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

If you have sold or transferred all your securities 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 manager, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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ITC CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 372)

MAJOR TRANSACTION

POSSIBLE DISPOSALS OF SHARES IN

PYI CORPORATION LIMITED

Financial adviser

ANGLO CHINESE
CORPORATE FINANCE, 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 Wednesday, 18 April 2007 at 11:00 a.m. is set out on pages 81 and 82 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 and return the accompanying form of proxy to the principal place of business of ITC Corporation Limited 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 meeting. Completion and return of the form of proxy will not preclude holders of ordinary shares from attending and voting in person at the meeting or any adjournment thereof should they so wish.

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 12 March 2007
“associate(s)”	the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company” or “ITC”	ITC Corporation Limited (stock code: 372), a company incorporated in Bermuda with limited liability and whose securities are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Disposal”	a disposal of PYI Shares in one or more transactions over a period of time which when aggregated may constitute a major transaction under the definition of the Listing Rules
“Group”	the Company and its subsidiaries
“Hanny”	Hanny Holdings Limited (stock code: 275), an indirect non-wholly owned subsidiary of the Company and a company incorporated in Bermuda with limited liability and whose shares are listed on the main board of the Stock Exchange
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	29 March 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	Macau Special Administrative Region of the PRC
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“Ordinary Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of ITC
“Ordinary Shareholder(s)”	the holder(s) of Ordinary Share(s)
“PRC”	the People’s Republic of China
“PYI”	PYI Corporation Limited (stock code: 498), a company incorporated in Bermuda with limited liability and whose shares are listed on the Main Board of the Stock Exchange
“PYI Group”	PYI and its subsidiaries
“PYI Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of PYI
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened on 18 April 2007 to consider and, if thought fit, approve the proposed Disposal by the Ordinary Shareholders
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	a person who is entitled to exercise, or control the exercise of, 10% or more of the voting power of the total issued ordinary shares at any general meeting of the company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



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 and Managing Director*)
Mr. Chan Kwok Chuen, Augustine
Mr. Chan Fut Yan
Mr. Cheung Hon Kit

Independent Non-executive Directors:

Mr. Chuck, Winston Calptor
Mr. Lee Kit Wah
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

2 April 2007

*To the Ordinary Shareholders and, for information only,
holders of the convertible redeemable preference shares of the Company*

Dear Sir and Madam,

MAJOR TRANSACTION

POSSIBLE DISPOSALS OF SHARES IN

PYI CORPORATION LIMITED

INTRODUCTION

On 12 March 2007, ITC announced that the Directors intend to seek Ordinary Shareholders' approval for the possible disposal of PYI Shares in one or more transactions within twelve months from the date of approval of the Disposal by Ordinary Shareholders provided that the percentage ratios applicable to all such disposals taken in aggregate will not exceed the upper limit of the major transaction percentage ratios under the Listing Rules. The minimum disposal price shall be equal to or exceed HK\$3 per PYI Share (subject to adjustment in the event of a share consolidation or share subdivision by PYI).

THE DISPOSAL

The Directors intend to seek Ordinary Shareholders' approval for the possible disposal of PYI Shares in one or more transactions during a period of twelve months from the date of approval of the Disposal by Ordinary Shareholders which if aggregated may constitute a major transaction. Under the Listing Rules, certain percentage ratios are used to determine the classification of transactions. Where any of such percentage ratios for a disposal is 25% or more but less than 75%, the Disposal will constitute a major transaction under the Listing Rules. Due to the fact that the percentage ratios under the Listing Rules are required to be based on the information available at the time of the transaction, the figures used in this circular (except the minimum disposal price) are for illustration purposes and should be used as a reference only. Given the market capitalisation of ITC around the time of the Announcement and the minimum disposal price of HK\$3 per PYI Share, the maximum consideration is approximately HK\$830 million representing up to approximately 276.6 million PYI Shares, which is approximately 18.54% of the issued share capital of PYI as at the Latest Practicable Date. Assuming that the implied maximum of approximately 276.6 million PYI Shares are sold, the ITC's shareholding interest in PYI will decrease from approximately 26.97% to approximately 8.43% of

LETTER FROM THE BOARD

the issued share capital of PYI as at the Latest Practicable Date. The price of any disposal will be subject to a minimum price of HK\$3 per PYI Share (subject to adjustment in the event of a share consolidation or share subdivision by PYI). The minimum price of HK\$3 per PYI Share represents a 15.5% discount to the closing price of HK\$3.55 as quoted on the Stock Exchange as at the Latest Practicable Date.

No contractual arrangements have been entered into by the Company in relation to the possible Disposal, as the Directors consider that the Company should first obtain the approval from the Ordinary Shareholders for the Disposal, so that the Disposal can be effected expeditiously when market conditions are favourable.

The proposed disposal of PYI Shares may be made on market, private placing or placing through placing agent(s) and in one or a series of transactions over a period of time. In the event that placing agreement(s) is/are entered into with placing agent(s) to dispose of PYI Shares under the Disposal mandate, the Company will disclose such placing agreement(s) through published announcement(s). Further, the Company may also make an additional announcement when: (i) the aggregate disposal of PYI Shares first exceeds the 25% major transaction threshold; (ii) upon expiration of the Disposal mandate; and (iii) if any disclosure obligation should arise under Rule 13.09 of the Listing Rules in relation to the proposed Disposal.

The Disposal for which advance Ordinary Shareholders' approval is being sought will only be effected if:

- the minimum disposal price equals to or exceeds HK\$3 per PYI Share (subject to adjustment in the event of a share consolidation or share subdivision by PYI);
- all of the percentage ratios under the Listing Rules for the aggregated disposal of PYI Shares under the mandate granted by the Ordinary Shareholders to be below 75%;
- all the PYI Shares to be disposed are disposed, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, to parties who are independent of the Company and any director, chief executive or substantial shareholder of any member of the Group or any associate of any of them or any connected persons (as defined by the Listing Rules) of the Company; and
- the Disposal is completed within twelve months of the approval of Ordinary Shareholders being given, which the Directors consider to be a reasonable period to conduct such Disposal.

The minimum disposal price per PYI Share represents:

- a premium of approximately 72.4% to the net asset value of HK\$1.74 per PYI Share (which is calculated based on the unaudited net asset value of approximately HK\$2,547.3 million as at 30 September 2006 divided by the number of PYI Shares outstanding as at 30 September 2006 of approximately 1,462.6 million PYI Shares, this information is obtained from the interim report of PYI for the six months ended 30 September 2006);
- a price to earnings ratio of 13.2 times the basic earnings per PYI Share of HK\$0.227 for the year ended 31 March 2006;
- a discount of approximately 11.2% to the closing price of HK\$3.38 per PYI Share as quoted on the Stock Exchange on 8 March 2007;
- a discount of approximately 5.7% to the average closing price of HK\$3.18 per PYI Share as quoted on the Stock Exchange for the last 30 trading days up to and including 8 March 2007;
- equal to the average closing price of HK\$3 per PYI Share as quoted on the Stock Exchange for the last 60 trading days up to and including 8 March 2007;
- a premium of approximately 1.7% to the average closing price of HK\$2.95 per PYI Share as quoted on the Stock Exchange for the last 90 trading days up to and including 8 March 2007;
- a premium of approximately 7.5% to the average closing price of HK\$2.79 per PYI Share as quoted on the Stock Exchange for the last 180 trading days up to and including 8 March 2007; and
- a discount of approximately 15.5% to the closing price of HK\$3.55 per PYI Share as quoted on the Stock Exchange as at the Latest Practicable Date.

