and the credits arising from the changes in the capital and reserves of the Company in other capital reorganisation and the transfers to the accumulated losses as approved by the board of directors from time to time.

The other reserve of the Group represents the difference between the nominal amount of the share capital and share premium of the subsidiaries of the associates of the Group at the date on which they were acquired by the associates of the Group and the nominal amount of the share capital issued as consideration for the acquisition.

Consolidated Cash Flow Statement
For the year ended 31st March, 2006

	2006 HK$'000	2005 HK$'000 (Restated)
OPERATING ACTIVITIES		
Profit for the year	103,541	117,182
Adjustments for:		
Share of results of jointly controlled entities	–	(117)
Share of results of associates	(174,499)	(257,267)
Net loss on disposal and dilution of interests in subsidiaries and associates	31,596	140,150
Allowance for amounts due from associates and related companies	3,064	17,001
Allowance for debtors, deposits and prepayments	773	–
Allowance for loans receivables	3,475	–
Impairment loss on other intangible assets	1,085	–
Impairment loss on investment securities	–	9,821
Gain on disposal of investment properties	–	(1,129)
Reverse of provision of option agreement	–	(510)
Interest expenses	28,012	23,935
Income tax expenses	–	16,405
Discount on acquisition released to income arising from acquisition of		
– additional interest in subsidiaries	(2,578)	–
– interest in subsidiaries	–	(20,938)
Depreciation and amortisation of property, plant and equipment	4,440	34,333
Release of prepaid lease payments	2,214	554
(Gain) loss on disposal of property, plant and equipment	(295)	1,324
Surplus arising from revaluation of land and buildings	(2,582)	(230)
Increase in fair value of investment properties	(335)	–
Net loss on disposal of listed other investments	–	1,574
Net unrealised holding loss on listed other investments	–	7,328
Decrease in fair value of held for trading investments	1,229	–
Decrease in fair value of derivative financial instruments	460	–
Gain on disposal of gold bullion	(7,075)	–
Reverse of provision of guarantees in previous years	–	(5,483)
Operating cash flows before movements in working capital	(7,475)	83,933
Increase in property held for resale	–	(41,000)
(Increase) decrease in inventories	(22)	23
Decrease in amounts due from (to) customers for contract works, net of attributable interest expenses and depreciation and amortisation	–	23,797
(Increase) decrease in debtors, deposits and prepayments	(10,556)	72,365
Increase in margin account receivables	(10,766)	(25)
Increase in amounts due from associates	(27,662)	(25,569)
Decrease in amounts due from jointly controlled entities	–	664
Increase in amounts due from related companies	(9,677)	(7,649)
(Increase) decrease in loans receivable	(185,644)	48,286
Net increase in held for trading investments	(134,678)	–
Increase (decrease) in creditors and accrued expenses	5,077	(41,258)
Increase in margin account payables	25,048	–
Increase (decrease) in amounts due to associates	30	(94,161)
Decrease in amounts due to related companies	–	(216)
Cash (used in) generated from operations	(356,325)	19,190

Consolidated Cash Flow Statement *(Cont'd)*
For the year ended 31st March, 2006

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
Dividends received from associates		498,555	66,206
Dividends received from a jointly controlled entity		–	4,000
Overseas tax paid		–	(3,869)
Hong Kong Profits Tax refunded		–	484
Hong Kong Profits Tax paid		–	(141)
NET CASH FROM OPERATING ACTIVITIES		142,230	85,870
INVESTING ACTIVITIES			
Proceeds from disposal of interests in associates		448,214	–
Proceeds from disposal of gold bullion		71,757	–
Proceeds from disposal of property, plant and equipment		484	1,064
Amounts advanced to related companies		(239,000)	(23,361)
Amounts advanced to associates		(169,000)	–
Additions to available-for-sale investments		(60,506)	–
Acquisition of additional interests in associates		(55,335)	–
Additions to property, plant and equipment		(10,967)	(22,701)
Acquisition of additional interests in subsidiaries		(1,164)	–
Acquisition of other intangible assets		(325)	–
Proceeds from disposal of investment properties		–	61,129
Repayment from jointly controlled entities		–	2,000
Proceeds from disposal of investments in securities		–	1,337
Acquisition of subsidiaries, net of cash and cash equivalents acquired	*42*	–	(432,773)
Increase in prepaid lease payments		–	(94,633)
Disposal of subsidiaries, net of cash and cash equivalents disposed	*43*	–	(43,588)
Additions to properties under development		–	(28,363)
NET CASH USED IN INVESTING ACTIVITIES		(15,842)	(579,889)
FINANCING ACTIVITIES			
Net proceeds from issue of shares		150,003	–
Net increase (decrease) in bank overdrafts		13,295	(16,325)
Dividends paid		(30,755)	(6,543)
Interest paid		(25,885)	(17,751)
Repayments of other loans		(18,774)	(17,317)
Repayments of bank borrowings		(2,450)	(78,850)
Loans from a minority shareholder of a subsidiary raised		–	341,000
New bank loans raised		–	75,000
Other loans raised		–	18,774
Repayment of advances from minority shareholders of a subsidiary		–	(55,159)
Repayment of advance from a jointly controlled entity		–	(34,818)
NET CASH FROM FINANCING ACTIVITIES		85,434	208,011

Consolidated Cash Flow Statement ***(Cont'd)***
For the year ended 31st March, 2006

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	211,822	(286,008)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	16,032	303,051
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(46)	(1,011)
CASH AND CASH EQUIVALENTS CARRIED FORWARD	227,808	16,032
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank deposits	223,230	12,814
Bank balances and cash	4,578	3,218
	227,808	16,032

Notes to the Consolidated Financial Statements
For the year ended 31st March, 2006

1. GENERAL

The Company is an exempted company incorporated in Bermuda with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The addresses of the registered office and the principal place of business of the Company are disclosed in the corporate information section of the annual report.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries and the Group's principal associates are set out in notes 53 and 22 respectively.

2. 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:

2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

Business Combinations *(Cont'd)*

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 3 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.

2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

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 3 for the financial impact).

2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

Financial Instruments *(Cont'd)*

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 3 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 terms on a straight-line basis. This change in accounting policy has been applied retrospectively (see note 3 for the financial impact).

2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

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 3 for the financial impact).

3. 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	HKAS40	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 surplus on land and building	–	–	–	–	(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
(Decrease) increase 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)

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Cont'd)*

(i) On results *(Cont'd)*

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)

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Cont'd)*

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$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Originally stated)					(Restated)			(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 share 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

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Cont'd)*

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

	31.3.2004 *HK$'000* (Originally stated)	**Effect of HKFRS 3** *HK$'000*	**Effect of HKAS 32** *HK$'000*	**Effect of HKAS 40** *HK$'000*	**31.3.2004** *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

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Cont'd)*

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments and interpretations will have no material impact on the financial statements of the Group except for HKAS 39 & HKFRS 4 (Amendments) "Financial Guarantee Contracts" which require all financial guarantee contracts to be initially measured at fair value. The directors consider that the impact resulting from this amendment cannot be reasonably estimated as at the balance sheet date:

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC) – INT 8	Scope of HKFRS 2[5]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[6]

1 Effective for annual periods beginning on or after 1st January, 2007.
2 Effective for annual periods beginning on or after 1st January, 2006.
3 Effective for annual periods beginning on or after 1st December, 2005.
4 Effective for annual periods beginning on or after 1st March, 2006.
5 Effective for annual periods beginning on or after 1st May, 2006.
6 Effective for annual periods beginning on or after 1st June, 2006.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with new HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Basis of consolidation *(Cont'd)*

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

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

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations achieved in stages

For business combination that involves more than one exchange transaction through successive share purchases, the cost of the transaction and fair value information at the date of each exchange transaction are treated separately to determine the amount of any goodwill associated with that transaction. Any adjustments to those fair values relating to previously held interests is accounted for as increase in revaluation reserve.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost or fair value less subsequent accumulated depreciation and amortisation and accumulated impairment losses.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and amortisation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of land and buildings is credited to the property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Property, plant and equipment *(Cont'd)*

No depreciation is provided in respect of freehold land.

Depreciation is provided to write off the cost or fair value of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Construction in progress is stated at cost which includes all development expenditure and the direct costs attributable to such projects. Construction in progress is not depreciated or amortised until completion of construction and the asset is available for use. The cost of completed construction works is transferred to the appropriate categories of property, plant and equipment.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year in which the item is derecognised.

Interests in associates

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Other intangible assets

On initial recognition, other intangible assets acquired separately other than from business combinations are recognised at cost. After initial recognition, other intangible assets with indefinite useful lives are carried at cost less any identified impairment loss.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Other intangible assets with indefinite useful lives are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of other intangible assets is estimated to be less than its carrying amount, the carrying amount of the other intangible assets is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of other intangible assets is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for that other intangible assets in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including debtors, deposits and prepayments, margin account receivables, loans receivable, bank deposits, bank balances, amounts due from associates and amounts due from related companies) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories (set out above). At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not be reversed in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments ***(Cont'd)***

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities, including bank borrowings, creditors, margin account payables, amounts due to associates and other loans, are subsequently measured at amortised cost, using the effective interest method.

Convertible notes and redeemable convertible preference shares

Convertible notes and redeemable convertible preference shares issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible notes/redeemable convertible preference shares and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the notes into equity, is included in equity (convertible notes reserve/preference share reserve).

In subsequent periods, the liability component of the convertible notes and redeemable convertible preference shares is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes reserve/preference share reserve until the embedded option is exercised (in which case the balance stated in convertible notes reserve/preference share reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes reserve/preference share reserve will be released to accumulated profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes/redeemable convertible preference shares are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes/redeemable convertible preference shares using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Equity instruments

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

Derivative financial instruments

Derivatives that do not qualify for hedge accounting are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair values of such derivatives are recognised directly in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration received or receivable is recognised in profit or loss.

Gold bullion

Gold bullion is stated at the gold price prevailing at the close of business at the balance sheet date. Differences arising from changes in gold prices are dealt with in the profit or loss.

Inventories

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

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amount receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Service revenue is recognised when services are rendered.

Sales of securities are recognised when the sale agreement becomes unconditional.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income under operating leases is recognised on a straight-line basis over the terms of the relevant leases.

Where the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively with reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

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

Transaction fees income is recognised when transaction fees derived from the provision of an interest-based electronic trading system are recognised when a transaction is duly executed on a trade date basis.

Precious metals contract trading is recognised as income or debt to income when the contract is closed.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Taxation

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Taxation ***(Cont'd)***

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense or capitalised incontracts in progress, where appropriate, as they fall due.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the income statement in the period which they are incurred.

Leasing

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

The Group as lessor

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

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the terms of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease terms on a straight-line basis.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 4, management has made the following estimation uncertainty at the balance sheet date, that have a most significant risk of causing a material adjustment to the carrying amount of assets/liabilities within the next year as discussed below.

Impairment loss on trade debtors and loans receivable

The management regularly reviews the recoverability and/or age of the trade debtors and loans receivable. Appropriate impairment for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

In determining whether impairment for bad and doubtful debts is required, the Group takes into consideration the age status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and its carrying value.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include bank balances, bank deposits, borrowings, loans receivable, amounts due from and to associates and related companies, available-for-sale investments, held for trading investments, redeemable convertible preference shares, margin account receivable/payables, trade debtors and trade creditors. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Regarding the overseas operations and certain held for trading investments in foreign currencies (other than US Dollars), the Group has been matching assets with borrowings in the same currency. Certain held for trading investments are denominated in United States Dollars. Since United States Dollars is linked to Hong Kong Dollars, the Group does not expect any significant movements in USD/HKD exchange rate. Management has closely monitored foreign exchange exposure to mitigate the foreign currency risk.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st March, 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, management of the Group has determined credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and loan debtor at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. The Group has significant concentration of credit risk on loan receivables and amounts due from related companies and associates, amounting to approximately HK$195 million, HK$247 million and HK$169 million, respectively. As they have a strong financial position with good repayment record in the past, the directors of the Company consider that the Group's credit risk is minimal.

Cash flow interest rate risk

All bank deposits, amount due from associates, amount due from related companies, loans receivable and borrowings of the Group are arranged at floating rates (except preference shares). The management has employed a treasury team to closely monitor interest rate movement and manage the potential risk.

7. TURNOVER AND SEGMENTAL INFORMATION

Turnover represents the amounts received and receivable from outside customers for the year and is analysed as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Continuing operations:		
Interest income	32,409	26,592
Trading of listed securities	210,765	44,676
Property investment	674	24,806
Trading of building materials and machinery	4,234	5,276
Others	4,877	3,011
	252,959	104,361
Discontinued operations:		
Building construction	–	1,424,932
Civil engineering	–	272,972
Specialist works	–	223,239
Trading of construction materials	–	824
	–	1,921,967
	252,959	2,026,328

7. TURNOVER AND SEGMENTAL INFORMATION *(Cont'd)*

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

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

7. TURNOVER AND SEGMENTAL INFORMATION *(Cont'd)*

Business segments *(Cont'd)*

	Continuing operations					Discontinued operations					
	Finance	Investment	Property investment	Trading of building materials and machinery	Unallocated	Building construction	Civil engineering	Specialist works	Trading of Construction materials	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
BALANCE SHEET											
ASSETS											
Segment assets	657,838	455,985	31,595	825	715	–	–	–	–	–	1,146,958
Interests in associates	–	–	–	–	1,179,749	–	–	–	–	–	1,179,749
Unallocated corporate assets	–	–	–	–	133,993	–	–	–	–	–	133,993
Total assets											2,460,700
LIABILITIES											
Segment liabilities	–	17,561	48	477	870	–	–	–	–	–	18,956
Unallocated corporate liabilities	–	–	–	–	409,735	–	–	–	–	–	409,735
Total liabilities											428,691
OTHER INFORMATION											
Capital additions	–	–	–	3	10,964	–	–	–	–	–	10,967
Depreciation and amortisation of property, plant and equipment	–	–	231	–	4,209	–	–	–	–	–	4,440
Release of prepaid lease payments	–	–	–	–	2,214	–	–	–	–	–	2,214
Gain on disposal of property, plant and equipment	–	–	–	–	295	–	–	–	–	–	295

7. TURNOVER AND SEGMENTAL INFORMATION *(Cont'd)*

Business segments *(Cont'd)*

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 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

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

7. TURNOVER AND SEGMENTAL INFORMATION *(Cont'd)*

Business segments *(Cont'd)*

	Continuing operations					Discontinued operations					
	Finance	Investment	Property investment	Trading of building materials and machinery	Unallocated	Building construction	Civil engineering	Specialist works	Trading of Construction materials	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
BALANCE SHEET											
ASSETS											
Segment assets	23,780	108,000	11,106	953	1,306	–	–	–	–	–	145,145
Interests in associates	–	–	–	–	1,912,286	–	–	–	–	–	1,912,286
Unallocated corporate assets	–	–	–	–	119,547	–	–	–	–	–	119,547
Total assets											2,176,978
LIABILITIES											
Segment liabilities	10	7,388	46	856	1,569	–	–	–	–	–	9,869
Unallocated corporate liabilities	–	–	–	–	558,439	–	–	–	–	–	558,439
Total liabilities											568,308
OTHER INFORMATION											
Capital additions	–	–	–	–	113,659	2,356	–	–	–	1,890	117,905
Depreciation and amortisation of property, plant and equipment	–	–	218	–	14,525	8,247	1,262	7,601	3,414	–	35,267
Release of prepaid lease payments	–	–	–	–	554	–	–	–	–	–	554
Impairment loss on investment securities	–	9,821	–	–	–	–	–	–	–	–	9,821
Loss on disposal of property, plant and equipment	–	–	–	–	1,324	–	–	–	–	–	1,324

Geographical segments

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

The following is an analysis of the carrying amount of segment assets and capital additions, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Capital additions	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000* (Restated)	*HK$'000*	*HK$'000*
Hong Kong	1,252,246	239,395	10,874	117,879
The People's Republic of China (the "PRC")	2	2	–	–
Others	28,703	25,295	93	26
	1,280,951	264,692	10,967	117,905

8. OTHER INCOME (EXPENSES)

	Continuing operations and consolidated 2006 HK$'000	2005 HK$'000 (Restated)
Surplus arising from revaluation of land and buildings	2,582	230
Increase in fair value of investment properties	335	–
Net loss on disposal of listed other investments	–	(1,574)
Net unrealised holding loss on listed other investments	–	(7,328)
Decrease in fair value of held for trading investments	(1,229)	–
Gain on disposal of gold bullion	7,075	–
Loss on gold trading contract	(7,326)	–
Increase in fair value of gold trading contract	283	–
Decrease in fair value of derivative financial instruments	(460)	–
Reversal of provision of guarantees in previous years	–	5,483
	1,260	(3,189)

9. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2006	2005	2006	2005	2006	2005
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000 (Restated)
Interest payable on:						
Bank borrowings wholly repayable within five years	834	4,058	–	67	834	4,125
Bank borrowings not wholly repayable within five years	2,482	180	–	–	2,482	180
Convertible notes	11,938	16,738	–	–	11,938	16,738
Redeemable convertible preference shares	10,952	4,439	–	–	10,952	4,439
Other borrowings wholly repayable within five years	1,406	60	–	–	1,406	60
Overprovision of previous year	–	(1,607)	–	–	–	(1,607)
Interest on margin account payables	400	–	–	–	400	–
	28,012	23,868	–	67	28,012	23,935

10. NET INVESTMENT EXPENSES

	Continuing operations and consolidated 2006	2005
	HK$'000	*HK$'000*
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)

11. NET (LOSS) GAIN ON DISPOSAL AND DILUTION OF INTERESTS IN SUBSIDIARIES AND ASSOCIATES

	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)
Loss on disposal and dilution of interests in subsidiaries	–	(78,076)	–	–	–	(78,076)
Loss on disposal of interests in associates	(20,073)	–	–	–	(20,073)	–
Gain on dilution of interests in associates	76	130	–	878	76	1,008
Loss on dilution of interests in associates	(11,599)	(63,082)	–	–	(11,599)	(63,082)
	(31,596)	(141,028)	–	878	(31,596)	(140,150)

12. TAXATION

	Continuing operations 2006	Continuing operations 2005	Discontinued operations 2006	Discontinued operations 2005	Consolidated 2006	Consolidated 2005
	HK$'000	*HK$'000* (Restated)	*HK$'000*	*HK$'000* (Restated)	*HK$'000*	*HK$'000* (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 *(note 39)*						
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.

12. TAXATION *(Cont'd)*

The tax charge for the year can be reconciled to the profit (loss) per the income statement as follows:

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Profit (loss) before taxation		
Continuing operations	103,541	(34,230)
Discontinued operations	–	167,817
	103,541	133,587
Tax at Hong Kong Profits Tax rate of 17.5%	18,120	23,378
Tax effect of expenses not deductible for tax purposes	11,891	15,843
Tax effect of income not taxable for tax purposes	(2,153)	(5,610)
Tax effect of utilisation of deductible temporary differences previously not recognised	(40)	(27)
Tax effect of tax losses not recognised	2,720	8,432
Tax effect of share of results of associates and jointly controlled entities	(30,538)	(25,632)
Underprovision in previous years	–	21
Tax charge for the year	–	16,405

Details of the deferred tax are set out in note 39.

13. DISCONTINUED OPERATIONS

On 20th October, 2004, the Group disposed of 5.73% of equity interest in its then 55.06% owned subsidiary PYI Corporation Limited ("PYI"), which, on completion of the disposal, became an associate of the Group.

The Group's operations in building construction, civil engineering, specialist works and construction materials are solely attributable to PYI and its subsidiaries ("PYI Group") and they have been discontinued after the disposal of the shares in PYI.

Other than these operations, PYI Group and the Group also operate in investment, finance and property investment. These operations are still be carried on by the Group subsequent to the disposal of shares in PYI. Accordingly, these operations are disclosed as continuing operations in note 7.

13. DISCONTINUED OPERATIONS *(Cont'd)*

The results of the discontinued operations for the period from 1st April, 2004 to 20th October, 2004, which have been included in the consolidated income statement, were as follows:

	2005
	HK$'000
	(Restated)
Turnover	
Building construction	1,424,932
Civil engineering	272,972
Specialist works	223,239
Construction materials	824
	1,921,967
Cost of sales	(1,821,422)
Gross profit	100,545
Administrative expenses	(44,455)
Finance costs	(67)
Net gain on disposal and dilution of interests in subsidiaries and associates	878
Share of results of associates	110,799
Share of results of jointly controlled entities	117
Profit before taxation	167,817
Taxation	(16,145)
Profit after taxation	151,672

The carrying amounts of the assets and liabilities of the discontinued operations as at the date of disposal, were as follows:

	On the date of disposal
	HK$'000
Total assets	2,319,995
Total liabilities	1,551,598

The cash flows of the discontinued operations for the year ended 31st March, 2005 were as follows:

	HK$'000
Net cash from operating activities	45,794
Net cash used in investing activities	(454,097)
Net cash from financing activities	301,280

14. PROFIT FOR THE YEAR

	Continuing operations		Discontinued operations		Consolidated	
	2006	2005	2006	2005	2006	2005
	HK$'000	*HK$'000* (Restated)	*HK$'000*	*HK$'000* (Restated)	*HK$'000*	*HK$'000* (Restated)
Profit for the year has been arrived at after charging:						
Auditors' remuneration	1,665	1,255	–	606	1,665	1,861
Cost of inventories recognised as expenses	2,497	3,436	–	–	2,497	3,436
Release of prepaid lease payments	2,214	554	–	–	2,214	554
Depreciation and amortisation of property, plant and equipment *(note (a) below)*	4,440	14,734	–	19,599	4,440	34,333
Impairment loss on other intangible assets	1,085	–	–	–	1,085	–
Loss on disposal of property, plant and equipment	–	364	–	960	–	1,324
Minimum lease payments under operating leases in respect of:						
Premises	1,416	781	–	1,767	1,416	2,548
Plant and machinery	–	–	–	473	–	473
Staff costs, including directors' emoluments *(note (b) below)*	27,890	34,165	–	34,867	27,890	69,032
Share of tax of associates (included in share of results of associates)	36,020	11,368	–	30,015	36,020	41,383
Net foreign exchange losses (gains)	203	(3)	–	76	203	73
and after crediting:						
Gain on disposal of property, plant and equipment	295	–	–	–	295	–
Rental income under operating leases in respect of:						
Premises, net of negligible outgoings (2005: HK$9,177,000)	674	13,503	–	–	674	13,503
Plant and machinery	–	–	–	32	–	32

14. PROFIT FOR THE YEAR *(Cont'd)*

Notes:

		Continuing operations		Discontinued operations		Consolidated	
		2006	**2005**	**2006**	**2005**	**2006**	**2005**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
(a)	Depreciation and amortisation of property, plant and equipment:						
	Owned assets	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
(b)	Staff costs, including directors' emoluments:						
	Salaries and other benefits	27,074	33,898	–	141,653	27,074	175,551
	Retirement benefit scheme contributions, net of forfeited contributions of approximately HK$68,000 (2005: HK$1,202,000)	816	848	–	4,500	816	5,348
		27,890	34,746	–	146,153	27,890	180,899
	Less: Amount capitalised in respect of contracts in progress	–	(581)	–	(111,286)	–	(111,867)
		27,890	34,165	–	34,867	27,890	69,032

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the nine (2005: eleven) directors were as follows:

(a) Directors' emoluments

2006

	Chan Kwok Keung, Charles	Chau Mei Wah, Rosanna	Chan Kwok Hung	Chan Fut Yan	Cheung Hon Kit	Lau Ko Yuen, Tom	Chuck, Winston Calptor	Lee Kit Wah	Wong Kam Cheong, Stanley	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	10	10	10	10	10	5	120	120	120	415
Other emoluments										
Salaries and other benefits	2,200	1,400	1,838	600	–	270	–	–	–	6,308
Retirement benefit schemes contributions	220	140	64	60	–	27	–	–	–	511
Discretionary bonus	–	–	–	–	–	–	–	–	–	–
Total emoluments	2,430	1,550	1,912	670	10	302	120	120	120	7,234

2005

	Chan Kwok Keung, Charles	Chau Mei Wah, Rosanna	Chan Kwok Hung	Chan Fut Yan	Cheung Hon Kit	Lau Ko Yuen, Tom	Chuck, Winston Calptor	Lee Kit Wah	Wong Kam Cheong, Stanley	Lai, Dominic	Wong Kun To	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	10	10	10	10	10	10	120	83	60	52	4	379
Other emoluments												
Salaries and other benefits	2,467	1,928	1,838	1,928	6	1,928	–	–	–	–	–	10,095
Retirement benefit schemes contributions	246	192	56	192	–	143	–	–	–	–	–	829
Discretionary bonus	–	–	1,500	–	–	–	–	–	–	–	–	1,500
Total emoluments	2,723	2,130	3,404	2,130	16	2,081	120	83	60	52	4	12,803

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Cont'd)*

(b) Employees' emoluments

The five highest paid individuals in the Group for the year ended 31st March, 2006 included three directors and two employees (2005: five directors) and information regarding their emoluments are as follows:

	2006 *HK$'000*	**2005** *HK$'000*
Fees	30	50
Salaries and other benefits	8,848	10,089
Discretionary bonus	200	1,500
Retirement benefit scheme contributions	446	829
	9,524	12,468

Their emoluments were within the following bands:

	2006 *Number of employees*	**2005** *Number of employees*
HK$1,000,001 to HK$1,500,000	1	–
HK$1,500,001 to HK$2,000,000	2	–
HK$2,000,001 to HK$2,500,000	2	3
HK$2,500,001 to HK$3,000,000	–	1
HK$3,000,001 to HK$3,500,000	–	1
	5	5

(c) During the year, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors has waived any emoluments during the year.

16. DIVIDEND PAID

	2006 HK$'000	2005 HK$'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 dividend of ordinary shares.

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.

17. EARNINGS PER SHARE

	2006		2005	
	Basic	Diluted	Basic	Diluted
	HK cents	*HK cents*	*HK cents* (Restated)	*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

17. EARNINGS PER SHARE *(Cont'd)*

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.

17. EARNINGS PER SHARE *(Cont'd)*

The adjustment to comparative basic and diluted earnings per share, arising from changes in accounting policies set out in note 3 above, is as follows:

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

	Basic	**Diluted**
	HK cents	*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

18. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings *HK$'000*	Plant, machinery and office equipment *HK$'000*	Motor vehicles and vessels *HK$'000*	Furniture and fixtures *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
COST OR VALUATION						
At 1st April, 2004						
– as originally stated	242,901	414,416	100,142	138,873	–	896,332
– adoption of HKAS 40	(3,525)	–	–	–	–	(3,525)
– as restated	239,376	414,416	100,142	138,873	–	892,807
Translation adjustments	1,489	23	55	77	–	1,644
Acquisition of subsidiaries	–	13	450	108	–	571
Disposal of subsidiaries	(221,326)	(403,217)	(90,153)	(137,084)	–	(851,780)
Additions	12,300	876	4,761	960	3,804	22,701
Disposals	–	(10,794)	(962)	(1,501)	–	(13,257)
Revaluation increase	212	–	–	–	–	212
At 31st March, 2005	32,051	1,317	14,293	1,433	3,804	52,898
Translation adjustments	859	17	37	53	–	966
Additions	–	1,926	5,318	3,723	–	10,967
Disposals	–	(65)	(1,948)	(654)	–	(2,667)
Transfer	–	221	–	3,583	(3,804)	–
Revaluation increase	2,351	–	–	–	–	2,351
At 31st March, 2006	35,261	3,416	17,700	8,138	–	64,515
Comprising:						
At cost	–	3,416	17,700	8,138	–	29,254
At valuation – 2006	35,261	–	–	–	–	35,261
	35,261	3,416	17,700	8,138	–	64,515
DEPRECIATION AND AMORTISATION						
At 1st April, 2004	–	324,003	33,627	86,328	–	443,958
Translation adjustments	–	23	55	73	–	151
Eliminated on disposal of subsidiaries	(2,987)	(330,173)	(31,006)	(91,913)	–	(456,079)
Provided for the year	3,277	16,231	8,095	7,664	–	35,267
Eliminated on disposals	–	(9,111)	(863)	(895)	–	(10,869)
Reversal on revaluation	(290)	–	–	–	–	(290)
At 31st March, 2005	–	973	9,908	1,257	–	12,138
Translation adjustments	–	16	38	51	–	105
Provided for the year	525	566	1,887	1,462	–	4,440
Eliminated on disposals	–	(63)	(1,820)	(595)	–	(2,478)
Reversal on revaluation	(525)	–	–	–	–	(525)
At 31st March, 2006	–	1,492	10,013	2,175	–	13,680
CARRYING VALUE						
At 31st March, 2006	35,261	1,924	7,687	5,963	–	50,835
At 31st March, 2005	32,051	344	4,385	176	3,804	40,760

18. PROPERTY, PLANT AND EQUIPMENT ***(Cont'd)***

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Freehold land	Nil
Buildings	20 years to 50 years
Plant, machinery and office equipment	20% – $33^1/_3$%
Motor vehicles and vessels	20% – $33^1/_3$%
Furniture and fixtures	20%
Construction in progress	Nil

At 31st March, 2006, land and buildings of the Group were revalued by RHL Appraisal Ltd., an independent professional property valuer, either on an open market value basis or on an existing use basis. RHL Appraisal Ltd. is not connected with the Group. This revaluation gave rise to a surplus on revaluation of approximately HK$2,876,000 of which approximately HK$2,582,000 and HK$294,000 had been credited to the income statement and properties revaluation reserve of the Group respectively.

The net book values of land and buildings held by the Group as at the balance sheet date comprised:

	2006	**2005**
	HK$'000	*HK$'000*
Freehold properties in Canada	22,761	19,551
Buildings in Hong Kong	12,500	12,500
	35,261	32,051

As at 31st March, 2006, had the Group's land and buildings been carried at cost less accumulated depreciation and amortisation, the carrying value would have been approximately HK$39,567,000 (2005: HK$38,975,000).

19. INVESTMENT PROPERTIES

	HK$'000
VALUATION/FAIR VALUE	
At 1st April, 2004	
– as originally stated	515,000
– adoption of HKAS 40	3,525
– as restated	518,525
Disposals	(60,000)
Disposal of subsidiaries	(455,000)
At 31st March, 2005	3,525
Translation adjustments	156
Increase in fair value recognised in the income statement	335
At 31st March, 2006	4,016

At 31st March, 2006, investment properties of the Group were revalued by RHL Appraisal Ltd., an independent professional property valuer, on an open market value basis. As stated in note 18, RHL Appraisal Ltd. is not connected with the Group.

20. PREPAID LEASE PAYMENTS

	2006 *HK$'000*	**2005** *HK$'000*
The Group's prepaid lease payments comprise:		
Leasehold land held under medium-term lease in Hong Kong	91,865	94,079
Analysed for reporting purposes as:		
Non-current assets	89,651	91,865
Current assets	2,214	2,214
	91,865	94,079

21. OTHER INTANGIBLE ASSETS

Other intangible assets represent club memberships in Hong Kong and the PRC. The directors have reviewed the carrying amounts of the other intangible assets. During the year, in light of market conditions, an impairment loss of approximately HK$1,085,000 (2005: Nil) has been recognised in the income statement.

22. INTERESTS IN ASSOCIATES

	2006 *HK$'000*	**2005** *HK$'000* (Restated)
Share of net assets of associates:		
Listed in Hong Kong	1,172,442	1,909,054
Listed overseas	4,042	2,704
Goodwill *(note a)*	3,265	528
	1,179,749	1,912,286
Market value of listed securities:		
Hong Kong	1,359,053	1,866,436
Overseas	93,771	23,468
	1,452,824	1,889,904

22. INTERESTS IN ASSOCIATES *(Cont'd)*

Notes:

(a) Included in the cost of interests in associates is goodwill of HK$3,265,000 (2005: HK$528,000) arising on acquisitions and deemed acquisitions.

	HK$'000
Cost	
At 1st April, 2004	530
Dilution of interest in an associate	(2)
At 31st March, 2005	528
Arising on acquisition of additional interest of an associate	2,738
Dilution of interest in an associate	(1)
At 31st March, 2006	3,265

(b) Particulars of the Group's principal associates as at 31st March, 2006 are as follows:

Name of associate	Place of incorporation/ registration	Principal place of operations	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/ registered capital attributable to the Group %	Principal activities
Burcon NutraScience Corporation ("Burcon")	Canada	Canada	CAD21,917,688 common shares	25.57	Investment holding in company engaged in the development of commercial canola protein
Central Town Limited	Hong Kong	Hong Kong	HK$2	50.00	Property investment
Hanny Holdings Limited ("Hanny")	Bermuda	Hong Kong	HK$2,372,534.02 ordinary shares	24.28	Investment holding in companies engaged in trading of computer related products, consumer electronic products, distribution and marketing of computer accessories, household electronic products and telecommunication accessories and securities trading
PYI	Bermuda	Hong Kong	HK$137,879,991 ordinary shares	29.00	Investment holding in companies engaged in development and investment in port and infrastructure project, property development and investment, treasury investment, construction, engineering and specialist works

22. INTERESTS IN ASSOCIATES *(Cont'd)*

All of the above associates operate in Hong Kong with the exception of Burcon, which operates in Canada.

All of the above associates are held by the Company indirectly.

During the year, discounts on acquisition of HK$1,803,000 and HK$45,489,000 arising on the acquisition of additional equity interest in PYI and Hanny, respectively, were resulted from the excess of the fair value to market value of the relevant shares. Such discounts have been included as income in the determination of the Group's share of results of associates.

(c) The summarised financial information in respect of the Group's associates is set out below:

	2006	**2005**
	HK$'000	*HK$'000*
Total assets	10,369,691	10,799,703
Total liabilities	(5,128,224)	(5,806,499)
Net assets	5,241,467	4,993,204
Group's share of net assets of associates	1,176,484	1,911,758
Turnover	9,246,233	9,264,476
Profit for the year	300,321	337,542
Group's share of results of associates for the year	127,207	257,267

(d) During the year, the Group recognised a net increase in the equity interest in Burcon from 25.01% to 25.57%.

(e) During the year, the Group recognised a net decrease in the equity interest in PYI from 49.58% to 29.00%.

(f) During the year, the Group recognised a net increase in the equity interest in Hanny from 20.48% to 24.28%.

23. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments as at 31st March, 2006 comprise:

	HK$'000
Listed investments:	
– Equity securities listed in Hong Kong	69,990
– Equity securities listed elsewhere	13,740
Total	83,730
Analysed for reporting purposes as:	
Non-current assets	83,730

As at the balance sheet date, all available-for-sale investments are stated at fair value. Fair values of those investments have been determined by reference to market bid prices quoted in active markets.

24. INVESTMENTS IN SECURITIES

Investments in securities as at 31st March, 2005 are set out below. Upon the application of HKAS 39 on 1st April, 2005 investments in securities were reclassified to appropriate categories under HKAS 39 (see Note 3 for details).

	Investment securities	**Other investments**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Listed equity securities in Hong Kong	–	5,025	5,025
Market value of listed securities	11,075	5,025	16,100

25. 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 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.

26. MARGIN ACCOUNT RECEIVABLES/PAYABLES

The margin account receivables/payables carry variable interest rates, ranging from 0.01% to 4% (2005: 0.01%) per annum.

The directors consider that the fair values of the Group's margin account receivables/payables at 31st March, 2006 approximate the corresponding carrying amounts.

27. AMOUNTS DUE FROM ASSOCIATES

The amounts due from associates of the Group are unsecured, aged and repayable within one year. At 31st March, 2006, an amount of approximately HK$169,000,000 (2005: Nil) bore interest at the best lending rate of Hong Kong dollars quoted by The Hongkong and Shanghai Banking Corporation Limited (the "Best Lending Rate") plus 2% per annum and the remaining balance was interest-free.

The directors consider that the fair values of the amounts due from associates at 31st March, 2006 approximate the carrying amounts.

28. AMOUNTS DUE FROM RELATED COMPANIES

	2006	**2005**
	HK$'000	*HK$'000*
China Strategic and its subsidiaries	–	358
Associates of China Strategic	135,548	1,274
An associate of Hanny	111,244	–
Macau Prime Properties Holdings Limited ("Macau Prime") (formerly known as Cheung Tai Hong Holdings Limited)	570	–
	247,362	1,632

The Group has common directors who have significant influence in the above related companies.

The amounts are unsecured, aged within one year and repayable on demand. At 31st March, 2006, an amount of approximately HK$239,000,000 (2005: Nil) bore interest at the Best Lending Rate plus 2% per annum and the remaining balance was interest-free. Details of the transactions and balances with related companies are set out in note 51.

The directors consider that the fair values of the amounts due from related companies at 31st March, 2006 approximate the corresponding carrying amounts.

29. LOANS RECEIVABLE

Maturity date	Collateral	Effective interest rate per annum	2006	2005
			HK$'000	*HK$'000*
Loans receivable comprises:				
30th April, 2003	–	Best Lending Rate	1,898	1,898
7th March, 2005	–	Best Lending Rate+3%	3,475	15,000
31st March, 2006	–	Best Lending Rate+2%	2,000	2,000
30th June, 2006	Motor vehicles	Best Lending Rate+3%	1,400	2,731
29th September, 2006	–	Best Lending Rate+3%	150,000	–
30th March, 2007	–	Best Lending Rate+3%	25,000	–
30th March, 2007	Interests in certain private companies with aggregate net assets value of HK$173.9 million	Best Lending Rate+2%	20,000	–
31st March, 2007	–	Best Lending Rate	3,500	–
31st March, 2007	–	Best Lending Rate+1%	3,500	3,500
			210,773	25,129
Less: Impairment loss recognised			(5,373)	(1,898)
			205,400	23,231

All the Group's loans receivable are denominated in Hong Kong dollars.

The directors consider that the fair values of the Group's loans receivable at 31st March, 2006 approximate the carrying amounts.

30. HELD FOR TRADING INVESTMENTS (OTHER THAN DERIVATIVES)

Held for trading investments as at 31st March, 2006 include:

	HK$'000
Listed securities:	
– Equity securities listed in Hong Kong	42,254
– Equity securities listed elsewhere	13,476
Unlisted equity linked notes	82,744
	138,474

The fair values of the listed equity securities are determined based on the quoted market bid prices available on the relevant exchanges.

The fair values of the unlisted equity linked notes are determined based on the quoted market prices for equivalent instruments at the balance sheet date.

31. BANK DEPOSITS

The bank deposits carry variable interest rates, ranging from 0.95% to 4.6% (2005: 0.0006% to 2.25%) per annum. The directors consider that the fair values of the bank deposits at 31st March, 2006 approximate the corresponding carrying amounts.

32. 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 HK$'000	2005 HK$'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.

33. DERIVATIVE FINANCIAL INSTRUMENTS

	2006	2005
	HK$'000	*HK$'000*
Liabilities		
Equity accumulator	285	–
Futures	175	–
	460	–

The above derivatives are measured at fair value at each balance sheet date. Their fair values are determined based on the quoted market bid prices for equivalent instruments at the balance sheet date.

The equity accumulator represents maturity on 20th March, 2007. The futures represent the Group's investment in an overseas stock market index with maturity on 30th June, 2006.

34. AMOUNTS DUE TO ASSOCIATES

The balances of the Group are unsecured, interest-free and have no fixed terms of repayment.

The directors consider that the fair values of amounts due to associates at 31st March, 2006 approximate the carrying amounts.