LETTER FROM THE BOARD

REASONS FOR THE DISPOSAL

On 18 August 2004 and 10 November 2005, the Company announced disposals of its shareholding interests in PYI. These disposals have increased the public float and amount of institutional holding, and generally widened the shareholder base of PYI. Since the announcement of the Company dated 18 August 2004, the Company has seen its investment in PYI increase from HK\$0.52 per PYI Share to HK\$3.38 per PYI Share as at 8 March 2007. The proposed further Disposal of PYI Shares will enable the Company to realise a portion of its shareholding interest in PYI and diversify its investment base. It will also enable the Company to further increase the public float and widen the shareholder base of PYI. Although no acquisition or investment proposals are currently under negotiation, the proceeds after Disposal may provide the Company with additional resources to fund such acquisitions and investments when opportunities arise.

FINANCIAL EFFECT OF THE DISPOSAL ON ITC

Based on the market capitalisation of ITC around the time of the Announcement and the minimum disposal price of HK\$3 per PYI Share, the Disposal will raise up to a maximum of approximately HK\$830 million in cash, before expenses and tax, for ITC on completion. As at the Latest Practicable Date, there is no specific use for the proceeds other than to be used for general working capital.

According to the Group's books and records at 30 September 2006, the carrying amount per PYI Share was approximately HK\$1.87, resulting in an estimated profit on the Disposal of approximately HK\$313 million, before expenses and tax, based on the minimum price of HK\$3 per PYI Share and the implied maximum number of approximately 276.6 million PYI Shares. The Group shall discontinue the use of the equity method from the date that PYI ceases to be an associate of the Group and shall account for the investment in PYI in accordance with Hong Kong Accounting Standard 39 "Financial Instruments: Recognition and Measurement".

INFORMATION ON ITC

The Company is an investment holding company which directly and indirectly holds strategic investments in a number of listed companies. It directly holds investments, namely, Hanny, PYI, Trasy Gold Ex Limited and Burcon NutraScience Corporation. Through its listed non-wholly owned subsidiary, Hanny, and its listed associated company, PYI, the Group has indirect interests in Paul Y. Engineering Group Limited, Macau Prime Properties Holdings Limited, See Corporation Limited, Wing On Travel (Holdings) Limited, China Enterprises Limited, MRI Holdings Limited, PSC Corporation Limited, Intraco Limited and Tat Seng Packaging Group Limited. The principal activities of the Group comprise investment holding, the provision of finance, the provision of management services, property investment and trading, treasury investment, trading of building materials and machinery, holding of vessels for sand mining and the provision and operation of an internet-based precious metals trading platform.

INFORMATION ON PYI

The PYI Group is principally engaged in the business of development and investment in port and other infrastructure projects, land and property development and investment in association with port facilities, treasury investment and, through its subsidiary, Paul Y. Engineering Group Limited, construction and engineering, project management and facilities management.

The following is a summary of the audited consolidated results of PYI Group for the two years ended 31 March 2005 and 2006 respectively:

	For the year ended 31 March	
	2006	2005
	<i>HK\$'000</i>	<i>(restated)</i> <i>HK\$'000</i>
Profit before taxation	398,754	497,163
Taxation	(52,804)	23,772
Profit after taxation (before minority interests)	<u>345,950</u>	<u>520,935</u>

LETTER FROM THE BOARD

SGM

The proposed Disposal will constitute a major transaction for the Company under the Listing Rules, for which Ordinary Shareholders' approval is required. At present no Ordinary Shareholder is required to abstain from voting on the approval of the Disposal.

Upon approval by the Ordinary Shareholders of the proposed Disposal, the Company will closely monitor the Disposal to ensure that the aggregate disposals will not give rise to a very substantial disposal. If such an event should occur, the Company will either discontinue further disposals or adhere to any additional requirements under the Listing Rules, including seeking further approval by the Ordinary Shareholders, if required, before proceeding with further disposals of PYI Shares.

A notice convening the SGM to be held on Wednesday, 18 April 2007 at 11:00 a.m. at Conference Room, 11th Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong for the purpose of considering and, if thought fit, approving, among other things, the Disposal is set out on pages 81 and 82 of this circular.

Whether or not the Ordinary Shareholders are 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 SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Ordinary Shareholders from subsequently attending and voting in person at the SGM or any adjourned meeting thereof should they so wish.

RECOMMENDATION

The Board considers that the terms of the proposed Disposal are fair and reasonable and in the interests of the Company and its shareholders as a whole. The Board therefore recommends the Ordinary Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Disposal and matters ancillary thereto as set out in the notice of SGM.

ADDITIONAL 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
ITC Corporation Limited
Dr. Chan Kwok Keung, Charles
Chairman

1. THREE YEAR FINANCIAL SUMMARY

The following is a summary of the audited consolidated results of the Group for each of the three years ended 31 March 2004, 2005 and 2006, and the audited assets and liabilities of the Group as at 31 March 2004, 31 March 2005, 31 March 2006 as extracted from the annual report of ITC for the year ended 31 March 2006, and the unaudited consolidated results of the Group for each of the six months ended 30 September 2005 and 2006 and the unaudited assets and liabilities of the Group as at 30 September 2006 as extracted from the interim report of ITC for the six months ended 30 September 2006.

Results

	Year ended 31 March			(Unaudited) Six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000 (Restated)	2004 HK\$'000 (Restated)	2006 HK\$'000	2005 HK\$'000 (Restated)
Turnover					
– Continuing operations	252,959	104,361	100,590	358,174	42,771
– Discontinued operation	–	1,921,967	3,334,076	–	–
	<u>252,959</u>	<u>2,026,328</u>	<u>3,434,666</u>	<u>358,174</u>	<u>42,771</u>
Profit (loss) before income tax	103,541	(34,230)	(278,990)	194,948	25,809
Income tax expense	–	(260)	–	–	–
Profit for the year from discontinued operation	–	151,672	364,119	–	–
Profit for the year/period	<u>103,541</u>	<u>117,182</u>	<u>85,129</u>	<u>194,948</u>	<u>25,809</u>
Attributable to:					
Equity holders of the parent	107,394	88,898	(16,166)	195,753	27,456
Minority interests	(3,853)	28,284	101,295	(805)	(1,647)
	<u>103,541</u>	<u>117,182</u>	<u>85,129</u>	<u>194,948</u>	<u>25,809</u>

Assets and Liabilities

	2006	As at 31 March		(Unaudited) As at 30 September
	2006 HK\$'000	2005 HK\$'000 (Restated)	2004 HK\$'000 (Restated)	2006 HK\$'000
Total assets	2,460,700	2,176,978	5,337,404	2,593,126
Total liabilities	(428,691)	(568,308)	(2,427,756)	(464,991)
Shareholders' funds	<u>2,032,009</u>	<u>1,608,670</u>	<u>2,909,648</u>	<u>2,128,135</u>
Attributable to:				
Equity holders of the parent	2,009,945	1,579,011	1,714,284	2,106,876
Minority interests	22,064	29,659	1,195,364	21,259
	<u>2,032,009</u>	<u>1,608,670</u>	<u>2,909,648</u>	<u>2,128,135</u>

2. AUDITED FINANCIAL STATEMENTS

The following is the audited consolidated income statement of the Group for each of the two years ended 31 March 2006 and the audited consolidated balance sheet of the Group as at 31 March 2005 and 2006 together with the relevant notes (“Financial Statements”), as extracted from the Company’s annual report for the year ended 31 March 2006. Terms defined herein apply to this section only.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2006

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (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
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	17		
From continuing and discontinued operations:			
Basic		9.4	10.8
Diluted		6.8	5.7

CONSOLIDATED BALANCE SHEET

At 31 March 2006

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (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	–
		<u>1,409,061</u>	<u>2,050,276</u>
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
		<u>1,051,639</u>	<u>126,702</u>
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
		<u>81,681</u>	<u>219,173</u>
Net current assets (liabilities)		<u>969,958</u>	<u>(92,471)</u>
Total assets less current liabilities		<u>2,379,019</u>	<u>1,957,805</u>
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
		<u>347,010</u>	<u>349,135</u>
Net assets		<u><u>2,032,009</u></u>	<u><u>1,608,670</u></u>

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
Capital and reserves			
Share capital	40	183,750	107,201
Reserves		<u>1,826,195</u>	<u>1,471,810</u>
Equity attributable to equity holders of the parent		2,009,945	1,579,011
Minority interests		<u>22,064</u>	<u>29,659</u>
Total equity		<u><u>2,032,009</u></u>	<u><u>1,608,670</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2006

	Attributable to equity holders of the parent														
	Share capital	Share premium	Contributed surplus	Capital redemption reserve	Other reserve	Property revaluation reserve	Investment revaluation reserve	Translation reserve	Goodwill reserve	Convertible notes reserve	Preference share reserve	Accumulated (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
At 1 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 31 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 1 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

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

	Attributable to equity holders of the parent														Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed 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	Accumulated (losses) profits HK\$'000	Total HK\$'000	Minority interests HK\$'000			
Exchange differences arising from translation of overseas operations	-	-	-	-	-	-	-	3,122	-	-	-	-	3,122	-	3,122	-	3,122
Share of post-acquisition reserve movements of associates	-	-	-	-	4,090	-	(9,175)	264	-	-	-	-	(4,821)	-	(4,821)	-	(4,821)
Surplus arising from revaluation of land and buildings	-	-	-	-	-	294	-	-	-	-	-	-	294	-	294	-	294
Deferred tax liability arising on revaluation of land and buildings	-	-	-	-	-	(51)	-	-	-	-	-	-	(51)	-	(51)	-	(51)
Surplus arising from revaluation of available-for-sale investments	-	-	-	-	-	-	23,224	-	-	-	-	-	23,224	-	23,224	-	23,224
Net income recognised directly in equity	-	-	-	-	4,090	243	14,049	3,386	-	-	-	-	21,768	-	21,768	-	21,768
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	107,394	107,394	(3,853)	103,541	-	103,541
Released on disposal and dilution of interests in associates	-	-	-	-	(1,346)	-	719	(12,308)	-	-	-	-	(12,935)	-	(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	-	112,374
Issue of shares arising from conversion of convertible notes	54,834	114,984	-	-	-	-	-	-	-	(5,337)	-	-	164,481	-	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	-	150,003
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(30,755)	(30,755)	-	(30,755)	-	(30,755)
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,742)	(3,742)	-	(3,742)
At 31 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	-	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 24 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 31 March 2006*

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (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
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

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
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		<u>(15,842)</u>	<u>(579,889)</u>
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		<u>85,434</u>	<u>208,011</u>
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		<u>(46)</u>	<u>(1,011)</u>
CASH AND CASH EQUIVALENTS CARRIED FORWARD		<u><u>227,808</u></u>	<u><u>16,032</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank deposits		223,230	12,814
Bank balances and cash		4,578	3,218
		<u><u>227,808</u></u>	<u><u>16,032</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS*For the year ended 31 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 1 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 1 December 2002 as the Group acquired a significant subsidiary in December 2002. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions prior to 1 April 2001 was held in reserves, and goodwill arising on acquisitions on or after 1 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 1 December 2002. Goodwill previously recognised in reserves has been transferred to the accumulated profits of the Group on 1 December 2002. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1 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 1 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 1 April 2001 was held in reserves, and negative goodwill arising on acquisitions on or after 1 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 1 December 2002 which was previously presented as a deduction from assets or held 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 1 December 2002.

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

Impairment of Assets

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

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 31 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 1 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 1 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 1 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 1 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).

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 31 March 2006

	HKAS 1 HK\$'000	HKAS 38 HK\$'000	HKAS 32 HK\$'000	HKAS 39 HK\$'000	HKAS 40 HK\$'000	HKFRS 2 HK\$'000	HKFRS 3 HK\$'000	Total effects 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)

For the year ended 31 March 2005

	HKAS 1 HK\$'000	HKAS 32 HK\$'000	HKFRS 3 HK\$'000	HKAS 40 HK\$'000	HK-INT 2 HK\$'000	Total effects 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 HK\$'000	2005 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
	<u> </u>	<u> </u>
Decrease in profit for the year and attributable to equity holders of the parent	<u>(22,416)</u>	<u>(97,830)</u>

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

	31.3.2005 HK\$'000 (Originally stated)	Effect of HKFRS 3 HK\$'000	Effect of HKAS 17 HK\$'000	Effect of HKAS 32 HK\$'000	Effect of HKAS 40 HK\$'000	31.3.2005 HK\$'000 (Restated)	Effect of HKAS 39 HK\$'000	Share of effect of HKAS 39 on associates HK\$'000	1.4.2005 HK\$'000 (Restated)
Balance sheet items									
Property, plant and equipment	151,785	–	(107,500)	–	(3,525)	40,760	–	–	40,760
Investment properties	–	–	–	–	3,525	3,525	–	–	3,525
Prepaid lease payments	–	–	94,079	–	–	94,079	–	–	94,079
Interests in associates	1,652,095	260,191	–	–	–	1,912,286	–	30,978	1,943,264
Investments in securities	5,025	–	–	–	–	5,025	(5,025)	–	–
Held for trading investments	–	–	–	–	–	–	5,025	–	5,025
Convertible notes	(164,378)	–	–	1,750	–	(162,628)	–	–	(162,628)
Deferred tax liabilities	(2,396)	–	2,348	–	–	(48)	–	–	(48)
Redeemable convertible preference shares	–	–	–	(286,537)	–	(286,537)	–	–	(286,537)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total effects on assets and liabilities	1,642,131	260,191	(11,073)	(284,787)	–	1,606,462	–	30,978	1,637,440
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total effects on equity	470,232	260,191	(11,073)	(284,787)	–	434,563	–	30,978	465,541
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>1,171,899</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>1,171,899</u>	<u> </u>	<u> </u>	<u>1,171,899</u>

The cumulative effects of the application of the new HKFRSs on 31 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	<u>2,114,273</u>	<u>354,891</u>	<u>6,210</u>	<u>–</u>	<u>2,475,374</u>
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	<u>(917,149)</u>	<u>1,550,256</u>	<u>6,210</u>	<u>–</u>	<u>639,317</u>
Minority interests	<u>1,195,365</u>	<u>(1,195,365)</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u><u>1,836,057</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>1,836,057</u></u>

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 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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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 in contracts 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.