35. CONVERTIBLE NOTES

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Liability component at the beginning of the year	162,628	282,840
Interest charge	11,938	16,738
Interest paid	(10,085)	(13,502)
Conversion	(164,481)	(123,448)
Liability component at the end of the year	–	162,628

Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 9th October, 2002, the Company issued on 3rd March, 2003 HK$250,000,000 and HK$142,500,000 convertible notes to Dr. Chan Kwok Keung, Charles, a director and a substantial shareholder of the Company, and independent investors by way of subscription and placement, respectively.

The notes bear interest at the Best Lending Rate and payable semi-annually in arrears.

All the noteholders have an option to convert the convertible notes into ordinary shares of the Company at an initial conversion price of HK$0.30 per ordinary share on or before 3rd March, 2006. The ordinary shares to be issued upon such conversion rank pari passu in all respects with the ordinary shares of the Company in issue on the relevant conversion date.

35. CONVERTIBLE NOTES *(Cont'd)*

Prior to 1st April, 2004, convertible notes with a face value of HK$7,000,000 were converted into 23,333,333 ordinary shares of the Company at HK$0.30 per ordinary share and convertible notes with a face value of HK$96,000,000 were redeemed by the Company.

On 31st January, 2005 and 3rd February, 2005, convertible notes with the face values of HK$112,900,000 and HK$12,100,000 were converted into 376,333,333 and 40,333,332 ordinary shares of the Company at HK$0.30 per ordinary share, respectively. The remaining convertible notes with a face value of HK$164,500,000 were fully converted into 548,333,330 ordinary shares of the Company at HK$0.30 per ordinary share during the year.

The convertible notes contain two components: liability and equity elements. Upon the application of HKAS 32 "Financial Instruments: Disclosure and Presentation" (see note 3 for the details), the convertible loan notes were split between the liability and equity elements, on a retrospective basis. The equity element is presented in equity heading "convertible notes reserve". The effective interest rate of the liability component is 6.2% per annum.

36. BANK BORROWINGS

	2006	**2005**
	HK$'000	*HK$'000*
Bank borrowings comprise:		
Mortgage loans	62,550	65,000
Bank overdrafts	28,217	14,922
	90,767	79,922
Analysed as:		
Secured	77,383	79,922
Unsecured	13,384	–
	90,767	79,922
The bank borrowings are repayable as follows:		
Within one year or on demand	30,667	17,372
From one to two years	2,450	2,450
From two to three years	2,450	7,350
From three to four years	2,450	–
From four to five years	5,250	–
More than five years	47,500	52,750
	90,767	79,922
Less: Amounts due within one year or on demand shown under current liabilities	(30,667)	(17,372)
Amounts due after one year	60,100	62,550

36. BANK BORROWINGS *(Cont'd)*

The Group has variable-rate borrowings which carry interest at Hong Kong Interbank Offer Rate or Canadian prime rate plus a fixed percentage.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2006	**2005**
Effective interest rate:		
Variable-rate borrowings	1.184% to 4.965%	0.954% to 1.184%

The Group's borrowings are denominated in functional currency of the relevant group entities.

The fair values of the Group's borrowings estimated by discounting their future cash flows at the prevailing market rates at the balance sheet date for similar borrowings approximate their carrying amounts.

37. OTHER LOANS

The loans were unsecured, beared interest at the Best Lending Rate plus 1% per annum and were fully repaid during the year.

38. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

The movement of the liability component of the redeemable convertible preference shares for the current and prior year is set out below:

	HK$'000
Liability component at 1st April, 2004	–
Amendment of terms on 3rd November, 2004 *(note a)*	283,185
Finance cost	4,439
Conversion on 3rd February, 2005 *(note b)*	(1,087)
Liability component at 31st March, 2005	286,537
Finance cost	10,952
Interest paid in the form of a dividend	(10,678)
Liability component at 31st March, 2006	286,811

Number of redeemable convertible preference shares issued and fully paid

	Number of shares
Redeemable convertible preference shares of HK0.10 each	
At 1st April, 2004	–
Conversion from compulsorily convertible cumulative preference shares *(note a)*	267,980,000
Conversion on 3rd February, 2005 *(note b)*	(1,028,000)
At 31st March, 2005 and 2006	266,952,000

38. REDEEMABLE CONVERTIBLE PREFERENCE SHARES *(Cont'd)*

The redeemable convertible preference shares are listed and matured on 3rd November, 2007, with a redemption value of HK$1.06 per preference share.

The redeemable convertible preference shares rank in priority to the ordinary shares in the Company as to dividends and return of capital. The redeemable convertible preference shares are convertible into ordinary shares of the Company at the option of the holders at any time in accordance with the rights and restrictions as set out in the Special Resolution. However, redeemable convertible preference shares are subject to compulsory conversion at the option of the Company in any of the following cases:

– the closing price of the ordinary shares in the Company on the Hong Kong Stock Exchange is 125% or more of the conversion price of HK$1.04, subject to adjustments, for twenty consecutive trading days; or

– there are less than 50,000,000 redeemable convertible preference shares in issue.

The redeemable convertible preference shares contain two components: liability and equity elements. Upon the application of HKAS 32 (see note 3 for details), the redeemable convertible preference shares were split between the liability and equity elements, on a retrospective basis. The equity element is presented in equity heading "preference share reserve". The effective interest rate of the liability component is 3.88% per annum. They are redeemable at maturity. As a result of the application of HKAS 32, an amount of approximately HK$874,000 had been credited to the preference share reserve upon the amendment of the terms on 3rd November, 2004 *(note a)*.

Notes:

(a) With effect from 3rd November, 2004, the Company's outstanding preference shares (see note 40 for details) have been converted into convertible, non-voting and redeemable preference shares with a cumulative preferential dividend of HK$0.04 for every redeemable convertible preference share per annum pursuant to the Special Resolution (defined in note 40).

As a result of the above and upon adoption of HKAS 32, the preference shares of the Company which has been previously classified as equity instruments are reclassified as financial liabilities with an embedded conversion feature.

(b) On 3rd February, 2005, 1,047,769 ordinary shares of the Company of HK$0.10 each were issued upon conversion of 1,028,000 redeemable convertible preference shares of HK$0.10 each at the conversion price of HK$1.04 per ordinary share. Such ordinary shares issued by the Company ranked pari passu with the then existing ordinary shares of the Company in all respects.

39. DEFERRED TAX LIABILITIES

	2006	2005
	HK$'000	*HK$'000*
Deferred tax liabilities	99	48

The following table shows the major deferred tax (assets) liabilities recognised and movements thereon during the current and prior year:

	Accelerated tax depreciation	Revaluation of medium term leasehold properties situated in Hong Kong	Undistributed earnings of an associate	Tax losses	Recognition of contracting income	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April, 2004	32,625	–	29,865	(8,911)	(3,426)	15	50,168
Acquisition of subsidiaries	–	–	–	–	–	900,000	900,000
Charge (credit) to income statement	3,709	–	7,302	1,110	271	(3)	12,389
Charge to equity (Restated)	–	48	–	–	–	–	48
Disposal of subsidiaries	(35,469)	–	(37,173)	6,936	3,155	(900,012)	(962,563)
Exchange difference	–	–	6	–	–	–	6
At 31st March, 2005 (Restated)	865	48	–	(865)	–	–	48
Charge (credit) to income statement	298	–	–	(298)	–	–	–
Charge to equity	–	51	–	–	–	–	51
At 31st March, 2006	1,163	99	–	(1,163)	–	–	99

At the balance sheet date, the Group has unused tax losses of approximately HK$475,000,000 (2005: HK$457,000,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$6,645,000 (2005: HK$5,000,000) of such losses. No deferred tax asset in respect of the remaining tax losses has been recognised due to the unpredictability of future profit streams. The tax losses can be carried forward indefinitely.

40. SHARE CAPITAL

	Number of shares	Value HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
At 1st April, 2004, 31st March, 2005 and 31st March, 2006	3,000,000,000	300,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
At 1st April, 2004	654,294,107	65,429
Conversion of convertible notes *(note a)*	416,666,665	41,667
Conversion of redeemable convertible preference shares *(note b)*	1,047,769	105
At 31st March, 2005	1,072,008,541	107,201
Conversion of convertible notes *(note a)*	548,333,330	54,834
Issue of shares *(notes c and d)*	217,153,274	21,715
At 31st March, 2006	1,837,495,145	183,750
Compulsorily convertible cumulative preference shares of HK$0.10 each		
At 1st April, 2004	267,980,000	26,798
Conversion to redeemable convertible preference shares *(note e)*	(267,980,000)	(26,798)
At 1st March, 2005, as restated	–	–

Notes:

(a) 548,333,330 ordinary shares (2005: 416,666,665) of the Company of HK$0.10 each were issued upon conversion of the convertible notes at the conversion price of HK$0.30 per ordinary share. Details are as follows:

Date of conversion	Amount of convertible notes being converted HK$'000	No. of ordinary shares issued upon conversion
31st January, 2005	112,900	376,333,333
3rd February, 2005	12,100	40,333,332
	125,000	416,666,665
24th February, 2006	39,900	133,000,000
27th February, 2006	6,900	23,000,000
28th February, 2006	33,900	112,999,998
2nd March, 2006	83,800	279,333,332
	164,500	548,333,330

The ordinary shares issued by the Company ranked pari passu with the then existing ordinary shares of the Company in all respects.

40. SHARE CAPITAL *(Cont'd)*

Notes: (Cont'd)

(b) On 3rd February, 2005, 1,047,769 ordinary shares of the Company of HK$0.10 each were issued upon conversion of 1,028,000 redeemable convertible preference shares of HK$0.10 each at the conversion price of HK$1.04 per ordinary share.

(c) On 3rd November, 2005, 2,753,274 ordinary shares of the Company of HK$0.10 each were issued in the form of scrip dividend. The ordinary shares issued by the Company ranked pari passu with the then existing ordinary shares of the Company in all respects.

(d) On 24th February, 2006, 214,400,000 ordinary shares of the Company of HK$0.10 each were issued at an issuance price of HK$0.72 per ordinary share. The ordinary shares issued by the Company ranked pari passu with the then existing ordinary shares of the Company in all respects.

(e) Prior to 3rd November, 2004, the preference shares are non-voting, non-redeemable and are entitled to a cumulative dividend of HK$0.069 per share per annum. With effect from 3rd November, 2004, the preference shares have been converted into non-voting and redeemable convertible preference shares with a cumulative preferential dividend of HK$0.04 for every redeemable convertible preference share per annum subject to the rights and restrictions as set out in the Special Resolution passed on 13th October, 2004 by the shareholders of the Company.

With the adoption of HKAS 32, the redeemable convertible preference shares were reclassified as liability and preference shares reserves (see notes 3 and 38 for details).

41. SHARE OPTIONS

(a) Share options of the Company

The Company adopted a share option scheme (the "ITC Scheme") on 16th January, 2002 (the "Adoption Date") for the purpose of providing incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, the Company. The board of directors of the Company may in its absolute discretion, subject to the terms of the ITC Scheme, grant options to any employees (including directors) of the Company and its subsidiaries to subscribe for ordinary shares of the Company.

At the time of adoption by the Company of the ITC Scheme, the aggregate number of ordinary shares which may be issued upon the exercise of all options to be granted under the ITC Scheme and any other share option scheme(s) adopted by the Company must not exceed 10% of the total number of issued ordinary shares of the Company as at the date of shareholders' approval of the ITC Scheme. By ordinary resolution passed on 15th May, 2006 relating to the refreshing of the scheme limit on grant of options under the ITC Scheme and any other share option scheme(s) of the Company, the scheme limit on grant of options was refreshed. As a result, the total number of ordinary shares available for issue under the ITC Scheme is 183,749,514, representing approximately 10% of the aggregate number of issued ordinary shares of the Company as at the date of this report. Notwithstanding the foregoing, the maximum number of ordinary shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the ITC Scheme and any other share option scheme(s) of the Company must not, in aggregate, exceed 30% of the total number of issued ordinary shares of the Company from time to time.

41. SHARE OPTIONS *(Cont'd)*

(a) Share options of the Company *(Cont'd)*

Unless approved by the shareholders of the Company in general meeting, the total number of ordinary shares of the Company issued and to be issued upon exercise of the options granted and to be granted (whether exercised, cancelled or outstanding) under the ITC Scheme and any other share option scheme(s) of the Company to any eligible person in any 12-month period expiring on the date of offer shall not exceed 1% of the total number of the Company's ordinary shares in issue from time to time.

The period within which the options may be exercised will be determined by the directors of the Company at the time of grant. This period must expire in any event not later than the last day of the ten year period after the Adoption Date. The ITC Scheme does not provide for any minimum period for which an option must be held before it can be exercised. Options may be granted at an initial payment of HK$1.00 for each acceptance of grant of option(s). The directors of the Company shall specify a date, being a date not later than 30 days after (i) the date on which the offer of the options is issued, or (ii) the date on which the conditions for the offer are satisfied, by which the eligible person must accept the offer or be deemed to have declined it.

The exercise price of the options will be determined by the directors of the Company (subject to adjustments as provided in the rules of the ITC Scheme) which shall be at least the highest of (i) the nominal value of the ordinary shares of the Company; (ii) the closing price of the ordinary shares of the Company as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of the offer, which must be a business day; and (iii) the average of the closing prices of the ordinary shares of the Company as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer.

The ITC Scheme shall be valid and effective for a period of ten years commencing after the Adoption Date, after which period no further options shall be granted.

As at 31st March, 2006 and 2005, there were no outstanding share options granted by the Company pursuant to the ITC Schemes. No share options were granted, exercised, cancelled or lapsed during the year and prior year.

41. **SHARE OPTIONS** ***(Cont'd)***

(b) Share options of Trasy

(i) Pre-IPO Share Option Plan of Trasy Gold Ex Limited ("Trasy")

Trasy, a subsidiary of the Company, adopted a pre-IPO share option plan (the "Trasy Pre-IPO Plan") on 6th November, 2000. Pursuant to the Trasy Pre-IPO Plan, the board of directors of Trasy could, at its discretion, grant options to any full-time employees or executives of Trasy and its subsidiaries on or before 29th November, 2000.

Details of the share options granted under the Trasy Pre-IPO Plan are as follows:

			Number of shares of Trasy to be issued upon exercise of the share options					
Grantees	Date of grant	Exercise price	Balance at 1.4.2004	Lapsed during the year	Balance at 31.3.2005	Cancelled during the year	Lapsed during the year	Balance at 31.3.2006
		HK$						
Directors of Trasy	29th November, 2000	0.21	44,152,000	–	44,152,000	(44,152,000)	–	–
Others	29th November, 2000	0.21	18,834,000	(2,254,000)	16,580,000	(15,068,000)	(1,512,000)	–
Total			62,986,000	(2,254,000)	60,732,000	(59,220,000)	(1,512,000)	–

All the above options have a duration of ten years from the date of grant.

No share options were exercised under the Trasy Pre-IPO Plan during the year and prior year.

(ii) Share Option Scheme of Trasy

Trasy adopted a new share option scheme (the "Trasy Scheme") on 30th April, 2002. The purpose of the Trasy Scheme is to enable the board of Trasy, at its discretion, grant options to any employees or proposed employees or executives, including executive directors, of Trasy, the controlling company and of their respective subsidiaries, non-executive directors of Trasy, any controlling company and their respective subsidiaries, any suppliers, adviser, consultant, contractor, customers, person or entity that provides research, development or other technological support to Trasy and its subsidiaries (the "Trasy Group") or any shareholders of any members of the Trasy Group or any investor entity as incentives or rewards for their contribution to the Trasy Group.

The total number of shares may be issued upon exercise of all options to be granted under the Trasy Scheme must not, in aggregate, exceed 10% of the issued share capital of Trasy as at the date of adoption of the Trasy Scheme, unless approval by its shareholders has been obtained, and which must not in aggregate exceed 30% of the shares in issue from time to time. The maximum entitlement of each participant under the Trasy Scheme in any 12-month period up to the date of grant shall not exceed 1% of shares in issue as at the date of grant.

41. SHARE OPTIONS *(Cont'd)*

(b) Share options of Trasy *(Cont'd)*

(ii) Share Option Scheme of Trasy (Cont'd)

An option may be accepted by a proposed grantee within 7 days from the date of the offer of grant of the option upon payment of HK$1.00 to Trasy by way of consideration for the grant. There is no minimum period for which an option must be held before it can be exercised. An option may be exercised in accordance with the terms of the Trasy Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date.

The exercise price in respect of any particular option granted under the Trasy Scheme shall be determined by the board of directors of Trasy and will not be less than the highest of (a) the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant; (b) the average of the closing prices of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

The Trasy Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

No share options were granted by Trasy under the Trasy New Scheme since the adoption date of the Trasy Scheme.

42. ACQUISITION OF SUBSIDIARIES

In 2006, the Group acquired property, plant and equipment and other intangible assets through acquisition of the entire share capital of Darierian Limited at a consideration of HK$3,500,000. The acquisition has been recorded as purchase of assets.

In 2005, the following major acquisitions took place:

(i) In April 2004, the Group, through PYI, acquired approximately 54.06% indirect interest in a joint venture company, Jiangsu Yangtong Investment and Development Co., Ltd. ("Yangtong"), to build and operate a bulk handing sea port at Yangkou Port, Nantong City, Jiangsu, the PRC, for a consideration of HK$394,911,000, which is satisfied by cash.

(ii) On 23rd March, 2005, the Group acquired 1,391,430,000 ordinary shares of Trasy representing approximately 50.07% of the entire issued share capital of Trasy, from an independent third party of the Group (the "Vendor"). These shares were pledged by the former holding company of Trasy to the Vendor, which sold the shares to the Group pursuant to the power of sale under the deed of charge, at a consideration of HK$8,803,000. As a result a discount on acquisition of HK$20,938,000 was credited to the income statement.

42. ACQUISITION OF SUBSIDIARIES *(Cont'd)*

The amounts of assets and liabilities acquired by the Group, and the goodwill and discount on acquisition arising, during the year were as follows:

	Yangtong			Trasy	Others	
	Acquirees' carrying amount before Combination	Fair value adjustments	Fair value	Acquiree's carrying amount and fair value	Acquiree's carrying amount and fair value	2005 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NET ASSETS ACQUIRED						
Property, plant and equipment	460	–	460	111	–	571
Properties under development	116,601	1,606,691	1,723,292	–	61,392	1,784,684
Investments in securities	–	–	–	250	–	250
Debtors, deposits and prepayments	5,402	–	5,402	1,003	444	6,849
Gold bullion	–	–	–	65,303	–	65,303
Bank balances and cash	2,996	–	2,996	4	30	3,030
Creditors and accrued expense	–	–	–	(7,271)	(29,777)	(37,048)
Bank borrowings	(18,850)	–	(18,850)	–	–	(18,850)
Deferred tax liabilities	–	(900,000)	(900,000)	–	–	(900,000)
Minority interests	(93,645)	(324,744)	(418,389)	(29,659)	–	(448,048)
	12,964	381,947	394,911	29,741	32,089	456,741
Discount on acquisition			–	(20,938)	–	(20,938)
			394,911	8,803	32,089	435,803
SATISFIED BY:						
Cash			394,911	8,803	32,089	435,803
Net cash (outflow) inflow arising on acquisitions						
Cash consideration paid			(394,911)	(8,803)	(32,089)	(435,803)
Cash and cash equivalents acquired			2,996	4	30	3,030
			(391,915)	(8,799)	(32,059)	(432,773)

Had the acquisitions been completed on 1st April, 2004, the Group's turnover and loss for the year attributable to the equity holders of the parent from continuing operations would have been approximately HK$105,986,000 and HK$37,990,000, respectively. This proforma information is for illustrative purposes only and is not necessarily indicative of the turnover and results of the Group that would actually have been impacted had the acquisitions been completed on 1st April, 2004, nor is it intended to be a projection of future results.

The newly acquired subsidiaries during 2005 did not make any significant impact on the Group's results for 2005.

43. DISPOSAL OF SUBSIDIARIES

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
NET ASSETS DISPOSED		
Property, plant and equipment	–	260,935
Investment properties	–	455,000
Prepaid lease payments	–	134,766
Interests in associates	–	1,244,320
Interests in jointly controlled entities	–	8,934
Investments in securities	–	38,103
Deferred tax assets	–	1,680
Property under development	–	1,813,047
Properties held for resale	–	41,000
Amounts due from customers for contract works	–	189,074
Debtors, deposits and prepayments	–	1,144,839
Amounts due from associates	–	344,681
Amounts due from jointly controlled entities	–	207
Amounts due from related companies	–	118,106
Loans receivable	–	199,957
Tax recoverable	–	14,291
Bank deposits	–	48,374
Bank balances and cash	–	79,799
Amounts due to customers for contract works	–	(393,376)
Creditors and accrued expenses	–	(982,186)
Amounts due to associates	–	(2,019)
Amounts due to jointly controlled entities	–	(20,766)
Bank borrowings	–	(501,051)
Loans from a minority shareholder	–	(341,000)
Minority interests	–	(1,513,430)
Provision for long service payments	–	(1,727)
Deferred tax liabilities	–	(964,243)
	–	1,417,315
Reserves released on disposal:		
Other reserve	–	173
Properties revaluation reserve	–	(340)
Translation reserve	–	(5,767)
Loss on disposal	–	(71,300)
Reclassification to interests in associates	–	(1,262,547)
	–	77,534
SATISFIED BY:		
Cash	–	77,534

43. DISPOSAL OF SUBSIDIARIES *(Cont'd)*

Net cash outflow arising on disposal:

	2006	2005
	HK$'000	*HK$'000*
Cash consideration	–	77,534
Bank deposits, bank balances and cash disposed of less bank overdrafts disposed of	–	(121,122)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	–	(43,588)

The subsidiaries disposed of during the year ended 31st March, 2005 contributed approximately HK$1,970,241,000 to the Group's turnover.

44. MAJOR NON-CASH TRANSACTION

(a) During the year ended 31st March, 2006:

(i) HK$164,500,000 convertible notes issued by the Company were converted into 548,333,330 ordinary shares of the Company at HK$0.30 per share.

(b) During the year ended 31st March, 2005:

(i) HK$125,000,000 convertible notes issued by the Company were converted into 416,666,665 ordinary shares of the Company at HK$0.30 per share.

(ii) 1,028,000 redeemable convertible preference shares were converted into 1,047,769 ordinary shares of the Company at HK$1.04 per share.

45. RETIREMENT BENEFIT SCHEMES

The Group operates defined contribution retirement benefit schemes for qualifying employees. The assets of the schemes are separately held in funds under the control of trustees.

The cost charged to the income statement represents contributions payable to the funds by the Group at rates specified in the rules of the schemes. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

At the balance sheet date, there were no significant forfeited contributions which arose upon employees leaving the schemes prior to their interests in the Group's contributions becoming fully vested and which are available to reduce the contributions payable by the Group in future years.

45. RETIREMENT BENEFIT SCHEMES *(Cont'd)*

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

46. CONTINGENT LIABILITIES

	2006	**2005**
	HK$'000	*HK$'000*
Guarantees given to banks and financial institutions in respect of general facilities granted to an associate	56,000	–
Financial support given to an associate	9,090	–
	65,090	–

47. OPERATING LEASE ARRANGEMENTS

(a) The Group as a lessee:

At the balance sheet date, the Group had commitments for future minimum lease payments under noncancellable operating leases in respect of rented premises, which fall due as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Within one year	807	308
In the second to fifth year inclusive	647	61
	1,454	369

Leases are negotiated, and monthly rentals are fixed, for an average term of two years.

47. OPERATING LEASE ARRANGEMENTS *(Cont'd)*

(b) The Group as a lessor:

At the balance sheet date, the Group had contracted with tenants for future minimum lease payments which fall due as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Within one year	506	563
In the second to fifth year inclusive	1,188	1,542
	1,694	2,105

The properties held have committed tenants for the next two years.

48. COMMITMENTS

	2006	**2005**
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of:		
Equity investments	–	43,200
Property, plant and equipment	1,398	2,984
	1,398	46,184

49. PLEDGE OF ASSETS

As at 31st March, 2006, the Group's properties of approximately HK$39,277,000 (2005: HK$35,578,000) and prepaid lease payments of approximately HK$91,865,000 (2005: HK$94,079,000) have been pledged to banks and financial institutions to secure general credit facilities granted to the Group. Facilities amounting to approximately HK$77,383,000 (2005: HK$79,922,000) were utilised as at 31st March, 2006.

In addition, the Group's margin accounts payable were secured by the Group's held for trading investments of HK$42,758,000 (2005: Nil) as at 31st March, 2006.

50. POST BALANCE SHEET EVENTS

(a) On 27th April, 2006, the Company and Macau Prime entered into a subscription agreement in relation to the subscription of the 1% convertible notes with a principal amount of HK$30,000,000 to be issued by Macau Prime. The subscription had been completed on 8th June, 2006.

(b) On 27th June, 2006, the Company and Hanny entered into a subscription agreement in relation to the subscription of the 1% convertible exchangeable notes with a principal amount of US$75,000,000 (equivalent to approximately HK$582,450,000) to be issued by Hanny ("Hanny Notes"). Details of the subscription had been disclosed in the joint announcement of the Company and Hanny dated 6th July, 2006 (the "Joint Announcement"). Pursuant to the Joint Announcement, if the Company converted the Hanny Notes in full, the Company would obtain controlling interest in Hanny. As the acquisition was not yet to be completed at the date of approval these financial statements, in the opinion of the directors, it was impracticable to quantify the amounts recognised at the acquisition date for each class of Hanny's assets, liabilities and contingent liabilities.

51. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

Class of related party	Nature of transactions/balances	2006	2005
		HK$'000	*HK$'000*
Associates of the Group	Sales of building materials	10	17
	Dividend income (including scrip dividend)	498,555	66,206
	Purchase of concrete products	–	36
	Rentals and related building management fee charged by the Group	593	4,528
	Service fees charged by the Group	1,464	840
	Service fees charged to the Group	–	1,100
	Construction works charged to the Group	–	42,320
	Subcontracting fees charged by the Group	–	2,062
	Interest income received	7,981	13,432
	Purchase of property, plant and equipment	3,175	–
	Purchase of club membership	325	–
	Balance due by the Group	123	93
	Balance due to the Group	205,083	8,538

51. TRANSACTIONS AND BALANCES WITH RELATED PARTIES *(Cont'd)*

Class of related party	Nature of transactions/balances	2006	2005
		HK$'000	*HK$'000*
Jointly controlled entities of the Group	Service fees charged by the Group	–	376
Directors or company controlled by director	Interest paid by the Group	1,406	10
	Interest paid on convertible notes issued by the Group	6,791	10,647
	Balance due by the Group	–	18,774
	Convertible notes due by the Group	–	133,000
Other related companies (note)	Rental and related building management fee charged by the Group	65	3,284
	Service fees charged by the Group	–	31
	Service fees charged to the Group	–	1,356
	Interest income received	7,801	5,929
	Balance due to the Group	247,362	1,632

Note: The Group has common directors who have significant influence in the above other related companies.

Compensation of key management personnel

The directors were considered to be key management personnel of the Group. The remuneration of directors was disclosed in note 15.

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

52. BALANCE SHEET TO THE COMPANY

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Non-current asset		
Investment in subsidiaries	1	1
Current assets		
Debtors, deposits and prepayments	299	278
Amount due from a subsidiary	1,871,266	1,758,479
Bank deposits	96,030	8,000
Bank balances and cash	38	42
	1,967,633	1,766,799
Current liabilities		
Creditors and accrued expenses	3,356	6,368
Convertible notes	–	162,628
Other loans – due within one year	9,950	–
	13,306	168,996
Net current assets	1,954,327	1,597,803
Total assets less current liabilities	1,954,328	1,597,804
Non-current liability		
Redeemable convertible preference shares	286,811	286,537
Net assets	1,667,517	1,311,267
Capital and reserves		
Share capital	183,750	107,201
Reserves *(Note)*	1,483,767	1,204,066
Shareholders' funds	1,667,517	1,311,267

52. BALANCE SHEET TO THE COMPANY *(Cont'd)*

Note:

	Share premium HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Convertible notes reserve HK$'000	Preference share reserve HK$'000	Accumulated (losses) profits HK$'000	Total HK$'000
At 1st April, 2004 as originally	209,889	2,117,993	908	–	–	(983,307)	1,345,483
Effect of changes in accounting policies	60	–	–	9,393	–	(3,244)	6,209
As restated	209,949	2,117,993	908	9,393	–	(986,551)	1,351,692
Profit for the year	–	–	–	–	–	32,541	32,541
Total recognised income and expenses for the year	–	–	–	–	–	32,541	32,541
Conversion of compulsorily convertible cumulative preference shares to redeemable convertible preference shares	(256,274)	–	–	–	874	–	(255,400)
Issue of shares arising from conversion of convertible notes	85,837	–	–	(4,056)	–	–	81,781
Issue of shares arising from conversion of redeemable convertible preference shares	(2)	–	–	–	(3)	–	(5)
Dividend paid	–	–	–	–	–	(6,543)	(6,543)
Transfer to contributed surplus	–	(983,307)	–	–	–	983,307	–
At 31st March, 2005	39,510	1,134,686	908	5,337	871	22,754	1,204,066
Profit for the year	–	–	–	–	–	72,521	72,521
Total recognised income and expenses for the year	–	–	–	–	–	72,521	72,521
Issue of shares arising from conversion of convertible notes	114,984	–	–	(5,337)	–	–	109,647
Issue of shares arising from distribution of scrip dividend	(275)	–	–	–	–	–	(275)
Issue of shares	128,563	–	–	–	–	–	128,563
Dividend paid	–	–	–	–	–	(30,755)	(30,755)
At 31st March, 2006	282,782	1,134,686	908	–	871	64,520	1,483,767

Pursuant to the resolution passed on 22nd September, 2004 by the board of directors of the Company, part of the contributed surplus was transferred to eliminate the accumulated losses of the Company as at 31st March, 2005.

The contributed surplus of the Company comprises the difference between the underlying net assets of the subsidiaries acquired by the Company and the nominal amount of the Company's ordinary share capital issued as consideration for the acquisition and the credits arising from the changes in the capital and reserves of the Company and the transfers to the accumulated losses as approved by the board of directors from time to time.

52. BALANCE SHEET TO THE COMPANY *(Cont'd)*

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

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

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

In the opinion of the directors, subject to the restrictions as stipulated in the Companies Act 1981 of Bermuda as described above, the Company's reserves available for distribution to shareholders were as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Contributed surplus	1,134,686	1,134,686
Accumulated profits	64,520	22,754
	1,199,206	1,157,440

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31st March, 2006 are as follows:

Name of subsidiary	**Place of incorporation/ registration**	**Issued and fully paid share capital/ registered capital**	**Percentage of issued share capital/ registered capital held by the Company*/ subsidiaries**	**Percentage of issued share capital/ registered capital attributable to the Group**	**Principal activities**
			%	%	
Burcon Group Limited	Canada	CAD1,000 class A common shares	100	100	Investment and property holding
Dreyer and Company Limited	Hong Kong	HK$6,424,000 ordinary shares	99	99	Trading of building materials and machinery
Great Intelligence Holdings Limited	Hong Kong	HK$2 ordinary shares	100	100	Securities trading and treasury investment
Great Intelligence Limited	British Virgin Islands	US$1 ordinary share	100*	100	Investment holding
Great Intelligence Limited	Hong Kong	HK$2 ordinary shares	100	100	Property holding and investment

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Cont'd)*

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/ registered capital held by the Company*/ subsidiaries %	Percentage of issued share capital/ registered capital attributable to the Group %	Principal activities
ITC Development Co. Limited	British Virgin Islands	US$15,000 ordinary shares	100*	100	Investment holding
ITC Finance Limited	Hong Kong	HK$2 ordinary shares	100	100	Provision of finance
ITC Investment Group Limited	British Virgin Islands	US$1 ordinary share	100*	100	Investment holding
ITC Management Group Limited	British Virgin Islands	US$2 ordinary shares	100*	100	Investment holding
ITC Management Limited	Hong Kong	HK$2 ordinary shares	100	100	Provision of management and financial services and treasury investment
Large Scale Investments Limited	British Virgin Islands	US$1 ordinary share	100*	100	Investment holding
Trasy	Cayman Islands	HK$27,790,000 ordinary shares	100	56.45	Provision and operation of an internet-based precious metal trading system

None of the subsidiaries had any loan capital subsisting at the end of the year or at any time during the year.

All of the above subsidiaries operate in Hong Kong except Burcon Group Limited which operates in Canada.

All of the above subsidiaries are limited companies."

(III) MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis of the ITC Group's results and financial review, and business and corporate developments extracted from the respective annual reports of ITC for the three years ended 31st March, 2004, 2005 and 2006:

For the year ended 31st March, 2004

"Review of operations

Paul Y. – ITC

The principal activities of the Paul Y. – ITC group include building construction, civil engineering, specialist works, property investment, and manufacturing and trading of construction materials. In addition, Paul Y. – ITC holds approximately 21.3% interest in Downer and approximately 29.4% interest in China Strategic Holdings Limited ("China Strategic") as at 31st March, 2004.

Construction sector output in Hong Kong has been declining for a few years due to the reduction of capital expenditures by both public and private sectors. This had led to severe competition and eroded the gross margin of the construction sector. Consequently the overall construction division experienced loss in operation during the year under review. However, due to the persistent effort in implementing risk management and cost saving measures, improvement in gross margin was achieved.

During the year, the Paul Y. – ITC group secured new contracts with an aggregate value of approximately HK$3,593 million, which comprised some HK$1,906 million of building construction contracts, some HK$1,388 million of civil engineering contracts and some HK$299 million of specialist works.

As at 31st March, 2004, contracts on hand and the value of work remaining of the Paul Y. – ITC group were HK$11,211 million and HK$4,928 million, respectively. The profile of contracts on hand as at 31st March, 2004 is as follows:

	Value of contracts on hand as at 31st March, 2004 *HK$'million*	**Value of work remaining as at 31st March, 2004** *HK$'million*
Building construction	9,159	3,714
Civil engineering	1,136	774
Specialist works	916	440
	11,211	4,928

Subsequent to the year end, the Paul Y. – ITC group secured further new contracts with an aggregate attributable value of approximately HK$2,026 million as to about HK$1,588 million being attributable to building construction contracts and as to about HK$438 million being attributable to civil engineering contracts.

For property operation, the Group's investment property portfolio included Paul Y. Centre, the Group's headquarter in Kwun Tong; and In-Zone, a shopping arcade in Wanchai which has been disposed of subsequent to the year end at nearly its carrying value of some HK$60 million. Although the overall rental rates of the investment properties had been reduced, the occupancy rate was maintained at a level of around 94% for Paul Y. Centre at the year end.

For the year ended 31st March, 2004, Paul Y. – ITC reported a consolidated profit for the year of HK$163.6 million and its overall after tax contribution to the Group was a profit of HK$156.5 million. In addition, the Group has reported a loss of approximately HK$105.0 million due to the dilution of its interest in Paul Y. – ITC from approximately 64.5% at the beginning of the year to approximately 55.1% at the end of the year.

Strategic Investments

During the year ended 31st March, 2004, SMI Corporation Limited ("SMI", formerly known as Star East Holdings Limited) ceased to be an associate of the Group due to the dilution of interest and disposal of shares in SMI. The Group continued to hold significant interests, both directly or indirectly, in a number of companies listed in Hong Kong, Canada, Australia, New Zealand, Singapore, Germany and the United States ("U.S.A.") and also high potential unlisted investments pursuant to its long term strategy of exploring potential investments and enhancing the value of its strategic investments by active participation in or close liaisons with the management of the companies invested by the Group. As at 31st March, 2004, the Group had the following strategic investments:

Listed strategic investments directly held

Hanny Holdings Limited ("Hanny")

The Hanny group is principally engaged in trading of computer related products and consumer electronic products which comprise the manufacture, distribution and marketing of data storage media (primarily floppy disks, CD-R, CD-RW and DVD); the distribution and marketing of computer accessories, storage media drives, scanners, audio and video cassettes, minidiscs; household electronic products and telecommunication accessories; and securities trading. The Hanny group also makes strategic investments in information technology, internet, internet related, supply of household consumer products and other businesses. For the year ended 31st March, 2004, Hanny reported a consolidated profit for the year of HK$13.3 million and its after tax contribution to the Group was a profit of HK$3.7 million.

Burcon NutraScience Corporation ("Burcon")

Burcon is a research and development company developing a portfolio of composition, application and process patents around its plant protein extraction and purification technology. The goal of Burcon's research is to develop its patented process to utilize inexpensive oilseed meals for the production of purified plant proteins that exhibit valuable nutritional, functional or nutraceutical profiles. Burcon 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 Canada's largest oilseed crop and 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. For the year ended 31st March, 2004, Burcon's after tax contribution to the Group was a loss of HK$3.8 million.

Downer

Downer provides comprehensive engineering and infrastructure management services to the public and private power, rail, road, telecommunications, mining and minerals processing sectors in Australia, New Zealand, Asia and the Pacific. Its business is organized through four main divisions namely Downer Engineering (engineering division), Works Infrastructure (infrastructure division), Roche Mining (mining division), and EDI Rail (rail division) that have common core competencies. These core competencies include value-adding skills in design, project and facilities management, operations and maintenance to provide clients with single source solutions.

China Strategic

China Strategic is an investment holding company. Through its subsidiaries and associates, China Strategic is engaged in the manufacturing of batteries; property investment; the manufacturing and marketing of tires; the business of providing package tour, travel, hotel operation and other related services.

Listed strategic investments indirectly held

PSC Corporation Ltd ("PSC")

The PSC group are principally engaged in manufacturing of food and other consumer products, distribution of food and other fast moving consumer goods, logistics and franchising; healthcare consultancy and services; and education.

China Enterprises Limited ("China Enterprises")

China Enterprises is an investment holding company and has substantial interests in investment companies, the subsidiaries of which are principally engaged in the manufacturing and marketing of tires in the Mainland (being the People's Republic of China and for the purpose of this report, excluding Hong Kong and Macau) and other countries aboard and the business of providing package tours, travel, hotel operation and other related services.

MRI Holdings Limited ("MRI")

MRI's business is now focused on investment opportunities and has continued to seek actively for suitable investment opportunities to maximize returns to its shareholders within a clear investment mandate in terms of investment criteria.

Wing On Travel (Holdings) Limited ("Wing On Travel")

Wing On Travel group is principally engaged in the provision of package tours, travel and other related services and also has a substantial interest in a hotel chain branded under the name of "Rosedale" in the Mainland and Hong Kong. Wing On Travel is one of the most experienced and largest local travel agency, and is a well-known expert in the travel industry having extensive experience in marketing and promoting tour business with far-reaching global network and connections in tour operation.

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	Shareholding percentage As at 31st March, 2004	Shareholding percentage As at the date of this report
Paul Y. – ITC	Hong Kong Stock Exchange	55.1%	55.1%
Hanny	Hong Kong Stock Exchange	24.6%	24.6%
Burcon	TSX Venture Exchange and Frankfurt Stock Exchange	25.1%	25.0%
Downer	Australian Stock Exchange and New Zealand Stock Exchange	11.7% *Effective interest (Note a)*	11.7% *Effective interest (Note a)*
China Strategic	Hong Kong Stock Exchange	23.4% *Effective interest (Note b)*	23.4% *Effective interest (Note b)*

Listed strategic investments indirectly held

Name of investee company	Place of listing	Effective interest As at 31st March, 2004	Effective interest As at the date of this report
PSC	Singapore Exchange Securities Trading Limited	6.8% *(Note c)*	5.6% *(Note c)*
China Enterprises	OTC Bulletin Board, U.S.A.	12.9% *(Note d)*	12.9% *(Note d)*
MRI	Australian Stock Exchange	13.4% *(Note d)*	13.4% *(Note d)*
Wing On Travel	Hong Kong Stock Exchange	4.2% *(Note e)*	4.2% *(Note e)*

Notes:

(a) The Group's interest is held through its direct interest in Paul Y. – ITC.