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 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 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
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
	<u>252,959</u>	<u>104,361</u>
Discontinued operations:		
Building construction	–	1,424,932
Civil engineering	–	272,972
Specialist works	–	223,239
Trading of construction materials	–	824
	<u>–</u>	<u>1,921,967</u>
	<u><u>252,959</u></u>	<u><u>2,026,328</u></u>

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.

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

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

	Continuing operations						Discontinued operations								Sub-total	Consolidated
	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		
	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								-	
Taxation							-								-	
Profit for the year							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.

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

	Continuing operations					Discontinued operations					Consolidated HK\$'000
	Finance HK\$'000	Investment HK\$'000	Property investment HK\$'000	Trading of building materials and machinery HK\$'000	Unallocated HK\$'000	Building construction HK\$'000	Civil engineering HK\$'000	Specialist works HK\$'000	Trading of Construction materials HK\$'000	Unallocated 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											<u>2,460,700</u>
LIABILITIES											
Segment liabilities	-	17,561	48	477	870	-	-	-	-	-	18,956
Unallocated corporate liabilities	-	-	-	-	409,735	-	-	-	-	-	409,735
Total liabilities											<u>428,691</u>
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

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

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

	Continuing operations						Discontinued operations								Sub-total	Consolidated
	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		
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'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							<u>(34,490)</u>							<u>151,672</u>	<u>117,182</u>	

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

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

	Continuing operations					Discontinued operations					Consolidated HK\$'000
	Finance HK\$'000	Investment HK\$'000	Property investment HK\$'000	Trading of building materials and machinery HK\$'000	Unallocated HK\$'000	Building construction HK\$'000	Civil engineering HK\$'000	Specialist works HK\$'000	Trading of Construction materials HK\$'000	Unallocated 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 HK\$'000	2005 HK\$'000 (Restated)	2006 HK\$'000	2005 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
	<u>1,280,951</u>	<u>264,692</u>	<u>10,967</u>	<u>117,905</u>

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
	<u>1,260</u>	<u>(3,189)</u>

9. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2006 HK\$'000	2005 HK\$'000 (Restated)	2006 HK\$'000	2005 HK\$'000 (Restated)	2006 HK\$'000	2005 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	–
	<u>28,012</u>	<u>23,868</u>	<u>–</u>	<u>67</u>	<u>28,012</u>	<u>23,935</u>

10. NET INVESTMENT EXPENSES

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

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 (Restated)	HK\$'000	HK\$'000 (Restated)	HK\$'000	HK\$'000 (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)
	<u>(31,596)</u>	<u>(141,028)</u>	<u>-</u>	<u>878</u>	<u>(31,596)</u>	<u>(140,150)</u>

12. TAXATION

	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)
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 (<i>note 39</i>)						
Charge for the year	-	260	-	12,129	-	12,389
Taxation attributable to the Company and its subsidiaries	<u>-</u>	<u>260</u>	<u>-</u>	<u>16,145</u>	<u>-</u>	<u>16,405</u>

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.

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

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
Profit (loss) before taxation		
Continuing operations	103,541	(34,230)
Discontinued operations	—	167,817
	<u>103,541</u>	<u>133,587</u>
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
	<u>—</u>	<u>16,405</u>
Tax charge for the year	<u>—</u>	<u>16,405</u>

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

13. DISCONTINUED OPERATIONS

On 20 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.

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

	2005 <i>HK\$'000</i> (Restated)
Turnover	
Building construction	1,424,932
Civil engineering	272,972
Specialist works	223,239
Construction materials	824
	<u>1,921,967</u>
Cost of sales	<u>(1,821,422)</u>
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
	<u>167,817</u>
Profit before taxation	167,817
Taxation	<u>(16,145)</u>
Profit after taxation	<u><u>151,672</u></u>

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 <i>HK\$'000</i>
Total assets	2,319,995
Total liabilities	<u><u>1,551,598</u></u>

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

	<i>HK\$'000</i>
Net cash from operating activities	45,794
Net cash used in investing activities	(454,097)
Net cash from financing activities	<u><u>301,280</u></u>

14. PROFIT FOR THE YEAR

	Continuing operations		Discontinued operations		Consolidated	
	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)		(Restated)
Profit for the year has been arrived at after charging:						
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 (<i>note (a) below</i>)	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 (<i>note (b) below</i>)	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

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)
	<u>4,440</u>	<u>14,734</u>	<u>–</u>	<u>19,599</u>	<u>4,440</u>	<u>34,333</u>
(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
	<u>27,890</u>	<u>34,746</u>	<u>–</u>	<u>146,153</u>	<u>27,890</u>	<u>180,899</u>
Less: Amount capitalised in respect of contracts in progress	–	(581)	–	(111,286)	–	(111,867)
	<u>27,890</u>	<u>34,165</u>	<u>–</u>	<u>34,867</u>	<u>27,890</u>	<u>69,032</u>

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	<u>2,430</u>	<u>1,550</u>	<u>1,912</u>	<u>670</u>	<u>10</u>	<u>302</u>	<u>120</u>	<u>120</u>	<u>120</u>	<u>7,234</u>

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	<u>2,723</u>	<u>2,130</u>	<u>3,404</u>	<u>2,130</u>	<u>16</u>	<u>2,081</u>	<u>120</u>	<u>83</u>	<u>60</u>	<u>52</u>	<u>4</u>	<u>12,803</u>

(b) Employees' emoluments

The five highest paid individuals in the Group for the year ended 31 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
	<u>9,524</u>	<u>12,468</u>

Their emoluments were within the following bands:

	2006	2005
	<i>Number of employees</i>	<i>Number of employees</i>
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
	<u>5</u>	<u>5</u>

- (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	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
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)	–
	<u>30,755</u>	<u>6,543</u>

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 6 October 2005 in respect of the final dividend of the year ended 31 March 2005.

The amount of the final dividend proposed for the year ended 31 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 3 November 2006 is HK4 cents per redeemable convertible preference share.

17. EARNINGS PER SHARE

	2006		2005	
	Basic	Diluted	Basic	Diluted
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
			(Restated)	(Restated)
Earnings (loss) per share from continuing operations (<i>note a</i>)	9.4	6.8	(10.2)	(3.1)
Earnings per share from discontinued operations (<i>note b</i>)	–	–	21.0	8.8
	<u>9.4</u>	<u>6.8</u>	<u>10.8</u>	<u>5.7</u>

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 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (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	<u>130,284</u>	<u>(52,810)</u>
	2006	2005
Number of shares		
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	<u>1,914,697,806</u>	<u>1,731,936,846</u>

(b) **Earnings per share from discontinued operations**

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

There was no discontinued operations during 2006.

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

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

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

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 1 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 31 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 31 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 1 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 31 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 31 March 2006	–	1,492	10,013	2,175	–	13,680
CARRYING VALUE						
At 31 March 2006	35,261	1,924	7,687	5,963	–	50,835
At 31 March 2005	32,051	344	4,385	176	3,804	40,760

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 $\frac{1}{3}$ %
Motor vehicles and vessels	20% – 33 $\frac{1}{3}$ %
Furniture and fixtures	20%
Construction in progress	Nil

At 31 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 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Freehold properties in Canada	22,761	19,551
Buildings in Hong Kong	12,500	12,500
	<u>35,261</u>	<u>32,051</u>

As at 31 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

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

At 31 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 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
The Group's prepaid lease payments comprise:		
Leasehold land held under medium-term lease in Hong Kong	<u>91,865</u>	<u>94,079</u>
Analysed for reporting purposes as:		
Non-current assets	89,651	91,865
Current assets	<u>2,214</u>	<u>2,214</u>
	<u>91,865</u>	<u>94,079</u>

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

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.