(b) The Group's interest is held through its direct interests in Paul Y. – ITC and Hanny.

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

(d) The Group's interest is held through its effective interest in China Strategic.

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

Liquidity and financial resources

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. A variety of credit facilities is maintained to meet its working capital requirements. Cash, bank balances and deposits as at 31st March, 2004 amounted to approximately HK$303.1 million. As at 31st March, 2004, the Group had bank borrowings of approximately HK$575.2 million and other loans of approximately HK$17.3 million of which HK$58.2 million and HK$17.3 million, respectively, are repayable within one year or on demand.

During the year, convertible notes in aggregate principal amounts of HK$96 million and HK$7 million were redeemed and converted into ordinary shares at the conversion price of HK$0.3 per ordinary share, respectively. The balance in an aggregate principal amount of HK$289.5 million will be redeemed on 3rd March, 2006 (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, 2004, all the Group's borrowings are at floating interest rates and the Group's current ratio was 1.58.

Exchange rate exposure

As at 31st March, 2004, approximately 14.5% of the cash, bank balances and deposits were in other currencies and only 1.6% of the Group's total borrowings of HK$881.6 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 HK$578.5 million and the shareholders' funds of HK$1,353.2 million, was 42.8% as at 31st March, 2004 as compared to 91.2% as at 31st March, 2003. The decrease was mainly due to the reduction of borrowings by HK$459.0 million during the year.

Pledge of assets

As at 31st March, 2004, certain of the Group's properties and investment in securities with an aggregate carrying value of approximately HK$696 million and the interests in certain issued shares of subsidiaries of the Company were pledged to banks and financial institutions to secure general facilities granted to the Group.

Contingent liabilities

As at 31st March, 2004, the Group has contingent liabilities in respect of outstanding performance bonds on construction contracts of HK$623 million.

Employee and remuneration policy

As at 31st March, 2004, the Group employed a total of approximately 1,270 employees. The Group's remuneration package is structured with reference to the individual performance and the prevailing salary levels in the market. The Group also offers other 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 year.

Major events

Making of cash offers to acquire all the issued shares in, and warrants of, China Strategic by Paul Y. – ITC and Hanny

In July 2003, the Company, Paul Y. – ITC and Hanny jointly announced that Paul Y. – ITC and Hanny would make a voluntary conditional general cash offer for the shares and warrants of China Strategic, other than those owned by Paul Y. – ITC and Hanny and parties acting in concert with them, and to cancel all the outstanding share options of China Strategic. Upon the closure of the offer in September 2003, China Strategic becomes an associate of the Group.

Placing of ordinary shares in Downer

In November and December 2003, Paul Y. – ITC has arranged for placing of an aggregate of 28.75 million Downer ordinary shares (adjusted by the consolidation of four ordinary shares in Downer into one Downer ordinary share on 28th November, 2003) to independent third parties which raised, before tax and expenses, approximately A$104.1 million (approximately HK$587.8 million).

Disposal of shares in Paul Y. – ITC

On 21st January, 2004, the Group had disposed of 190 million shares of Paul Y. – ITC to independent third parties for a consideration of HK$133 million.

Acquisition of indirect interest in a joint venture company

In March, 2004, the Group, through Paul Y. – ITC, acquired an approximately 54.06% indirect interest in a joint venture company to build and operate a bulk handling deep sea port at Yangkou Port, Nantong City, Jiangsu, China from an independent third party for a purchase consideration of HK$396 million with further commitment of HK$125 million required to finance the initial phase of development. In addition to the concession granted to operate the port for 50 years, Yangkou Port also owns the marine rights to reclaim 42 square kilometres of land for the purpose of an industrial park development. There is also an option to develop an additional 15 square kilometres of reclaimed land.

Acquisition of interest in Skynet (International Group) Holdings Limited ("Skynet")

In March 2004, the Group, through Paul Y. – ITC, initiated a capital reorganisation, asset and debt restructuring proposal (the "Skynet Restructuring Proposal") for Skynet, a company whose shares are listed on the Hong Kong Stock Exchange. As part of the Skynet Restructuring Proposal, Paul Y. Construction Group, which undertakes the Paul Y. – ITC group's entire engineering and construction activities, will be sold to Skynet at a consideration of HK$400 million, which is to be satisfied by Skynet issuing new shares to Paul Y. – ITC at an issue price of HK$0.04 per share. Further, approximately HK$94 million of claim held by the Paul Y. – ITC group against Skynet will be capitalised. Additional financial resources of up to HK$145 million will also be offered to Skynet in the form of a convertible loan facility and an underwritten share issue in an open offer by Skynet. Upon completion of the Skynet Restructuring Proposal, Paul Y. – ITC will become interested in approximately 93.4% of the issued share capital of Skynet and steps will be taken to reduce such holding to no more than 75% in order to maintain the listing position of Skynet. The proposal is expected to be completed in October 2004."

For the year ended 31st March, 2005

"Results and financial highlights

During the year ended 31st March, 2005, Hong Kong was in a period of economic rebound. The appreciation in value of the stock and property markets together with the drop in unemployment rate have revived the confidence of people in Hong Kong. The Group has also benefited from the economic rebound and reported a satisfactory result for the year ended 31st March, 2005.

The results and financial position of the Group for the year ended 31st March, 2005 are summarised in the table below:

	2005	**2004**	**Percentage change**
Consolidated turnover *(HK$'million)*	2,026.3	3,434.7	-41.0%
Profit from operations *(HK$'million)*	92.6	71.8	+29.0%
Profit for the year *(HK$'million)*	186.7	28.9	+546.0%
Total assets *(HK$'million)*	1,930.2	4,982.5	-61.3%
Shareholders' funds *(HK$'million)*	1,614.7	1,353.2	+19.3%
Basic earnings per ordinary share *(HK$)*	0.24	0.02	+1,100.0%
Current ratio	0.56	1.58	-64.6%

The Group has ceased to consolidate Paul Y. – ITC Construction Holdings Limited ("Paul Y. – ITC") as a subsidiary in the accounts of the Group since the disposal of 77 million shares in Paul Y. – ITC by the Group on 20th October, 2004 as disclosed in the circular dated 5th November, 2004. Since then the Group shared its results as an associate using the equity accounting method. Such change accounted for most of the significant fluctuation for the year under review when compared with the last corresponding year, especially the decrease in consolidated turnover and the consolidated total assets of the Group.

For the year ended 31st March, 2005, the Group reported a profit of approximately HK$186.7 million. The significant increase was mainly due to the increase in contribution from Paul Y. – ITC. Accordingly, the shareholders' funds increased to approximately HK$1,614.7 million.

As the convertible notes of principal amount of approximately HK$164.5 million will be redeemed on 3rd March, 2006, it has been classified as current liability at the balance sheet date, leading to the decrease in current ratio. However, the current ratio will be improved significantly after the Group receives the special cash dividend of approximately HK$475.1 million from Paul Y. – ITC by the end of July 2005.

Review of operations

During the year ended 31st March, 2005, the Group continued to hold significant interests, both directly or indirectly, in a number of companies listed in Hong Kong, Canada, Australia, Singapore, Germany and the United States ("U.S.") and also high potential unlisted investments pursuant to its long term strategy of exploring potential investments and enhancing the value of its strategic investments by active participation in or close liaisons with the management of the companies invested by the Group.

On 23rd March, 2005, the Group acquired approximately 50.07% interest in Trasy Gold Ex Limited ("Trasy") and, subsequent to the year end, the interest was increased to approximately 56.45% after the close of the cash offers.

The principal business of the Trasy group is the provision and operation of an Internet-based electronic trading system to facilitate trading of precious metals.

The Group is now conducting a detailed review on the business operation and financial position of the Trasy group in order to formulate business and/or financing plans and strategies for the Trasy group's future business development with an aim to strengthening the Trasy group's overall business performance. Subject to the results of the financial and operational review and should suitable opportunities arise, the Group may consider diversifying the business of Trasy group with a view to broadening its income stream and capturing further business opportunities. Trading in the shares of Trasy has been suspended since 10th June, 2003 at the request of Trasy and an application for trading resumption has been submitted for the consideration by The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

Strategic Investments

As at 31st March, 2005, the Group had the following significant strategic investments:

Listed strategic investments directly held

Paul Y. – ITC

The Paul Y. – ITC group is principally engaged in the development and investment in port and infrastructure projects, property development and investment, treasury investment and, through Paul Y. Engineering Group Limited ("Paul Y. Engineering") and its subsidiaries, in building construction, civil engineering and specialist works. In addition, Paul Y. – ITC group holds approximately 29.4% interest in China Strategic Holdings Limited ("China Strategic") as at 31st March, 2005. For the year ended 31st March, 2005, Paul Y. – ITC reported a consolidated profit for the year of HK$522.9 million and its overall after tax contribution to the Group was a profit of HK$289.2 million. In addition, the Group has reported a loss of approximately HK$38.1 million due to the disposal of 77 million shares in Paul Y. – ITC.

Hanny Holdings Limited ("Hanny")

The Hanny group is principally engaged in the trading of computer related products, consumer electronic products which comprise the manufacturing, distribution and marketing of data storage media (primarily floppy disks, CD-R, CD-RW and DVD), the distribution and marketing of computer accessories and storage media drives, scanners, audio and video cassettes, minidisks, household electronic products and telecommunication accessories, and securities trading. The Hanny group also made strategic investments in information technology, supply of household consumer products and other businesses. For the year ended 31st March, 2005, Hanny reported a consolidated loss for the year of HK$160.9 million and its after tax contribution to the Group was a loss of HK$35.6 million.

Burcon NutraScience Corporation ("Burcon")

Burcon is a research and development company developing a portfolio of composition, application and process patents around its plant protein extraction and purification technology. The goal of Burcon's research is to develop its patented process to utilise inexpensive oilseed meals for the production of purified plant proteins that exhibit valuable nutritional, functional or nutraceutical profiles. Burcon 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. For the year ended 31st March, 2005, Burcon's after tax contribution to the Group was a loss of HK$4.8 million.

Listed strategic investments indirectly held

Paul Y. Engineering

The principal activities of Paul Y. Engineering group include building construction, civil engineering, specialist works, and manufacturing and trading of construction materials.

China Strategic

China Strategic is an investment holding company. Through its subsidiaries, China Strategic is engaged in the business of manufacturing and trading of batteries and property investment and development in the Mainland; and through its associates engaged in manufacturing and marketing of tires in the Mainland and other countries abroad; and the business of providing package tour, travel and other related services; and hotel and leisure related businesses.

PSC Corporation Ltd ("PSC")

The PSC group focuses on three core businesses, namely food, healthcare and education. It is involved in food trading, logistics, manufacturing and retail franchising as well as healthcare consultancy and services, and logistics and supply chain management training.

China Enterprises Limited ("China Enterprises")

China Enterprises is an investment holding company. Through its subsidiaries, China Enterprises is engaged in the business of property investment and development in the Mainland; and has substantial interests in investment companies, the subsidiaries of which are principally engaged in the business of providing package tour, travel and other related services, hotel operation and the manufacturing and trading of tires in the Mainland and other countries abroad.

MRI Holdings Limited ("MRI")

MRI, as an investment company, has continued to actively seek for suitable investment opportunities to meet the strategic goals of MRI.

Wing On Travel (Holdings) Limited ("Wing On Travel")

Wing On Travel is an investment holding company. Its subsidiaries are principally engaged in the business of providing package tour, travel and other related services, and hotel operation including a hotel chain branded under the name of "Rosedale" in Hong Kong and the Mainland.

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 31st March, 2005	Shareholding percentage As at the date of this report
Trasy	The Growth Enterprise Market of Hong Kong Stock Exchange	8063	50.1%	56.5%
Paul Y. – ITC	Hong Kong Stock Exchange	498	49.6%	49.6%
Hanny	Hong Kong Stock Exchange	275	20.5%	20.5%
Burcon	TSX Venture Exchange and Frankfurt Stock Exchange	BU WKN 157793	25.0%	25.0%

Listed strategic investments indirectly held

Name of investee company	Place of listing	Stock code	Effective interest As at 31st March, 2005	Effective interest As at the date of this report
Paul Y. Engineering	Hong Kong Stock Exchange	577	32.3% *(Note a)*	32.3% *(Note a)*
China Strategic	Hong Kong Stock Exchange	235	20.6% *(Note b)*	20.6% *(Note b)*
PSC	Singapore Exchange Securities Trading Limited	PSC	4.4% *(Note c)*	4.9% *(Note c)*
China Enterprises	OTC Bulletin Board, U.S.	CSHEF	11.4% *(Note d)*	11.4% *(Note d)*
MRI	Australian Stock Exchange	MRI	11.8% *(Note d)*	11.8% *(Note d)*
Wing On Travel	Hong Kong Stock Exchange	1189	2.4% *(Note e)*	3.2% *(Note e)*

Notes:

(a) The Group's interest is held through its direct interest in Paul Y. – ITC.

(b) The Group's interest is held through its direct interests in Paul Y. – ITC and Hanny.

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

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

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

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, 2005 amounted to approximately HK$16.0 million. As at 31st March, 2005, the Group had bank borrowings of approximately HK$79.9 million and other loan of approximately HK$18.8 million of which HK$17.4 million and HK$18.8 million, respectively, are repayable within one year or on demand.

During the year, convertible notes in an aggregate principal amount of HK$125.0 million were converted into ordinary shares at the conversion price of HK$0.3 per ordinary share. The balance in an aggregate principal amount of HK$164.5 million will be redeemed on 3rd March, 2006 (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, 2005, all the Group's borrowings are at floating interest rates and the Group's current ratio was 0.56.

Exchange rate exposure

As at 31st March, 2005, approximately 18.1% of the cash, bank balances and deposits were in other currencies and only 5.7% of the Group's total borrowings of HK$263.1 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 HK$247.1 million and the shareholders' funds of HK$1,614.7 million, was 15.3% as at 31st March, 2005, as compared to 42.8% as at 31st March, 2004.

Pledge of assets

As at 31st March, 2005, certain of the Group's properties with an aggregate carrying value of approximately HK$143.1 million were pledged to banks and financial institutions to secure general facilities granted to the Group.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31st March, 2005.

Employee and remuneration policy

As at 31st March, 2005, the Group employed a total of approximately 54 employees. The Group's remuneration package is structured with reference to the individual performance and the prevailing salary levels in the market. The Group also offers other 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 year.

Major events

Disposal of shares in Paul Y. – ITC

On 18th August, 2004, the Board announced that the Group intended to place out sufficient shares in Paul Y. – ITC so that on completion of the placement Paul Y. – ITC will become an associate of the Company. On 20th October, 2004, the Company disposed of 77 million shares in Paul Y. – ITC at a consideration of HK$1.05 per share. After the disposal and upon the receipt of scrip shares from Paul Y. – ITC on 29th October, 2004, the Group's interest was decreased from approximately 55.06% to approximately 49.58% and Paul Y. – ITC has become an associate of the Company with effect from 20th October, 2004.

Acquisition of property interest in Hong Kong

On 20th October, 2004, a wholly-owned subsidiary of the Company entered into a provisional sale and purchase agreement with a third party to acquire the whole of the 30th Floor and 4 carparking spaces on 4th Floor, Bank of America Tower, No. 12 Harcourt Road, Hong Kong at a consideration of approximately HK$102 million. The acquisition of the property has been approved by the ordinary shareholders of the Company on 26th November, 2004 and was completed on 30th December, 2004. The property is being used as a downtown office of the Group.

Conversion of convertible preference shares into redeemable convertible preference shares

Upon the approval by the ordinary shareholders and preference shareholders on 13th October, 2004, the conversion of the convertible preference shares into redeemable convertible preference shares has taken effect from 3rd November, 2004. The redeemable convertible preference shares will be redeemed, according to their terms, at HK$1.06 per share on 3rd November, 2007.

Acquisition of interest in Trasy

On 23rd March, 2005, Golden Hall Holdings Limited ("Golden Hall"), a wholly-owned subsidiary of the Company, acquired approximately 50.07% interest in Trasy at an aggregate consideration of HK$8 million, representing approximately HK$0.00575 per share of Trasy. As a result of the acquisition, Golden Hall made unconditional mandatory cash offers for all the shares of Trasy at HK$0.00575 each and for all the options of Trasy at HK$1 for every 1,000,000 options not already owned by it and its concert parties.

On 25th May, 2005, the cash offers were closed and the Group's interest in Trasy was increased to approximately 56.45%."

For the year ended 31st March, 2006

"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 of directors (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.

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 Corporation Limited ("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 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 Stock Exchange of Hong Kong Limited (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

			Shareholding percentage	
Name of investee company	**Place of listing**	**Stock code**	**As at 31/3/2006**	**As at the date of this report**
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

			Effective interest	
Name of investee company	**Place of listing**	**Stock code**	**As at 31/3/2006**	**As at the date of this report**
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	Effective interest As at the date of this report
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 report), 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 report 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 the 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."

(IV) STATEMENT OF INDEBTEDNESS

Borrowings

At the close of business on 30th June, 2006, being the latest practicable date for this statement of indebtedness prior to the printing of this circular, the Enlarged Group had outstanding borrowings of approximately HK$402,734,000 comprising secured borrowings of approximately HK$209,450,000 and unsecured borrowings of approximately HK$193,284,000. The secured borrowings of approximately HK$209,450,000 included bank borrowings of approximately HK$154,388,000, share margin financing loans of approximately HK$19,932,000 and bank overdrafts of approximately HK$35,130,000. The unsecured borrowings of approximately HK$193,284,000 included unsecured bank borrowings of approximately HK$99,000, unsecured share margin financing loans of approximately HK$282,000, unsecured bank overdrafts of approximately HK$249,000 and unsecured other borrowings of approximately HK$192,654,000.

Pledge of asset

At the close of business on 30th June, 2006, the secured borrowings are secured by certain of the Enlarged Group's assets of approximately HK$450,554,000.

Debt securities

At the close of business on 30th June, 2006, the Enlarged Group had outstanding convertible notes and redeemable convertible preference shares with principal amounts of HK$675,007,000 and approximately HK$282,969,000, respectively. The convertible notes are convertible into approximately 75.0 million Hanny Shares at the prevailing conversion price of HK$9 per Hanny Share and the redeemable convertible preference shares are convertible into approximately 272.1 million ITC Shares at the conversion price of HK$1.04 per ITC Share. The carrying amounts of the convertible notes and the redeemable convertible preference shares on the balance sheet at 30th June, 2006 was approximately HK$550,800,000 and HK$289,543,000, respectively.

Contingent liabilities

At the close of business on 30th June, 2006, the Enlarged Group had contingent liabilities in respect of guarantee given to banks on general banking facilities granted to and financial support given to an associate of approximately HK$56,000,000 and approximately HK$9,090,000, respectively.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and the balances between the ITC Group and the Hanny Group, the Enlarged Group did not have outstanding at the close of business on 30th June, 2006 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

Foreign currency amounts have been translated into Hong Kong dollars at the exchange rate prevailing at the close of business on 30th June, 2006.

(V) WORKING CAPITAL

Taking into account the Enlarged Group's internal resources, presently available banking and other facilities and the effect of the ITC Subscription, and in the absence of unforeseen circumstances, the ITC Directors are of the opinion that the Enlarged Group will have sufficient working capital to meet its present requirement and for the next twelve months from the date of this circular.

(VI) MATERIAL ADVERSE CHANGE

The ITC Directors are not aware of any material adverse change in the financial or trading position of the ITC Group since 31st March, 2006 (being the date to which the latest published audited accounts of the Company were made up) up to and including the Latest Practicable Date.

(I) FINANCIAL STATEMENTS

The following is the reproduction of the text of the audited consolidated financial statements of Hanny together with the accompanying notes contained in the annual report of Hanny for the year ended 31st March, 2006.

"Consolidated Income Statement
For the year ended 31 March 2006

	NOTES	**2006** *HK$'000*	**2005** *HK$'000* (Restated)
Continuing Operations			
Revenue	*8*	316,638	257,656
Cost of sales		(278,353)	(145,060)
Gross profit		38,285	112,596
Other income	*10*	116,585	102,646
Distribution and selling expenses		(2,339)	(12,432)
Administrative expenses		(111,342)	(122,317)
Other expenses	*11*	(50,623)	(29,712)
Impairment loss on trademark licenses	*23*	(164,667)	–
Realization of negative goodwill arising on acquisition of additional interest in an associate		–	2,057
Change in fair value of conversion options embedded in convertible notes		114,048	–
Finance costs	*12*	(63,466)	(15,155)
Share of results of associates		(21,494)	(64,909)
Impairment loss on goodwill arising on acquisition of an associate	*13, 25*	–	(177,446)
Amortization of goodwill arising on acquisition of associates	*25*	–	(28,089)
Net gain (loss) on disposal of subsidiaries and associates	*14*	921	(15,747)
Loss before income tax		(144,092)	(248,508)
Income tax expense	*15*	(4,331)	(4,282)
Loss for the year from continuing operations		(148,423)	(252,790)
Discontinued Operations			
Profit for the year from discontinued operations	*16*	52,419	152,552
Loss for the year	*17*	(96,004)	(100,238)

	NOTES	2006 HK$'000	2005 HK$'000 (Restated)
Attributable to:			
Equity holders of the Company		8,915	(161,862)
Minority interests		(104,919)	61,624
		(96,004)	(100,238)
Distributions	19	22,463	11,193
Earnings (loss) per share	20		
From continuing and discontinued operations			
– Basic		HK$0.04	HK$(0.82)
– Diluted		HK$0.04	N/A
From continuing operations			
– Basic		HK$(0.08)	HK$(1.16)
– Diluted		HK$(0.08)	N/A

Consolidated Balance Sheet
At 31 March 2006

	NOTES	**2006** *HK$'000*	**2005** *HK$'000* (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	*21*	38,567	70,557
Investment properties	*22*	133,000	–
Intangible assets	*23*	–	233,475
Goodwill	*24*	6,621	167,908
Interests in associates	*25*	616,871	632,201
Amount due from an associate	*25*	–	2,197
Loan to an associate	*25*	1,331	1,331
Investments in securities	*26*	–	123,534
Available-for-sale investments	*27*	534,045	–
Deposits for acquisition of long-term investments	*29*	190,175	35,000
Deferred tax assets	*40*	–	18,418
Club debentures		3,595	4,373
		1,524,205	1,288,994
CURRENT ASSETS			
Other asset	*30*	–	108,000
Inventories	*31*	8,553	587,078
Trade and other receivables	*32*	59,730	761,904
Available-for-sale investments	*27*	73,500	–
Investments held for trading	*33*	421,997	–
Conversion options embedded in convertible notes	*33*	231,509	–
Investments in securities	*26*	–	144,435
Short-term loan receivables	*28*	20,162	111,851
Short-term loan receivables from related companies	*50*	159,559	224,233
Margin loan receivables	*34*	18,680	30,586
Amounts due from associates	*25*	2,623	–
Tax recoverable		923	19,855
Pledged bank deposit	*35*	19,966	20,014
Bank balances and cash		6,514	359,603
		1,023,716	2,367,559
Assets classified as held for sale	*16*	1,645,259	–
		2,668,975	2,367,559

	NOTES	2006 HK$'000	2005 HK$'000 (Restated)
CURRENT LIABILITIES			
Trade and other payables	36	358,856	1,011,814
Margin loan payables	34	153	253
Bills payable	34	422	3,644
Tax payable		33,264	91,420
Borrowings – due within one year	37	591,629	85,881
Obligations under finance leases – due within one year	38	–	462
Bank overdrafts	37	33,187	46,978
		1,017,511	1,240,452
Liabilities directly associated with assets classified as held for sale	16	854,328	–
		1,871,839	1,240,452
NET CURRENT ASSETS		797,136	1,127,107
TOTAL ASSETS LESS CURRENT LIABILITIES		2,321,341	2,416,101
NON-CURRENT LIABILITIES			
Borrowings – due after one year	37	95,693	157,470
Amount due to a minority shareholder	39	–	2,526
Deferred tax liabilities	40	6,325	114
		102,018	160,110
		2,219,323	2,255,991
CAPITAL AND RESERVES			
Share capital	41	2,372	2,236
Reserves		1,866,517	1,804,138
Equity attributable to equity holders of the Company		1,868,889	1,806,374
Minority interests		350,434	449,617
		2,219,323	2,255,991

Consolidated Statement of Changes in Equity

For the year ended 31 March 2006

	Attributable to equity holders of the Company											
	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000* *(note a)*	Contributed surplus *HK$'000* *(note c)*	Currency translation reserve *HK$'000*	Capital redemption reserve *HK$'000*	Investment revaluation reserves *HK$'000*	Other reserves *HK$'000* *(note b)*	Retained profits *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'000*
At 1 April 2004	1,866	99,221	(21,581)	1,603,329	16,426	592	–	14,448	158,880	1,873,181	405,157	2,278,338
Currency realignment	–	–	–	–	2,475	–	–	–	–	2,475	(4,273)	(1,798)
Share of reserves of associates	–	–	–	–	–	–	–	(14,249)	–	(14,249)	–	(14,249)
Net income (expense) recognized directly in equity	–	–	–	–	2,475	–	–	(14,249)	–	(11,774)	(4,273)	(16,047)
Realized on disposal of subsidiaries	–	–	(556)	–	7,842	–	–	(7,810)	–	(524)	–	(524)
Release upon disposal/deemed disposal of interest in associates	–	–	–	–	–	–	–	(187)	–	(187)	–	(187)
Realized on liquidation of an associate	–	–	–	–	27	–	–	–	–	27	–	27
(Loss) profit for the year, as restated	–	–	–	–	–	–	–	–	(161,862)	(161,862)	61,624	(100,238)
Total recognized income and expense for the year	–	–	(556)	–	10,344	–	–	(22,246)	(161,862)	(174,320)	57,351	(116,969)
Issue of shares	370	118,976	–	–	–	–	–	–	–	119,346	–	119,346
Share issue expenses	–	(640)	–	–	–	–	–	–	–	(640)	–	(640)
Dividend paid	–	–	–	–	–	–	–	–	(11,193)	(11,193)	–	(11,193)
Acquisition of further interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	(12,891)	(12,891)
Transfer	–	–	–	(155,127)	–	–	–	–	155,127	–	–	–
At 31 March 2005, as restated	2,236	217,557	(22,137)	1,448,202	26,770	592	–	(7,798)	140,952	1,806,374	449,617	2,255,991
Effect of adoption of new accounting policies *(note 3)*	–	–	22,137	–	–	–	–	11,947	22,100	56,184	–	56,184
At 1 April 2005 – as restated	2,236	217,557	–	1,448,202	26,770	592	–	4,149	163,052	1,862,558	449,617	2,312,175
Currency realignment	–	–	–	–	(739)	–	–	–	–	(739)	4,897	4,158
Share of reserves of associates	–	–	–	–	–	–	(642)	8,246	–	7,604	–	7,604
Fair value change in available-for-sale investments	–	–	–	–	–	–	(31,856)	–	–	(31,856)	–	(31,856)

Consolidated Statement of Changes in Equity *(Cont'd)*

For the year ended 31 March 2006

	Attributable to equity holders of the Company											
	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000* *(note a)*	Contributed surplus *HK$'000* *(note c)*	Currency translation reserve *HK$'000*	Capital redemption reserve *HK$'000*	Investment revaluation reserves *HK$'000*	Other reserves *HK$'000* *(note b)*	Retained profits *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'000*
Net income (expense) recognized directly in equity	–	–	–	–	(739)	–	(32,498)	8,246	–	(24,991)	4,897	(20,094)
Arising on acquisition of interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	559	559
Realized on disposal of subsidiaries	–	–	–	–	569	–	–	–	–	569	280	849
Realized on disposal of an associate	–	–	–	–	–	–	–	(2,463)	–	(2,463)	–	(2,463)
(Loss) profit for the year	–	–	–	–	–	–	–	–	8,915	8,915	(104,919)	(96,004)
Total recognized income and expense for the year	–	–	–	–	(170)	–	(32,498)	5,783	8,915	(17,970)	(99,183)	(117,153)
Issue of shares	100	34,050	–	–	–	–	–	–	–	34,150	–	34,150
Issue of shares upon scrip dividend	36	12,578	–	–	–	–	–	–	–	12,614	–	12,614
Distributions	–	–	–	–	–	–	–	–	(22,463)	(22,463)	–	(22,463)
At 31 March 2006	2,372	264,185	–	1,448,202	26,600	592	(32,498)	9,932	149,504	1,868,889	350,434	2,219,323

Notes:

(a) Capital reserve represents the goodwill arising on acquisitions of subsidiaries and associates prior to 1 April 2001.

(b) Other reserves represent the goodwill reserve and other reserves of the Group's associates shared by the Group prior to 1 April 2005. The goodwill and other reserves of HK$11,947,000 as at 31 March 2005 was transferred to retained profits as at 1 April 2005 in accordance with the transitional provision of HKFRS 3.

(c) The contributed surplus of the Company at the respective balance sheet date represented:

(i) the credit arising from the transfer of the share premium account of the Company as at 20 February 1998 and 19 February 2003 to the contributed surplus account of the Company;

(ii) the credit arising from the reduction of the nominal value of the shares of the Company in 1999 and 2003; and

(iii) a balance as reduced by amounts transferred to the deficit account to eliminate the deficit of the Group as at 31 January 2000, 31 January 2001, 20 March 2003 and 31 March 2005.

Consolidated Cash Flow Statement
For the year ended 31 March 2006

	2006 HK$'000	2005 HK$'000 (Restated)
OPERATING ACTIVITIES		
Loss for the year	(96,004)	(100,238)
Adjustments for:		
Interest income	(44,398)	(22,651)
Finance costs	75,894	18,198
Income tax expense	53,669	117,397
Increase in fair value of conversion options embedded in convertible notes	(114,048)	–
Share of results of associates	21,494	64,909
Impairment loss on goodwill arising on acquisition of an associate	–	177,446
Impairment loss on trademark licenses	164,667	–
Impairment loss on available-for-sale investments	49,845	–
Impairment loss on club debentures	778	–
Amortization of goodwill arising from acquisition of associates	–	28,089
Net (gain) loss on disposal of subsidiaries and associates	(921)	15,747
Net unrealized holding gain on other investments	–	(17,223)
Increase in fair value of investments held for trading	(43,313)	–
Allowance for (reversal of allowance for) margin loan receivables	4,922	(2,387)
Realization of negative goodwill arising on acquisition of an associate	–	(8)
Amortization of intangible assets	806	51,066
Allowance for slow moving and obsolete inventories	75,732	25,588
Allowance for bad and doubtful debts	16,672	22,269
Depreciation and amortization of property, plant and equipment	13,804	19,785
Allowance for loan receivables	11,542	8,338
Loss on disposal of property, plant and equipment	2,736	1,098
Net loss on disposal of investment securities	–	29,712
Realization of negative goodwill arising on acquisition of additional interest in an associate	–	(2,057)

	NOTES	2006 HK$'000	2005 HK$'000 (Restated)
Operating cash flows before movements in working capital		193,877	435,078
Decrease in other asset		108,000	37,085
(Increase) decrease in inventories		(113,068)	262,639
Increase in trade and other receivables		(70,193)	(36,899)
(Increase) decrease in investments held for trading/other investments		(214,890)	13,623
Decrease in margin loan receivables		9,945	4,174
Increase (decrease) in trade and other payables		46,790	(260,297)
Decrease in margin loan payables		(100)	(587)
Decrease in bills payable		(3,222)	(1,295)
Cash (used in) generated from operations		(42,861)	453,521
Interest and finance charges paid		(59,891)	(8,369)
Overseas tax paid		(132,172)	(43,607)
Hong Kong Profits Tax (paid) refunded		(662)	386
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(235,586)	401,931
INVESTING ACTIVITIES			
Repayment of short-term loan receivables		234,543	29,588
Decrease (increase) in pledged bank deposits		48	(20,014)
Interest received		40,573	18,123
Amounts (repaid to) advanced by associates		(4,166)	14,256
Disposal of subsidiaries	*43*	2,819	7,353
Proceeds from disposal of property, plant and equipment		365	1,274
Increase in short-term loan receivables		(31,802)	(105,755)
Acquisition of interest in associates		(24,123)	(44,148)
Purchase of property, plant and equipment		(15,470)	(14,229)
Acquisition of available-for-sale investments/ investment securities		(33,176)	(123,348)
Proceeds from disposal of investment securities		–	150,255
Repayment of short-term loan receivable from a related company		131,693	32,890
Dividend received from an associate		1,542	4,668
Increase in short-term loan receivable from a related company		(92,324)	(89,758)
Proceeds from disposal of an associate		1,750	10
Deposits paid for acquisition of long-term investments		(155,175)	(35,000)
Acquisition of an interest in subsidiaries	*42*	(42,389)	–
Acquisition of additional interest in subsidiaries		–	(37,320)
Redemption (acquisition) of unlisted debt security		12,000	(12,000)
Purchase of convertible notes		(650,000)	–
NET CASH USED IN INVESTING ACTIVITIES		(623,292)	(223,155)

	2006 *HK$'000*	2005 *HK$'000* (Restated)
FINANCING ACTIVITIES		
Bank loans raised	976,527	886,161
Other loans raised	783,000	10,000
Net proceeds from issue of shares	34,150	118,500
Repayments of bank loans	(855,136)	(1,010,697)
Repayments of other loans	(384,241)	–
Repayments of obligations under finance leases	(462)	(1,070)
Repayment to a minority shareholder	–	(10)
Dividends paid	(9,850)	(10,987)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	543,988	(8,103)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(314,890)	170,673
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	312,625	141,094
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,608	858
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	(657)	312,625
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	6,514	359,603
Bank overdrafts	(33,187)	(46,978)
Bank balances and cash classified as assets held for sale	26,016	–
	(657)	312,625

Notes to the Financial Statements
For the year ended 31 March 2006

1. GENERAL

The Company was incorporated in Bermuda on 3 September 1991 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the address of the principal place of business of the Company is 8th Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

During the year, the Group was principally engaged in trading of computer related products, consumer electronic products, securities trading and property development, investment and trading.

As set out in Note 16, the business of trading of computer related products was disposed of and the business of trading of consumer electronic products was discontinued subsequent to the balance sheet date.

The financial information are presented in Hong Kong Dollars, which is the same as the functional currency of the Company.

2. CHANGES IN ACCOUNTING POLICIES/APPLICATION OF 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 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates and discontinued operations have been changed under HKAS 1 "Presentation of Financial Statements". 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 years are prepared and presented (see Note 3 for the financial impact).

2. CHANGES IN ACCOUNTING POLICIES/APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

Business Combinations

In the prior year, the Group has applied HKFRS 3 Business Combinations which is effective for business combinations for which the agreement date is on or after 1 January 2005. On 1 April 2005, the Group has applied the transitional provision of HKFRS 3 in relation to goodwill and negative goodwill arising from business combinations for which the agreement date is before 1 January 2005 previously recognized and brought forward as at 1 January 2005 and the principal effects are summarized below:

Goodwill

In previous periods, goodwill arising on acquisitions prior to 1 April 2001 was held in reserves, and goodwill arising on acquisitions after 1 April 2001 was capitalized and amortized over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3 (the "Transitional Provision"). Goodwill previously recognized in reserves has been transferred to the Group's retained profits on 1 April 2005. With respect to goodwill arising on acquisitions after 1 April 2001 which previously capitalized on the balance sheet and included in intangible assets or included in interests in associates, the Group has discontinued amortizing such goodwill from 1 April 2005 onwards and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses after initial recognition. As a result of this change in accounting policy, no amortization of goodwill has been charged for the year ended 31 March 2006. In accordance with the Transitional Provision, the Group has transferred goodwill previously held in capital reserves and other reserves of approximately HK$22,566,000 and HK$11,947,000 respectively to retained profits as at 1 April 2005 (see Note 3 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 is recognized immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to 1 April 2001 of approximately HK$429,000 was held in capital reserve and negative goodwill arising on acquisitions after 1 April 2001 of approximately HK$225,000 was presented as a deduction from interest in associates and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the Transitional Provision, the Group has derecognized all discount on acquisition as at 1 April 2005 of which negative goodwill of approximately HK$429,000 previously recorded in capital reserve, and approximately HK$225,000 previously presented as a deduction from interests in associates (see Note 3 for the financial impact).

2. CHANGES IN ACCOUNTING POLICIES/APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

Intangible assets

In previous periods, intangible assets were amortized over their estimated useful lives. For the period beginning on 1 April 2005, the Group applies, for the first time, HKAS 38 "Intangible Assets" which requires intangible assets to be assessed at the individual asset level as having either finite or indefinite life. A finite-life intangible asset is amortized over its estimated useful life whereas an intangible asset with an indefinite useful life is carried at cost less accumulated impairment losses (if any). Intangible assets with indefinite lives are not subject to amortization but are tested for impairment annually or more frequently when there are indications of impairment. In accordance with the transitional provisions in HKAS 38, the Group reassessed the useful lives of its intangible assets on 1 April 2005 and concluded that certain trademark licenses with a total carrying amount of HK$226,687,000 recognized under the predecessor accounting standard have indefinite useful lives. The Group has applied the revised useful lives prospectively and discontinued amortizing intangible assets with indefinite useful lives from 1 April 2005. No amortization has been charged in relation to intangible assets with indefinite useful lives for the year ended 31 March 2006. As a result of this change in accounting estimate, amortization charge for the year ended 31 March 2006 has decreased by approximately HK$4,566,000. Comparative figures have not been restated.

Owner-occupied Leasehold Interest in Land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment measured using a combination of 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 amortized over the lease term on a straight-line basis. As no reliable allocation between the land and buildings elements can be made, the leasehold interests in land continue to be accounted for as property, plant and equipment and the adoption of this accounting policy has had no impact on the consolidated financial statements.

2. CHANGES IN ACCOUNTING POLICIES/APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

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 adoption of HKAS 32 has had no material effect on the presentation of financial instruments in the financial statements of the Group. HKAS 39, which is effective for accounting periods beginning on or after 1 April 2005, generally does not permit to recognize, derecognize or measure financial assets and liabilities on a retrospective basis. The principal effects on the Group as a result of implementation of HKAS 39 are summarized below:

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.

Debts are equity securities previously accounted for under the benchmark treatment of SSAP 24

On or before 31 March 2005, the Group classified and measured its investments in debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Policies No 24 "Accounting for Investment in Securities" ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less any identified impairment losses while "other investments" are measured at fair value, with unrealized gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortized cost less any identified impairment losses. From 1 April 2005 onwards, the Group classifies and measures its investments in debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit and loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity investments". "Financial assets at fair value through profit and loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognized in profit and loss and equity, respectively. "Loans and receivables" and "held-to-maturity investments" are measured at amortized cost using the effective interest method (see Note 3 for the financial impact).

On 1 April 2005, the Group classified and measured its investments in equity securities in accordance with the transitional provisions of HKAS 39. As a result, "investments in securities" amounted to HK$123,534,000 and HK$144,435,000 have been classified as "available-for-sale investments" and "investments held for trading", respectively. On 1 April 2005, unquoted equity investments of which their fair value cannot be determined reliably are carried at cost less impairment (see Note 3 for the financial impact).

2. CHANGES IN ACCOUNTING POLICIES/APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

Financial Instruments ***(Cont'd)***

Financial assets and financial liabilities other than debt and equity securities

From 1 April 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Other financial liabilities are carried at amortized cost using the effective interest method. The adoption of HKAS 39 has had no material effect to the financial assets and financial liabilities as at 1 April 2005 other than debt and equity securities of the Group.

Derivatives

From 1 April 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless they are deemed as held for trading or designated as effective hedging instruments. For derivatives that are deemed as held for trading, changes in fair values are recognized in profit or loss for the period in which they arise.

In the prior years, gain on disposal on 17.5% interest in a subsidiary has been deferred as the Group has written a put option to the purchaser which provides an option to the purchaser to put the 17.5% equity interest back to the Group at a fixed price. The put option has an exercise period of three years from the date of original disposal in December 2003. The put option constitutes a financial derivative which was required to be measured at fair value upon application of HKAS 39.

In addition to the conversion options embedded in the debt instrument in respect of convertible notes set out below, the Group reassesses the fair value of the put option written by the Group in respect of the 17.5% equity interest of a subsidiary and restated the put option at fair value on 1 April 2005 with the corresponding adjustment of HK$28,594,000 credited to retained earnings (see Note 3 for the financial impact).

Investment in convertible notes

From 1 April 2005 onwards, the Group has applied HKAS 39 to the convertible notes, which comprise of a conversion option embedded in a debt instrument, it acquired during the year ended 31 March 2006. In accordance with HKAS 39, the conversion option embedded in the debt instrument is accounted for separately as a derivative deemed as held for trading. Changes in fair value of the conversion options are recognized directly in profit or loss. The debt component is designated as "available-for-sale investments" with fair value changes recognized directly in equity (see Note 3 for the financial impact).

2. CHANGES IN ACCOUNTING POLICIES/APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

Non-current assets held for sale and discontinued operations

In the current year, the Group has, for the first time, applied HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" ("HKFRS 5"). HKFRS 5 requires an entity to classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continuing use. The assets classified as held for sale should be measured at the lower of carrying amount and fair value, less costs to sell. The Group has applied the relevant transitional provisions in HKFRS 5 and elected to apply HKFRS 5 prospectively to non-current assets (or disposal groups) that meet the criteria of held for sale and operations that meet the criteria to be classified as discontinued on or after 1 April 2005. In the current year, assets with carrying amounts of HK$1,645,259,000 and the associated liabilities with carrying amounts of HK$854,328,000 have been classified as "assets held for sale" and "liabilities associated with assets classified as held for sale", respectively. Comparative consolidated income statement is also represented for discontinued operations.

Share-based payment

From 1 April 2005 onwards, the Group has applied HKFRS 2 "Share-based payment" which requires an expense to be recognized where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares of rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company and its subsidiaries determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognize the financial effect of these share options until they were exercised. In relation to shares granted before 1 April 2005, the Group has not applied HKFRS 2 to shares granted on or before 7 November 2002 and shares granted after 7 November 2002 and had vested before 1 April 2005 in accordance with the relevant transitional provisions. The Group had no share granted after 7 November 2002 and had not yet vested on 1 April 2005, and accordingly, no retrospective restatement is required.

Hotel properties

HK Interpretation 2 "The Appropriate Accounting Policies for Hotel Properties" ("HK-INT 2") clarifies the accounting policy for owner-operated hotel properties. In previous periods, the self-operated hotel properties of the Group's associate were carried at cost less impairment loss and were not subject to depreciation. HK-INT 2 requires owner-operated properties to be classified as property, plant and equipment in accordance with HKAS 16 "Property, Plant and Equipment" and therefore be accounted for either using the cost model or the revaluation model. The Group's associate has resolved to account for these hotel properties using the cost model. In the absence of any specific transitional provisions in HK-INT 2, the new accounting policy has been applied retrospectively. Comparative figures have been restated. Share of loss of the associate for the year ended 31 March 2005 has been increased by HK$937,000 (see Note 3 for financial impact).

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in Note 2 on the results for the current and prior years are as follows:

(i) On results

For the year ended 31 March 2005

	HKAS 1 *HK$'000* *(Note 2)*	HK-INT 2 *HK$'000* *(Note 2)*	Total effects *HK$'000*
Increase in share of losses of associates	(4,247)	(937)	(5,184)
Decrease in income tax expense	4,247	–	4,247
Decrease in profit for the year	–	(937)	(937)

For the year ended 31 March 2006

	HKAS 1 *HK$'000* *(Note 2)*	HKAS 38 *HK$'000* *(Note 2)*	HKAS 39 *HK$'000* *(Note 2)*	HKFRS 3 *HK$'000* *(Note 2)*	Total effects *HK$'000*
Decrease in realization of negative goodwill arising on acquisition of additional interest in an associate	–	–	–	(23)	(23)
Decrease in amortization of goodwill arising on acquisition of interests in subsidiaries	–	–	–	29,780	29,780
Decrease in amortization of trademark licenses	–	4,566	–	–	4,566
Decrease in amortization of goodwill arising on acquisition of associates	–	–	–	8,321	8,321
Increase in share of losses of associates	(2,615)	–	–	–	(2,615)
Decrease in income tax expense	2,615	–	–	–	2,615
Increase in fair value of conversion options embedded in convertible notes	–	–	114,048	–	114,048
Increase in profit for the year	–	4,566	114,048	38,078	156,692

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Cont'd)*

(ii) On income statement line items

For the year ended 31 March 2005

	HKAS 1	**HK-INT 2**	**Total effects**
	HK$'000	*HK$'000*	*HK$'000*
	(Note 2)	*(Note 2)*	
Increase in share of losses of associates	(4,247)	(937)	(5,184)
Decrease in income tax expense	4,247	–	4,247
Decrease in profit for the year	–	(937)	(937)

For the year ended 31 March 2006

	HKAS 1	**HKAS 38**	**HKAS 39**	**HKFRS 3**	**Total effects**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 2)	*(Note 2)*	*(Note 2)*	*(Note 2)*	
Decrease in administrative expenses	–	4,566	–	29,780	34,346
Decrease in realization of negative goodwill arising on acquisition of additional interest in an associate	–	–	–	(23)	(23)
Decrease in amortization of goodwill arising on acquisition of associates	–	–	–	8,321	8,321
Decrease in share of results of associates	(2,615)	–	–	–	(2,615)
Decrease in income tax expense	2,615	–	–	–	2,615
Increase in fair value of conversion options embedded in convertible notes	–	–	114,048	–	114,048
	–	4,566	114,048	38,078	156,692

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Cont'd)*

The cumulative effects of the new HKFRSs as at respective balance sheet dates are summarized below:

As at 31 March 2005

	As at 31 March 2005 (originally stated)	Retrospective adjustments HKAS 1	HK-INT 2	As at 31 March 2005 (restated)	Adjustments on 1 April 2005 *(Note)*	As at 1 April 2005 (restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	70,557	–	–	70,557	–	70,557
Interests in associates	632,201	–	(937)	631,264	27,590	658,854
Investments in securities (non-current)	123,534	–	–	123,534	(123,534)	–
Available-for-sale investments	–	–	–	–	123,534	123,534
Investments in securities (current)	144,435	–	–	144,435	(144,435)	–
Investments held for trading	–	–	–	–	144,435	144,435
Trade and other payables	(1,011,814)	–	–	(1,011,814)	28,594	(983,220)
Other net assets	2,298,015	–	–	2,298,015	–	2,298,015
Total effects on assets and liabilities	2,256,928	–	(937)	2,255,991	56,184	2,312,175
Share capital	2,236	–	–	2,236	–	2,236
Capital reserves	(22,137)	–	–	(22,137)	22,137	–
Other reserves	1,685,323	–	–	1,685,323	11,947	1,697,270
Retained profits	141,889	–	(937)	140,952	22,100	163,052
Minority interests	–	449,617	–	449,617	–	449,617
Total effects on equity	1,807,311	449,617	(937)	2,255,991	56,184	2,312,175
Minority interests	449,617	(449,617)	–	–	–	–

Note: The adjustment of approximately HK$27,365,000 included in interests in associates represents the adoption of new HKFRSs by an associate of the Group. The other adjustments represent the adoption of HKAS 39 and HKFRS 3 by the Group. For details, please refer to Note 2.

The financial effects of the application of the new HKFRSs to the Group's equity as at 1 April 2004 are summarized below:

	As originally stated	HKAS 1	As restated
	HK$'000	*HK$'000*	*HK$'000*
Share capital	1,866	–	1,866
Capital reserve	(21,581)	–	(21,581)
Other reserves	1,734,016	–	1,734,016
Retained profits	158,880	–	158,880
Equity holders of the Company	1,873,181	–	1,873,181
Minority interests	–	405,157	405,157
Total effects on total equity	1,873,181	405,157	2,278,338

4. NEW STANDARDS AMENDMENTS AND INTERPRETATIONS NOT YET APPLIED

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The Group is in the process of making an assessment of the potential impact of these standards, amendments and interpretations. Other than the adoption of HKAS 39 and HKFRS 4 (Amendments) "Financial guarantee contracts", the directors of the Company so far concluded that the application of these new standards, amendments or interpretations will have no material impact on the financial position of the Group. HKAS 39 and HKFRS 4 (Amendments) "Financial guarantee contracts" requires financial guarantee contracts which are within the scope of HKAS 39 to be measured at fair value upon initial recognition, the Group is still not in the position to reasonably estimate the impact that may arise from the adoption of HKAS 39 and HKFRS 4 (Amendments).

HKAS 1 (Amendment)	Capital disclosures [1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures [2]
HKAS 21 (Amendment)	Net investment in a foreign operation [2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions [2]
HKAS 39 (Amendment)	The fair value option [2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts [2]
HKFRS 6	Exploration for and evaluation of mineral resources [2]
HKFRS 7	Financial instruments: Disclosures [1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease [2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds [2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment [3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [4]
HK(IFRIC) – INT 8	Scope of HKFRS 2 [5]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives [6]

[1] *Effective for annual periods beginning on or after 1 January 2007.*
[2] *Effective for annual periods beginning on or after 1 January 2006.*
[3] *Effective for annual periods beginning on or after 1 December 2005.*
[4] *Effective for annual periods beginning on or after 1 March 2006.*
[5] *Effective for annual periods beginning on or after 1 May 2006.*
[6] *Effective for annual periods beginning on or after 1 June 2006.*

5. SIGNIFICANT ACCOUNTING POLICIES

The financial information has been prepared under the historical cost basis except for the investment properties and certain financial instruments which are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

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

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

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Goodwill

Goodwill arising on acquisition prior to 1 April 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill arising on acquisitions prior to 1 April 2001 was held in reserves, and has been transferred to the retained earnings on 1 April 2005.

For previously capitalised goodwill arising on acquisitions after 1 April 2001 but before 1 January 2005, the Group has discontinued amortisation from 1 April 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is indication that the cash-generated units ("CGU") to which the goodwill relates may be impaired.

5. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Goodwill *(Cont'd)*

Goodwill arising on acquisition after 1 January 2005 is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

Capitalized goodwill arising on acquisition of a subsidiary is presented separately in the balance sheet as an asset. Capitalized goodwill arising in an acquisition of an associate is included in the cost of the investment of the relevant associate.

For the purpose of impairment testing, goodwill arising from acquisition of a subsidiary is allocated to each of the Group's CGU expected to benefit from the synergies of the combination. CGU to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Goodwill arising from acquisition of an associate is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions")

A discount on acquisition arising on an acquisition of a subsidiary or an associate for which an agreement date is on or after 1 January 2005 represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognized immediately in profit or loss. A discount on acquisition arising on an acquisition of an associate (which is accounted for using the equity method) is included as income in the determination of the investor's share of results of the associate in the period in which the investment is acquired.

As explained in Note 2 above, all negative goodwill as at 1 April 2005 has been derecognized with a corresponding adjustment to the Group's retained earnings.

Trademark licenses

Prior to 31 March 2005, intangible assets were amortized over their estimated useful lives. For the period beginning on 1 April 2005, intangible assets with indefinite useful lives are not amortized but are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

5. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Trademark licenses *(Cont'd)*

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Trademark licenses with finite-life are stated at cost less amortization and any identified impairment loss. Amortization is calculated to write off the cost of the trademark licenses over their estimated useful lives, using the straight line method.

Patent

The patent is measured initially at cost and amortized on a straight line basis over its estimated useful life.

Club debentures

Club debentures are stated at cost less any subsequent accumulated impairment losses.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

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

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable.

Sales of investments in securities are recognized on a trade-date basis when contracts are executed.

Sales of goods are recognized when goods are delivered and title has passed.

Sales of other asset are recognized upon the execution of a binding sale agreement.

Internet service income and royalty income are recognized when services are provided.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognized on a straight line basis over the period of the respective leases.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

5. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Investments in associates

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Impairment (other than goodwill, intangible assets with indefinite useful lives and intangible assets that are not yet ready for use)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. Impairment losses are recognized as expenses immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Property, plant and equipment

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

Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 "Property, plant and equipment" from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 30 September 1995. Accordingly, no further revaluation of land and buildings will be carried out.

Depreciation and amortization are provided to write off the cost or valuation of items of property, plant and equipment over their estimated useful lives, and after taking into account of their estimated residual value, using the straight-line method.

Asset held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or where shorter, the term of relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

5. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Leasing

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

The Group as lessor

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

The Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

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

Other asset

Other asset which represent interests on land held under operating lease and for sale is stated at the lower of cost and net realisable value.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average cost method.

5. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of the entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognized in equity in the consolidated financials statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity, in which cases, the exchange differences are also recognized directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong Dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized as a separate component of equity (the currency translation reserve). Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognized in the currency translation reserve.

Equity-settled share-based payment transactions

In respect of share options granted to employees after 1 April 2005, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the time when the share options are exercised, the amount previously recognized in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognized in share option reserve will continue to be held in share option reserve.

5. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Equity-settled share-based payment transactions *(Cont'd)*

For share options granted to employees on or before 11 November 2002 or granted after 11 November 2002 but vested before 1 April 2005, the Group did not recognize the financial effect of share-based payments until the share options were exercised.

Financial instruments

Financial assets and financial liabilities are recognized on the balance sheet when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise.

Loans and receivables

Loans and receivables (including trade and other receivables, short-term loan receivables, short-term loan receivables from related companies, amount due from associates, margin loan receivables and bank deposits) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method, less any identified impairment losses. An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

5. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories (set out above). At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognized in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognized in equity is removed from equity and recognized in profit or loss. Any impairment losses on available-for-sale financial assets are recognized in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss, include financial liabilities held for trading. At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

5. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial liabilities at fair value through profit or loss (Cont'd)

Other financial liabilities

Other financial liabilities including trade and other payables, margin loan payables, bills payable, amount due to an associate, amount due to a minority shareholder, borrowings, obligations under finance leases and bank overdrafts are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

Derivative financial instruments

Derivatives of the Group that do not qualify for hedge accounting are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair values of such derivatives are recognized directly in profit or loss.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant hosts and deemed as held-for-trading when the economic characteristic and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at fair value through profit or loss. In all other circumstances, derivatives embedded are not separated and are accounted for together with the host contracts in accordance with appropriate standards. Where the Group needs to separate an embedded derivative but is unable to measure the embedded derivative, the entire combined contracts are treated as held-for-trading.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss.

Taxation

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

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

5. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Taxation ***(Cont'd)***

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefits costs

Payments to defined contribution retirement benefit plans are charged as expenses as they fall due.

6. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Allowances for bad and doubtful debts

The policy for allowance for bad and doubtful debts of the Group is based on the evaluation of collectibility and aging analysis of accounts and on management's estimate. In determining whether impairment is required, the Group takes into consideration the aging status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognized on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and the carrying value.

6. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Cont'd)*

Income taxes

As at 31 March 2006, a deferred tax asset of HK$332,000 in relation to unused tax losses has been recognized in the Group's balance sheet. No deferred tax asset has been recognized for the remaining unused tax losses of HK$372,942,000 as at 31 March 2006. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less or more than expected, a material reversal or further recognition of deferred tax assets may arise, which would be recognized in the income statement for the period in which such a reversal or further recognition takes place.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity and debt investments, borrowings, trade and other receivables, short-term loan receivables, margin loans receivables, bank deposits, trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market Risk

Currency risk

Certain trade receivables, trade payables, short-term loan receivables and borrowings of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure closely and consider the usage of hedging instruments when the need arises.

Interest rate risk

The Group's fair value interest rate risk relates primarily to its investments in fixed-rate convertible notes where it is also exposed to cash flow interest rate risk through the variable-rate bank borrowings. (see Notes 27 and 37 for details of debt securities and loans respectively).

The Group currently does not have a policy to hedge against the interest rate risk as the management believes that changes in the interest rate will not have a significant impact on the Group's financial position. However, the management monitors closely the interest rate exposure and will consider using interest rate swap when the need arises.

Other price risk

The Group is exposed to equity security price risk through its investments in both listed and unlisted equity investments. For investments in listed equity investment, the management manages this exposure by maintaining a portfolio of investments with different risk profiles.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

(ii) Credit risk

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2006 in relation to each class of recognized financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. There is concentration of credit risk with convertible notes, loans from or to related parties and certain major customers in Europe. In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt, loan receivable, margin loan receivables and debt securities at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counter parties are banks, financial institution with good reputation.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group maintains the flexibility in funding by arranging banking facilities and other external financing. Besides, the Group has continued to tighten cost controls over operating costs to improve the cash flows, profitability and operations of the Group. The directors believe that the Group will have sufficient working capital for its future operational requests.

8. REVENUE

Revenue represents the net amounts received and receivable for goods sold, securities traded by the Group, and sales of other asset to outside customers for the year. An analysis of the Group's revenue for the year, for both continuing and discontinued operations, is as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Continuing operations		
Sales of goods	51,452	124,172
Securities trading	146,386	93,884
Sale of other assets *(Note 30)*	118,800	39,600
	316,638	257,656
Discontinued operations		
Sales of goods	5,385,144	5,418,803
	5,701,782	5,676,459

9. SEGMENT INFORMATION

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

Business segments

The Group is organized into four business segments, namely trading of computer related products, trading of consumer electronic products, securities trading and property development and trading.

The operations of trading of computer related products under the trade name of "Memorex®" and trading of consumer electronic products were discontinued on 28 April 2006 *(see Note 16)*. The Group will continue the operation of trading of other non-"Memorex®" computer related products.

Segment information about these businesses is presented as below:

	Continuing operations				Discontinued operations		
	Trading of computer related products	Trading of securities	Property development and trading	Total	Trading of computer related products under "Memorex®"	Trading of consumer electronic products	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 March 2006							
REVENUE							
External sales	51,452	146,386	118,800	316,638	4,210,551	1,174,593	5,701,782
SEGMENT RESULT	(28,635)	175,698	11,886	158,949	91,334	22,028	272,311
Interest income							44,398
Unallocated corporate expenses							(33,333)
Finance costs							(75,894)
Share of results of associates							(21,494)
Net gain on disposal of subsidiaries and associates							921
Impairment loss on trademark licenses							(164,667)
Impairment loss on available-for-sale investments							(49,845)
Impairment loss on club debentures							(778)
Allowance for loan receivable							(11,542)
Allowance for other receivable							(2,412)
Loss before income tax							(42,335)
Income tax expense							(53,669)
Loss for the year							(96,004)

9. SEGMENT INFORMATION *(Cont'd)*

Business segments *(Cont'd)*

	Trading of securities	Property development and trading	Trading of computer related products under "Memorex®"	Trading of consumer electronic products	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities at 31 March 2006					
ASSETS					
Segment assets	727,006	–	1,583,194	235	2,310,435
Interests in associates					647,693
Unallocated corporate assets					1,235,052
Consolidated total assets					4,193,180
LIABILITIES					
Segment liabilities	–	421	919,884	–	920,305
Borrowings					858,020
Unallocated corporate liabilities					195,532
Consolidated total liabilities					1,973,857

	Continuing operations			Discontinued operations	
	Trading of computer related products	Corporate	Total	Trading of computer related products under "Memorex®"	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other information					
For the year ended 31 March 2006					
Capital expenditure	162	23	185	15,285	15,470
Depreciation and amortization	2,000	613	2,613	11,998	14,611
Impairment loss on trademark licenses	164,667	–	164,667	–	164,667
Addition of goodwill arising on acquisition of a subsidiary	–	623	623	–	623
Addition of goodwill arising on acquisition of an associate	–	2,276	2,276	–	2,276
Net provision for doubtful debts	685	2,412	3,097	13,575	16,672
Allowance for slow moving inventories	–	–	–	75,732	75,732
Gain on disposals of interests in subsidiaries and associates	–	921	–	–	921

9. SEGMENT INFORMATION *(Cont'd)*

Business segments *(Cont'd)*

	Continuing operations				Discontinued operations		
	Trading of computer related products	**Trading of securities**	**Property development and trading**	**Total**	**Trading of computer related products under "Memorex®"**	**Trading of consumer electronic products**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (As restated)
For the year ended 31 March 2005							
REVENUE							
External sales	124,172	93,884	39,600	257,656	3,853,541	1,565,262	5,676,459
SEGMENT RESULT	13,212	77,263	2,105	92,580	243,346	24,847	360,773
Interest income							22,651
Unallocated corporate expenses							(63,933)
Realization of negative goodwill arising on acquisition of an additional interest in an associate							2,057
Finance costs							(18,198)
Share of results of associates							(64,909)
Impairment loss on goodwill arising on acquisition of an associate							(177,446)
Amortization of goodwill arising on acquisition of associates							(28,089)
Loss on disposal of subsidiaries and associates							(15,747)
Profit before income tax							17,159
Income tax expense							(117,397)
Loss for the year							(100,238)

9. SEGMENT INFORMATION *(Cont'd)*

Business segments *(Cont'd)*

	Trading of securities HK$'000	Property development and trading HK$'000	Trading of computer related products HK$'000	Trading of consumer electronic products HK$'000	Consolidated HK$'000
Assets and liabilities at 31 March 2005					
ASSETS					
Segment assets	144,621	108,000	2,284,675	3,792	2,541,088
Interests in associates					632,201
Unallocated corporate assets					483,264
Consolidated total assets					3,656,553
LIABILITIES					
Segment liabilities	103	1,512	872,534	–	874,149
Borrowings					243,351
Unallocated corporate liabilities					283,062
Consolidated total liabilities					1,400,562

	Continuing operations			Discontinued operations	
	Trading of computer related products HK$'000	Corporate HK$'000	Total HK$'000	Trading of computer related products under "Memorex®" HK$'000	Consolidated HK$'000
Other information For the year ended 31 March 2005					
Goodwill arising on acquisition of an additional interest in a subsidiary after 1 January 2005	–	–	–	24,430	24,430
Capital expenditure	168	471	639	13,590	14,229
Depreciation and amortization	51,813	1,561	53,374	17,477	70,851
Impairment loss on goodwill arising on acquisition of an associate	–	177,446	177,446	–	177,446
Net provision for doubtful debts	566	5,726	6,292	15,977	22,269
Allowance for slow moving inventories	–	–	–	25,588	25,588
Loss on deemed disposal of associates	–	19,251	19,251	–	19,251

9. SEGMENT INFORMATION *(Cont'd)*

Geographical segments

The Group's trading of computer related products is mainly located in North America and Europe. The trading of consumer electronic products is mainly located in North America, the trading of securities is mainly located in Hong Kong and the property development and trading is mainly in the People's Republic of China (the "PRC").

The following table provides an analysis of the Group's sales revenue by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market	
	2006	**2005**
	HK$'000	*HK$'000*
America	4,906,186	4,834,806
Europe	429,401	581,085
Others	366,195	260,568
	5,701,782	5,676,459

Revenue from the Group's discontinued operations was derived principally from North America (2006: HK$4,848,142,000, 2005: HK$4,834,806,000) and Europe (2006: HK$429,401,000, 2005: HK$539,279,000).

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

	Carrying amount of segment assets		**Additions to property, plant and equipment**	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	2,456,692	1,349,581	144	501
North America	1,150,454	1,118,220	13,199	11,311
Europe	164,560	257,408	1,776	2,111
Taiwan	48,051	49,178	325	294
Others	366,802	462,365	26	12
	4,186,559	3,236,752	15,470	14,229

As at 31 March 2005, intangible assets of HK$233,475,000, goodwill of HK$167,908,000 and deferred tax assets of HK$18,418,000 were excluded from the analysis of the carrying amount of segment assets and as at 31 March 2006, goodwill of HK$6,621,000 is excluded form the analysis of the carrying amount of segment assets.

10. OTHER INCOME

Other income included the following items:

	Continuing operations		Discontinued operations		Consolidated	
	2006	2005	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest on bank deposits	3,224	910	823	517	4,047	1,427
Interest on loan receivables	40,234	21,130	–	–	40,234	21,130
Interest on loan from associates	117	94	–	–	117	94
Net exchange gain	–	324	–	–	–	324
Internet service income	366	3,096	–	–	366	3,096
Royalty income	–	–	788	2,787	788	2,787
Unrealized fair value gain of investments held for trading/ Net unrealized holding gain on other investment	43,313	17,223	–	–	43,313	17,223
Rental income	20,594	20,415	6,110	7,257	26,704	27,672
Net gain on trading of derivatives financial instruments	–	15,100	–	–	–	15,100
Waiver of debt by a third party	–	14,415	–	–	–	14,415
Management fee income	3,497	3,573	–	–	3,497	3,573

11. OTHER EXPENSES

	Continuing operations		Discontinued operations		Consolidated	
	2006	2005	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Loss on disposal of investment securities	–	29,712	–	–	–	29,712
Impairment loss on available-for-sale-investments	49,845	–	–	–	49,845	–
Impairment loss on club debentures	778	–	–	–	778	–
	50,623	29,712	–	–	50,623	29,712

For the year ended 31 March 2006, the directors of the Company reviewed the carrying value of unlisted equity securities in the PRC. After considering the subsequent purchase consideration offered by certain third parties, an impairment loss of approximately HK$49,845,000 has been identified and recognized in the consolidated income statement.

12. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2006	2005	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest on borrowings wholly repayable within five years:						
– Bank loans and overdrafts	4,993	2,778	12,403	2,944	17,396	5,722
– Other loans	58,055	11,875	–	–	58,055	11,875
– Finance leases	–	–	25	99	25	99
Interest on bank borrowings not wholly repayable within five years	418	502	–	–	418	502
	63,466	15,155	12,428	3,043	75,894	18,198

13. IMPAIRMENT LOSS ON GOODWILL ARISING ON ACQUISITION OF AN ASSOCIATE

For the year ended 31 March 2005, the directors of the Company reviewed the carrying value of goodwill arising on acquisition of an associate, China Strategic Holdings Limited ("CSHL"), which is incorporated in Hong Kong and its shares are listed on the Stock Exchange, in previous year, with reference to the financial performance and the business operations of CSHL. After considering the current market condition and operating results of CSHL, an impairment loss of HK$177,446,000 has been identified and recognized in the consolidated income statement.

14. NET GAIN (LOSS) ON DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

	Continuing operations		Discontinued operations		Consolidated	
	2006	2005	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Gain on disposal of subsidiaries	7,175	3,504	–	–	7,175	3,504
Net loss on deemed disposal of interest in associates	(14,048)	(19,251)	–	–	(14,048)	(19,251)
Gain on disposal of associates	7,794	–	–	–	7,794	–
	921	(15,747)	–	–	921	(15,747)

15. INCOME TAX EXPENSE

	Continuing operations		Discontinued operations		Consolidated	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current tax:						
Hong Kong Profits Tax	2,112	79	–	–	2,112	79
Overseas	2,003	4,226	70,473	95,931	72,476	100,157
	4,115	4,305	70,473	95,931	74,588	100,236
Deferred tax *(Note 40)*	216	(23)	(21,135)	17,184	(20,919)	17,161
	4,331	4,282	49,338	113,115	53,669	117,397

The income tax expense for the year can be reconciled to the loss before income tax per the consolidated income statements as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Loss before income tax:		
Continuing operations	(144,092)	(248,508)
Discontinued operations	101,757	265,667
	(42,335)	17,159
Tax at applicable tax rate of 41%	(17,357)	7,035
Tax effect of share of results of associates	8,813	26,612
Tax effect of income not taxable for tax purposes	(17,774)	(11,596)
Tax effect of expenses not deductible for tax purposes	32,250	93,530
Tax effect of tax losses not recognized	29,371	16,434
Utilization of tax losses not previously recognized	(51)	(7,308)
Utilization of deferred tax assets not previously recognized	(811)	(319)
Reversal of deferred tax assets previously recognized	–	27,273
Effect of different tax rates of subsidiaries operating in other jurisdictions	19,064	(31,551)
Others	164	(2,713)
Income tax expense for the year	53,669	117,397

Hong Kong Profits Tax was calculated at 17.5% of the estimated assessable profit for the years ended 31 March 2006 and 2005.

15. INCOME TAX EXPENSE *(Cont'd)*

For the years ended 31 March 2006 and 2005, a major subsidiary operating in the United States of America ("USA") provided for the USA Corporation tax at 41% on the assessable profit in the USA. As the major profit of the Group was contributed by this subsidiary, the tax reconciliation is prepared using 41%.

Income tax arising in other jurisdictions was calculated at the rates prevailing in the relevant jurisdictions.

16. DISPOSAL GROUP AND DISCONTINUED OPERATIONS

(i) On 19 January 2006, the Group, through its non-wholly owned subsidiary, Memorex International Inc. (the "MII"), entered into agreements (the "Disposal Agreement") with Imation Corp. ("Imation"), a company listed on the New York Stock Exchange, to dispose of MII's entire interest in Hanny Magnetics Europe Limited, Memorex Canada Ltd., Memorex Products Europe Limited, Memorex Products S.A.S., Memorex Products GmbH, Memorex Products (Taiwan) Inc. and Memorex Products, Inc. (the "Disposed Companies") and to dispose of MII's trademark license and other assets relating to the trading of computer related product business under the trade name "Memorex" which include the business of design, development, marketing, distribution and sale of hardware, media and accessories used for the storage of electronic data conducted by MII and the Disposed Companies (the "Disposed Business").

The aggregate consideration of the Disposal comprises: (1) an initial consideration of US$330,000,000 (equivalent to approximately HK$2,562,450,000), (2) plus the amount, if any, by which the amount of the completion date net current asset amount (as defined in the Company's circular dated 10 April 2006) exceeds US$87,000,000 (equivalent to approximately HK$675,555,000) or minus the amount, if any, by which the amount of the completion date net current asset amount falls short of US$87,000,000 (equivalent to approximately HK$675,555,000); and (3) plus the earnout amount which is to be determined by reference to the earnings before interest, tax, depreciation and amortization of the electronic data storage business of the Disposed Companies to be disposed of by the MII and calculated on an agreed basis set out in the Disposal Agreement for each of the twelve-month periods ending on 31 March 2007, 31 March 2008 and 31 March 2009. The earnout amount shall have a cumulative minimum of US$5,000,000 (equivalent to approximately HK$38,825,000) and a cumulative maximum of US$45,000,000 (equivalent to approximately HK$349,425,000). In the event that Imation transfers control of the business (as defined in the circular dated 10 April 2006) at any time, prior to 1 April 2009, Imation will pay MII an amount equal to whatever would be required to bring the aggregate amount of earnout payments to US$45,000,000 (equivalent to approximately HK$349,425,000).

Pursuant to the Disposal Agreement, the Group was also required to transfer and assign the trading of consumer electronic product business (the "Discontinued Business") to Imation before the completion of the Disposal Agreement and accordingly, the trading of consumer electronic product business was classified as discontinued operations.

16. DISPOSAL GROUP AND DISCONTINUED OPERATIONS *(Cont'd)*

(ii) Given the current estimated net consideration of approximately HK$2,454,000,000 for the Disposed Business as set out in the Company's announcement dated 26 January 2006, the net proceeds of disposal are expected to exceed the aggregate amount of the carrying value of trademark licenses of MII, the net carrying amount of the relevant assets and liabilities of the Disposed Business and accordingly, no impairment loss has been recognized.

On 10 March 2005, the Group also entered into agreement to dispose of approximately 15.3% interest in CSHL for a consideration of approximately HK$26,000,000, the completion which is subject to the completion of a group reorganization by CSHL ("CSHL Reorganization"), details of the CSHL Disposal and the CSHL Reorganization are set out in note 24. After completion of the disposal of CSHL, the Group will retained approximately 14% equity interest in CSHL.

The assets and liabilities attributable to the Disposed Business as well as the approximately 15.3% share of assets are liabilities of CSHL (after the completion of the CSHL Reorganization), which are expected to be sold within twelve months, have been classified as a disposal group held for sale and was presented separately in the balance sheet (see below). No significant assets attributable to the Discontinued Business will be abandoned upon its operations were discontinued.

Regarding the CSHL Disposal, the net proceed of disposal of approximately HK$26,000,000 is expected to exceed the share of assets and liabilities of CSHL (after the completion of CSHL Reorganization), no impairment loss has also been recognized.

The disposal of Disposed Business and CSHL Disposal was completed subsequent to the balance sheet date.

16. DISPOSAL GROUP AND DISCONTINUED OPERATIONS *(Cont'd)*

The major classes of assets and liabilities of the Disposed Business and CSHL as at 31 March 2006, which have been presented separately in the balance sheet, are as follows:

	2006
	HK$'000
Property, plant and equipment	29,720
Goodwill	167,908
Intangible assets	68,002
Interests in an associate	30,822
Deferred tax assets	51,684
Inventories	616,142
Trade and other receivables	645,946
Tax recoverable	9,019
Bank balances and cash	26,016
Total assets classified as held for sale	1,645,259
Trade and other payables	669,778
Other liabilities	1,738
Bank borrowings	170,698
Deferred tax liabilities	12,114
Total liabilities associated with assets classified as held for sale	854,328

The results attributable to the Disposed Business and Discontinued Business for the year were as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Revenue	5,385,144	5,418,803
Cost of sales	(4,167,175)	(4,231,301)
Other income	8,441	11,499
Distribution and selling expenses	(955,573)	(757,830)
Administrative expenses	(156,652)	(172,461)
Finance costs	(12,428)	(3,043)
Profit before income tax	101,757	265,667
Income tax expense	(49,338)	(113,115)
Profit for the year	52,419	152,552

16. DISPOSAL GROUP AND DISCONTINUED OPERATIONS *(Cont'd)*

The cash flows of the discontinued operations were as follows:

	2006 HK$'000	2005 HK$'000
Net cash (used in) from operating activities	(261,773)	281,908
Net cash used in investing activities	(15,160)	(13,302)
Net cash from (used in) financing activities	170,236	(152,682)

17. LOSS FOR THE YEAR

	Continuing operations		Discontinued operations		Consolidated	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Loss for the year has been arrived at after charging (crediting):						
Staff costs (including directors' emoluments):						
Salaries and other benefits	19,393	34,265	145,970	136,585	165,363	170,850
Retirement benefits scheme contributions	856	1,341	2,832	1,837	3,688	3,178
	20,249	35,606	148,802	138,422	169,051	174,028
Depreciation and amortisation:						
Amortisation of intangible assets and goodwill (included in administrative expenses)	–	45,272	806	5,794	806	51,066
Depreciation and amortization of property, plant and equipment	2,613	8,102	11,191	11,683	13,804	19,785
	2,613	53,374	11,997	17,477	14,610	70,851
Allowance for bad and doubtful debts	3,097	11,374	13,575	10,895	16,672	22,269
Allowance for loan receivables	11,542	8,338	–	–	11,542	8,338
Allowance (reversal of allowance) for margin loan receivables	4,922	(2,387)	–	–	4,922	(2,387)
Write-down of slow moving and obsolete inventories	–	1,060	75,732	24,528	75,732	25,588
Auditors' remuneration	8,964	2,398	4,862	6,092	13,826	8,490
Net gain on investments held for trading/Net gain on other investments	(60,980)	(62,136)	–	–	(60,980)	(62,136)
Loss on disposal of property, plant and equipment	2,616	405	120	693	2,736	1,098
Cost of inventory recognized as expense	43,491	50,072	3,977,855	4,065,948	4,021,346	4,116,020
Share of income tax of associates (included in share of results of associates)	2,615	4,247	–	–	2,615	4,247
Exchange loss (gain)	5,580	(10,470)	7,735	1,232	13,315	(9,238)

18. DIRECTORS' AND EMPLOYEE'S REMUNERATION

(a) Directors' remuneration

The emoluments paid or payable to each of the 12 (2005: 12) directors were as follows:

	2006 *HK$'000*	**2005** *HK$'000*
Chan Kwok Keung, Charles		
Fees	–	–
Other emoluments:		
Salaries and other benefits	–	–
Retirement benefits scheme contributions	–	–
	–	–
Yap, Allan		
Fees	–	–
Other emoluments:		
Salaries and other benefits	2,400	2,400
Retirement benefits scheme contributions	12	12
	2,412	2,412
Lui Siu Tsuen, Richard		
Fees	–	–
Other emoluments:		
Salaries and other benefits	1,600	1,378
Retirement benefits scheme contributions	94	92
	1,694	1,470
Chan Kwok Hung		
Fees	–	–
Other emoluments:		
Salaries and other benefits	–	–
Retirement benefits scheme contributions	–	–
	–	–

18. DIRECTORS' AND EMPLOYEE'S REMUNERATION *(Cont'd)*

(a) Directors' remuneration *(Cont'd)*

	2006 *HK$'000*	2005 *HK$'000*
Fok Kin-ning, Canning		
Fees	–	–
Other emoluments:		
Salaries and other benefits	–	–
Retirement benefits scheme contributions	–	–
	–	–
Ip Tak Chuen, Edmond		
Fees	–	–
Other emoluments:		
Salaries and other benefits	–	–
Retirement benefits scheme contributions	–	–
	–	–
Cheung Hon Kit		
Fees	–	–
Other emoluments:		
Salaries and other benefits	–	–
Retirement benefits scheme contributions	–	–
	–	–
Kwok Ka Lap, Alva		
Fees	48	24
Other emoluments:		
Salaries and other benefits	–	–
Retirement benefits scheme contributions	–	–
	48	24

18. DIRECTORS' AND EMPLOYEE'S REMUNERATION *(Cont'd)*

(a) Directors' remuneration *(Cont'd)*

	2006 *HK$'000*	**2005** *HK$'000*
Wong King Lam, Joseph		
Fees	50	25
Other emoluments:		
Salaries and other benefits	–	–
Retirement benefits scheme contributions	–	–
	50	25
Yuen Tin Fan, Francis		
Fees	–	–
Other emoluments:		
Salaries and other benefits	–	–
Retirement benefits scheme contributions	–	–
	–	–
Sin Chi Fai		
Fees	12	N/A
Other emoluments:		
Salaries and other benefits	–	N/A
Retirement benefits scheme contributions	–	N/A
	12	N/A
Shih, Edith		
Fees	–	–
Other emoluments:		
Salaries and other benefits	–	–
Retirement benefits scheme contributions	–	–
	–	–
Directors' fees	110	49
Other emoluments:		
Salaries and other benefits	4,000	3,778
Retirement benefits scheme contributions	106	104
	4,216	3,931

18. DIRECTORS' AND EMPLOYEE'S REMUNERATION *(Cont'd)*

(b) Employees' remuneration

The emoluments of the five highest paid individuals of the Group included one director for each of the two years ended 31 March 2006 and 2005, whose emoluments are included in (a) above. The aggregate emoluments of the remaining individuals are as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Salaries and other benefits	10,392	9,916
Performance related incentive payments	5,697	3,898
Retirement benefit scheme	312	252
	16,401	14,066

	Number of employees	
	2006	**2005**
HK$2,000,001 to HK$2,500,000	1	2
HK$2,500,001 to HK$3,000,000	2	1
HK$7,000,001 to HK$7,500,000	–	1
HK$8,500,001 to HK$9,000,000	1	–
	4	4

19. DISTRIBUTIONS

	2006	**2005**
	HK$'000	*HK$'000*
Final, paid – HK6 cents per share for 2005, with a scrip option (2004: HK6 cents per share)	13,418	11,193
Interim, paid – HK4 cents per share with a scrip option	9,045	–
	22,463	11,193

The final dividend of HK6 cents (2005: HK6 cents) per share in cash with a scrip option has been proposed by the directors and is subject to approval of the shareholders at the forthcoming general meeting.