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

(b) Particulars of the Group's principal associates as at 31 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

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

(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 31 March 2006 comprise:

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

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

	Investment securities <i>HK\$'000</i>	Other investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Listed equity securities in Hong Kong	<u>–</u>	<u>5,025</u>	<u>5,025</u>
Market value of listed securities	<u>11,075</u>	<u>5,025</u>	<u>16,100</u>

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 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Trade debtors		
0-30 days	11,587	1,852
31-60 days	129	24
61-90 days	28	90
Over 90 days	3	124
	<u>11,747</u>	<u>2,090</u>

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 31 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 31 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 31 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 31 March 2006 approximate the carrying amounts.

28. AMOUNTS DUE FROM RELATED COMPANIES

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
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	–
	<u>247,362</u>	<u>1,632</u>

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 31 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 31 March 2006 approximate the corresponding carrying amounts.

29. LOANS RECEIVABLE

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

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 31 March 2006 approximate the carrying amounts.

30. HELD FOR TRADING INVESTMENTS (OTHER THAN DERIVATIVES)

Held for trading investments as at 31 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
	<u>138,474</u>

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 31 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 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Trade creditors		
0-30 days	730	4,817
31-60 days	22	54
61-90 days	4	33
Over 90 days	2	21
	<u>758</u>	<u>4,925</u>

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

33. DERIVATIVE FINANCIAL INSTRUMENTS

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Liabilities		
Equity accumulator	285	–
Futures	175	–
	<u>460</u>	<u>–</u>

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 20 March 2007. The futures represent the Group's investment in an overseas stock market index with maturity on 30 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 31 March 2006 approximate the carrying amounts.

35. CONVERTIBLE NOTES

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (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)
	<u>–</u>	<u>162,628</u>

Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 9 October 2002, the Company issued on 3 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 3 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.

Prior to 1 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 31 January 2005 and 3 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 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Bank borrowings comprise:		
Mortgage loans	62,550	65,000
Bank overdrafts	28,217	14,922
	<u>90,767</u>	<u>79,922</u>
Analysed as:		
Secured	77,383	79,922
Unsecured	13,384	–
	<u>90,767</u>	<u>79,922</u>
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
	<u>90,767</u>	<u>79,922</u>
Less: Amounts due within one year or on demand shown under current liabilities	<u>(30,667)</u>	<u>(17,372)</u>
Amounts due after one year	<u>60,100</u>	<u>62,550</u>

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:

	<i>HK\$'000</i>
Liability component at 1 April 2004	–
Amendment of terms on 3 November 2004 (<i>note a</i>)	283,185
Finance cost	4,439
Conversion on 3 February 2005 (<i>note b</i>)	<u>(1,087)</u>
Liability component at 31 March 2005	286,537
Finance cost	10,952
Interest paid in the form of a dividend	<u>(10,678)</u>
Liability component at 31 March 2006	<u><u>286,811</u></u>
Number of redeemable convertible preference shares issued and fully paid	
	Number of shares
Redeemable convertible preference shares of HK0.10 each	
At 1 April 2004	–
Conversion from compulsorily convertible cumulative preference shares (<i>note a</i>)	267,980,000
Conversion on 3 February 2005 (<i>note b</i>)	<u>(1,028,000)</u>
At 31 March 2005 and 2006	<u><u>266,952,000</u></u>

The redeemable convertible preference shares are listed and matured on 3 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 3 November 2004 (note a).

Notes:

- (a) With effect from 3 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 3 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 HK\$'000	2005 HK\$'000
Deferred tax liabilities	<u>99</u>	<u>48</u>

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

	Accelerated tax depreciation HK\$'000	Revaluation of medium term leasehold properties situated in Hong Kong HK\$'000	Undistributed earnings of an associate HK\$'000	Tax losses HK\$'000	Recognition of contracting income HK\$'000	Others HK\$'000	Total HK\$'000
At 1 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 31 March 2005 (Restated)	<u>865</u>	<u>48</u>	<u>-</u>	<u>(865)</u>	<u>-</u>	<u>-</u>	<u>48</u>
Charge (credit) to income statement	298	-	-	(298)	-	-	-
Charge to equity	-	51	-	-	-	-	51
At 31 March 2006	<u>1,163</u>	<u>99</u>	<u>-</u>	<u>(1,163)</u>	<u>-</u>	<u>-</u>	<u>99</u>

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

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
31 January 2005	112,900	376,333,333
3 February 2005	12,100	40,333,332
	<u>125,000</u>	<u>416,666,665</u>
24 February 2006	39,900	133,000,000
27 February 2006	6,900	23,000,000
28 February 2006	33,900	112,999,998
2 March 2006	83,800	279,333,332
	<u>164,500</u>	<u>548,333,330</u>

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

- (b) On 3 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 3 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 24 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 3 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 3 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 13 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 16 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 15 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.

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 31 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.

(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 6 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 29 November 2000.

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

Grantees	Date of grant	Exercise price HK\$	Number of shares of Trasy to be issued upon exercise of the share options					
			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
Directors of Trasy	29 November 2000	0.21	44,152,000	-	44,152,000	(44,152,000)	-	-
Others	29 November 2000	0.21	18,834,000	(2,254,000)	16,580,000	(15,068,000)	(1,512,000)	-
Total			<u>62,986,000</u>	<u>(2,254,000)</u>	<u>60,732,000</u>	<u>(59,220,000)</u>	<u>(1,512,000)</u>	<u>-</u>

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.

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 handling 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 23 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.

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	2005 Total HK\$'000
	Acquirees' carrying amount before Combination HK\$'000	Fair value adjustments HK\$'000	Fair value HK\$'000	Acquiree's carrying amount and fair value HK\$'000	Acquiree's carrying amount and fair value 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)
	<u>12,964</u>	<u>381,947</u>	<u>394,911</u>	<u>29,741</u>	<u>32,089</u>	<u>456,741</u>
Discount on acquisition			-	(20,938)	-	(20,938)
			<u>394,911</u>	<u>8,803</u>	<u>32,089</u>	<u>435,803</u>
SATISFIED BY:						
Cash			<u>394,911</u>	<u>8,803</u>	<u>32,089</u>	<u>435,803</u>
Net cash (outflow) inflow arising on acquisitions						
Cash consideration paid			(394,911)	(8,803)	(32,089)	(435,803)
Cash and cash equivalents acquired			<u>2,996</u>	<u>4</u>	<u>30</u>	<u>3,030</u>
			<u>(391,915)</u>	<u>(8,799)</u>	<u>(32,059)</u>	<u>(432,773)</u>

Had the acquisitions been completed on 1 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 1 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 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (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
Net cash outflow arising on disposal:		
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
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 31 March 2005 contributed approximately HK\$1,970,241,000 to the Group's turnover.

44. MAJOR NON-CASH TRANSACTION

- (a) During the year ended 31 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 31 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.

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 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
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	–
	<u>65,090</u>	<u>–</u>

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 non-cancellable operating leases in respect of rented premises, which fall due as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Within one year	807	308
In the second to fifth year inclusive	647	61
	<u>1,454</u>	<u>369</u>

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

(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 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Within one year	506	563
In the second to fifth year inclusive	1,188	1,542
	<u>1,694</u>	<u>2,105</u>

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

48. COMMITMENTS

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
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
	<u>1,398</u>	<u>46,184</u>

49. PLEDGE OF ASSETS

As at 31 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 31 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 31 March 2006.