19. DISTRIBUTIONS *(Cont'd)*

Share dividends were offered in respect of the 2005 and 2006. These cash and share dividends were as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Dividend		
– cash	9,850	10,987
– share alternative	12,613	206
	22,463	11,193

20. EARNINGS (LOSS) PER SHARE

For the years ended 31 March 2006 and 2005, the calculation of the basic earnings (loss) per share is based on the profit (loss) for the year attributable to equity holders of the Company of profit (loss) of HK$8,915,000 and HK$161,862,000, respectively, and on the weighted average number of shares in issue during the years ended 31 March 2006 and 2005 of 226,164,460 shares and 198,244,118 shares respectively.

For continuing and discontinued operations

The calculation of the basic and diluted earnings (loss) per share attributable to the ordinary equity holders of the Company is based on the following data:

Earnings:

	2006	**2005**
	HK$'000	*HK$'000*
Profit (loss) for the year attributable to equity holders of the Company	8,915	(161,862)

Number of shares:

Weighted average number of ordinary shares for the purposes of basic earnings per share (in thousands)	226,164	198,244
Effect of dilutive potential ordinary shares: Options (in thousands)	2,806	N/A
Weighted average number of ordinary shares for the purposes of diluted earnings per share (in thousands)	228,970	N/A

During the year ended 31 March 2005, no diluted loss per share in respect of both the continuing and discontinued operations is presented as the exercise of the Company's share options would result in a decrease in loss per share.

20. EARNINGS (LOSS) PER SHARE *(Cont'd)*

From continuing operations

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

Loss figures are calculated as follows:

	2006 *HK$'000*	**2005** *HK$'000*
Profit (loss) for the year attributable to equity holders of the Company	8,915	(161,862)
Less: Profit for the year from discontinued operations	(27,985)	(68,955)
Earnings for the purposes of basic earnings per share from continuing operations	(19,070)	(230,817)

The denominators used are the same as those detailed above both basic earnings per share.

From discontinued operations

Basic earnings per share for the discontinued operations is 12 cents per share (2005: 35 cents per share) and diluted earnings per share for the discontinued operations is 12 cents per share, based on the profit for the year from the discontinued operations of HK$27,985,000 (2005: HK$68,955,000) and the denominators detailed above for basic and diluted earnings per share.

The following table summarizes the impact on both basic and diluted earnings per share as a result of:

	Impact on basic earnings per share		**Impact on diluted earnings per share**	
	2006 *HK$*	**2005** *HK$*	**2006** *HK$*	**2005** *HK$*
Earnings (loss) per share – basic				
Figures before adjustments	(0.65)	(0.81)	(0.64)	N/A
Adjustments arising from changes in accounting policies *(Note 3)*	0.69	(0.01)	0.68	N/A
Figures after adjustments	0.04	(0.82)	0.04	N/A

21. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP						
COST OR VALUATION						
At 1 April 2004	46,022	43,569	2,971	98,142	6,062	196,766
Currency realignment	1,103	–	–	(4,882)	37	(3,742)
Additions	–	–	–	13,528	701	14,229
Disposals and write off	–	–	–	(16,791)	(2,415)	(19,206)
Disposal of a subsidiary	–	–	–	(3,811)	–	(3,811)
At 31 March 2005	47,125	43,569	2,971	86,186	4,385	184,236
Currency realignment	(662)	–	–	(372)	(32)	(1,066)
Additions	–	–	–	15,213	257	15,470
Reclassified as held for sale	–	–	–	(87,240)	(1,416)	(88,656)
Disposals and write off	–	(33,438)	–	(2,871)	(522)	(36,831)
Disposal of a subsidiary	–	–	–	(150)	–	(150)
At 31 March 2006	46,463	10,131	2,971	10,766	2,672	73,003
Analysis of cost or valuation:						
At 31 March 2005						
At cost	18,918	43,569	2,971	86,186	4,385	156,029
At valuation	28,207	–	–	–	–	28,207
	47,125	43,569	2,971	86,186	4,385	184,236
At 31 March 2006						
At cost	18,256	10,131	2,971	10,766	2,672	44,796
At valuation	28,207	–	–	–	–	28,207
	46,463	10,131	2,971	10,766	2,672	73,003
DEPRECIATION, AMORTIZATION AND IMPAIRMENT						
At 1 April 2004	8,580	39,337	2,962	62,732	3,652	117,263
Currency realignment	31	–	–	(4,262)	24	(4,207)
Provided for the year	1,014	1,106	8	16,886	771	19,785
Eliminated on disposals and write off	–	–	–	(14,970)	(1,864)	(16,834)
Eliminated on disposal of a subsidiary	–	–	–	(2,328)	–	(2,328)
At 31 March 2005	9,625	40,443	2,970	58,058	2,583	113,679
Currency realignment	(20)	–	–	(257)	(18)	(295)
Provided for the year	1,016	430	1	11,881	476	13,804
Reclassified as held for sale	–	–	–	(57,825)	(1,111)	(58,936)
Eliminated on disposals and write off	–	(30,742)	–	(2,754)	(234)	(33,730)
Eliminated on disposal of a subsidiary	–	–	–	(86)	–	(86)
At 31 March 2006	10,621	10,131	2,971	9,017	1,696	34,436
NET BOOK VALUES						
At 31 March 2006	35,842	–	–	1,749	976	38,567
At 31 March 2005	37,500	3,126	1	28,128	1,802	70,557

21. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

The above items of property, plant and equipment are depreciated on straight-line basis at the following rates per annum.

Freehold land	Nil
Leasehold land and buildings	Over the period of the leases or 2% – 5%
Plant and machinery	10% – 20%
Moulds	25% – 33%
Furniture, fixtures and equipment	10% – 33%
Motor vehicles	20% – 25%

The Group's land and buildings comprise:

	2006	**2005**
	HK$'000	*HK$'000*
Outside Hong Kong:		
Under medium-term leases in other regions of the PRC	23,194	24,122
Freehold in Taiwan	12,648	13,378
	35,842	37,500

The valuation of land and buildings held under medium-term leases in other regions of the PRC in 1994 was made by Messrs. American Appraisal Hong Kong Limited, an independent firm of Chartered Surveyors, on an open market value basis.

Had the revalued land and buildings been carried at cost less accumulated depreciation, their carrying amount would have been stated at HK$19,747,000 and HK$20,452,000 at 31 March 2006 and 2005, respectively.

Included in the net book value of property, plant and equipment are assets held under finance leases amounting to HK$510,000 at 31 March 2005.

22. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
Acquired on acquisition of a subsidiary and at 31 March 2006	133,000

The fair value of the Group's investment properties at 31 March 2006 have been arrived at on the basis of valuation carried out by B. I. Appraisals Limited, a firm of independent valuers. The valuation, which conforms to the Hong Kong Institute of Surveyors Valuation Standard on Properties, of the Group's investment properties was arrived at by reference to market evidence of transaction prices for similar properties.

The investment properties are held under long leases and are situated in Hong Kong.

23. INTANGIBLE ASSETS

	Trademark licences *HK$'000* *(note a)*	**Patent** *HK$'000* *(note b)*	**Total** *HK$'000*
COST			
At 1 April 2004	281,318	8,065	289,383
Arising on acquisition of additional interest in a subsidiary	–	–	–
At 31 March 2005	281,318	8,065	289,383
Eliminated against accumulated amortization upon the application of HKFRS 3	(54,631)	–	(54,631)
At 1 April 2005 – as restated	226,687	8,065	234,752
Reclassified as held for sale	(62,020)	(8,065)	(70,085)
At 31 March 2006	164,667	–	164,667
AMORTIZATION AND IMPAIRMENT			
At 1 April 2004	31,065	470	31,535
Provided for the year	23,566	807	24,373
At 31 March 2005	54,631	1,277	55,908
Eliminated against cost upon the application of HKFRS 3	(54,631)	–	(54,631)
At 1 April 2005 – as restated	–	1,277	1,277
Provided for the year	–	806	806
Impairment loss on trademark licences	(164,667)	–	(164,667)
Reclassified as held for sale	–	(2,083)	(2,083)
At 31 March 2006	(164,667)	–	(164,667)
CARRYING VALUES			
At 31 March 2006	–	–	–
At 31 March 2005	226,687	6,788	233,475

23. INTANGIBLE ASSETS *(Cont'd)*

Notes:

a. The amount represented the acquisition of the "Memorex®" trademark licenses from Memorex Telex N. V. in 1999 and the "Dysan" and "Precision" trademark licenses from an independent third party.

The carrying amount of the "Memorex®" trademark was reclassified to the Disposed Assets as set out in Note 16.

Upon the adoption of HKAS 38 from 1 April 2005 onwards, the Group reassessed the useful lives of the trademark licenses and concluded that the trademark licenses with a total carrying amount of approximately HK$226,687,000 have indefinite useful lives and are not subject to amortization but are tested for impairment annually.

The carrying amounts of trademark licenses of "Memorex®" brand are classified as held for sale as at 31 March 2006, which are then stated at lower of carrying amount and fair value less cost to sale. (see Note 16 for details).

The trademark licenses of "Dysan" and "Precision" brand relied on the support from the trademark licenses of "Memorex®" brand's administrative structure, market network and reputation. Following the conditional disposal of the trademark licenses of "Memorex®" brand, the trademark licenses of "Dsyan" and "Precision" is expected to be impaired by the directors of the Company as there is a drop-out period of one year after such disposal according to the sale and purchase agreement. Accordingly, impairment loss of HK$164,667,000 is recognized in the consolidated income statement for the year ended 31 March 2006.

b. The amount represented the acquisition of a labelmaker patent in 2004. The patent is amortized over ten years on a straight line basis.

24. GOODWILL

	Goodwill arising on acquisition before 1 January 2005	Goodwill arising on acquisition after 1 January 2005	Total
	HK$'000	*HK$'000*	*HK$'000*
COST			
At 1 April 2004	287,424	–	287,424
Arising on acquisition of additional interest in a subsidiary	–	24,430	24,430
At 31 March 2005	287,424	24,430	311,854
Eliminated against accumulated amortization upon the application of HKFRS 3	(143,946)	–	(143,946)
At 1 April 2005 – as restated	143,478	24,430	167,908
Additions	–	6,621	6,621
Reclassified as held for sale	(143,478)	(24,430)	(167,908)
At 31 March 2006	–	6,621	6,621
AMORTIZATION			
At 1 April 2004	117,253	–	117,253
Provided for the year	26,693	–	26,693
At 31 March 2005	143,946	–	143,946
Eliminated against cost upon the application of HKFRS 3	(143,946)	–	(143,946)
At 1 April 2005 – as restated and 31 March 2006	–	–	–
CARRYING VALUES			
At 31 March 2006	–	6,621	6,621
At 31 March 2005	143,478	24,430	167,908

24. GOODWILL *(Cont'd)*

Notes:

a. As at 1 April 2005, goodwill amounted to HK$167,908,000 (after adjusted for the eliminations of accumulated amortization upon application of HKFRS 3) represented the goodwill arisen from the acquisition of the businesses of Memtek Products Division of Tandy Corporation and Memorex Computer Supplies in 1993 and the acquisition of an additional 14.9% interest in MII in 2003, and for the year ended 31 March 2005, the amount of HK$24,430,000 represents the goodwill arisen from the acquisition of a further of 1.6% interest in MII after 1 January 2005. Goodwill are reclassified to Disposed Assets as set out in Note 16.

b. For the year ended 31 March 2006, the addition of goodwill of approximately HK$623,000 and HK$5,998,000 attributed to the acquisition of the entire interest in Createsuccess Limited ("Createsuccess") and Rapid Growth Profits Limited ("Rapid Growth"), respectively (see Note 42 for details).

During the year, impairment testing was performed in relation to the goodwill arising from acquisition of Createsuccess and Rapid Growth. Management and directors determine that there is no impairment of the above mentioned goodwill.

25. INTERESTS IN ASSOCIATES

	2006	**2005**
	HK$'000	*HK$'000*
Cost of investment in associates which are:		
– listed in Hong Kong *(note a)*	508,994	508,994
– listed overseas	200,025	195,736
– unlisted	6,579	6,579
Share of post-acquisition losses, net of dividends received	(106,884)	(129,977)
Goodwill on acquisitions of an associate *(note b)*	38,979	51,094
Negative goodwill on acquisition of an associate *(note c)*	–	(225)
Reclassified as held for sale *(note f)*	(30,822)	–
	616,871	632,201
Fair value of listed shares	474,211	299,240
Amount due from an associate *(note d)*	2,623	2,197
Loan to an associate *(note e)*	1,331	1,331

Notes:

a. Amount represents the Group's 29.36% equity interest in CSHL at 31 March 2006 and 31 March 2005.

25. INTERESTS IN ASSOCIATES *(Cont'd)*

b. Included in the investment in associates is goodwill of HK$38,979,000 and HK$51,094,000 as 31 March 2006 and 2005 arising on acquisition of associate, respectively. The movement of goodwill is set out below:

	HK$'000
COST	
At 1 April 2004 and 2005	280,892
Elimination against accumulated amortization upon the application of HKFRS 3 *(see Note 2)*	(229,798)
At 1 April 2005	
– as restated	51,094
Additions	2,276
At 31 March 2006	53,370
AMORTIZATION AND IMPAIRMENT	
At 1 April 2004	24,263
Provided for the year	28,089
Impairment loss recognized for the year	177,446
At 31 March 2005	229,798
Elimination against cost upon the application of HKFRS 3 *(see Note 2)*	(229,798)
At 1 April 2005	
– as restated	–
Release upon deemed disposal of an associate	14,391
At 31 March 2006	14,391
CARRYING VALUE	
At 31 March 2006	38,979
At 31 March 2005	51,094

Until 31 March 2005, goodwill had been amortized for a period of ten years.

25. INTERESTS IN ASSOCIATES *(Cont'd)*

c. Negative goodwill arising on acquisition of an associate:

	HK$'000
GROSS AMOUNT	
At 1 April 2004	–
Additions	(233)
At 31 March 2005	(233)
Elimination against accumulated realization upon the application of HKFRS 3 *(see Note 2)*	233
At 31 March 2006	–
REALIZATION	
At 1 April 2004	–
Released during the year	(8)
At 31 March 2005	(8)
Elimination against gross amount upon the application of HKFRS 3 *(see Note 2)*	8
At 31 March 2006	–
CARRYING AMOUNT	
At 31 March 2006	–
At 31 March 2005	(225)

Until 31 March 2005, negative goodwill had been released to income on a straight-line basis over ten years. From 1 April 2005 onwards, all negative goodwill with carrying amount of HK$225,000 previously included in interests in associates was derecognized at 1 April 2005 upon the application of HKFRS 3 *(see Note 2)*.

d. At 31 March 2006, the amount is unsecured, interest-free and is repayable on demand. The fair value of the amounts due from an associate at respective balance sheet date was approximate to the corresponding carrying amount.

At 31 March 2005, the amount due from an associate was unsecured, interest free and have no fixed terms of repayment. Repayment of the balances will not be demanded within one year of the balance sheet date and, accordingly, the amounts are classified as non-current.

The fair value of the Group's amount due from associates as at the balance sheet dates approximate to the carrying amount of the receivables.

e. Loan to an associate is unsecured, has no fixed terms of repayment and bears interest at prevailing market rates.

The fair value of the Group's loan to associate as at the balance sheet dates approximate to the carrying amounts of the receivables.

25. INTERESTS IN ASSOCIATES *(Cont'd)*

f. Details of the Group's principal associates at 31 March 2006 are as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Proportion of equity interest attributable to the Group 2005 %	2006 %	Principal activities
CSHL	Corporate	Hong Kong	29.36	29.36	Investment holding
PSC Corporation Ltd ("PSCL")	Corporate	Singapore	21.71	24.26	Supply of household consumer products

CSHL is a company listed in Hong Kong and its financial year end date is 31 December. The Group's share of interest in CSHL at 31 March 2005 and at 31 March 2006, respectively, is calculated based on the net assets of CSHL at 31 December 2004 and 2005 respectively, after adjusting for any material transactions up to 31 March 2005 and 31 March 2006, and the result from the date on which CSHL became an associate of the Group to respective balance sheet dates.

During the year ended 31 March 2005, the Group's equity interest in CSHL was diluted from 31.20% to 29.36% as a result of exercise of share options of CSHL.

At 31 March 2005 and 31 March 2006, the Group held 29.36% equity interest in CSHL.

PSCL is a company listed in the Republic of Singapore and its financial year end date is 31 December. The Group's share of interest in PSCL at 31 March 2005 and at 31 March 2006, respectively is calculated based on the net assets of PSCL at 31 March 2005 and at 31 March 2006, respectively extracted from the published financial information of PSCL and the result from the date on which PSCL became an associate of the Group to respective balance sheet dates.

The above tables list the associates of the Group which, in the opinion of the directors, principally affected the results of the Group for the year or formed a substantial portion of the net assets of the Group at the end of the year. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

On 10 March 2005, the Group and PYI Corporation Ltd. (formerly known as Paul Y. ITC Construction Holdings Limited) ("PYI"), another substantial shareholder of CSHL, entered into a share sale agreement with an independent third party for the disposal of an aggregate 270,000,000 shares of CSHL (representing a 15.3% interest in CSHL or 135,000,000 shares each held by the Group and PYI) for a total consideration of approximately HK$52,000,000 (the "CSHL Disposal"). The completion of the CSHL Disposal is subject to the completion of a group reorganization by CSHL ("CSHL Reorganization").

On 19 May 2006, the CSHL Reorganization was duly completed, which resulted in (i) CSHL continues to be a public listed company with its subsidiaries concentrating on its business of manufacturing and trading of battery products, investments in securities and property and investment in unlisted investments; (ii) all other subsidiaries of CSHL which are engaged in property development, holding business and vessels for sand mining, and all other associate companies of CSHL which are engaged in manufacturing and marketing of tires, business of providing package tour, travel and related services and hotel operation have been grouped under Group Dragon Investments Limited (a wholly owned subsidiary of CSHL) ("GDI") and continue to be run by the existing management of CSHL; and (iii) the distribution in specie of shares in GDI to the then shareholders of CSHL, on the basis of one GDI share for every share in CSHL after consolidation under the capital reorganization.

25. INTERESTS IN ASSOCIATES *(Cont'd)*

On 26 May 2006, Somerley Limited, financial advisor to the Group, made an offer, on behalf of the Group, to acquire all the remaining interest in GDI other than those already owned by the Group (the "GDI Acquisition"). The GDI Acquisition was approved by the shareholders of the Company on 17 October 2005 and was completed in June 2006. The Group's interest in CSHL was reduced to 14.04% and presented as non-current asset held for sale *(see note 16)*, whilst the Group held 98.92% interest in GDI.

Details of the CSHL Disposal and the GDI Acquisition are set out in a Company's circular dated 26 May 2006 and in the Company's announcement dated 16 June 2006.

g. The summarized financial information in respect of the Group's associates is set out below:

	2006	**2005**
	HK$'000	*HK$'000*
Total assets	3,307,275	3,452,648
Total liabilities	(1,132,934)	(1,308,483)
Net assets	2,174,341	2,144,165
Group's share of net assets of associates	616,871	632,201

	2006	**2005**
	HK$'000	*HK$'000*
Revenue	870,320	898,270
Loss for the year	(56,160)	(184,410)
Group's share of loss of associates for the year	(21,494)	(64,909)

h. The Group has discontinued recognition of its share of losses of certain associates. The amounts of unrecognized share of those associates, extracted from the relevant audited financial statements of associates, both for the year and cumulatively, are as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Accumulated unrecognized of share losses of associates	(19,441)	(19,230)

26. INVESTMENTS IN SECURITIES

Investment securities as at 31 March 2005 are set out below. Upon the application of HKAS 39 on 1 April 2005, investment in securities were reclassified to appropriate categories under HKAS 39 *(See Note 2)*.

	Investment securities 2005 *HK$'000*	**Other investments 2005** *HK$'000*	**Total 2005** *HK$'000*
Listed securities			
Hong Kong	–	131,563	131,563
Overseas	–	1,058	1,058
Unlisted securities Overseas/ PRC *(note a)*	123,348	–	123,348
Unlisted debt security Hong Kong *(note b)*	–	12,000	12,000
	123,348	144,621	267,969
Market value of listed securities	–	132,621	132,621
Carrying amount analyzed for reporting purposes as:			
Non-current	123,348	186	123,534
Current	–	144,435	144,435
	123,348	144,621	267,969

Notes:

(a) As at 31 March 2005, the Group had the following investment securities held for long term strategic purposes:

- 40%* interest in Alfresco Gold Limited which is engaged in investment holding of 85% interest in two companies incorporated in the PRC, whose principal activities are designing and producing advertisements, and provision of advertising agency services.
- 33%* interest in 重慶金瀚實業有限公司 (formerly known as 重慶冠生園興綠州食品有限公司), which holds a piece of land in the PRC.
- 30%* interest in Earnbest Holdings Limited which is engaged in investment holding of 40% interest in a company incorporated in the PRC, whose principal activities are resorts and hotels building and travelling business.

* The Group agreed with the investing companies to give up voting power of election of directors, management daily operation and financial decisions in these investments. Any change to the terms of agreement need to be consent by both parties. As the Group did not have significant influence on these investments, accordingly, these investments were classified as investment securities.

26. INVESTMENTS IN SECURITIES *(Cont'd)*

(b) The amount of the unlisted debt security as at 31 March 2005 represented the convertible bond issued by Nippon Asia Investment Holdings Limited ("Nippon Asia Bond", formerly known as China City Natural Gas Holdings Limited), a company listed in Hong Kong. Nippon Asia Bond is interest bearing at 1% per annum and is due for redemption on 1 November 2005. The Group is entitled at any time before the maturity to convert the Nippon Asia Bond into shares of Nippon Asia Investment Holdings Limited at a conversion price of HK$0.025 per share (subject to the relevant adjustments upon conversion). The Nippon Asia Bond was fully redeemed in current year.

27. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments as at 31 March 2006 analyzed as non-current assets, comprise:

	2006
	HK$'000
Listed investments:	
– Equity securities listed in Hong Kong *(note a)*	19,681
Unlisted securities:	
– equity securities *(note b)*	73,500
– debt securities *(note c)*	514,364
	607,545
Analyzed for reporting purpose as:	
Current assets	73,500
Non-current assets	534,045
	607,545

Notes:

(a) All listed investments are stated at fair value which is determined based on the quoted market bid prices available on the Stock Exchange.

(b) The unlisted equity securities represent investments in unlisted entities established in the PRC (the "PRC Investments"). They are measured at cost less impairment at each balance sheet date because the directors of the Company are of the opinion that their fair values cannot be measured reliably because the range of reasonable fair value estimates is so significant. During the year ended 31 March 2006, certain third parties have made an offer to acquire the PRC Investments from the Group. After considering the purchase consideration offered by the third party, an impairment loss of approximately HK$49,845,000 has been identified and recognized in the consolidated income statement. The disposal of the PRC Investments was completed subsequent to the balance sheet date.

27. AVAILABLE-FOR-SALE INVESTMENTS *(Cont'd)*

(c) During the year ended 31 March 2006, the Group has subscribed three convertible notes with an aggregate amount of HK$650,000,000 from (i) Cheung Tai Hong Holdings Limited, a zero coupon convertible note with maturity on 10 August 2010 at the redemption amount of 110% of the principal amount, (ii) See Corporation Limited (previously known as Ruili Holdings Limited), a zero coupon convertible note with maturity on 9 August 2010 at the redemption amount of 110% of the principal amount; and (iii) Wo Kee Hong (Holdings) Limited, a convertible note at interest of 7.25% per annum payable semi-annually with maturity on 5 September 2008. All these companies are public limited companies with their shares listed on the Stock Exchange. The Group had classified all the debt element of the convertible notes as available-for-sale investments and the conversion option element of the convertible notes as conversion option embedded in the convertible notes. The fair value of the convertible notes are determined by the directors of the Company with reference to the valuation performed by RHL Appraisal Ltd. ("RHL"), a firm of independent valuers.

As at 31 March 2006, the fair value for the debt element and conversion option element were approximately HK$514,364,000 and HK$231,509,000, respectively. RHL applied net present value and Black-Scholes model for the valuation of the debt element and conversion option element respectively. Accordingly, an decrease in fair value of approximately HK$18,175,000 for the debt element and an increase in fair value of approximately HK$114,048,000 for conversion option element were recognized in equity and profit and loss, respectively. The decrease in fair value of the debt element is mainly due to increase in prevailing market interest rate.

28. LOAN RECEIVABLES

	2006	**2005**
	HK$'000	*HK$'000*
Fixed-rate loan receivables	–	5,533
Floating-rate loan receivables	20,162	106,318
Net assets	20,162	111,851

Included in the carrying amount of loans receivables as at 31 March 2006 and 31 March 2005 is accumulated impairment loss of HK$45,581,000 and HK$39,033,000, respectively.

During the year, impairment loss of HK$11,542,000 has been recognized as the loan receivable's carrying amount is lower than the present value of estimated future cash flow discounted at the loan receivables original effective interest rate of the loan receivables.

The exposure of the Group's fixed-rate loan receivables to fair value interest rate risks and their contractual maturity dates are as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Fixed-rate loan receivables		
– within one year	–	5,533

28. LOAN RECEIVABLES *(Cont'd)*

The ranges of effective interest rates (which are equal to contractual interest rates) on the Group's loan receivables are as follows:

	2006	**2005**
Effective interest rate:		
Fixed-rate loan receivables	5.75%	3.6% to 10%
Floating-rate loan receivables	5.25% to 11%	5% to 7.3%

The Group's loan receivables that are denominated in currencies other than the functional currency of the relevant Group are set out below:

	US$	**NTD**
	$'000	*$'000*
As at 31 March 2006	–	–
As at 31 March 2005	712	78,000

The fair value of the Group's loan receivables as at the balance sheet dates approximates to the carrying amount of the receivables.

29. DEPOSITS FOR ACQUISITION OF LONG-TERM INVESTMENTS

During the year ended 31 March 2005, the Group entered into conditional agreement (the "Port Agreement") with an independent third party (the "Vendor Party") to acquire equity interests in an unlisted investment established in the PRC for a total consideration of HK$35,000,000. This unlisted investment is mainly engaged in port business in the PRC.

As the conditions in the Port Agreement have not yet been fulfilled, the transaction has not yet been completed.

During the year ended 31 March 2006, the Group paid an aggregate of approximately HK$155,175,000 as tender deposits to three independent third parties for acquisition of certain interests in water supply business, sand mining business, the exploitation right for river sand business and property development business in the PRC (the "Potential Investments"). These payments would be refundable from the counter parties if the terms and conditions had not been concluded within one year after the payments made by the Group. Up to the report date, the terms and conditions of the acquisition of the Potential Investments have not yet been concluded with the counter parties.

The fair value of the Group's deposits for acquisition of long-term investments was approximate to the corresponding carrying amount.

30. OTHER ASSET

The amount represents cost incurred in connection with a land development project in the PRC. The project is a land development of 珠海錦興產業園located at Doumen District, Zhuhai City, the PRC, and is to be jointly developed with an independent third party. The Group is entitled to the exclusive development right to the project and also the right to obtain the land for the development (the "Other Asset"). The Group is also entitled to sell the Other Asset to investors for a consideration to be agreed between themselves.

30. OTHER ASSET *(Cont'd)*

For the year ended 31 March 2004, the consideration of HK$150,000,000 for obtaining the exclusive development right was paid by the Group whilst RMB5,750,000 (equivalent to approximately HK$5,425,000) was already paid by the Group for site formation and the Group has disposed of part of the Other Asset to independent third parties at a consideration of approximately HK$16,000,000 and a net gain on disposal of other asset of approximately HK$5,660,000 was recognized in the consolidated income statement for the year ended 31 March 2004.

As the directors of the Company are of the opinion that the Other Asset is held for sale, the cost incurred for the Other Asset is included in current assets accordingly.

During the year ended 31 March 2005, the Group disposed of part of the Other Asset to an independent third party for consideration of HK$39,600,000 and a net gain on disposal of Other Asset of approximately HK$2,515,000 was recognized in the consolidated income statement for year ended 31 March 2005.

During the year ended 31 March 2006, the Group entered into several sale and purchase agreements with independent third parties for the disposal of all the remaining parts of the other Asset for an aggregate consideration of approximately HK$118,800,000 and a net gain on disposal of other asset of approximately HK$10,800,000 was recognized in the consolidated income statement for the year ended 31 March 2006.

31. INVENTORIES

	2006	**2005**
	HK$'000	*HK$'000*
Raw materials	3,125	6,781
Work in progress	1,801	1,962
Finished goods	3,627	578,335
	8,553	587,078
Classified as held for sale *(Note 16)*	616,142	–
	624,695	587,078

As at 31 March 2005, included above are finished goods of HK$97,486,000 which are carried at net realizable value.

As at 31 March 2006, included above are raw materials of HK$176,000 and work in progress of HK$1,000 which are carried at net realizable value.

32. TRADE AND OTHER RECEIVABLES

	2006	2005
	HK$'000	*HK$'000*
Trade receivables	729,983	653,637
Less: accumulated allowances	(73,313)	(61,854)
	656,670	591,783
Other receivables	49,006	170,121
Reclassified as held for sale	(645,946)	–
	59,730	761,904

The Group allows an average credit period of one to two months to its trade customers. The following is an aged analysis of trade receivable net of impairment losses at the respective balance sheet date:

	2006	2005
	HK$'000	*HK$'000*
Not yet due	573,862	548,407
Overdue within one month	66,333	25,996
Overdue between one and two months	2,266	4,561
Overdue more than two months	14,209	12,819
	656,670	591,783

The fair value of the Group's trade receivables at respective balance sheet date was approximate to the corresponding carrying amount.

33. INVESTMENTS HELD FOR TRADING/CONVERSION OPTION EMBEDDED IN CONVERTIBLE NOTES

Investments held for trading as at 31 March 2006 include:

	2006
	HK$'000
Listed securities:	
– Equity securities listed in Hong Kong	397,989
– Equity securities listed elsewhere	24,008
	421,997

The fair values of investments held for trading are determined based on the quoted market bid price available on the relevant exchanges.

	2006
	HK$'000
Unlisted conversion options embedded in convertible notes	231,509

33. INVESTMENTS HELD FOR TRADING/CONVERSION OPTION EMBEDDED IN CONVERTIBLE NOTES *(Cont'd)*

Conversion options embedded in convertible notes represented the conversion option element of the three convertible notes subscribed by the Group for the year ended 31 March 2006. The fair values of the unlisted convertible notes are determined by the directors of the Company with reference to the valuation performed by RHL *(see Note 27)*.

34. MARGIN LOAN RECEIVABLES/PAYABLES AND BILLS PAYABLES

The fair values of the Group's margin loan receivables, margin loan payables and bills payable at respective balance sheet date approximate to the corresponding carrying amounts.

Margin loan receivables and payables are generated from brokers' business, aged less than one month and bears interest ranging from prime rate plus 3.5% per annum to prime rate plus 5% per annum (2005: prime rate plus 3.5% per annum to prime rate plus 5% per annum).

35. PLEDGED BANK DEPOSIT

The amount represents deposit pledged to bank to secure short-term banking facilities granted to the Group and are therefore classified as current assets.

The deposit carries variable interest ranges from 3.5% to 4.6%. The pledged bank deposit will be released upon the settlement of relevant bank borrowings. The fair values of bank deposit at respective balance sheet dates approximate to the corresponding carrying amounts.

36. TRADE AND OTHER PAYABLES

Included within trade and other payables is a trade creditor balance of HK$71,535,000 and HK$564,154,000 at 31 March 2006 and 2005, respectively.

During the year, trade creditor balance of HK$405,439,000 was reclassified as liabilities directly associated with assets held for sale.

The following is an aged analysis of trade creditors at respective balance sheet date:

	2006	**2005**
	HK$'000	*HK$'000*
Not yet due	380,210	417,919
Overdue within one month	75,260	74,518
Overdue between one and two months	11,467	27,951
Overdue more than two months	10,037	43,766
	476,974	564,154

The fair value of the Group's trade and other payables at respective balance sheet date approximates to the corresponding carrying amount.

37. BORROWINGS

	2006	2005
	HK$'000	*HK$'000*
Borrowings comprise:		
Bank loans	125,275	82,010
Other loans	562,047	161,341
	687,322	243,351
Analyzed as:		
Secured	314,373	38,531
Unsecured	372,949	204,820
	687,322	243,351

The above amounts bear interest at prevailing market rates and are repayable as follows:

	2006	2005
	HK$'000	*HK$'000*
Within one year or on demand	591,629	85,881
Between one and two years	5,073	149,751
Between two and five years	23,732	1,407
Over five years	66,888	6,312
	687,322	243,351
Amounts due within one year and shown under current liabilities	(591,629)	(85,881)
Amounts due after one year	95,693	157,470

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates are as follows:

	2006	2005
	HK$'000	*HK$'000*
Fixed-rate borrowings due within one year	200,000	–

37. BORROWINGS *(Cont'd)*

The ranges of effective interest rates (which are equal to contractual interest rates) on the Group's borrowings are as follows:

	2006	**2005**
Effective interest rate:		
Fixed-rate borrowings	18%	N/A
Variable-rate borrowings	5.03% to 10%	2.3% to 7.3%

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	US$	**NTD**
	$'000	*$'000*
As at 31 March 2006	–	32,540
As at 31 March 2005	258	34,148

Bank overdrafts are repayable on demand. The bank loans carry interest at prevailing market rate ranging from 5.25% to 8.0% and are secured by the Group's bank deposits and investment in securities.

The fair value of the Group's borrowings at respective balance sheet date approximates to the corresponding carrying amount.

38. OBLIGATIONS UNDER FINANCE LEASES

The Group has leased certain of its fixtures and equipment under finance leases. The average lease term is two years. The average effective borrowing rate was 6.92% for the years ended at 31 March 2005. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

Financial lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	US$
	$'000
As at 31 March 2005	59

The fair value of the above Group's finance lease obligations approximates to their carrying amount.

39. AMOUNT DUE TO A MINORITY SHAREHOLDER

The amount was unsecured, interest free and repaid during the year ended 31 March 2006. It was derecognized upon disposal of the subsidiary *(Note 43)*.

40. DEFERRED TAX

The followings are the major deferred tax liabilities (assets) recognized and movements thereon during the year:

	Revaluation of investment property *HK$'000*	Accelerated tax depreciation *HK$'000*	Tax losses *HK$'000*	Others* *HK$'000*	Total *HK$'000*
At 1 April 2004	–	744	(20,468)	(15,620)	(35,344)
Currency realignment	–	(85)	(17)	(19)	(121)
Charge (credit) to the consolidated income statement for the year *(Note 15)*	–	833	19,994	(3,666)	17,161
Realized on disposal of a subsidiary	–	(459)	459	–	–
At 31 March 2005	–	1,033	(32)	(19,305)	(18,304)
Currency realignment	–	21	–	(41)	(20)
Charge (credit) to the consolidated income statement for the year *(Note 15)*	–	789	–	(21,708)	(20,919)
Arising on acquisition of subsidiaries	6,298	–	(300)	–	5,998
Reclassified as held for sale	–	(1,697)	–	41,267	39,570
At 31 March 2006	6,298	146	(332)	213	6,325

* The amount is mainly attributable to the movements of temporary differences arising from the carrying amounts and tax bases of major balance sheet items such as receivables, inventories and accruals of a subsidiary in the USA.

For the purposes of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2006 *HK$'000*	2005 *HK$'000*
Deferred tax assets	–	(18,418)
Deferred tax liabilities	6,325	114
	6,325	(18,304)

The Group has unused tax losses of HK$374,839,000 and HK$387,410,000 at 31 March 2006 and 2005 respectively available for offset against future profits. A deferred tax asset has been recognized in respect of HK$1,897,000 and HK$185,000 at 31 March 2006 and 2005 respectively of such losses. No deferred tax has been recognized in respect of the remaining HK$372,942,000 and HK$387,225,000 at 31 March 2006 and 2005 respectively due to the unpredictability of future profit streams. The losses can be carried forward indefinitely.

41. SHARE CAPITAL

	Number of shares	Value
		HK$'000
Authorized:		
At 31 March 2005 and 31 March 2006 (Ordinary shares of HK$0.01 each)	20,000,000,000	200,000
Issued and fully paid:		
At 1 April 2004 (Ordinary shares of HK$0.01 each)	186,553,202	1,866
Issue upon scrip dividend *(note a)*	75,210	–
Issue of new shares *(note b)*	37,000,000	370
At 31 March 2005 (Ordinary shares of HK$0.01 each)	223,628,412	2,236
Issue upon scrip dividend *(note c)*	3,624,990	36
Exercise of share options *(note d)*	10,000,000	100
At 31 March 2006 (Ordinary shares of HK$0.01 each)	237,253,402	2,372

Notes:

(a) On 21 October 2004, 75,210 shares in the Company of HK$0.01 each were issued as scrip dividend at HK$2.745 per share. The shares issued during the year rank pari passu with the existing shares in all respects.

(b) On 23 November 2004, arrangements were made for a private placement to independent private investors of 37,000,000 shares of HK$0.01 each in the Company held by ITC Corporation Limited, a substantial shareholder of the Company, in cash at a price of HK$3.22 per share representing a discount of approximately 8% to the closing price of HK$3.50 per share as quoted on the Stock Exchange on 22 November 2004.

Pursuant to a subscription agreement of the same date, ITC Corporation Limited subscribed for 37,000,000 new shares of HK$0.01 each in the Company at a price of HK$3.22 per share. The proceeds were used to provide additional working capital for the Company. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 31 August 2004 and ranked pari passu with other shares in issue in all respects.

(c) On 21 October 2005, 2,515,285 shares in the Company of HK$0.01 each were issued as scrip dividend at HK$3.367 per share.

On 3 March 2006, 1,109,705 shares in the Company of HK$0.01 each were issued as scrip dividend at HK$3.735 per share.

(d) During the year ended 31 March 2006, 10,000,000 shares in the Company of HK$0.01 were issued upon exercise of 10,000,000 share options at subscription price of HK$3.415 per share, the shares issued during the year rank pari passu with the existing shares in all respects.

42. ACQUISITION OF SUBSIDIARIES

On 8 March 2005, the Group acquired 100% of the issued capital of Createsuccess for a consideration of approximately HK$3,351,000.

On 28 March 2006, the Group acquired 100% of the issued share capital of Rapid Growth for a consideration of approximately HK$39,048,000.

The acquisitions have been accounted for by the acquisition method of accounting. The amount of goodwill arising as a result of the acquisitions was HK$6,621,000.

	Carrying amount and Fair value 2006 *HK$'000*
NET ASSETS ACQUIRED	
Investment properties	133,000
Trade and other payables	(711)
Trade and other receivables	3,436
Bank balances and cash	10
Bank borrowings	(93,000)
Tax payables	(399)
Deferred tax liabilities	(5,998)
	36,338
Minority interests	(560)
	35,778
Goodwill	6,621
Total consideration	42,399
SATISFIED BY:	
Cash	42,399
Net cash outflow arising on acquisition:	
Cash consideration paid	(42,399)
Cash and cash equivalents acquired	10
	(42,389)

The goodwill arising on the acquisition of Createsuccess and Rapid Growth is attributable to the anticipated profitability.

The subsidiaries acquired during the year did not contribute significantly to the turnover and the result of the Group. The cash flow contributed or utilized by the subsidiaries acquired during the year was not significant.

43. DISPOSAL OF SUBSIDIARIES

	2006 *HK$'000*	2005 *HK$'000*
Property, plant and equipment	64	1,483
Interest in an associate	–	5,244
Trade and other receivables	1,289	53
Amounts due from group companies	1	26,758
Bank balances and cash	181	92
Trade and other payables	(3,672)	(1,832)
Amounts due to group companies	(14)	(27,187)
Amount due to an associate	–	(146)
Tax payable	(359)	–
Amount due to a minority shareholder	(2,514)	–
	(5,024)	4,465
Minority interests	280	–
Net assets disposed of	(4,744)	4,465
Currency translation reserve realized	569	7,842
Other reserves realized	–	(7,810)
Attributable capital reserve	–	(556)
	(4,175)	3,941
Gain on disposal of subsidiaries	7,175	3,504
	3,000	7,445
SATISFIED BY:		
Cash	3,000	7,445
Net cash inflow arising from disposal of subsidiaries:		
Cash consideration	3,000	7,445
Bank balances and cash disposed of	(181)	(92)
	2,819	7,353

The subsidiaries disposed of during the year did not contribute significantly to the turnover and the results of the Group. The cash flow contributed or utilized by the subsidiaries disposed of during the year was not significant.

44. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2005, the major non-cash transactions were as follows:

(a) The Group restructured certain of its other payables of HK$15,000,000 satisfied by the same amount of other receivables under a deed of assignment entered into between the Group and the relevant parties.

44. MAJOR NON-CASH TRANSACTIONS *(Cont'd)*

(b) The repayment of a short-term loan receivable of HK$2,057,000 was satisfied by the same amount of investment in securities.

(c) The Group had disposed of an investment in securities for a consideration of HK$6,000,000 which was satisfied by cash of HK$1,500,000 and by setting off through an amount due from an associate of the Group for the remaining balance of HK$4,500,000.

During the year ended 31 March 2006, the major non-cash transactions were as follows:

(a) The acquisition of investment held for trading of HK$31,360,000 was satisfied by short-term loan receivable and other receivable of HK$25,590,000 and HK$5,770,000 respectively.

(b) Other receivables of HK$121,563,000 was transferred to short-term loan receivable and short-term loan receivable from a related company of HK$118,800,000 and HK$2,763,000 due to the change of the terms of the outstanding amounts.

45. CONTINGENT LIABILITIES

The Group is involved in two patent infringement lawsuits in the USA. The damages claim arising from the lawsuits range from approximately US$285,000 (equivalent to HK$2,213,000) to US$855,000 (equivalent to HK$6,639,000) for the years ended 31 March 2006 and 2005. As the outcome of the lawsuits is not certain, the Group has made a provision of US$302,000 (equivalent to HK$ 2,345,000) and US$302,000 (equivalent to HK$2,345,000) for these cases at 31 March 2006 and 2005 respectively to cover the possible damages as estimated by the Directors of the Company.

The Group has no other contingent liabilities as at 31 March 2006.

The following contingent liabilities arise from interests in associates:

	2006	**2005**
	HK$'000	*HK$'000*
Share of contingent liabilities of associates arising from:		
Guarantees given to banks in respect of bank facilities utilized by:		
investees	2,348	4,551
third parties	175	175
Other guarantees issued to:		
investees	9,037	9,037
	11,560	13,763

The above amounts represented share of contingent liabilities from interests in associates which was based on the published information of those associates as at 31 December 2005 and 2004.

46. OPERATING LEASE COMMITMENTS

The Group as lessee

	2006 *HK$'000*	**2005** *HK$'000*
Minimum lease payments paid under operating leases during the year:		
Land and buildings	28,943	30,585
Property, plant and equipment	20,275	23,267
	49,218	53,852

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

	As at 31 March 2006		**As at 31 March 2005**	
	Land and buildings *HK$'000*	**Property, plant and equipment** *HK$'000*	**Land and buildings** *HK$'000*	**Property, plant and equipment** *HK$'000*
Within one year	7,549	556	23,008	23,121
In the second to fifth year inclusive	24,235	1,599	75,368	19,521
Over five years	30,294	–	46,519	–
	62,078	2,155	144,895	42,642

Leases are negotiated for a range of one to ten years and rentals are fixed over the terms of the leases.

The Group as lessor

	2006 *HK$'000*	**2005** *HK$'000*
Rental income earned under operating leases during the year:		
Property	6,456	7,426
Plant and equipment	20,248	20,246
	26,704	27,672

46. OPERATING LEASE COMMITMENTS *(Cont'd)*

The Group as lessor ***(Cont'd)***

At the respective balance sheet dates, the Group had contracted with tenants for the following future minimum lease income which full due as follows:

	As at 31 March 2006		As at 31 March 2005	
	Property	Plant and equipment	Property	Plant and equipment
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	4,308	–	–	26,738
In the second to fifth year inclusive	19,392	–	–	39,594
Over five years	15,066	–	–	14,426
	38,766	–	–	80,758

The Group has committed tenants with lease term for a range of one to eight years.

47. SHARE OPTION SCHEMES

The Company's share option scheme was adopted on 21 August 2001 (the "2001 Share Option Scheme") for the primary purpose of providing incentives to the employees of the Group. Under the 2001 Share Option Scheme, the board of directors of the Company may grant options to eligible employees including the directors (but excluding independent non-executive directors) of the Company and the directors of any of the subsidiaries of the Company to subscribe for shares in the Company.

Pursuant to a resolution passed at a special general meeting of the Company on 17 March 2003, the Company has terminated the 2001 Share Option Scheme and adopted a new share option scheme (the "2003 Share Option Scheme"). Under the 2003 Share Option Scheme, the board of directors of the Company may grant options to directors and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters and service providers of any members of the Group who the board of directors considers have contributed or will contribute or can contribute to the Group. The purpose of the 2003 Share Option Scheme is to provide participants with the opportunity to acquire proprietary interests in the Group and to encourage participants to work towards enhancing the value of the Group and its shares for the benefits of the Group and its shareholders as a whole.

Subject to the condition that the total number of shares which may be issued upon the exercise of all outstanding options granted and to be exercised under the 2003 Share Option Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time, the total number of shares in respect of which options may be granted under the 2003 Share Option Scheme, when aggregated with any shares subject to any other schemes, is not permitted to exceed 10% of the shares of the Company in issue on the date of approval and adoption of the 2003 Share Option Scheme.

47. SHARE OPTION SCHEMES ***(Cont'd)***

Under the 2003 Share Option Scheme, the options which may be granted to any individual in any one year are not permitted to exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

The number of shares in respect of which options had been granted and remained outstanding under the 2003 and 2001 Share Option Schemes was 9,000,000 and 21,800,000 representing 3.79% and 9.75% of the shares of the Company in issue at 31 March 2006 and 2005, respectively.

Options granted must be taken up within 28 days from the date of grant, upon payment of HK$1 per grant. Options may be exercised at any time from the date on which the option is accepted to the tenth anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company shares on the date of grant or the average closing price of the shares for the five business days immediately preceding the date of grant or the nominal value of the share of the Company.

The following tables disclose details of the Company's share options held by employees (including directors) of the Company and movements in such holdings during the year:

2003 Share Option Scheme

During the year ended 31 March 2005, the movements of the share options are as follows:

Date of grant	Exercisable period	Exercise price per share *HK$*	Number of share options outstanding at 31.3.2005
Directors			
23.2.2004	23.2.2004 to 22.2.2006	3.415	6,400,000
Employees			
23.2.2004	23.2.2004 to 22.2.2006	3.415	6,400,000
			12,800,000

No options were granted to or exercised by the directors or employees of the Group, during the year ended 31 March 2005.

47. SHARE OPTION SCHEMES *(Cont'd)*

2003 Share Option Scheme *(Cont'd)*

During the year ended 31 March 2006, the movements of the share options are as follows:

			Number of share options				
Date of grant	Exercisable period	Exercise period *HK$*	Outstanding at 1.4.2005	Exercised during the year	Transfer during the year *(Note)*	Lapsed during the year	Outstanding at 31.3.2006
Directors							
23.2.2004	23.2.2004 to 22.2.2006	3.415	6,400,000	(4,800,000)	(1,600,000)	–	–
Employees							
23.2.2004	23.2.2004 to 22.2.2006	3.415	6,400,000	(5,200,000)	1,600,000	(2,800,000)	–
			12,800,000	(10,000,000)	–	(2,800,000)	–

Note:

A director retired on 1 September 2005 and accordingly the option entitled by that director was transferred to the category under "Employees".

2001 Share Option Scheme

During the year ended 31 March 2005, the movements of the share options are as follows:

Date of grant	Exercisable period	Exercise price per share *HK$*	Number of share options outstanding at 31.3.2005
Directors			
31.8.2001	31.8.2001 to 30.8.2006	2.9888	9,000,000

No options were granted to or exercised by the directors or employees during the year ended 31 March 2005.

47. SHARE OPTION SCHEMES *(Cont'd)*

2001 Share Option Scheme *(Cont'd)*

During the year ended 31 March 2006, the movements of the share options are as follows:

			Number of share options		
Date of grant	**Exercisable period**	**Exercise period**	**Outstanding at 1.4.2005**	**Transfer**	**Outstanding at 31.3.2006**
		HK$		*(Note)*	
Directors					
31.8.2001	31.8.2001 to 30.8.2006	2.9888	9,000,000	(1,750,000)	7,250,000
Employees					
31.8.2001	31.8.2001 to 30.8.2006	2.9888	–	1,750,000	1,750,000
			9,000,000	–	9,000,000

Note:

A director retired on 1 September 2005 and accordingly the option entitled by that director was transferred to the category under "Employees".

48. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund ("MPF") scheme for qualifying employees of the Company and its subsidiaries in Hong Kong. The assets of the MPF scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of certain payroll costs to the scheme, which contribution is matched by employees.

The Group also operates various retirement benefit schemes for qualifying employees of its overseas subsidiaries, including subsidiaries in the United Kingdom, the USA and Singapore. The assets of the retirement benefit schemes are held separately from those of the Group, in funds under control of trustees. The Group contributes 4% to 10% of the relevant payroll costs to the schemes, which contribution is matched by employees.

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

49. PLEDGE OF ASSETS

At the respective balance sheet dates, the following assets were pledged by the Group to secure banking and other financing facilities:

	2006	**2005**
	HK$'000	*HK$'000*
Trade receivables	–	105,494
Listed securities of associates	270,558	88,467
Inventories	–	–
Land and buildings	12,648	13,378
Investment properties	133,000	–
Investments in securities	–	12,816
Available-for-sale investments	505,294	–
Investments held for trading	231,069	–
Bank deposits	19,966	20,014
	1,172,535	240,169
Classified as held for sale	257,368	–
	1,429,903	240,169

50. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

	2006	2005
	HK$'000	*HK$'000*
Substantial shareholder and its associates:		
Loan receivables of the Group at end of the year *(note a)*	159,559	224,233
Loan payable of the Group at end of the year *(note a)*	352,046	149,333
Loans advanced by (repaid to) the Group during the year *(note a)*	(64,674)	56,868
Interest received and receivable by the Group *(note a)*	25,105	12,066
Interest paid and payable by the Group *(note a)*	27,446	10,490
Disposal of a subsidiary	–	238
Loans advanced to the Group during the year *(note a)*	202,713	–
Parking fee income	–	68
Rent paid and payable by the Group	2,451	1,298
Associates:		
Rental paid and payable by the Group	871	1,353
Interest received and receivable by the Group *(note a)*	117	94
Management fee income	3,493	3,608
Sales of finished goods	142	–
Rent received and receivable by the Group	216	232

Details of balances with associates at the respective balance sheet date are set out in Note 24.

Notes:

a. The loans advanced to/by and the balances due by/to the Group are unsecured, bear interest at prevailing market rates and repayable in accordance with the respective loan agreements, if any.

In addition, certain banking and other facilities of the Group were secured by personal guarantee from a director of the Company, to the extent of HK$404,280,000 and HK$6,681,000 at 31 March 2006 and 2005, respectively.

Save as disclosed above, there were no other significant transactions with related parties during the year or no significant balances with them at the respective balance sheet date.

51. SUBSEQUENT EVENTS

(a) On 19 January 2006, MII entered into the Disposal Agreement with Imation. Details of this disposal are set out in Note 16, the Company's announcement dated 26 January 2006 and the Company's circular dated 10 April 2006. This disposal was completed on 28 April 2006.

(b) On 22 April 2006, the Company, Success Securities Limited and See Corporation Limited ("SCL") entered into an underwriting agreement in relation to the rights issue of SCL. Pursuant to which, the Company agreed to subscribe untaken rights shares up to its commitment of 329,037,330 rights shares at a subscription price of HK$0.014 per rights share. On the same date, the Company executed an undertaking to SCL that it would take up its entitlement under the rights issue of SCL in full. On 30 June 2006, the Company subscribed 1,991,487,330 rights shares of SCL at HK$0.014 per rights shares.

Details of the transaction are set out in the Company's circular dated 17 May 2006.

(c) On 27 April 2006, the Group entered into a subscription agreement with Macau Prime Properties Holdings Limited (formerly known as Cheung Tai Hong Holdings Limited) ("MPP"), a public limited company with its shares listed on the Stock Exchange, to subscribe for the 1% convertible note of MPP with a principal amount of HK$270 million for a total cash consideration of HK$270 million.

The subscription was completed on 15 June 2006. Details of the subscription are set out in the Company's announcement dated 28 April 2006 and the Company's circular dated 26 May 2006.

(d) On 24 May 2006, the CSHL Disposal was completed following the completion of the CSHL Reorganization. Details of the CSHL Disposal and CSHL Reorganization are set out in Note 24.

On the same date, Somerley Limited, financial advisor to the Group, made a voluntary offer, on behalf of the Group, to acquire all the remaining interest in GDI other than those already owned by the Group (the "GDI Acquisition"). The GDI Acquisition was approved by the shareholders of the Company on 7 October 2005.

The transaction was completed on 16 June 2006. The assets and liabilities of GDI as at 16 June 2006 are not presented as the financial information of GDI as at 16 June 2006 is not available. Details of the CSHL Disposal and the GDI Acquisition are set out in the Company's circular dated 26 May 2006 and in the Company's announcement dated 16 June 2006.

51. SUBSEQUENT EVENTS *(Cont'd)*

(e) On 27 June 2006, the Group entered into five subscription agreements with each of five subscribers (the "Subscription Agreements"), four of them are fund subscribers who are funds managed by global asset management firms, with the remaining subscriber being ITC Corporation Limited ("ITC"), a public limited company with its shares are listed on the Stock Exchange. Pursuant to the Subscription Agreements, the fund subscribers and ITC have in aggregate conditionally agreed to subscribe by cash for the US$150 million 1% convertible exchange notes with principal amount of US$75 million each (the "Hanny Notes") (the "ITC Subscription").

ITC, through its indirect wholly-owned subsidiaries, is the substantial shareholder of the Group holding approximately 23.3% of the total issued share capital of the Company as at the date of the Subscription Agreements, and therefore ITC is a connected person of the Company pursuant to the Listing Rules. Accordingly, the issue of the Hanny Notes to ITC under the Subscription Agreement with ITC constitutes a connected transaction of the Company under the Listing Rules.

Under the Subscription Agreement, the Group is required as soon as practicable after the signing of the Subscription Agreements to enter into a contract with China Enterprises Limited ("CEL"), to subscribe the 1% convertible note of CEL with principal amount of US$100 million with the proceeds from the issue of the Hanny Notes (the "CEL Subscription").

CEL is a public limited company with its common shares traded on the OTC (over-the-counter) Bulletin Board in the United States and is an indirectly owned subsidiary of the Group as at the date of this report.

Details of the ITC Subscription and CEL Subscription are set out in the Company's announcement dated 6 July 2006.

(f) On 28 June 2006, the Group entered into a subscription agreement with Mei Ah Entertainment Group Limited ("Mei Ah"), a company with its shares listed on the Stock Exchange, to subscribe the 4% convertible note of Mei Ah with a principal amount of HK$50 million for total cash consideration of HK$50 million.

Details of the subscription are set out in the Company's announcement dated 29 June 2006 and the Company's circular dated 21 July 2006.

(g) On 10 July 2006, the Group entered into a subscription agreement with Golden Harvest Entertainment (Holdings) Limited ("GH"), a company with its shares listed on the Stock Exchange, to subscribe the 4% convertible note of GH with a principal amount of HK$50 million for total cash consideration of HK$50 million.

Details of the subscription are set out in the Company's announcement dated 11 July 2006.

52. BALANCE SHEET OF THE COMPANY

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Non-current Assets		
Investment in subsidiaries	118,373	118,373
Amounts due from subsidiaries	–	1,864,365
Available-for-sale investments	136,926	–
Club debentures	1,070	1,704
	256,369	1,984,442
Current Assets		
Other receivables	264	265
Amounts due from subsidiaries	2,204,919	–
Investments held for trading	28,401	–
Investments in securities	–	816
Bank balances and cash	242	646
	2,233,826	1,727
Current Liabilities		
Other payables	27,590	32,193
Amounts due to a subsidiary	127,130	–
Borrowings – due within one year	552,046	–
	706,766	32,193
Net Current Assets (Liabilities)	1,527,060	(30,466)
Total assets less current liabilities	1,783,429	1,953,976
Non-current Liabilities		
Borrowing – due after one year	–	149,333
	–	149,333
	1,783,429	1,804,643
Capital and Reserves		
Share capital	2,372	2,236
Reserves	1,781,057	1,802,407
	1,783,429	1,804,643

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 March 2006 are as follows:

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share capital/ registered capital	Proportion of share capital/ registered capital held by the Company Directly	Indirectly	Equity interest held by the Group	Principal activities
Hanny Magnetics (B.V.I.) Limited	British Virgin Islands ("B.V.I.") 22 May 1990	HK$40,000,000 ordinary shares HK$8,000,000 preference shares	100%	–	100%	Investment holding
Hanny Magnetics Limited	Hong Kong 27 April 1971	HK$1,100,000,200 ordinary share HK$6,000,000 5% non-voting deferred shares *(note a)*	–	100%	100%	Investment holding and trading and marketing of computer media products and related peripherals and accessories
Hanny Magnetics (Zhuhai) Limited *(note b)*	People's Republic of China (the "PRC") 14 March 1988	US$45,740,000	–	100%	100%	Manufacturing of magnetic media products
Memorex Canada Ltd.	Canada 9 January 1990	CAD2	–	68.68%	45.2%	Distribution of computer media products and audio and video products
Memorex Holdings Limited	Bermuda 3 November 2003	US$100,000	–	65%	65%	Investment holding
MII	B.V.I. 20 February 1997	US$1,000,000	–	68.68%	45.2%	Investment holding and holding of trademark licenses
Memorex Products Europe Limited	United Kingdom 6 October 1999	GBP2	–	68.68%	45.2%	Trading and distribution of computer media products and audio and video products

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Cont'd)*

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share capital/ registered capital	Proportion of share capital/ registered capital held by the Company Directly	Indirectly	Equity interest held by the Group	Principal activities
Memorex Products, Inc.	USA 18 November 1993	US$79,001,000	–	68.68%	45.2%	Trading and distribution of computer media products and audio and video products
Rich Life Holdings Pte Ltd.	Singapore 19 March 2002	S$2	–	100%	100%	Investment holding
Ultimate Strategy Limited	B.V.I. 28 August 2003	US$1	–	100%	100%	Investment holding
Well Orient Limited	Hong Kong 21 August 2000	HK$2	–	100%	100%	Investment holding
Zhuhai Hanny Property Investment Limited	B.V.I. 5 December 2002	US$1	–	100%	100%	Inactive

Notes:

(a) The holders of the 5% non-voting deferred shares are not entitled to receive notice of or to attend or vote at any general meetings of the Company. The non-voting deferred shares practically carry no rights to dividends or to participate in any distribution on winding up.

(b) The Company is registered in the form of wholly-owned foreign investment enterprise.

The above table lists out the subsidiaries of the Group which, in the opinion of the directors, principally affected the results of the Group for the year or formed a substantial portion of the net assets of the Group at the end of the year. To give details of other subsidiaries would, in the opinion of the directors, result in particular of excessive length."

(II) MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis of Hanny's results and financial position extracted from the respective annual reports of Hanny for each of the three years ended 31st March, 2004, 2005 and 2006:

For the year ended 31st March, 2004

"Results and financial review

Results

For the year ended March 31, 2004, the Group's audited consolidated profit before minority interests was HK$93.8 million (2003: loss of HK$606.5 million, as restated), which comprised profit from operations of HK$228.8 million (2003: loss of HK$315.6 million), finance costs of HK$26.4 million (2003: HK$31.7 million), net gain on disposal of subsidiaries and associates of HK$10.4 million (2003: Nil), amortization of goodwill arising on acquisition of associates of HK$17.7 million (2003: HK$6.6 million), share of net losses of associates of HK$73.5 million (2003: HK$32.4 million) and taxation of HK$27.8 million (2003: HK$36.0 million, as restated). Impairment loss on goodwill arising on acquisition of an associate of HK$104.6 million and allowance for loan to associates of HK$79.6 million included in last year did not recur for the year ended March 31, 2004.

Segment Results

For trading of computer related products, segment turnover amounted to HK$3,737.3 million, increased by HK$762.1 million (25.6%) and segment result recorded HK$206.7 million, increased by HK$108.8 million (111.2%).

For trading of consumer electronic products, segment turnover amounted to HK$1,237.7 million, increased by HK$128.1 million (11.5%) and segment result recorded HK$21.9 million, increased by HK$1.7 million (8.4%).

For trading of securities, segment turnover amounted to HK$34.9 million, decreased by HK$43.1 million (55.2%) and segment result turned around to profit of HK$20.8 million from loss of HK$110.4 million.

This year, the Group still enjoyed significant growth without lowering gross profit margin. This sales growth was due to our persistent efforts to control cost on inventory pricing, our strong and extensive business network worldwide and promotional efforts made. In the wake of the gradual economic recovery from this year, the Group results turned around into profits.

Liquidity

Net bank and cash balances at March 31, 2004 decreased to HK$141.1 million (2003: HK$221.4 million which accounted for 9.8% (2003: 15.9%, as restated) of the net tangible asset value of the Group. The cash was mainly used for daily operations and purchase of inventories in response to the improved sales performance during the year. The current ratio of the Group at March 31, 2004 was 1.39 (2003: 1.40).

Financial Review

The net current assets of the Group at March 31, 2004 increased by HK$168.4 million (35.3%) to HK$645.8 million (2003: HK$477.4 million).

Such increase was mainly attributable to the increase in inventory level of the subsidiaries in the United States and United Kingdom, from HK$505.2 million as at March 31, 2003 to HK$877.4 million as at March 31, 2004, as the management foresees an increasing sales trend in the coming years. In addition, market prices of products such as DVD and CDR boosted up owing to the decrease in supply. Therefore, the Company made bulk purchase so as to bargain for favourable prices.

Trade and other receivables increased from HK$486.6 million as at March 31, 2003 to HK$738.8 million as at March 31, 2004. Debtors turnover day increased from 35 days in 2003 to 50 days in current year. Owing to the increasing demand of DVD, turnover of such product increased at the end of the year leading to the increase in trade receivable balance at year end.

Trade and other payables increased from HK$890.6 million as at March 31, 2003 to HK$1,272.3 million as at March 31, 2004. Creditors turnover day remained steady from 75 days in 2003 to 78 days in current year. The Company was able to maintain a stable credit period by having established a long-term relationship with its major suppliers and making bulk purchases during the year.

At March 31, 2004, total borrowings of the Group amounted to HK$384.2 million (2003: HK$445.0 million), of which HK$10.8 million (2003: HK$177.0 million) were not repayable within one year. The borrowings included bank borrowings of HK$205.7 million (2003: HK$237.5 million), other loans of HK$151.3 million (2003: HK$180.0 million), overdrafts of HK$23.3 million (2003: HK$22.4 million), obligations under finance leases of HK$1.5 million (2003: HK$2.7 million) and amount due to a minority shareholder of HK$2.4 million (2003: HK$2.4 million). The drop in borrowings was due to the repayment of bank and other loans during the year to lower the finance costs.

Interests in associates

At March 31, 2004, interests in associates amounted to HK$906.4 million (2003: HK$271.4 million), represented share of net assets of HK$617.5 million (2003: HK$172.3 million), goodwill on acquisition of an associate of HK$256.6 million (2003: HK$65.5 million), loans to associates of HK$1.4 million (2003: HK$7.7 million) and amounts due therefrom of HK$30.9 million (2003: HK$25.9 million). The substantial increase in balance was mainly due to the further acquisition of an associate which was classified as investment in securities as at March 31, 2003, resulting in the increase in share of net assets and goodwill.

Pledge of assets

At March 31, 2004, certain assets of the Group amounted to HK$399.0 million (2003: HK$323.7 million) were pledged to banks and financial institution for loans' facilities granted to the Group.

Gearing ratio

The gearing ratio (borrowings/shareholders' funds) at March 31, 2004 was slightly reduced to 20.5% (2003: 25.7%, as restated).

Exchange rate and interest rate risks exposure

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong Dollars and United States Dollars. The risk of foreign exchange fluctuation had not been significant to the Group. Interest rates of import loans are mainly referenced to LIBOR or HIBOR plus whereas that of bank and other loans are Prime plus. At the balance sheet date, the Group did not enter into any interest rate speculative and hedging contracts. However, the recent weakening of the United States Dollars against other foreign currencies (especially Canadian Dollars and Great British Pounds) would bring about certain exchange gains to the Canadian and European subsidiaries so far. Because of the possible rebound of the United States Dollars, the Group will consider entering into hedging contracts to eliminate exposure to downside risks, whenever the Group and the concerned foreign subsidiaries think fit.

Contingent liabilities

At March 31, 2004, the Group has no contingent liabilities in relation to guarantees given to banks and other financial institutions for facilities granted to an outsider. At March 31, 2003, the extent of such facilities was HK$11.7 million.

Employees and remuneration policies

At March 31, 2004, there were approximately 700 staff (2003: 800) employed by the Group. The remuneration policies are formulated on the basis of performance of individual employees and the prevailing salaries' trends in the various regions. They are subject to be reviewed every year. The Group also provided employees training programs, mandatory provident fund scheme, medical insurance and discretionary bonus. Share options were awarded to employees on merit basis and some share options were granted during the year.

Business and corporate developments

Acquisition of shares in China Strategic Holdings Limited ("CSHL")

At March 31, 2003, an amount of approximately HK$698.4 million included in investments in securities represented the Group's 14.55% equity interest in CSHL which is a listed company in Hong Kong. In September 2003, the Group acquired an additional interest of 16.65% in CSHL for a consideration of approximately HK$19.3 million. Accordingly, the investment in CSHL was increased to 31.20% and it was reclassified from investments in securities to interests in associates. Details shall refer to the circular of the Company dated July 29, 2003. As at the date of this report, the Group's shareholding in CSHL was 29.36%.

Disposal of Shares in Memorex Holdings Limited ("Memorex Holdings")

On October 25, 2003, the Group entered into a sale and purchase agreement (the "Agreement") with Global Media Limited (the "Purchaser"), a subsidiary of Investor Capital Partners – Asia Fund. Investor Capital Partners – Asia Fund is a private equity fund advised by Investor Asia Limited, a wholly-owned subsidiary of Investor AB, which in turn is listed on the Stockholm Stock Exchange and is Sweden's largest investment holding company with a market capitalization of over US$6 billion. Pursuant to the Agreement, the Purchaser agreed to acquire and the Group agreed to dispose of 35% of the issued share capital in Memorex Holdings (which, following a reorganization, would represent an attributable interest of approximately 23.5% in Memorex International Inc., a non-wholly owned subsidiary of the Group), for an aggregate cash consideration of approximately US$39.9 million (equivalent to HK$311.2 million).

In addition, the Purchaser has a call option whereby it may purchase an additional 20% interest in Memorex Holdings from the Group, exercisable in whole or in part at any time within three years from the date of the completion, at an exercise price equal to the aggregate of: (i) US$26.9 million (equivalent to HK$209.8 million); and (ii) the amount which represents 20% of the consolidated retained profits of Memorex Holdings which may be accumulated from the date of the completion to the last date of the quarter preceding the exercise of the call option.

In the 30 day period after the third anniversary of the date of the completion, the Purchaser has a partial exit right whereby it may require the Group to purchase 17.5% of the issued share capital of Memorex Holdings, at the same price per share at which the Purchaser acquired its 35% interest in Memorex Holdings at the date of the completion.

Details of these transactions are set out in the circular of the Company dated November 18, 2003.

Acquisition of Dysan and Precision trademarks

In November 2003, the Group completed the purchase of the trademarks DYSAN and PRECISION at a consideration of HK$190 million. The acquisition of these brandnames enables the Group to further build on its intellectual property portfolio. Leveraging our established sales, marketing and distribution network for the Memorex® brand, the Group intends to expand its product offerings for Dysan and Precision branded products to target the different markets and end-users.

Acquisition of a land development project known as 珠海錦興產業園

In December 2003, an indirect wholly-owned subsidiary of the Group entered into an agreement for acquisition of the entire interest in a company which had a co-operation agreement entered into an independent third party for the joint development of certain land located at Doumen District, Zhuhai City of the People's Republic of China (「珠海錦興產業園」). As at March 31, 2004, a total of approximately HK$155.4 million was paid for obtaining certain parts of the land use right for land development, site formation and the exclusive development right to the 珠海錦興產業園.

Placing and Subscription of Shares

On January 28, 2004, ITC Corporation Limited ("ITC"), a substantial shareholder of the Company, entered into a placing and subscription agreement with the placing agent and the Company pursuant to which ITC agreed to place 21,500,000 shares at the price of HK$4.00 per share to not less than six placees who were independent third parties procured by the placing agent and ITC would subscribe for 21,500,000 new shares at the same price of HK$4.00 per share. Please refer to the Company's announcement of January 28, 2004 for details of such placing and subscription."

For the ended 31st March, 2005

“Results and financial review

Results

For the year ended March 31, 2005, the Group’s audited consolidated loss before minority interests was HK$99.3 million (2004: profit of HK$93.8 million), which comprised of profit from operations of HK$319.5 million (2004: HK$228.8 million), finance costs of HK$18.2 million (2004: HK$26.4 million), share of net losses of associates of HK$59.7 million (2004: HK$73.5 million), amortization of goodwill arising on acquisition of associates of HK$28.1 million (2004: HK$17.7 million), realization of negative goodwill arising on acquisition of an additional interest in an associate of HK$2.1 million (2004: Nil), net loss on disposal of subsidiaries and associates of HK$15.7 million (2004: gain of HK$10.4 million), impairment loss on goodwill arising on acquisition of an associate of HK$177.4 million (2004: Nil) and income tax expense of HK$121.6 million (2004: HK$27.8 million).

Segment Results

For trading of computer related products, segment turnover amounted to HK$3,977.7 million, increased by HK$240.4 million (6.4%) and segment result recorded HK$256.6 million, increased by HK$49.9 million (24.1%).

For trading of consumer electronic products, segment turnover amounted to HK$1,565.3 million, increased by HK$327.6 million (26.5%) and segment result recorded HK$24.8 million, increased by HK$3.0 million (13.6%).

For trading of securities, segment turnover amounted to HK$93.9 million, increased by HK$58.9 million (over 100%) and segment result recorded HK$77.3 million, increased by HK$56.5 million (over 100%).

For property development and trading, segment turnover amounted to HK$39.6 million, increased by HK$23.6 million (over 100%) and segment result recorded HK$2.1 million, decreased by HK$3.6 million (63.2%).

This year, the Group still enjoyed significant growth without lowering gross profit margin. This sales growth was due to our persistent efforts to control cost on inventory pricing, our strong and extensive business network worldwide and promotional efforts made.

The results of the Group was critically turned from “Operating profit” into “Loss for the year” by the impairment loss on goodwill arising on acquisition of an associate this year. Due to the fact that the associate has been recording losses since it became our associate in last year, an impairment loss on goodwill of HK$177.4 million was considered appropriate at year end. The Group suffered net losses under “Share of results of associates” during the year of HK$59.7 million, a decrease by HK$13.7 million (18.7%).

Liquidity

Net bank and cash balances at March 31, 2005 increased to HK$332.6 million (2004: HK$141.1 million), accounting for 23.7% (2004: 9.8%) of the net tangible asset value of the Group. The cash was mainly used for daily operations and repayment of bank loans during the year. The current ratio of the Group at March 31, 2005 was 1.91 (2004: 1.39).

Financial Review

The net current assets of the Group at March 31, 2005 increased by HK$485.7 million (75.2%) to HK$1,131.5 million (2004: HK$645.8 million).

Such increase was mainly attributable to the increase in bank balances and cash, short-term loan receivables, short-term loan receivables from related companies, trade and other receivables, and net tax payable of HK$191.5 million, HK$70.6 million, HK$56.8 million, HK$27.5 million and HK$69.6 million, respectively, at year end as compared to the previous year, and offset by the decrease in inventories, trade and other payables and borrowings of HK$290.3 million, HK$260.5 million and HK$263.8 million, respectively.

Other asset decreased from HK$145.1 million as at March 31, 2004 to HK$108.0 million as at March 31, 2005 as a result of the sale of the land development right at a consideration of HK$39.6 million during the year, with a profit of HK$2.1 million.

Inventories decreased from HK$877.4 million as at March 31, 2004 to HK$587.1 million as at March 31, 2005. This was attributable to the increase in inventory levels of the subsidiaries in the United States and United Kingdom of HK$372.3 million at the end of 2004, as management foresaw an increasing sales trend in the coming years. In addition, market prices of products such as DVD and CDR boosted up in 2004 owing to the decrease in supply. Therefore, the Group made bulk purchases so as to negotiate favourable prices in 2004. Inventory levels as at March 31, 2005 returned back to the normal levels.

Trade and other receivables increased from HK$738.8 million as at March 31, 2004 to HK$766.3 million as at March 31, 2005. The number of days for debtors turnover decreased from 50 days in 2004 to 38 days in the current year, which were similar to the levels the Group experienced in 2003.

Trade and other payables decreased from HK$1,272.3 million as at March 31, 2004 to HK$1,011.8 million as at March 31, 2005. The number of day for creditors turnover decreased from 78 days in 2004 to 54 days in current year. The decrease in creditors turnover days was mainly attributed to the early settlement of trade payables in lien of cash discount on goods purchased during the year.

At March 31, 2005, total borrowings of the Group amounted to HK$293.3 million (2004: HK$384.2 million), of which HK$160.0 million (2004: HK$10.8 million) were not repayable within one year. The borrowings included bank borrowings of HK$82.0 million (2004: HK$205.7 million), other loans of HK$161.3 million (2004: HK$151.3 million), overdrafts of HK$47.0 million (2004: HK$23.3 million), obligations under finance leases of HK$0.5 million (2004: HK$1.5 million) and amount due to a minority shareholder of HK$2.5 million (2004: HK$2.4 million). The decline in borrowings was due to the repayment of bank loans during the year in order to lower the finance costs.

Interests in associates

At March 31, 2005, interests in associates amounted to HK$636.7 million (2004: HK$906.4 million), represented share of net assets of HK$582.3 million (2004: HK$617.5 million), goodwill on acquisition of an associate of HK$51.1 million (2004: HK$256.6 million), loan to an associate of HK$1.3 million (2004: HK$1.4 million) and amounts due therefrom of HK$2.2 million (2004: HK$30.9 million). The substantial decrease in balance was mainly due to the deemed disposals of certain associates with a total loss of HK$19.3 million, share of an associate's decrease in other reserves and losses, of HK$14.3 million and HK$59.7 million, respectively, during the year. Furthermore, goodwill arising on acquisition of an associate was impaired by HK$177.4 million at year end.

Pledge of assets

At March 31, 2005, certain assets of the Group amounting to HK$240.2 million (2004: HK$399.0 million) were pledged to banks and financial institutions for loan facilities granted to the Group.

Gearing ratio

The gearing ratio (borrowings/shareholders' funds) at March 31, 2005 was significantly reduced to 16.2% (2004: 20.5%).

Exchange rate and interest rate risks exposure

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong Dollars and United States Dollars. The risk of foreign exchange fluctuation had not been significant to the Group. Interest rates of import loans are mainly referenced to LIBOR or HIBOR plus whereas that of bank and other loans are Prime plus. At the balance sheet date, the Group did not enter into any interest rate speculative and hedging contracts. However, the recent weakening of the United States Dollars against other foreign currencies (especially Canadian Dollars and Great British Pounds) would bring about certain exchange gains to the Canadian and European subsidiaries so far. Because of the possible rebound of the United States Dollars, the Group will consider entering into hedging contracts to eliminate exposure to downside risks, whenever the Group and the concerned foreign subsidiaries think fit.

Contingent liabilities

At March 31, 2005, the Group has no contingent liabilities in relation to guarantees given to banks and other financial institutions for facilities granted to an outsider (2004: Nil).

Employees and remuneration policies

As at March 31, 2005, there were approximately 500 staff (2004: 700) employed by the Group. The remuneration policies are formulated on the basis of performance of individual employees and the prevailing salaries' trends in the various regions. They are subject to be reviewed every year. The Group also provided employee training programs, mandatory provident fund scheme, medical insurance and discretionary bonus. Share options are awarded to employees on merit basis. However, no share options were granted during the year.

Business and corporate developments

Placing and Subscription of Shares

On November 23, 2004, ITC Corporation Limited ("ITC"), a substantial shareholder of the Company, entered into a placing and subscription agreement with the placing agent and the Company pursuant to which ITC agreed to place 37,000,000 shares at the price of HK$3.22 per share to not less than six placees who were independent third parties procured by the placing agent and ITC would subscribe for 37,000,000 new shares at the same price of HK$3.22 per share. Please refer to the Company's announcement dated November 23, 2004 for details of such placing and subscription.

Disposal of Fu Yang Investment Co., Ltd. ("Fu Yang")

On January 31, 2005, the Group entered into two sale and purchase agreements (the "Agreements") with 台固多媒體股份有限公司 (the "Purchaser"), an indirect wholly owned subsidiary of 台灣固網股份有限公司 (Taiwan Fixed Network Co., Ltd.) which is a publicly traded company on the Emerging Market（興櫃）Taiwan. Pursuant to the Agreements, the Group agreed to sell and the Purchaser agreed to purchase 50,282,540 Fu Yang shares, representing approximately 8.04% in the issued share capital of Fu Yang. The consideration for the sale shares was approximately NT$636.7 million (approximately HK$150.3 million), equivalent to NT$12.7 (approximately HK$3.00) per Fu Yang share. The disposal constituted a discloseable transaction of the Company under the Listing Rules. The transaction was completed in March 2005.