50. POST BALANCE SHEET EVENTS

- (a) On 27 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 8 June 2006.
- (b) On 27 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 6 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
		<u> </u>	<u> </u>
Jointly controlled entities of the Group	Service fees charged by the Group	–	376
		<u> </u>	<u> </u>
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
		<u> </u>	<u> </u>
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
	<u> </u>	<u> </u>	

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 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (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
	<u>1,967,633</u>	<u>1,766,799</u>
Current liabilities		
Creditors and accrued expenses	3,356	6,368
Convertible notes	–	162,628
Other loans – due within one year	9,950	–
	<u>13,306</u>	<u>168,996</u>
Net current assets	<u>1,954,327</u>	<u>1,597,803</u>
Total assets less current liabilities	1,954,328	1,597,804
Non-current liability		
Redeemable convertible preference shares	286,811	286,537
Net assets	<u><u>1,667,517</u></u>	<u><u>1,311,267</u></u>
Capital and reserves		
Share capital	183,750	107,201
Reserves (<i>Note</i>)	1,483,767	1,204,066
Shareholders' funds	<u><u>1,667,517</u></u>	<u><u>1,311,267</u></u>

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 1 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 31 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 31 March 2006	282,782	1,134,686	908	-	871	64,520	1,483,767

Pursuant to the resolution passed on 22 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 31 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.

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:

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
- 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 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Contributed surplus	1,134,686	1,134,686
Accumulated profits	64,520	22,754
	<u>1,199,206</u>	<u>1,157,440</u>

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 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 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
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.

3. INDEBTEDNESS**Borrowings**

At the close of business on 28 February 2007, being the latest practicable date for this statement of indebtedness prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$411,565,000 comprising secured borrowings of approximately HK\$208,126,000 and unsecured borrowings of approximately HK\$203,439,000. The secured borrowings of approximately HK\$208,126,000 included bank borrowings of approximately HK\$149,613,000, share margin financing loans of approximately HK\$20,374,000 and bank overdrafts of approximately HK\$38,139,000. The unsecured borrowings of approximately HK\$203,439,000 represented unsecured loans of approximately HK\$203,439,000.

Pledge of assets

At the close of business on 28 February 2007, the secured borrowings are secured by certain of the Group's assets of approximately HK\$484,729,000.

Debt securities

At the close of business on 28 February 2007, the Group had outstanding convertible notes and redeemable convertible preference shares with principle amounts of approximately HK\$668,983,000 and HK\$282,026,000, respectively. The convertible notes are convertible into approximately 74.3 million shares of Hanny at the prevailing convertible price of HK\$9 per share of Hanny and the redeemable convertible preference shares are convertible into approximately 271.2 million Ordinary Shares at the conversion price of HK\$1.04 per Ordinary Share. The carrying amounts of the convertible notes and the redeemable convertible preference shares on the balance sheet at 28 February 2007 was approximately HK\$569,375,000 and HK\$285,209,000 (including the accrued finance charge of approximately HK\$4,053,000), respectively.

Contingent liabilities

At the close of business on 28 February 2007, the Group had contingent liabilities in respect of guarantees given to banks on general banking facilities granted to an associate and a third party of approximately HK\$56,000,000 and HK\$14,899,000 respectively. The Group also had given financial support to an associate of approximately HK\$8,790,000. Besides, the Group had the share of contingent liabilities of an associate in respect of guarantees given to a bank on general banking facilities granted to third parties of approximately HK\$175,000.

Save as aforesaid and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 28 February 2007 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.

4. WORKING CAPITAL

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

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 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.

6. FINANCIAL AND TRADING PROSPECTS

The principal activities of the Group comprise investment holding, the provision of finance, the provision of management services, property investment and trading, treasury investment, trading of building materials and machinery, holding of vessels for sand mining and the provision and operation of an internet-based precious metals trading platform. In respect of strategic investments, the 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 enhance the value of its strategic investments by active participation in or close liaisons with the management of the investee companies of the Group. In view of the strong upturn of the Hong Kong economy and the diversified investment profile of the Group, ITC is confident about the future prospects of its investment and business operation.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information 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 the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(A) Directors' interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors 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 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 the Company*

Name of Director	Capacity	Long position/ Short position	No. of Ordinary Shares held	Approximate % of the existing issued ordinary share capital of ITC
Chan Kwok Keung, Charles ("Dr. Chan")	Interest of controlled corporation (<i>Note</i>)	Long position	642,939,242	34.33%

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 Ordinary Shares held by Galaxyway Investments Limited.

(b) *Interests and short positions in shares, underlying shares and debentures of the following associated corporations*(i) *Hanny*

Name of Director	Capacity	Long position/ Short position	No. of shares of Hanny held	No. of underlying shares (in respect of unlisted equity derivatives) of Hanny held	Approximate % of the existing issued share capital of Hanny
Dr. Chan	Interests of controlled corporation (Note 1)	Long position	169,979,504 (Note 1)	–	67.23%
Dr. Chan	Interests of controlled corporations (Note 1)	Long position	–	11,304,682 (Note 1)	4.47%
Dr. Chan	Beneficial owner	Long position	1,627,697	–	0.64%
Dr. Chan	Beneficial owner	Long position	–	315,756 (Note 2)	0.12%
Chan Kwok Chuen, Augustine	Beneficial owner	Long position	1,600,000	–	0.63%
Cheung Hon Kit	Beneficial owner	Long position	6	–	0.00%
Shek Lai Him, Abraham	Beneficial owner	Long position	32	–	0.00%

Notes: 1. The shares of Hanny were held by an indirect wholly-owned subsidiary of ITC. ITC, through its wholly-owned subsidiaries, also held the 2% convertible bonds of Hanny due 2011 with an aggregate principal amount of HK\$101,742,150. Upon full conversion of such convertible bonds at an initial conversion price of HK\$9 per share of Hanny (subject to adjustments), 11,304,682 shares of Hanny would be issued to indirect wholly-owned subsidiaries of ITC.

By virtue of his deemed interests in approximately 34.33% of the existing issued ordinary share capital of ITC, Dr. Chan was deemed to be interested in these shares and underlying shares of Hanny.

2. Dr. Chan owned the 2% convertible bonds of Hanny due 2011 in the principal amount of HK\$2,841,810. Upon full conversion of such convertible bonds at an initial conversion price of HK\$9 per share of Hanny (subject to adjustments), 315,756 shares of Hanny would be issued to Dr. Chan.

(ii) *Trasy Gold Ex Limited (“Trasy”)*

Name of Director	Capacity	Long position/ Short position	No. of shares of Trasy held	Approximate % of the existing issued share capital of Trasy
Dr. Chan	Interest of controlled corporation (<i>Note</i>)	Long position	1,568,681,139	56.45%

Note: The shares of Trasy were held by an indirect wholly-owned subsidiary of ITC. By virtue of his deemed interests in approximately 34.33% of the existing issued ordinary share capital of ITC, Dr. Chan was deemed to be interested in these shares of Trasy.