Disposal of 15.3% interests in China Strategic Holdings Limited ("CSHL") and the acquisition of interests in Group Dragon Investments Limited ("GDI")

On March 10, 2005, the Company and Paul Y. – ITC Construction Holdings Limited ("Paul Y.") entered into a share sale agreement (the "Share Sale Agreement") with Nation Field Limited ("Nation Field"), which is a company owned by Mr. Gao Yang. Pursuant to the Share Sale Agreement, the Group conditionally agreed to dispose of an approximately 15.3% interest in CSHL after the completion by CSHL of a group restructuring involving, among others, the distribution of certain assets and businesses currently held by GDI, a wholly-owned subsidiary of CSHL, to the shareholders of CSHL. Subsequent to the disposal, the Company will also make a voluntary general offer to acquire all the issued shares in GDI which are not owned or agreed to be acquired by the Company. Details of the aforesaid transactions are set out in the joint announcement of CSHL, the Company and other parties to the transactions dated April 19, 2005.

This transaction has not yet been completed as at the date of this report.

Subscription of convertible note of Cheung Tai Hong Holdings Limited ("CTH")

On April 20, 2005, Loyal Concept Limited ("Loyal Concept"), an indirect wholly-owned subsidiary of the Company, and CTH entered into a subscription agreement (the "Subscription Agreement") regarding the subscription by Loyal Concept of a zero coupon convertible note due 2010 of CTH with a principal amount of HK$450 million.

Upon exercise of the conversion rights attached to the convertible note, Loyal Concept may become interested in 30% or more of the enlarged issued share capital of CTH, thereby triggering an obligation on the part of Loyal Concept under the Takeovers Code to make a mandatory offer for all the CTH shares. Depending on the number of further CTH shares which may be acquired by Loyal Concept pursuant to the mandatory offer (if any) to the shareholders of CTH, the acquisition of such additional equity interests in CTH, when aggregated with the CTH conversion shares to be issued to Loyal Concept on exercise of the conversion rights attached to the convertible note in accordance with Rule 14.22 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rule"), constituted a very substantial acquisition for the Company under the Listing Rules. The subscription and the transactions contemplated under the Subscription Agreement (including the possible very substantial acquisition regarding the acquisition of further equity interests in CTH pursuant to the mandatory offer) were approved by the shareholders at the special general meeting of the Company held on June 24, 2005.

Details of the transaction were set out in the circular of the Company dated June 7, 2005.

The underwriting agreement and subscription of a convertible note of Ruili Holdings Limited ("Ruili")

On April 21, 2005, the Company, Ruili and Tai Fook Securities Company Limited entered into an underwriting agreement (the "Underwriting Agreement"). Pursuant to the Underwriting Agreement, the maximum number of rights shares to be taken up by the Company was 320 million rights shares at a subscription price of HK$0.10 per rights share.

On the same date, the Company and Ruili entered into a convertible notes subscription agreement (the "Subscription Agreement"). Pursuant to the Subscription Agreement, the Company would subscribe for and Ruili would allot and issue to the Company the convertible notes in an aggregate principal amount of HK$170 million at an initial conversion price of HK$0.12 per conversion share, subject to the adjustment from time to time.

Details of the transaction were disclosed in the circular of the Company dated May 24, 2005."

For the year ended 31st March, 2006

"Results and financial review

Results

For the year ended 31 March 2006, the Group's audited consolidated loss before minority interests was HK$96.0 million (2005: loss of HK$100.2 million, as restated), which comprised of loss after operating income and expenses from continuing operations of HK$9.5 million (2005: profit of HK$50.8 million), impairment loss on trademark licenses of HK$164.6 million (2005: Nil), favorable change in fair value of conversion option embedded in convertible notes of HK$114.0 million (2005: Nil), finance costs from continuing operations of HK$63.5 million (2005: HK$15.2 million), share of net losses of associates of HK$21.5 million (2005: net losses of HK$65.0 million, as restated), net gain on disposal of subsidiaries and associates of HK$1.0 million (2005: loss of HK$15.7 million), income tax expense from continuing operations of HK$4.3 million (2005: HK$4.3 million), and profit from discontinued operations of HK$52.4 million (2005: HK$152.6 million). In addition, there were realization of negative goodwill arising on acquisition of an additional interest in an associate, impairment loss on goodwill arising on acquisition of an associate and amortization of goodwill arising on acquisition of associates of HK$2.1 million, HK$177.4 million and HK$28.1 million, respectively, for the year ended 31 March 2005, there were no such items for the year ended 31 March 2006 as a result of the change in accounting policy as set out in Note 1.

Segment results

For trading of computer related products, segment turnover amounted to HK$4,262.0 million, increasing by HK$284.3 million (7.1%) from fiscal year 2005 and segment result recorded HK$62.7 million, decreasing by HK$193.9 million (75.6%).

For trading of consumer electronic products, segment turnover amounted to HK$1,174.6 million, decreasing by HK$390.1 million (25.0%) from fiscal year 2005 and segment result recorded HK$22.0 million, decreasing by HK$2.8 million (11.3%).

For trading of securities, segment turnover amounted to HK$146.4 million, increasing by HK$52.5 million (55.9%) from fiscal year 2005 and segment result recorded HK$175.7 million, increasing by HK$98.4 million (127.3%).

For property development and trading, segment turnover amounted to HK$118.8 million, increasing by HK$79.2 million (200%) and segment result recorded HK$11.9 million, increased by HK$9.8 million (466.7%).

This year, although the Group experienced steady growth, gross profit margin declined. This sales growth was due to our persistent efforts to control cost on inventory pricing, our strong and extensive business network worldwide and promotional efforts made. Nevertheless, allowances for slow-moving and obsolete inventories and bad and doubtful debts of HK$75.7 million and HK$14.3 million resulted in a lowered gross margin for the year.

The results of the Group was critically increased from a loss of HK$100.2 million (as restated) for the year ended 31 March 2005 to a loss of HK$96.0 million for the year by reduction of amortization of goodwill and realization of negative goodwill arising on acquisition of associates during the year totaled HK$26.0 million as compared to the year ended 31 March 2005 as a result of the change in accounting policy as set out in Note 1. Furthermore, the Group suffered less net losses under "Share of results of associates" during the year of HK$21.5 million, representing a decrease of HK$43.4 million (66.9%) from the previous fiscal year. In addition, the Group has a favorable change in fair value of conversion option embedded in convertible notes of HK$114.0 million (2005: Nil). The Group also disposed of its subsidiaries and associates during the year with a net gain of HK$1.0 million while a net loss of HK$15.7 million was resulted from disposals during the year ended 31 March 2005. Impairment loss on intangible assets decreased by HK$12.8 million to HK$164.6 million as compared to the year ended 31 March 2005 of HK$177.4 million. However, finance costs incurred increased by HK$48.3 million during the year owing to the increase in other borrowings as compared to the year ended 31 March 2005. Operating income from continuing operations and profit from discontinued operations dropped significantly from HK$50.8 million and HK$152.5 million for the year ended 31 March 2005, respectively, to an operating loss of HK$9.5 million and profit of HK$52.4 million for the year, respectively.

Investment in Convertible Notes

During the year, the Group acquired three unlisted convertible notes issued by companies listed on the Stock Exchange for an aggregate consideration of HK$650.0 million. The aggregate fair value increase of HK$114.0 million in respect of the conversion option element and decrease of HK$18.2 million in respect of the debt element were recognized in profit and loss and reserves, respectively.

Liquidity

Bank and cash balances at 31 March 2006 decreased significantly to HK$26.5 million (2005: HK$379.6 million), accounting for 1.4% (2005: 27%) of the net tangible asset value of the Group. Such dramatic decrease was mainly attributable to the reclassification of bank and cash balances of HK$26.0 million to "assets classified as held for sale" pursuant to the very substantial disposal as set out in the Company's circular dated 10 April 2006 (the "Memorex Disposal"). The cash was mainly used for daily operations and investments in financial instruments during the year. The current ratio of the Group at 31 March 2006 was 1.43 (2005: 1.91).

Financial Review

The current assets of the Group at 31 March 2006 increased by HK$301.5 million (12.7%) to HK$2,669.0 million (2005: HK$2,367.5 million, as restated).

Such increase was mainly attributable to the decrease in trade and other receivables, inventories, bank balances and cash, other asset, short-term loan receivables, short-term loan receivables from related companies, tax recoverable and margin loan receivables by HK$702.2 million, HK$578.5 million, HK$353.1 million, HK$108.0 million, HK$91.7 million, HK$64.7 million, HK$18.9 million, and HK$11.9 million, respectively, at year end as compared to the last year, and offset by the increase in investments and amounts due from associates by HK$582.6 million and HK$2.7 million, respectively. In addition, there was an increase in "assets classified as held for sale" of HK$1,645.2 million at year end pursuant to the Memorex Disposal.

Other asset valued at HK$108.0 million as at 31 March 2005 was fully disposed of at a consideration of HK$118.8 million during the year, with a profit of HK$10.8 million.

Inventories decreased from HK$587.1 million as at 31 March 2005 to HK$8.6 million as at 31 March 2006. Such decrease was mainly attributable to the reclassification of HK$616.1 million to "assets classified as held for sale" pursuant to the Memorex Disposal. The increase of HK$37.6 million before the reclassification was attributable to the increase in inventory levels of the subsidiaries in the United States and United Kingdom at year end due to the increase in sales and the increase in supply on hand primarily in DVD inventory.

Trade and other receivables decreased from HK$761.9 million (as restated) as at 31 March 2005 to HK$59.7 million as at 31 March 2006. Such decrease was mainly attributable to the reclassification of HK$645.9 million to "assets classified as held for sale" pursuant to the Memorex Disposal. The number of days for debtors turnover before the reclassification increased slightly from 38 days last year to 39 days in the current year.

Trade and other payables decreased from HK$1,011.8 million as at 31 March 2005 to HK$358.8 million as at 31 March 2006. Such decrease was mainly attributable to the reclassification of HK$669.8 million to "liabilities directly associated with assets classified as held for sale" pursuant to the Memorex Disposal. The number of day for creditors turnover decreased from 54 days last year to 44 days in current year. Such decrease was mainly attributable to the early settlement of trade payables in lieu of cash discount on goods purchased during the year.

At 31 March 2006, total borrowings of the Group amounted to HK$720.5 million (2005: HK$293.3 million), of which HK$95.7 million (2005: HK$160.0 million) were not repayable within one year. The borrowings included bank borrowings of HK$125.3 million (2005: HK$82.0 million), other loans of HK$562.0 million (2005: HK$161.3 million), and overdrafts of HK$33.2 million (2005: HK$47.0 million). In addition, there were obligations under finance leases and an amount due to a minority shareholder of HK$0.5 million and HK$2.5 million, respectively, as at 31 March 2005. The increase in borrowings was mainly due to new borrowings totaling of HK$1,762.5 million obtained during the year for the purposes of investment and daily operation, but with the total repayment of only HK$1,240.8 million. In addition, bank borrowing of HK$93.0 million was recorded as a liability of the Group through the acquisition of a subsidiary in March 2006.

Interest in associates

The decrease in balance from HK$632.2 million as at 31 March 2005 to HK$616.9 million as at 31 March 2006 was mainly due to the acquisition of an additional equity interest in an associate of HK$24.1 million, disposal of interests in certain associates of HK$4.4 million, currency translation loss of HK$3.4 million, and share of associates' increase in other reserves and losses, of HK$35.1 million and HK$21.5 million, respectively, during the year. Furthermore, goodwill arising on acquisition of an associate was disposed of with a loss of HK$14.4 million during the year. An equity interest of 15.3% in China Strategic Holdings Limited of HK$30.8 million was reclassified to "assets classified as held for sale" pursuant to the Circular dated 26 May, 2006 issued by the Company.

Pledge of assets

At 31 March 2006, certain assets of the Group amounting to HK$1,430.0 million (2005: HK$240.2 million) were pledged to banks and financial institutions for loan facilities granted to the Group.

Gearing ratio

The gearing ratio (borrowings/shareholders' funds) at 31 March 2006 significantly increased to 38.6% (2005: 16.2%) owing to the additions of bank and other borrowings during the year to finance the Group's investments.

Exchange rate and interest rate risks exposure

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong Dollars and United States Dollars. However, the Group will consider entering into hedging contracts to eliminate any exposures to downside risks, whenever the Group and the concerned foreign subsidiaries think fit.

Contingent liabilities

As at 31 March 2006, the Group had no contingent liabilities in relation to guarantees given to banks and other financial institutions for facilities granted to an outsider (2005: Nil). However, the Group had a share of contingent liabilities from its associates in relation to guarantees given to banks and third parties of HK$11.5 million (2005: HK$13.7 million).

Employees and remuneration policies

As at 31 March 2006, there were approximately 500 staff (2005: 500) employed by the Group. The remuneration policies are formulated on the basis of performance of individual employees and the prevailing salaries' trends in the various regions. They are subject to be reviewed every year. The Group also provided employee training programs, mandatory provident fund scheme, medical insurance and discretionary bonus. Share options are awarded to employees on merit basis. However, no share options were granted during the year.

Major Acquisitions and Disposals

Disposal of 15.3% interests in China Strategic Holdings Limited ("CSHL") and acquisition of interests in Group Dragon Investments Limited ("GDI")

On 10 March 2005, the Company and PYI Corporation Limited (formerly known as Paul Y.-ITC Construction Holdings Limited) entered into a share sale agreement (the "Share Sale Agreement") with Nation Field Limited for the disposal of an approximately 15.3% interests in CSHL at a consideration of approximately HK$26 million. The Share Sale Agreement was completed on 24 May 2006. On 26 May 2006, Somerley Limited, on behalf of Well Orient Limited ("Well Orient") made a voluntary offer to the shareholders of GDI, other than those owned or agreed to be acquired by Well Orient, its associates and parties acting in concert with it ("GDI Offer"). The GDI Offer closed at 4:00 p.m. on 16 June 2006. Well Orient received a total of 306,622,223 GDI shares representing approximately 69.56% of the issued share capital of GDI. Together with the 129,409,897 GDI shares (representing approximately 29.36% of the existing issued share capital of GDI) already held by Well Orient, Well Orient was interested in approximately 98.92% of the issued share capital of GDI.

Subscription of convertible note of Macau Prime Properties Holdings Limited (formerly known as Cheung Tai Hong Holdings Limited) ("MPP")

On 20 April 2005, Loyal Concept Limited ("Loyal Concept"), an indirect wholly-owned subsidiary of the Company, and MPP entered into a subscription agreement (the "Subscription Agreement") regarding the subscription by Loyal Concept of a zero coupon convertible note due 2010 of MPP with a principal amount of HK$450 million at an initial conversion price of HK$0.44 per conversion share, subject to adjustment from time to time. The subscription and the transactions contemplated under the Subscription Agreement were approved by the shareholders in a special general meeting of the Company held on 24 June 2005 and the Subscription Agreement was completed on 11 August 2005. Details of the transaction are set out in the circular of the Company dated 7 June 2005.

The underwriting agreement and subscription of convertible note of See Corporation Limited (formerly known as Ruili Holdings Limited) ("SCL")

On 21 April 2005, the Company, SCL and Tai Fook Securities Company Limited entered into an underwriting agreement, pursuant to which, the maximum number of rights shares to be taken up by the Company was 320 million rights shares at a subscription price of HK$0.10 per rights share. On the same date, the Company and SCL entered into a subscription agreement (the "SCL Subscription Agreement") to subscribe for a zero coupon convertible note due 2010 of SCL in a principal amount of HK$170 million at an initial conversion price of HK$0.12 per conversion share, subject to the adjustment from time to time. On 22 July 2005, the Company subscribed for 320 million rights shares of SCL at HK$0.10 per rights share. The SCL Subscription Agreement was completed on 10 August 2005. Details of the transaction are set out in the circular of the Company dated 24 May 2005.

Subscription of convertible note of Wo Kee Hong (Holdings) Limited ("WKH")

On 18 August 2005, the Company and WKH entered into a subscription agreement (the "WKH Subscription Agreement") to subscribe for the 7.25% convertible note due 2008 of WKH with a principal amount of HK$30 million at an initial conversion price of HK$0.10 per conversion share, subject to adjustment from time to time. The WKH Subscription Agreement was completed on 7 September 2005. Details of the transaction are set out in the circular of the Company dated 9 September 2005.

Disposal of the assets of Memorex International Inc. ("MII")

On 19 January 2006, MII and Imation Corp. entered into a sale and purchase agreement (the "S&P Agreement") for the sale and purchase of all of the assets of MII relating to the business of the design, development, marketing, distribution and sale of hardware, media and accessories used for the storage of electronic data as conducted by MII, Hanny Magnetics Europe Limited, Memorex Canada Ltd., Memorex Products Europe Limited, Memorex Products S.A.S., Memorex Products GmbH, Memorex Products (Taiwan) Inc. and Memorex Products, Inc. for an aggregate consideration of US$330 million plus adjustments amount and earnout amount calculated in accordance with the S&P Agreement. The S&P Agreement was completed on 28 April 2006. Details of the transaction are set out in the circular of the Company dated 10 April 2006.

Acquisition of the entire issued share capital of Rapid Growth Profits Limited ("Rapid Growth")

On 9 March 2006, an indirect wholly-owned subsidiary of Company entered into a sale and purchase agreement (the "RG Agreement") for the sale and purchase of the entire issued share capital of Rapid Growth and the shareholder's loan for a consideration of HK$39,054,194.00. The assets held by Rapid Growth (through its wholly-owned subsidiary) was the property situated at 31st Floor, Bank of America Tower, 12 Harcourt Road, Hong Kong and four car park spaces on the 4th Floor at that building. The RG Agreement was completed on 28 March 2006. Details of the transaction are set out in the circular of the Company dated 27 March 2006."

(I) THE UNAUDITED PRO FORMA BALANCE SHEET OF THE ENLARGED GROUP

The following is the unaudited pro forma balance sheet of the Enlarged Group assuming that the ITC Subscription, the exercise of the conversion rights attached to the ITC Subscriber Notes (the "Conversion") and the possible mandatory offer (if any) to be triggered by the possible acquisition of further Hanny Shares by the ITC Group as a result of the Conversion pursuant to the Takeovers Code (the "Mandatory Offer") had been completed on 31st March, 2006. The unaudited pro forma balance sheet of the Enlarged Group was prepared based on the audited consolidated balance sheets of the ITC Group and the Hanny Group as at 31st March, 2006 extracted from the respective annual reports of the ITC Group and the Hanny Group for the year ended 31st March, 2006 with adjustments to reflect the effect of the ITC Subscription, Conversion and Mandatory Offer.

This unaudited pro forma balance sheet of the Enlarged Group was prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group as at 31st March, 2006 or any future date.

	ITC Group 31/3/2006	Pro forma adjustments relating to the ITC Subscription		ITC after the ITC Subscription and before Conversion and Mandatory Offer	Hanny Group 31/3/2006	Other pro forma adjustments		Other pro forma adjustments		Other pro forma adjustments		Other pro forma adjustments sub-total	Pro forma Enlarged Group
	HK$'000	*HK$'000*		*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*		*HK$'000*		*HK$'000*	*HK$'000*
Non-current assets													
Property, plant and equipment	50,835	–		50,835	38,567	–		–		–		–	89,402
Investment properties	4,016	–		4,016	133,000	–		–		–		–	137,016
Prepaid lease payments	89,651	–		89,651	–	–		–		–		–	89,651
Goodwill	–	–		–	6,621	(6,621)	*(b)*	–		–		(6,621)	–
Other intangible assets	1,080	–		1,080	–	–		–		3,595	*(c)*	3,595	4,675
Club debentures	–	–		–	3,595	–		–		(3,595)	*(c)*	(3,595)	–
Interests in associates	1,179,749	–		1,179,749	616,871	(38,979)	*(b)*	(453,762)	*(b)*	–		(492,741)	1,303,879
Loan to an associate	–	–		–	1,331	–		–		–		–	1,331
Available-for-sale investments	83,730	488,458	*(a)*	572,188	534,045	–		(488,458)	*(b)*	–		(488,458)	617,775
Deposits for acquisition of long-term investments	–	–		–	190,175	–		–		–		–	190,175
	1,409,061	488,458		1,897,519	1,524,205	(45,600)		(942,220)		–		(987,820)	2,433,904
Current assets													
Inventories	137	–		137	8,553	–		–		–		–	8,690
Conversion option embedded in convertible notes	–	93,992	*(a)*	93,992	231,509	–		(93,992)	*(b)*	–		(93,992)	231,509
Debtors, deposits and prepayments	14,370	–		14,370	59,730	–		–		–		–	74,100
Margin account receivables	10,791	–		10,791	18,680	–		–		–		–	29,471
Available-for-sale investments	–	–		–	73,500	–		–		–		–	73,500
Prepaid lease payments	2,214	–		2,214	–	–		–		–		–	2,214
Amounts due from associates	205,083	–		205,083	2,623	–		–		(176,967)	*(c)*	(176,967)	30,739
Amounts due from related companies	247,362	–		247,362	159,559	–		–		–		–	406,921
Loans receivable	205,400	–		205,400	20,162	–		–		–		–	225,562
Held for trading investments	138,474	–		138,474	421,997	–		–		–		–	560,471
Tax recoverable	–	–		–	923	–		–		–		–	923
Pledged bank deposit	–	–		–	19,966	–		–		–		–	19,966
Bank deposits, bank balances and cash	227,808	(582,450)	*(a)*	(354,642)	6,514	–		(129,037)	*(b)*	–		(129,037)	(477,165)
Assets classified as held for sale	–	–		–	1,645,259	–		–		–		–	1,645,259
	1,051,639	(488,458)		563,181	2,668,975	–		(223,029)		(176,967)		(399,996)	2,832,160

(I) THE UNAUDITED PRO FORMA BALANCE SHEET OF THE ENLARGED GROUP *(Cont'd)*

	ITC Group 31/3/2006	Pro forma adjustments relating to the ITC Subscription	ITC after the ITC Subscription and before Conversion and Mandatory Offer	Hanny Group 31/3/2006	Other pro forma adjustments	Other pro forma adjustments	Other pro forma adjustments	Other pro forma adjustments sub-total	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities									
Creditors and accrued expenses	25,383	–	25,383	358,856	–	–	–	–	384,239
Margin account payables	25,048	–	25,048	153	–	–	–	–	25,201
Bills payable	–	–	–	422	–	–	–	–	422
Derivative financial instruments	460	–	460	–	–	–	–	–	460
Amounts due to associates	123	–	123	–	–	–	–	–	123
Tax payable	–	–	–	33,264	–	–	–	–	33,264
Bank borrowings – due within one year	30,667	–	30,667	591,629	–	–	(143,780) *(c)*	(143,780)	478,516
Bank overdrafts	–	–	–	33,187	–	–	(33,187) *(c)*	(33,187)	–
Liabilities directly associated with assets classified as held for sale	–	–	–	854,328	–	–	–	–	854,328
	81,681	–	81,681	1,871,839	–	–	(176,967)	(176,967)	1,776,553
Net current assets	969,958	(488,458)	481,500	797,136	–	(223,029)	–	(223,029)	1,055,607
Total assets less current liabilities	2,379,019	–	2,379,019	2,321,341	(45,600)	(1,165,249)	–	(1,210,849)	3,489,511
Non-current liabilities									
Redeemable convertible preference shares	286,811	–	286,811	–	–	–	–	–	286,811
Bank borrowings – due after one year	60,100	–	60,100	95,693	–	–	–	–	155,793
Deferred tax liabilities	99	–	99	6,325	–	–	–	–	6,424
	347,010	–	347,010	102,018	–	–	–	–	449,028
Net assets	2,032,009	–	2,032,009	2,219,323	(45,600)	(1,165,249)	–	(1,210,849)	3,040,483
Capital and reserves									
Share capital	183,750	–	183,750	2,372	–	(2,372) *(b)*	–	(2,372)	183,750
Reserves	1,826,195	–	1,826,195	1,866,517	(45,600) *(b)*	(1,162,877) *(b)*	–	(1,208,477)	2,484,235
Equity attributable to equity holders of the parent	2,009,945	–	2,009,945	1,868,889	(45,600)	(1,165,249)	–	(1,210,849)	2,667,985
Minority interests	22,064	–	22,064	350,434	–	–	–	–	372,498
Total equity	2,032,009	–	2,032,009	2,219,323	(45,600)	(1,165,249)	–	(1,210,849)	3,040,483

(II) THE UNAUDITED PRO FORMA INCOME STATEMENT OF THE ENLARGED GROUP

The following is the unaudited pro forma income statement of the Enlarged Group assuming that the ITC Subscription, Conversion and Mandatory Offer had been completed on 1st April, 2005, the beginning of the financial year of the ITC Group. The unaudited pro forma income statements of the Enlarged Group was prepared based on the audited consolidated income statements of the ITC Group and the Hanny Group for the year ended 31st March, 2006 with adjustments to reflect the effect of the ITC Subscription, Conversion and Mandatory Offer.

This unaudited pro forma income statement of the Enlarged Group was prepared for illustrative purpose only and because of its nature, it may not give a true picture of the results of the Enlarged Group for the year ended 31st March, 2006 or any future period.

	ITC Group 31/3/2006	Pro forma adjustment relating to the ITC Subscription	ITC after the ITC Subscription and before Conversion and Mandatory Offer	Hanny Group 31/3/2006	Other pro forma adjustments	Other pro forma adjustments	Other pro forma adjustments	Other pro forma adjustments sub-total	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations									
Turnover	252,959	32,483 *(f)*	285,442	316,638	59,802 *(c)*	(32,483)*(f)*	–	27,319	629,399
Cost of sales	(205,884)	–	(205,884)	(278,353)	–	–	–	–	(484,237)
Gross profit	47,075	32,483	79,558	38,285	59,802	(32,483)	–	27,319	145,162
Other income	1,260	–	1,260	116,585	(117,511) *(c)*	–	–	(117,511)	334
Distribution and selling expenses	–	–	–	(2,339)	–	–	–	–	(2,339)
Administrative expenses	(59,199)	–	(59,199)	(111,342)	(778) *(c)*	–	–	(778)	(171,319)
Other operating expenses	–	–	–	(50,623)	50,623 *(c)*	–	–	50,623	–
Discount on acquisition released to income arising from acquisition of additional interest in a subsidiary	2,578	–	2,578	–	–	–	–	–	2,578
Discount on acquisition released to income arising from acquisition of additional interest in Hanny	–	–	–	–	–	–	513,384 *(e)*	513,384	513,384
Finance costs	(28,012)	–	(28,012)	(63,466)	7,864 *(c)*	–	–	7,864	(83,614)
Impairment loss on trademark licenses of an associate	–	–	–	(164,667)	–	–	–	–	(164,667)
Change in fair value of conversion option embedded in convertible notes	–	–	–	114,048	–	–	–	–	114,048
Allowance for amounts due from associates and related companies	(3,064)	–	(3,064)	–	–	–	–	–	(3,064)
Net (loss) gain on disposal and dilution of interests in subsidiaries and associates	(31,596)	–	(31,596)	921	–	(11,200)*(g)*	–	(11,200)	(41,875)
Share of results of associates	174,499	(13,305) *(f)*	161,194	(21,494)	–	(34,523)*(d)(f)*	–	(34,523)	105,177

(II) THE UNAUDITED PRO FORMA INCOME STATEMENT OF THE ENLARGED GROUP *(Cont'd)*

	ITC Group 31/3/2006 *HK$'000*	Pro forma adjustment relating to the ITC Subscription *HK$'000*	ITC after the ITC Subscription and before Conversion and Mandatory Offer *HK$'000*	Hanny Group 31/3/2006 *HK$'000*	Other pro forma adjustments *HK$'000*	Other pro forma adjustments *HK$'000*	Other pro forma adjustments *HK$'000*	Other pro forma adjustments sub-total *HK$'000*	Pro forma Enlarged Group *HK$'000*
Profit (loss) before taxation	103,541	19,178	122,719	(144,092)	–	(78,206)	513,384	435,178	413,805
Taxation	–	–	–	(4,331)	–	–	–	–	(4,331)
Profit (loss) for the year from continuing operations	103,541	19,178	122,719	(148,423)	–	(78,206)	513,384	435,178	409,474
Discontinued operations									
Profit for the year from discontinued operations	–	–	–	52,419	–	–	–	–	52,419
Profit (loss) for the year	103,541	19,178	122,719	(96,004)	–	(78,206)	513,384	435,178	461,893
Attributable to:									
Equity holders of the parent	107,394	19,178	126,572	8,915	–	(78,206)	513,384	435,178	570,665
Minority interests	(3,853)	–	(3,853)	(104,919)	–	–	–	–	(108,772)
	103,541	19,178	122,719	(96,004)	–	(78,206)	513,384	435,178	461,893
Earnings per share:									
From continuing and discontinued operations:									
Basic	0.094								0.50*(h)*
Diluted	0.068								0.31*(h)*

(III) THE UNAUDITED PRO FORMA CASH FLOW STATEMENT OF THE ENLARGED GROUP

The following is the unaudited pro forma cash flow statement of the Enlarged Group assuming that the ITC Subscription, Conversion and Mandatory Offer had been completed on 1st April, 2005, the beginning of the financial year of the ITC Group. The unaudited pro forma cash flow statement of the Enlarged Group was prepared based on the audited consolidated cash flow statements of the ITC Group and the Hanny Group for the year ended 31st March, 2006 with adjustments to reflect the effect of the ITC Subscription, Conversion and Mandatory Offer.

This unaudited pro forma cash flow statement of the Enlarged Group was prepared for illustrative purpose only and because of its nature, it may not give a true picture of the results of the Enlarged Group for the year ended 31st March, 2006 or any future period.

	ITC Group 31/3/2006 *HK$'000*	Pro forma adjustments relating to the ITC Subscription *HK$'000*		ITC after the ITC Subscription and before Conversion and Mandatory Offer *HK$'000*	Hanny Group 31/3/2006 *HK$'000*	Other pro forma adjustments *HK$'000*	Other pro forma adjustments *HK$'000*		Pro forma Enlarged Group *HK$'000*
OPERATING ACTIVITIES									
Profit (loss) for the year	103,541	19,178	*(f)*	122,719	(96,004)	–	435,178	*(d)(e)(f)*	461,893
Adjustments for:									
Share of results of associates	(174,499)	13,305	*(f)*	(161,194)	21,494	–	34,523	*(d)(f)*	(105,177)
Net loss on disposal and dilution of interests in subsidiaries and associates	31,596	–		31,596	(921)	–	11,200	*(g)*	41,875
Allowance for amounts due from associates and related companies	3,064	–		3,064	–	–	–		3,064
Allowance for debtors, deposits and prepayments	773	–		773	16,672	–	–		17,445
Allowance for loans receivables	3,475	–		3,475	11,542	–	–		15,017
Impairment loss on other intangible assets	1,085	–		1,085	–	–	778	*(c)*	1,863
Interest expenses	28,012	–		28,012	75,894	–	(7,864)	*(c)*	96,042
Discount on acquisition released to income arising from acquisition of additional interest in subsidiaries	(2,578)	–		(2,578)	–	–	–		(2,578)
Discount on acquisition released to income arising from acquisition of additional interest in Hanny	–	–		–	–	–	(513,384)	*(e)*	(513,384)
Depreciation and amortisation of property, plant and equipment	4,440	–		4,440	13,804	–	–		18,244
Release of prepaid lease payments	2,214	–		2,214	–	–	–		2,214
(Gain) loss on disposal of property, plant and equipment	(295)	–		(295)	2,736	–	–		2,441
Surplus arising from revaluation of land and buildings	(2,582)	–		(2,582)	–	–	–		(2,582)

(III) THE UNAUDITED PRO FORMA CASH FLOW STATEMENT OF THE ENLARGED GROUP *(Cont'd)*

	ITC Group 31/3/2006 *HK$'000*	Pro forma adjustments relating to the ITC Subscription *HK$'000*	ITC after the ITC Subscription and before Conversion and Mandatory Offer *HK$'000*	Hanny Group 31/3/2006 *HK$'000*	Other pro forma adjustments *HK$'000*	Other pro forma adjustments *HK$'000*	Pro forma Enlarged Group *HK$'000*
Increase in fair value of investment properties	(335)	–	(335)	–	–	–	(335)
Decrease (increase) in fair value of held for trading investments	1,229	–	1,229	(43,313)	–	–	(42,084)
Decrease in fair value of derivative financial instruments	460	–	460	–	–	–	460
Gain on disposal of gold bullion	(7,075)	–	(7,075)	–	–	–	(7,075)
Interest income	–			(44,398)	–		(44,398)
Taxation	–	–	–	53,669	–	–	53,669
Increase in fair value of conversion options embedded in convertible notes	–	–	–	(114,048)	–	–	(114,048)
Impairment loss on trademark licenses	–	–	–	164,667	–	–	164,667
Impairment loss on available-for-sale investments	–	–	–	49,845	–	–	49,845
Impairment loss on club debentures	–	–	–	778	–	(778) *(c)*	–
Allowance for margin loan receivables	–	–	–	4,922	–	–	4,922
Amortization of intangible assets	–	–	–	806	–	–	806
Allowance for slow moving and obsolete inventories	–	–	–	75,732	–	–	75,732

(III) THE UNAUDITED PRO FORMA CASH FLOW STATEMENT OF THE ENLARGED GROUP *(Cont'd)*

	ITC Group 31/3/2006 *HK$'000*	Pro forma adjustments relating to the ITC Subscription *HK$'000*	ITC after the ITC Subscription and before Conversion and Mandatory Offer *HK$'000*	Hanny Group 31/3/2006 *HK$'000*	Other pro forma adjustments *HK$'000*	Other pro forma adjustments *HK$'000*	Pro forma Enlarged Group *HK$'000*
Operating cash flows before movements in working capital	(7,475)	32,483	25,008	193,877	–	(40,347)	178,538
Increase in inventories	(22)	–	(22)	(113,068)	–	–	(113,090)
Increase in debtors, deposits and prepayments	(10,556)	–	(10,556)	(70,193)	–	–	(80,749)
(Increase) decrease in margin account receivables	(10,766)	–	(10,766)	9,945	–	–	(821)
Increase in amounts due from associates	(27,662)	–	(27,662)	–	–	7,967 *(c)*	(19,695)
Increase in amounts due from related companies	(9,677)	–	(9,677)	–	–	–	(9,677)
Increase in loans receivable	(185,644)	–	(185,644)	–	–	–	(185,644)
Net increase in held for trading investments	(134,678)	–	(134,678)	(214,890)	–	–	(349,568)
Increase in creditors and accrued expense	5,077	–	5,077	46,790	–	–	51,867
Increase (decrease) in margin account payables	25,048	–	25,048	(100)	–	–	24,948
Increase in amounts due to associates	30	–	30	–	–	–	30
Decrease in other asset	–	–	–	108,000	–	–	108,000
Decrease in bills payable	–	–	–	(3,222)	–	–	(3,222)
Cash used in operations	(356,325)	32,483	(323,842)	(42,861)	–	(32,380)	(399,083)
Dividends received from associates	498,555	–	498,555	–	–	1,542 *(c)*	500,097
Interest and finance charges paid	–	–	–	(59,891)	–	59,891 *(c)*	–
Overseas tax paid	–	–	–	(132,172)	–	–	(132,172)
Hong Kong Profits Tax paid	–	–	–	(662)	–	–	(662)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	142,230	32,483	174,713	(235,586)	–	29,053	(31,820)

(III) THE UNAUDITED PRO FORMA CASH FLOW STATEMENT OF THE ENLARGED GROUP *(Cont'd)*

	ITC Group 31/3/2006 *HK$'000*	Pro forma adjustments relating to the ITC Subscription *HK$'000*	ITC after the ITC Subscription and before Conversion and Mandatory Offer *HK$'000*	Hanny Group 31/3/2006 *HK$'000*	Other pro forma adjustments *HK$'000*	Other pro forma adjustments *HK$'000*	Pro forma Enlarged Group *HK$'000*
INVESTING ACTIVITIES							
Proceeds from disposal of interests in associates	448,214	–	448,214	–	–	–	448,214
Proceeds from disposal of gold bullion	71,757	–	71,757	–	–	–	71,757
Disposal of subsidiaries	–	–	–	2,819	–	–	2,819
Proceeds from disposal of property, plant and equipment	484	–	484	365	–	–	849
Amounts advanced to related companies	(239,000)	–	(239,000)	–	–	–	(239,000)
Amounts advanced to associates	(169,000)	–	(169,000)	(4,166)	–	169,000 *(c)*	(4,166)
Additions to available-for-sale investments	(60,506)	–	(60,506)	(33,176)	–	–	(93,682)
Acquisition of additional interests in associates	(55,335)	–	(55,335)	(24,123)	–	46,863 *(d)*	(32,595)
Additions to property, plant and equipment	(10,967)	–	(10,967)	(15,470)	–	–	(26,437)
Acquisition of additional interest in subsidiaries	(1,164)	–	(1,164)	–	–	–	(1,164)
Acquisition of other intangible assets	(325)	–	(325)	–	–	–	(325)
Repayment of short-term loan receivables	–	–	–	234,543	–	–	234,543
Decrease in pledged bank deposit	–	–	–	48	–	–	48
Interest received	–	–	–	40,573	–	–	40,573
Increase in short-term loan receivables	–	–	–	(31,802)	–	–	(31,802)
Repayment of short-term loan receivables from related companies	–	–	–	131,693	–	–	131,693
Dividend received from an associate	–	–	–	1,542	–	(1,542) *(c)*	–
Increase in short-term loan receivables from related companies	–	–	–	(92,324)	–	–	(92,324)
Proceeds from disposal of an associate	–	–	–	1,750	–	–	1,750
Deposits for acquisition of long-term investments	–	–	–	(155,175)	–	–	(155,175)
Acquisition of interest in a subsidiary	–	–	–	(42,389)	(344,720) *(i)*	–	(387,109)
Redemption of unlisted debt securities	–	–	–	12,000	–	–	12,000
Subscription of convertible notes	–	(582,450) *(a)*	(582,450)	(650,000)	582,450 *(b)*	–	(650,000)
NET CASH USED IN INVESTING ACTIVITIES	(15,842)	(582,450)	(598,292)	(623,292)	237,730	214,321	(769,533)

(III) THE UNAUDITED PRO FORMA CASH FLOW STATEMENT OF THE ENLARGED GROUP *(Cont'd)*

	ITC Group 31/3/2006 *HK$'000*	Pro forma adjustments relating to the ITC Subscription *HK$'000*	ITC after the ITC Subscription and before Conversion and Mandatory Offer *HK$'000*	Hanny Group 31/3/2006 *HK$'000*	Other pro forma adjustments *HK$'000*	Other pro forma adjustments *HK$'000*	Pro forma Enlarged Group *HK$'000*
FINANCING ACTIVITIES							
Net proceeds from issue of shares	150,003	–	150,003	34,150	–	–	184,153
Net increase (decrease) in bank overdrafts	13,295	–	13,295	–	–	(13,791) *(c)*	(496)
Dividends paid	(30,755)	–	(30,755)	(9,850)	–	–	(40,605)
Interest paid	(25,885)	–	(25,885)	–	–	(52,027) *(c)*	(77,912)
Repayments of other loans	(18,774)	–	(18,774)	(384,241)	–	–	(403,015)
Repayments of bank borrowings	(2,450)	–	(2,450)	(855,136)	–	–	(857,586)
New bank loans raised	–	–	–	976,527	–	–	976,527
Other loans raised	–	–	–	783,000	–	(176,967) *(c)*	606,033
Repayments of obligations under finance leases	–	–	–	(462)	–	–	(462)
NET CASH FROM FINANCING ACTIVITIES	85,434	–	85,434	543,988	–	(242,785)	386,637
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	211,822	(549,967)	(338,145)	(314,890)	237,730	589	(414,716)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	16,032	–	16,032	312,625	(359,603) *(i)*	46,978 *(c)*	16,032
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(46)	–	(46)	1,608	–	–	1,562
CASH AND CASH EQUIVALENTS CARRIED FORWARD	227,808	(549,967)	(322,159)	(657)	(121,873)	47,567	(397,122)
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS							
Bank deposits	223,230	(582,450) *(a)*	(359,220)	–	–	–	(359,220)
Bank balances and cash	4,578	32,483 *(f)*	37,061	6,514	(121,873)	14,380 *(d)(f)*	(63,918)
Bank overdrafts	–	–	–	(33,187)	–	33,187 *(c)*	–
Bank balances and cash classified as assets held for sale	–	–	–	26,016	–	–	26,016
	227,808	(549,967)	(322,159)*(j)*	(657)	(121,873)	47,567	(397,122)

Notes:

(a) The adjustment reflects the payment of US$75,000,000 (approximately HK$582,450,000) by the ITC Group for the ITC Subscription with the initial measurement of the fair values of the loan portion of US$62,897,000 (approximately HK$488,458,000) and the conversion option embedded in the convertible notes of US$12,103,000 (approximately HK$93,992,000). These fair values are measured by an independent firm of business valuer.

(b) The adjustment reflects the exercise of the conversion rights attached to the ITC Subscriber Notes by the ITC Group and further acquisition of equity interests of Hanny under the Mandatory Offer (if any) as at 31st March, 2006.

The discount on acquisition of approximately HK$658,040,000 includes a dilution loss of approximately HK$129,762,000 of the ITC Group's existing interest in Hanny as an associate and the discount on acquisition of additional interest in Hanny of HK$787,802,000 arising from the Conversion and the Mandatory Offer. The discount on acquisition of additional interest in Hanny is calculated as the difference between the aggregate consideration of approximately HK$1,876,387,000, comprising:

– Fair value of ITC Subscriber Notes of HK$582,450,000; and

– HK$1,293,937,000 to be paid assuming full acceptance of the Mandatory Offer (326,697,276 shares of Hanny at an offer price of US$0.51 which is the same as the initial conversion price of the Hanny Notes)

and the adjusted net asset value of the additional interest in Hanny of approximately HK$2,664,189,000.

(c) The adjustment reflects the elimination of inter-company balances and transactions of the Enlarged Group and the reclassification of certain amounts in the balance sheet, the income statement and the cash flow statement of Hanny to conform with the ITC Group's presentation.

(d) The adjustments reflect the reversal of the equity accounting for the results of Hanny and the acquisition of interest in Hanny for the year ended 31st March, 2006.

(e) The adjustment reflects the exercise of the conversion rights attached to the ITC Subscriber Notes by the ITC Group and further acquisition of equity interests of Hanny under the Mandatory Offer (if any) as at 1st April, 2005.

The discount on acquisition of approximately HK$513,384,000 includes a dilution loss of approximately HK$125,671,000 of the ITC Group's existing interest in Hanny as an associate and the discount on acquisition of additional interest in Hanny of HK$639,055,000 arising from the Conversion and the Mandatory Offer. The discount on acquisition of additional interest in Hanny is calculated as the difference between the aggregate consideration of approximately HK$1,869,223,000, comprising:

– Fair value of ITC Subscriber Notes of HK$582,450,000 (assuming the fair value of ITC Subscriber Notes is the same as 31st March, 2006); and

– HK$1,286,773,000 to be paid assuming full acceptance of the Mandatory Offer

and the adjusted net asset value of the additional interest in Hanny of approximately HK$2,508,278,000.

(f) The adjustment reflects the interest income on the ITC Subscriber Notes, the interest charged on the Hanny Notes shared by the ITC Group and the elimination on the Conversion.

(g) The adjustment reflects the dilution effect in Hanny if the Mandatory Offer had been completed on 1st April, 2005.

(h) The calculation of pro forma basic earnings per share at 31st March, 2006 was based on the pro forma profit of the Enlarged Group attributable to equity holders of the parent of approximately HK$570,665,000 and a pro forma weighted average number of shares outstanding during the year ended 31st March, 2006 of 1,142,341,794 (same as the weighted average number of shares shown in the 2006 annual report of the ITC Group).

The computation of pro forma diluted earnings per share for the year ended 31st March, 2006 has taken into account the effect of the convertible notes and the redeemable convertible preference shares issued by the ITC Group and has not assumed the exercise of the outstanding share options of ITC as the exercise price of those options is higher than the average market price for shares for the year. The pro forma earnings for the purpose of diluted earnings per share is HK$593,555,000 and the weighted average number of ordinary shares for the purposes of diluted earnings per share is 1,914,697,806.

(i) The adjustment reflects the net cash flow of:

– the payment of approximately HK$1,286,773,000 by the ITC Group for the acquisition of Hanny Shares under the Mandatory Offer on the assumption that the offer price for the Mandatory Offer will be equal to the initial conversion price and that such offer will be fully accepted by the shareholders of Hanny. Based on 223,628,412 Hanny Shares in issue as at 1st April, 2005 of which 45,798,813 Hanny Shares were held by the ITC Group before the conversion of the ITC Subscriber Notes and 294,117,645 Hanny Shares would have been issued upon full conversion of the Hanny Notes at the initial conversion price, a total of 517,746,057 Hanny Shares would have been in issue of which 192,857,636 Hanny Shares will be held by the ITC Group. Accordingly, 324,888,421 Hanny Shares are assumed to be subject to the Mandatory Offer; and

– the inflow from the acquisition of Hanny's cash and cash equivalents position of HK$942,053,000 which represents the bank balances and cash of approximately HK$359,603,000 as at 1st April, 2005 and the proceeds received of approximately HK$582,450,000 from the issue of the Hanny Notes by Hanny to parties other than the ITC Group.

(j) Since the pro forma cash flow statement of the Enlarged Group is prepared as if the subscription of the ITC Subscriber Notes had taken place on 1st April, 2005, there would be a cash shortfall of approximately HK$322.2 million in relation to the subscription of the ITC Subscriber Notes by the ITC Group on 31st March, 2006 as shown in the unaudited pro forma cash flow statement of the Enlarged Group. The shortfall of approximately HK$322.2 million will be satisfied by the subsequent loan repayment from the associates, related companies and other third parties to the ITC Group.

Amounts denominated in US$ in this unaudited pro forma financial information of the Enlarged Group have been converted into HK$ at the rate of US$1.0 = HK$7.766 for illustration purpose.

Assuming the fair value of the Hanny Group on the date of the acquisition is equal to the carrying amount of net assets of the Hanny Group.

The above pro forma adjustments have not taken into account:

(1) The effect of Existing Hanny Bonds held by ITC and other bond holders which were issued by Hanny in June 2006.

(2) The effect on the very substantial acquisition of interests in GDI by Hanny completed in June 2006, details of which are set out in the announcement of Hanny dated 19th April, 2005.

(3) The effect on the very substantial disposal of the business of trading of computer related products and consumer products, and marketing of data storage media completed in April 2006, details of which are set out in the announcement of Hanny dated 26th January, 2006.

(4) The effect on subscription of convertible notes of Cheung Tai Hong Holdings Limited by the ITC Group and Hanny of HK$30,000,000 and HK$270,000,000 respectively, details of which are set out in the announcement of Hanny dated 28th April, 2006.

(IV) ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of an accountants' report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for inclusion in this circular, in respect of the unaudited pro forma financial information of the Enlarged Group as set out in this appendix.

Deloitte.
德勤

We report on the unaudited pro forma financial information of ITC Corporation Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "ITC Group") and Hanny Holdings Limited ("Hanny") and its subsidiaries (together with the ITC Group hereinafter collectively referred to as the "Enlarged Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed subscription of Hanny notes, conversion and mandatory offer might have affected the financial information presented, for inclusion in Appendix III to the circular dated 8th September, 2006 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out in Appendix III to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

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

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

Basis of opinion

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

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

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Enlarged Group as at 31st March, 2006 or at any future date; or

- the results and cash flows of the Enlarged Group for the year ended 31st March, 2006 or any future period.

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

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

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
8th September, 2006

RESPONSIBILITY STATEMENT

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

The information relating to the Hanny Group in this circular has been taken from Hanny's annual reports and accounts for the three years ended 31st March, 2006 and from the public announcements and circulars issued by Hanny. The only responsibility accepted by the ITC Directors in respect of information relating to the Hanny Group is to ensure that it has been correctly and fairly reproduced or presented.

DISCLOSURE OF INTERESTS

(A) ITC Directors' interests and short positions in shares, underlying shares and debentures

As at the Latest Practicable Date, the interests and short positions of the ITC Directors and chief executives of ITC in the shares, underlying shares and debentures of ITC or any associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to ITC and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers and which were required to be entered in the register kept by ITC pursuant to section 352 of the SFO, were as follows:

(a) Interests and short positions in shares, underlying shares and debentures of ITC

Name of ITC Director	Capacity	Long position/ Short position	No. of ITC Ordinary Shares held	Approximate % of the existing issued ordinary share capital of ITC
Chan Kwok Keung, Charles	Interest of controlled corporation *(Note)*	Long position	642,939,242	34.99%

Note: Galaxyway Investments Limited is a wholly-owned subsidiary of Chinaview International Limited which is, in turn, wholly owned by Dr. Chan. Dr. Chan was deemed to be interested in 642,939,242 ITC Ordinary Shares held by Galaxyway Investments Limited.

(b) Interests and short positions in shares, underlying shares and debentures of the following associated corporations

(i) Trasy Gold Ex Limited ("Trasy")

Name of ITC Director	Capacity	Long position/ Short position	No. of shares of Trasy held	Approximate % of the existing issued share capital of Trasy
Chan Kwok Keung, Charles	Interest of controlled corporation *(Note)*	Long position	1,568,681,139	56.45%

Note: The shares of Trasy were held by a wholly-owned subsidiary of ITC. By virtue of his deemed interests in approximately 34.99% of the existing issued ordinary share capital of ITC, Dr. Chan was deemed to be interested in these shares of Trasy.

(ii) PYI

Name of ITC Director	Capacity	Long position/ Short position	No. of shares of PYI held	No. of underlying shares (in respect of the share options (unlisted equity derivatives)) of PYI held	Approximate % of the existing issued share capital of PYI
Chan Kwok Keung, Charles	Interest of controlled corporation *(Note)*	Long position	399,859,768	–	27.34%
Chan Kwok Keung, Charles	Beneficial owner	Long position	11,840,896	–	0.81%
Cheung Hon Kit	Beneficial owner	Long position	400	–	0.00%
Chau Mei Wah, Rosanna	Beneficial owner	Long position	–	7,186,000	0.49%
Chan Fut Yan	Beneficial owner	Long position	–	4,500,000	0.31%
Shek Lai Him, Abraham	Beneficial owner	Long position	2,000	–	0.00%

Note: The shares of PYI were held by a wholly-owned subsidiary of ITC. By virtue of his deemed interests in approximately 34.99% of the issued ordinary share capital of ITC, Dr. Chan was deemed to be interested in these shares of PYI.

(iii) Hanny

Name of ITC Director	Capacity	Long position/ Short position	No. of Hanny Shares held	No. of underlying shares (in respect of unlisted equity derivatives) of Hanny held	Approximate % of the existing issued share capital of Hanny
Chan Kwok Keung, Charles	Interests of controlled corporations *(Note 1)*	Long position	83,329,310 *(Note 1)*	–	33.27%
Chan Kwok Keung, Charles	Interests of controlled corporations *(Note 1)*	Long position	–	157,721,743 *(Note 1)*	62.97%
Chan Kwok Keung, Charles	Beneficial owner	Long position	1,600,000	–	0.64%
Chan Kwok Keung, Charles	Beneficial owner	Long position	–	315,756 *(Note 2)*	0.13%
Chan Kwok Hung	Beneficial owner	Long position	1,600,000	–	0.64%
Cheung Hon Kit	Beneficial owner	Long position	6	–	0.00%
Shek Lai Him, Abraham	Beneficial owner	Long position	32	–	0.00%

Notes:

1. The Hanny Shares were held by wholly-owned subsidiaries of ITC. ITC, through its wholly-owned subsidiary, also holds the Existing Hanny Bonds with face value of HK$95,966,280. Upon full conversion of such Existing Hanny Bonds at an initial conversion price of HK$9.0 per Hanny Share (subject to adjustments), 10,662,920 Hanny Shares will be issued to a wholly-owned subsidiary of ITC.

   Pursuant to the ITC Subscription Agreement, ITC has conditionally agreed to subscribe at completion the ITC Subscriber Notes with a principal amount of US$75,000,000 which entitled its holder to convert the ITC Subscriber Notes into 147,058,823 new Hanny Shares at an initial conversion price of US$0.51 per Hanny Share (subject to adjustments).

   Pursuant to a sale and purchase agreement dated 17th August, 2006, a wholly-owned subsidiary of ITC has conditionally agreed to acquire 22,812,359 Hanny Shares.

   By virtue of his deemed interests in approximately 34.99% of the issued ordinary share capital of ITC, Dr. Chan was deemed to be interested in these Hanny Shares and underlying shares of Hanny.

2. Dr. Chan owns the Existing Hanny Bonds with face value of HK$2,841,810. Upon full conversion of such Existing Hanny Bonds at an initial conversion price of HK$9.0 per Hanny Share (subject to adjustments), 315,756 Hanny Shares will be issued to Dr. Chan.

(iv) Burcon NutraScience Corporation ("Burcon")

Name of ITC Director	Capacity	Long position/ Short position	No. of shares of Burcon held	No. of underlying shares (in respect of the share options (unlisted equity derivatives)) of Burcon held	Approximate % of the existing issued share capital of Burcon
Chau Mei Wah, Rosanna	Beneficial owner	Long position	318,470	–	1.32%
Chau Mei Wah, Rosanna	Beneficial owner	Long position	–	61,000	0.25%

Trasy, PYI, Hanny and Burcon are associated corporations of ITC within the meaning of Part XV of the SFO.

Dr. Chan was, by virtue of his deemed interest in approximately 34.99% of the issued ordinary share capital of ITC, deemed to be interested in the shares and underlying shares (in respect of equity derivatives), if any, of the associated corporations (within the meaning of Part XV of the SFO) of ITC held by the ITC Group under Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the ITC Directors and chief executives of ITC had, under Divisions 7 and 8 of Part XV of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, any interests and short positions in the shares, underlying shares or debentures of ITC or any associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to ITC and the Stock Exchange or any interests which are required to be entered into the register kept by ITC pursuant to section 352 of the SFO or any interests which are required to be notified to ITC and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

(B) Interests and short positions of substantial shareholders/other persons recorded in the register kept under the SFO

As at the Latest Practicable Date, so far as is known to the ITC Directors or the chief executives of ITC, the following parties had an interest or short position in the ITC Ordinary Shares and underlying shares of ITC which would fall to be disclosed to ITC under the provisions of Divisions 2 and 3 of Part XV of the SFO:

(a) Interests and short positions of substantial shareholders in ITC Ordinary Shares and underlying shares of ITC

Name	Capacity	Long position/ Short position	No. of ITC Ordinary Shares held	Approximate % of the existing issued ordinary share capital of ITC
Chan Kwok Keung, Charles	Interest of controlled corporation *(Note 1)*	Long position	642,939,242	34.99%
Chinaview International Limited	Interest of controlled corporation *(Note 1)*	Long position	642,939,242	34.99%
Galaxyway Investments Limited	Beneficial owner *(Note 1)*	Long position	642,939,242	34.99%
Ng Yuen Lan, Macy	Interest of spouse *(Note 1)*	Long position	642,939,242	34.99%
PMA Capital Management Limited	Investment manager	Long position	271,300,000 *(Note 2)*	14.76%

Notes: 1. Galaxyway Investments Limited is a wholly-owned subsidiary of Chinaview International Limited which is in turn wholly owned by Dr. Chan. Ms. Ng Yuen Lan, Macy is the spouse of Dr. Chan. Chinaview International Limited, Dr. Chan and Ms. Ng Yuen Lan, Macy were deemed to be interested in the ITC Ordinary Shares held by Galaxyway Investments Limited.

2. So far as known to the ITC Directors, Diversified Asian Strategies Fund is managed by PMA Capital Management Limited and the interests in ITC Ordinary Shares held by PMA Capital Management Limited include the ITC Ordinary Shares held by Diversified Asian Strategies Fund as mentioned in the section headed "Interests and short positions of other persons in ITC Ordinary Shares and underlying shares of ITC" in this Appendix.

(b) Interests and short positions of other persons in ITC Ordinary Shares and underlying shares of ITC

Name	Capacity	Long position/ Short position	No. of ITC Ordinary Shares held	No. of underlying shares (in respect of listed equity derivatives) of ITC held	Approximate % of the existing issued ordinary share capital of ITC
CEF Holdings Limited ("CEF Holdings")	Interest of controlled corporations *(Note)*	Long position	2,773,046	–	0.15%
CEF Holdings	Interest of controlled corporations *(Note)*	Long position	–	213,015,153	11.59%
Canadian Imperial Bank of Commerce	Interest of controlled corporations *(Note)*	Long position	2,773,046	–	0.15%
Canadian Imperial Bank of Commerce	Interest of controlled corporations *(Note)*	Long position	–	213,015,153	11.59%
Cheung Kong (Holdings) Limited ("CKH")	Interest of controlled corporations *(Note)*	Long position	2,773,046	–	0.15%
CKH	Interest of controlled corporations *(Note)*	Long position	–	213,015,153	11.59%
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee *(Note)*	Long position	2,773,046	–	0.15%
TUT1	Trustee *(Note)*	Long Position	–	213,015,153	11.59%
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee & beneficiary of a trust *(Note)*	Long position	2,773,046	–	0.15%
TDT1	Trustee & beneficiary of a trust *(Note)*	Long position	–	213,015,153	11.59%
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee & beneficiary of a trust *(Note)*	Long position	2,773,046	–	0.15%
TDT2	Trustee & beneficiary of a trust *(Note)*	Long position	–	213,015,153	11.59%
Li Ka-shing	Interest of controlled corporations & founder of discretionary trusts *(Note)*	Long position	2,773,046	–	0.15%

Name	Capacity	Long position/ Short position	No. of ITC Ordinary Shares held	No. of underlying shares (in respect of listed equity derivatives) of ITC held	Approximate % of the existing issued ordinary share capital of ITC
Li Ka-shing	Interest of controlled corporations & founder of discretionary trusts *(Note)*	Long position	–	213,015,153	11.59%
Deutsche Bank Aktiengesellschaft	Security interest	Long position	255,324,000	–	13.90%
Gandhara Advisors Asia Ltd. a/c Gandhara Master Fund Ltd.	Investment manager	Long position	98,844,000	–	5.38%
Diversified Asian Strategies Fund	Beneficial owner	Long position	126,505,333	–	6.88%

Note: So far as known to ITC Directors, the number of ITC Ordinary Shares and underlying shares (in respect of listed equity derivatives) of ITC held by Asialand Investment Limited ("Asialand") and CEF (Capital Markets) Limited ("CEF Capital Markets") were 50,849,968 and 164,938,231 respectively. CEF Capital Markets was wholly owned by CEF Holdings. Asialand was wholly owned by CEF M B Investments Limited which was in turn wholly owned by CEF Holdings.

Each of CKH and CIBC Holdings (Cayman) Limited was entitled to exercise or control the exercise of one-third or more of the voting power at the general meetings of CEF Holdings. CIBC Holdings (Cayman) Limited was wholly owned by Canadian Imperial Bank of Commerce. CEF M B Investments Limited was deemed to be interested in ITC Ordinary Shares and/or underlying shares (in respect of listed equity derivatives) of ITC held by Asialand. CEF Holdings, CIBC Holdings (Cayman) Limited and Canadian Imperial Bank of Commerce were all deemed to be interested in ITC Ordinary Shares and underlying shares (in respect of listed equity derivatives) of ITC held by Asialand and CEF Capital Markets.

Li Ka-Shing Unity Holdings Limited, of which each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard was interested in one-third of the entire issued share capital, owned the entire issued share capital of TUT1. TUT1 as trustee of The Li Ka-Shing Unity Trust, together with certain companies which TUT1 as trustee of The Li Ka-Shing Unity Trust was entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, held more than one-third of the issued share capital of CKH.

In addition, Li Ka-Shing Unity Holdings Limited also owned the entire issued share capital of TDT1 as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and TDT2 as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 held units in The Li Ka-Shing Unity Trust.

By virtue of the SFO, each of Mr. Li Ka-shing being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, CKH, TUT1, TDT1 and TDT2 was deemed to be interested in ITC Ordinary Shares and underlying shares (in respect of listed equity derivatives) of ITC held by Asialand and CEF Capital Markets.

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

ITC DIRECTORS' INTERESTS IN CONTRACTS, ASSETS AND COMPETING BUSINESS

As at the Latest Practicable Date, none of the ITC Directors was materially interested in any contract or arrangement subsisting which is significant in relation to the business of the Enlarged Group.

As at the Latest Practicable Date, none of the ITC Directors had any interest, direct or indirect, in any asset which have since 31st March, 2006, being the date to which the latest published accounts of ITC were made up, up to the Latest Practicable Date, been acquired or disposed of by or leased to any member of the Enlarged Group, or which are proposed to be acquired or disposed of by, or leased to any member of the Enlarged Group.

As at the Latest Practicable Date, none of the ITC Directors or their respective associates were interested in any business apart from the ITC Group's businesses which compete, or are likely to compete, either directly or indirectly, with the businesses of the ITC Group pursuant to Rule 8.10 of the Listing Rules.

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the ITC Directors had entered into any existing or proposed service contracts with any member of the Enlarged Group which is not determinable by the Enlarged Group within one year without any payment of compensation, other than statutory compensation.

LITIGATION

As at the Latest Practicable Date, so far as the ITC Directors are aware, none of the members of the Enlarged Group was engaged in any litigation or arbitration or claims which is in the opinion of the ITC Directors of material importance, and no litigation or claims which is in the opinion of the ITC Directors of material importance was known to the ITC Directors to be pending or threatened against any member of the Enlarged Group.

MATERIAL CONTRACTS

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by the Enlarged Group within the two years preceding the date of this circular up to the Latest Practicable Date and which are or may be material:

1. The ITC Group

   (i) a confirmation for disposal by Hollyfield Group Limited ("Hollyfield"), a wholly-owned subsidiary of ITC, of 77,000,000 PYI shares at HK$1.05 per PYI share on 20th October, 2004;

   (ii) a provisional sale and purchase agreement dated 20th October, 2004, sale and purchase agreement dated 11th November, 2004 and deed of assignment dated 30th December, 2004 entered into between Great Treasure Assets Limited and Great Intelligence Limited, a wholly-owned subsidiary of ITC, in relation to the sale and purchase of the whole of the 30th Floor and Car Parking Spaces Nos. 4087, 4088, 4089 and 4043 on 4th Floor, Bank of America Tower, No. 12 Harcourt Road, Hong Kong at the aggregate consideration of HK$102,018,000;

   (iii) a placing and subscription agreement dated 23rd November, 2004 among ITC, Hanny and Success Securities Limited ("Success Securities", formerly known as Young Champion Securities Limited) under which Success Securities agreed to place, as an agent of ITC, up to 37,000,000 Hanny Shares held by ITC at a price of HK$3.22 per share and ITC agreed to subscribe 37,000,000 new Hanny Shares at a price of HK$3.22 per Hanny Share;

(iv) the contract notes for acquisition by Golden Hall Holdings Limited ("Golden Hall"), a wholly-owned subsidiary of ITC, of 1,391,430,000 shares in Trasy at an aggregate consideration of HK$8,000,000 on 23rd March, 2005;

(v) a mandate letter dated 23rd March, 2005 entered into between ITC and Somerley Limited and 16 forms of acceptance and transfer of a total of 177,251,139 shares in the capital of Trasy at the offer price of HK$0.00575 per Trasy share in relation to the unconditional mandatory cash offers by Somerley Limited on behalf of Golden Hall to acquire all the issued shares in, and for cancellation of all outstanding options to subscribe for shares of, Trasy, other than those already owned by Golden Hall and parties acting in concert with it;

(vi) a corporate guarantee dated 31st May, 2005 executed by ITC in favour of a bank to secure 50% of the liabilities of Central Town Limited, an associated company of ITC, owing to the bank under the loan facilities of HK$112,000,000 from time to time up to the maximum amount of HK$56 million (plus interest and other charges);

(vii) a loan agreement dated 28th July, 2005 made between ITC Management Limited ("ITC Management"), a wholly-owned subsidiary of ITC, and Hanny pursuant to which ITC Management agreed to grant to Hanny a loan facility in the principal amount of HK$120,000,000. The supplemental loan agreement dated 22nd December, 2005 between ITC Management and Hanny in relation to the increase of the loan facility by HK$10,000,000 from HK$120,000,000 to HK$130,000,000 and the second supplemental loan agreement between the same parties dated 28th March, 2006 in relation to the further increase of the loan facility by HK$39,000,000 from HK$130,000,000 to HK$169,000,000;

(viii) two loan agreements dated 28th July, 2005 made between ITC Management and Apex Quality Group Limited ("Apex") and Hong Kong Wing On Travel Service Limited ("HK Wing On") respectively pursuant to which ITC Management agreed to grant to Apex and HK Wing On loan facilities of HK$88,000,000 and HK$32,000,000 respectively;

(ix) a loan agreement dated 11th August, 2005 made between ITC Management and See Corporation Limited ("SCL") pursuant to which ITC Management agreed to grant to SCL a loan facility in the principal amount of HK$25,000,000. Pursuant to the supplemental agreement dated 28th February, 2006 made between ITC Management and SCL, ITC Management has agreed with SCL to increase the loan facility by HK$84,000,000 from HK$25,000,000 to HK$109,000,000;

(x) a placing agreement dated 28th September, 2005 made between Macquarie Securities Limited, Hollyfield and ITC in relation to the disposal of 150,000,000 PYI shares at a price of HK$1.50 per PYI share;

(xi) a confirmation for acquisition by Famex, a wholly-owned subsidiary of ITC, of 11,000,000 Hanny Shares at an aggregate consideration of approximately HK$44,000,000 on 21st October, 2005;

(xii) a placing agreement dated 9th February, 2006 made between ITC, Hollyfield and BNP Paribas Peregrine Capital Limited in relation to the placing of 150,000,000 PYI shares at a price of HK$1.78 per PYI share;

(xiii) a placing agreement dated 15th February, 2006 made between ITC and CLSA Limited in relation to the placement of in aggregate up to 214,400,000 ITC Ordinary Shares at HK$0.72 per ITC Ordinary Share on a best effort basis;

(xiv) the ITC Subscription Agreement and the ITC Supplemental Agreement;

(xv) a sale and purchase agreement dated 17th August, 2006 (as supplemented by a supplemental agreement dated 28th August, 2006) made between Mr. Ma Ho Man, Hoffman ("Mr. Ma") and Famex pursuant to which Famex conditionally agreed to acquire from Mr. Ma 22,812,359 Hanny Shares in the issued share capital of Hanny at the aggregate consideration of HK$86,686,964.20;

(xvi) a mandate letter dated 16th August, 2006 entered into between Famex, ITC and Kingston Corporate Finance Limited in relation to the ITC Offers; and

(xvii) a loan facility letter dated 16th August, 2006 (as supplemented by supplemental facility letters dated 25th August, 2006, 29th August, 2006 and 31st August, 2006) entered into between Famex and Kingtson Securities Limited pursuant to which Kingston Securities Limited agreed to grant a loan facility of up to HK$600,000,000 to Famex in relation to the making of the ITC Offers.

2. The Hanny Group

(i) the placing and subscription agreement dated 23rd November, 2004 entered into between ITC, Hanny and Success Securities relating to the placing and subscription of 37,000,000 Hanny Shares at a price of HK$3.22 per Hanny Share;

(ii) two placing and subscription agreements dated 30th November, 2004 entered into among CEL, a non wholly-owned subsidiary of GDI, Wing On, an associated company of GDI, and a placing agent, Deutsche Bank AG, Hong Kong Branch, in relation to the placing of 6,000 million shares of Wing On by the placing agent on behalf of CEL at the price of HK$0.028 per share and the subscription of 6,000 million new shares of Wing On at HK$0.028 per share;

(iii) two sale and purchase agreements both dated 31st January, 2005 entered into between TFN Multi-Media Co., Ltd. and each of Pacific Development Co. Ltd. and Pacific Auto Co. Ltd. respectively (both indirect wholly-owned subsidiaries of Hanny) relating to the disposal of an aggregate of 8.04% interest in Fu Yang Investment Co., Ltd;

(iv) a placing and subscription agreement dated 4th February, 2005 entered into among CEL, a non wholly-owned subsidiary of GDI, Wing On, an associated company of GDI, and a placing agent, Tai Fook Securities Company Limited, in relation to the placing of 6,400 million shares of Wing On at the price of HK$0.022 per share and the subscription of 6,400 million new shares of Wing On at HK$0.022 per share;

(v) the sale and purchase agreement dated 10th March, 2005 (the "Share Sale Agreement"), entered into amongst Nation Field Limited, PYI and Hanny for the acquisition by Nation Field Limited of an aggregate of 270,000,000 then existing shares of China Strategic from PYI and Hanny for an aggregate consideration of HK$52,110,000 (HK$26,055,000 each for Hanny and PYI);

(vi) the subscription agreement dated 20th April, 2005 entered into between Loyal Concept Limited, an indirect wholly-owned subsidiary of Hanny, and Macau Prime Properties Holdings Limited (formerly known as Cheung Tai Hong Holdings Limited) ("MPP") in relation to the subscription by cash of HK$450 million convertible note issued by MPP;

(vii) the underwriting agreement dated 21st April, 2005 entered into between Hanny, SCL and Tai Fook Securities Company Limited in relation to the underwriting of the rights issue of SCL;

(viii) the subscription agreement dated 21st April, 2005 entered into between Hanny and SCL relating to the subscription of HK$170 million convertible note issued by SCL in cash;

(ix) the loan agreement dated 11th August, 2005 entered into between Hanny and Kingston Finance Limited ("Kingston") pursuant to which Kingston agreed to grant a loan facility of HK$400 million to Hanny;

(x) a deed of mortgage and assignment dated 11th August, 2005 entered into between Well Orient Limited as the mortgagor and Kingston as the mortgagee in relation to the securities of China Strategic;

(xi) a security assignment dated 11th August, 2005 entered into between Loyal Concept Limited, an indirect wholly-owned subsidiary of Hanny, as the assignor and Kingston as the assignee in relation to the HK$450 million convertible note of MPP;

(xii) a deed of mortgage of shares dated 11th August, 2005 entered into between Hanny as the mortgagor and Kingston as the mortgagee in relation to the securities in SCL;

(xiii) a deed of security assignment dated 11th August, 2005 entered into between Hanny as the assignor and Kingston as the assignee in relation to the HK$170 million convertible note of SCL;

(xiv) a subscription agreement dated 18th August, 2005 entered into between Hanny and Wo Kee Hong (Holdings) Limited ("WKH") in respect of the subscription by Hanny of HK$30 million convertible note issued by WKH in cash;

(xv) a supplemental agreement dated 30th December, 2005 entered into between Nation Field Limited, PYI and Hanny to extend the long stop date of the Share Sale Agreement to 30th April, 2006 as mentioned in (v) above;

(xvi) a conditional sale and purchase agreement dated 19th January, 2006 entered into between Memorex International Inc. ("MII"), an indirect non wholly-owned subsidiary of Hanny, and Imation Corp. ("Imation") relating to the disposal of MII's business of the design, development, marketing, distribution and sale of hardware, media and accessories used for the storage of electronic data relating to the brand Memorex®;

(xvii) an inducement agreement dated 19th January, 2006 entered into, among others, Imation and Hanny, pursuant to which Hanny has, amongst other things, agreed to guarantee the performance of MII under the conditional sale and purchase agreement as mentioned in (xvi) above;

(xviii) a conditional sale and purchase agreement dated 9th March, 2006 entered into between Best Position Limited, an indirect wholly-owned subsidiary of Hanny, and Asset Manage Limited relating to the acquisition of 100% interests in Rapid Growth Profits Limited and the shareholders' loan due from Island Town Limited at a consideration of HK$39,054,194, subject to adjustment;

(xix) a conditional subscription agreement dated 23rd March, 2006 entered into between CEL, a non wholly-owned subsidiary of GDI, and Wing On, an associated company of GDI, in relation to the subscription by CEL of the HK$300 million 2% convertible exchangeable notes due 2011 of Wing On which entitled the holders thereof to convert the outstanding principal into Wing On shares at the initial conversion price of HK$0.79 per share of Wing On;

(xx) the underwriting agreement dated 22nd April, 2006 entered into between Hanny, SCL and Success Securities in relation to the underwriting of the rights issue of SCL;

(xxi) the subscription agreement dated 27th April, 2006 entered into between Hanny and MPP in relation to the subscription of HK$270 million convertible note issued by MPP;

(xxii) a supplemental agreement dated 28th April, 2006 entered into between Nation Field Limited, PYI and Hanny to further extend the long stop date of the Share Sale Agreement to 30th June, 2006;

(xxiii) the Subscription Agreements;

(xxiv) a subscription agreement dated 28th June, 2006 entered into between Hanny as the subscriber and Mei Ah Entertainment Group Limited ("Mei Ah") as the issuer in respect of the subscription by Hanny of HK$50 million convertible note issued by Mei Ah;

(xxv) a subscription agreement dated 10th July, 2006 entered into between Hanny as the subscriber and Golden Harvest Entertainment (Holdings) Limited ("Golden Harvest") as the issuer in respect of the subscription by Hanny of HK$50 million convertible note issued by Golden Harvest;

(xxvi) the CEL Note Subscription Agreement; and

(xxvii) the ITC Supplemental Agreement and the other supplemental agreements entered into between Hanny and each of the Other Subscribers on 30th August, 2006 pursuant to which the Subscription Agreements are amended to the effect that, among others, completion of the Subscription Agreements is to be conditional on the closing or lapse (which is the earlier) of the ITC Offers.

EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which are contained in this circular:

Name	**Qualification**
Deloitte Touche Tohmatsu	Certified Public Accountants

Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its report and references to its names, in the form and context in which they respectively appear.

As at the Latest Practicable Date, Deloitte Touche Tohmatsu was not beneficially interested in the share capital of any member of the ITC Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the ITC Group, nor did it have any interest, either direct or indirect, in any assets which had been since 31st March, 2006 (being the date to which the latest published audited accounts of ITC were made up) acquired or disposed of by or leased to any member of the ITC Group or which were proposed to be acquired or disposed of by or leased to any member of the ITC Group.

PROCEDURE FOR DEMANDING A POLL

Pursuant to bye-law 79 of the bye-laws of the Company, at any general meeting a resolution put to the vote at the meeting shall be determined by a show of hands of members present in person or by a duly authorised corporate representative or by proxy entitled to vote unless voting by way of a poll is required by the rules of the designated Stock Exchange or a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

(1) by the Chairman of the meeting; or

(2) by at least three (3) members present in person or by a duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or

(3) by any member or members present in person or by a duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(4) by any member or members present in person or by a duly authorised corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right; or

(5) if required by the rules of the designated Stock Exchange, by any ITC Director or ITC Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting, and if on a show of hand a meeting votes in the opposite manner to that instructed in those proxies, provided that if it is apparent from the total proxies held that a vote taken on a poll shall not reverse the vote taken on a show of hands, then the ITC Director or ITC Directors shall not be required to demand a poll.

In accordance with the requirements of the Listing Rules, the results of the polls will be published by way of an announcement in the local newspapers on the business day following the meeting.

GENERAL

a. The secretary and the qualified accountant of ITC is Law Hon Wa, William, *CPA, FCCA*.

b. The registered office of ITC is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of ITC in Hong Kong is at 30th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

c. The principal share registrars and transfer office of ITC is Butterfield Fund Services (Bermuda) Limited of Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda and the branch share registrars and transfer office of ITC in Hong Kong is Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

d. The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text for the purpose of interpretation.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the office of Richards Butler at 20th Floor, Alexandra House, 16-20 Chater Road, Central, Hong Kong during normal business hours on any weekday (except public holidays) from the date of this circular up to and including the date of SGM:

– the memorandum of association and bye-laws of each of ITC and Hanny;

– the audited consolidated financial statements of each of ITC and Hanny for each of the years ended 31st March, 2004, 2005 and 2006;

– the accountants' report on the unaudited pro forma financial information of the Enlarged Group from Deloitte Touche Tohmatsu, the text of which is set out in Appendix III to this circular;

– the material contracts referred to in the paragraph headed "Material contracts" in this appendix;

– the written consent referred to in the paragraph headed "Expert and consent" in this appendix; and

– the circulars issued by ITC and Hanny pursuant to the requirements set out under Chapter 14 and/or 14A of the Listing Rules since 31st March, 2006, being the date to which the latest published audited consolidated financial statements of each of the ITC Group and the Hanny Group were made up.

ITC CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 372)

NOTICE IS HEREBY GIVEN that a special 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 Monday, 25th September, 2006 at 2:30 p.m., for the purpose of considering and, if thought fit, passing the following resolution, which will be proposed as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(A) the conditional subscription agreement dated 27th June, 2006 (the "Subscription Agreement") entered into between Hanny Holdings Limited ("Hanny") as issuer and ITC Corporation Limited (the "Company") as the subscriber relating to the subscription of the 1% convertible exchangeable note (the "Notes") by the Company in the principal amount of US$75 million and the supplemental agreement dated 30th August, 2006 (the "Supplemental Agreement") entered into between Hanny and the Company amending certain terms of the Subscription Agreement (a copy of each of the Subscription Agreement and Supplemental Agreement has been produced to this meeting and marked "A" and "B" respectively and initialled by the chairman of the meeting for the purpose of identification) and all the transactions contemplated thereunder including:

(1) the exercise of conversion rights attaching to the Notes; and

(2) the acquisition of the 1% convertible note (the "CEL Notes") to be issued by China Enterprises Limited ("CEL") pursuant to an agreement dated 30th August, 2006, further particulars relating to which are set out in the Company's circular to its shareholders dated 8th September, 2006, on the exercise of exchange rights attaching to the Notes and the exercise of conversion rights attached to the CEL Notes (subject to further compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, if applicable);

be and are hereby approved, confirmed and ratified; and

(B) the directors of the Company be and are hereby authorized to take all steps and to do all acts and things, to sign and execute all documents as they may in their absolute discretion consider necessary, desirable or expedient to implement and/or give effect to or in connection with the Subscription Agreement, the Supplemental Agreement, the Notes and the CEL Notes that the Company may acquire on the exercise of exchange rights attaching to the Notes and all arrangements contemplated thereunder or which may arise as a result of the performance of and/or exercise of rights under the Subscription Agreement and the Notes (including without limitation to the generality of the foregoing, to determine whether, when and the extent to which the conversion rights attached to the Notes are to be exercised from time to time and (if required by the Hong Kong Code on Takeovers and Mergers (the "Code") upon the exercise of the conversion rights attached to the Notes) to make a general offer for all the shares of Hanny (other than the shares already held) in compliance with the Code)."

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

Hong Kong, 8th September, 2006

Registered Office
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

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

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. A form of proxy for the meeting is enclosed. 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 in Hong Kong 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.

As at the date of this notice, the composition of the board of directors of the Company 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*