(iii) *PYI*

Name of Director	Capacity	Long position/ Short position	No. of PYI Shares 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
Dr. Chan	Interest of controlled corporation (<i>Note 1</i>)	Long position	402,368,507	–	26.97%
Dr. Chan	Beneficial owner	Long position	11,915,186	–	0.80%
Chau Mei Wah, Rosanna	Beneficial owner	Long position	–	1,630,000 (<i>Note 2</i>)	0.11%
Chan Fut Yan	Beneficial owner	Long position	–	2,500,000 (<i>Note 2</i>)	0.17%
Cheung Hon Kit	Beneficial owner	Long position	400	–	0.00%
Shek Lai Him, Abraham	Beneficial owner	Long position	2,000	–	0.00%

Notes: 1. The PYI Shares were held by an indirect wholly-owned subsidiary of ITC. By virtue of his deemed interests in approximately 34.33% of the existing issued ordinary share capital of ITC, Dr. Chan was deemed to be interested in these PYI Shares.

2. On 28 December 2004, Ms. Chau Mei Wah, Rosanna and Mr. Chan Fut Yan were granted share options with rights to subscribe for 1,630,000 PYI Shares and 2,500,000 PYI Shares respectively at HK\$1.5 per PYI Share (subject to adjustments) during the period from 28 December 2004 to 26 August 2012.

(iv) *Burcon NutraScience Corporation (“Burcon”)*

Name of 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	321,074	–	1.31%
Chau Mei Wah, Rosanna	Beneficial owner	Long position	–	61,000	0.25%

(v) *Wing On Travel (Holdings) Limited (“Wing On”)*

Name of Director	Capacity	Long position/ Short position	No. of shares of Wing On held	No. of underlying shares (in respect of unlisted equity derivatives) of Wing On held	Approximate % of the existing issued share capital of Wing On
Dr. Chan	Interest of controlled corporations (Note 1)	Long position	135,740,481	–	22.23%
Dr. Chan	Interest of controlled corporation (Note 1)	Long position	–	379,746,835	62.19%
Dr. Chan	Beneficial owner	Long position	4,529,800	–	0.74%
Cheung Hon Kit	Beneficial owner	Long position	–	4,000,000 (Note 2)	0.66%

Notes: 1. 11,406,000 shares of Wing On were held by an indirect wholly-owned subsidiary of ITC. 124,334,481 shares of Wing On were held by an indirect wholly-owned subsidiary of China Enterprises Limited (“CEL”) of which Group Dragon Investments Limited (“GDI”) indirectly owned approximately 55.22% of the effective equity interest. Hanny indirectly held approximately 98.92% of the existing issued share capital of GDI. ITC indirectly held approximately 67.23% of the existing issued share capital of Hanny. CEL held a convertible note in the principal amount of HK\$300,000,000. Upon full conversion of such convertible note at an initial conversion price of HK\$0.79 per share of Wing On (subject to adjustments), 379,746,835 shares of Wing On would be issued to CEL. By virtue of his deemed interests in approximately 34.33% of the existing issued ordinary share capital of ITC. Dr. Chan was deemed to be interested in these shares and underlying shares of Wing On.

2. On 22 June 2006, Mr. Cheung Hon Kit was granted share options with rights to subscribe for 4,000,000 shares of Wing On at HK\$0.728 per share of Wing On (subject to adjustments) during the period from 22 June 2006 to 21 June 2008.

Hanny, Trasy, PYI, Burcon and Wing On 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 34.33% of the existing 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 Group under Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the 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.

(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 Directors, the following parties had an interest or short position in the 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 Ordinary Shares and underlying shares of ITC

Name	Capacity	Long position/ Short position	No. of Ordinary Shares held	Approximate % of the existing issued ordinary share capital of ITC
Dr. Chan	Interest of controlled corporation (<i>Note 1</i>)	Long position	642,939,242	34.33%
Chinaview International Limited	Interest of controlled corporation (<i>Note 1</i>)	Long position	642,939,242	34.33%
Galaxyway Investments Limited	Beneficial owner (<i>Note 1</i>)	Long position	642,939,242	34.33%
Ng Yuen Lan, Macy	Interest of spouse (<i>Note 1</i>)	Long position	642,939,242	34.33%
PMA Capital Management Limited	Investment manager	Long position	223,358,500 (<i>Note 2</i>)	11.93%

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 Ordinary Shares held by Galaxyway Investments Limited.

2. So far as known to the Directors, Diversified Asian Strategies Fund is managed by PMA Capital Management Limited and the interests in the Ordinary Shares held by PMA Capital Management Limited include the Ordinary Shares held by Diversified Asian Strategies Fund as mentioned in the section headed "Interests and short positions of other persons in Ordinary Shares and underlying shares of ITC" in this Appendix.

(b) *Interests and short positions of other persons in Ordinary Shares and underlying shares of ITC*

Name	Capacity	Long position/ Short position	No. of 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 (<i>Note</i>)	Long position	2,773,046	–	0.15%
CEF Holdings	Interest of controlled corporations (<i>Note</i>)	Long position	–	213,015,153	11.37%
Canadian Imperial Bank of Commerce	Interest of controlled corporations (<i>Note</i>)	Long position	2,773,046	–	0.15%
Canadian Imperial Bank of Commerce	Interest of controlled corporations (<i>Note</i>)	Long position	–	213,015,153	11.37%
Cheung Kong (Holdings) Limited ("CKH")	Interest of controlled corporations (<i>Note</i>)	Long position	2,773,046	–	0.15%
CKH	Interest of controlled corporations (<i>Note</i>)	Long position	–	213,015,153	11.37%
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee (<i>Note</i>)	Long position	2,773,046	–	0.15%
TUT1	Trustee (<i>Note</i>)	Long position	–	213,015,153	11.37%
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee & beneficiary of a trust (<i>Note</i>)	Long position	2,773,046	–	0.15%
TDT1	Trustee & beneficiary of a trust (<i>Note</i>)	Long position	–	213,015,153	11.37%
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee & beneficiary of a trust (<i>Note</i>)	Long position	2,773,046	–	0.15%
TDT2	Trustee & beneficiary of a trust (<i>Note</i>)	Long position	–	213,015,153	11.37%
Li Ka-shing	Interest of controlled corporations & founder of discretionary trusts (<i>Note</i>)	Long position	2,773,046	–	0.15%

Name	Capacity	Long position/ Short position	No. of 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 (<i>Note</i>)	Long position	-	213,015,153	11.37%
Deutsche Bank Aktiengesellschaft	Security interest	Long position	201,438,795	-	10.75%
Diversified Asian Strategies Fund	Beneficial owner	Long position	104,156,194	-	5.56%

Note: So far as known to the Directors, the number of 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 the 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 the 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 the Ordinary Shares and underlying shares (in respect of listed equity derivatives) of ITC held by Asialand and CEF Capital Markets.

(c) Substantial shareholding in the other members of the Group

As at the Latest Practicable Date, so far as is known to the Directors, the following parties, other than a Director, was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of subsidiary	Name of shareholder	% of the issued share capital
Digital Communications Limited	Global 2000 Management Limited	40%
Hanny Investment Group Limited	Global Media Limited	35%
Sino Partner Holdings Limited	Tian Pu Jun	17%
China Telecom International Limited	China Telecom Investment Corporation	49%
Earnfull Industrial Limited	Wang Ming Jan	10%
Orion (B.V.I.) Tire Corporation	Coronada Holding Limited	40%
Orion Tire Corporation	Coronada Holding Limited	40%
Ruby Uniforms Limited	Poon Charn Ki, Frederick	10%

Save as disclosed above, the Directors are not aware that there is any party (not being a Director) who, as at the Latest Practicable Date, had an interest or short positions in the Ordinary Shares and underlying shares of ITC which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such shares.

3. DIRECTORS' INTERESTS IN CONTRACTS, ASSETS AND COMPETING BUSINESSES

As at the Latest Practicable Date, save as disclosed below, none of the Directors was materially interested in any contract or arrangement subsisting which is significant in relation to the business of the Group.

None of the Directors had any interest, direct or indirect, in any asset which have since 30 September 2006, being the date to which the latest published accounts of the Company were made up, up to the Latest Practicable Date, been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by, or leased to any member of the Group.

As at the Latest Practicable Date, interests of the Directors in competing businesses which are required to be disclosed pursuant to Rule 8.10 of the Listing Rules were as follows:

Name of Director	Name of entity the businesses of which are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Chan Fut Yan	Macau Prime Properties Holdings Limited ("MPP") and its subsidiaries	Property investment in Hong Kong and property development and trading in the PRC (excluding Hong Kong and Macau)	As managing director
Cheung Hon Kit	MPP and its subsidiaries	Property investment in Hong Kong and property development and trading in the PRC (excluding Hong Kong and Macau)	As chairman
	Wing On and its subsidiaries	Property investment in Hong Kong and property development in the PRC (excluding Hong Kong and Macau)	As managing director
	China Development Limited	Property investment in Hong Kong	As a director and shareholder
	Artnos Limited	Property investment in Hong Kong	As a director and shareholder
	Co-Forward Development Ltd.	Property investment in Hong Kong	As a director and shareholder
	Orient Centre Limited	Property investment in Hong Kong	As a shareholder
	Super Time Limited	Property investment in Hong Kong	As a director and shareholder
	Asia City Holdings Ltd.	Property investment in Hong Kong	As a director and shareholder
	Supreme Best Ltd.	Property investment in Hong Kong	As a shareholder

Save as disclosed above, none of the Directors nor their respective associates were interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the Group's businesses as at the Latest Practicable Date.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contracts with any member of the Group which is not determinable by the Group within one year without any payment of compensation, other than statutory compensation.

5. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, no litigation or claims which is in the opinion of the Directors of material importance was known to the Directors to be pending or threatened against any member of the Group.

MATERIAL CONTRACTS

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by the 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 Group
 - (i) the contract notes for acquisition by Golden Hall Holdings Limited (“Golden Hall”), an indirect wholly-owned subsidiary of ITC, of 1,391,430,000 shares in Trasy at an aggregate consideration of HK\$8,000,000 on 23 March 2005;
 - (ii) the mandate letter dated 23 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;
 - (iii) the corporate guarantee dated 31 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\$56,000,000 (plus interest and other charges);
 - (iv) the loan agreement dated 28 July 2005 made between ITC Management Limited (“ITC Management”), an indirect 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 22 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 28 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;
 - (v) two loan agreements both dated 28 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;
 - (vi) the loan agreement dated 11 August 2005 made between ITC Management and See Corporation Limited (“SCL” formerly known as Ruili Holdings Limited) 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 28 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;
 - (vii) the placing agreement dated 28 September 2005 made between Macquarie Securities Limited, Hollyfield Group Limited (“Hollyfield”), an indirect wholly-owned subsidiary of ITC, and ITC in relation to the disposal of 150,000,000 PYI Shares at a price of HK\$1.50 per PYI Share;

- (viii) the confirmation for acquisition by Famex Investment Limited (“Famex”), an indirect wholly-owned subsidiary of ITC, of 11,000,000 shares of Hanny at an aggregate consideration of approximately HK\$44,000,000 on 21 October 2005;
 - (ix) the placing agreement dated 9 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;
 - (x) the placing agreement dated 15 February 2006 made between ITC and CLSA Limited in relation to the placement of in aggregate up to 214,400,000 Ordinary Shares at HK\$0.72 per Ordinary Share on a best effort basis;
 - (xi) the conditional subscription agreement dated 27 June 2006 (as supplemented by a supplemental agreement dated 30 August 2006) made between ITC and Hanny in relation to the subscription of US\$75 million (equivalent to approximately HK\$582.5 million) convertible exchangeable notes of Hanny at face value. On 29 December 2006, Hanny and ITC entered into termination agreement to terminate the conditional subscription agreement;
 - (xii) the mandate letter dated 16 August 2006 entered into between Famex, ITC and Kingston Corporate Finance Limited, 71 forms of acceptance and transfer of a total of 53,080,585 shares of Hanny at the offer price of HK\$3.8 per share of Hanny and 32 forms of acceptance and transfer of a total of HK\$5,775,870 2% convertible bonds of Hanny due 2011 (the “Hanny Convertible Bonds”) at the offer price for each HK\$15 face value of Hanny Convertible Bonds at HK\$6.3334 in relation to conditional mandatory cash offers by Kingston Securities Limited (“Kingston Securities”) on behalf of Famex for all issued shares in Hanny and for all outstanding Hanny Convertible Bonds, other than those already owned or agreed to be acquired by Famex and parties acting in concert with it (except Cobbleford Limited);
 - (xiii) the loan facility letter dated 16 August 2006 (as supplemented by supplemental facility letters dated 25 August 2006, 29 August 2006, 31 August 2006, 9 November 2006 and 20 November 2006) entered into between Famex and Kingston Securities pursuant to which Kingston Securities agreed to grant a loan facility of up to HK\$600,000,000 to Famex in relation to the making of the offers as mentioned in (xii) above; and
 - (xiv) the sale and purchase agreement dated 17 August 2006 (as supplemented by supplemental agreements dated 28 August 2006 and 4 October 2006) entered into between Famex and Mr. Ma Ho Man, Hoffman in relation to the conditional acquisition of 22,812,359 shares of Hanny by Famex.
2. Hanny and its subsidiaries
- (i) the subscription agreement dated 20 April 2005 entered into between Loyal Concept Limited, an indirect wholly-owned subsidiary of Hanny, and MPP (formerly known as Cheung Tai Hong Holdings Limited) in relation to the subscription by cash of HK\$450 million convertible note due 2010 issued by MPP;
 - (ii) the underwriting agreement dated 21 April 2005 entered into between Hanny, SCL and Tai Fook Securities Company Limited in relation to the underwriting of a rights issue involving 1,615,668,333 rights shares of SCL at a price of HK\$0.10 each, pursuant to which Hanny agreed to underwrite 320,000,000 rights shares of SCL;
 - (iii) the subscription agreement dated 21 April 2005 entered into between Hanny and SCL relating to the subscription of HK\$170 million convertible note issued by SCL in cash;
 - (iv) the loan agreement dated 11 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;
 - (v) the deed of mortgage and assignment dated 11 August 2005 entered into between Well Orient Limited, an indirect wholly-owned subsidiary of Hanny, as the mortgagor and Kingston as the mortgagee in relation to the securities of China Strategic Holdings Limited for the purpose of securing the obligations of Hanny (as borrower) under the loan agreement mentioned in (iv) above;

- (vi) the security assignment dated 11 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 for the purpose of securing the obligations of Hanny (as borrower) under the loan agreement mentioned in (iv) above;
- (vii) the deed of mortgage of shares dated 11 August 2005 entered into between Hanny as the mortgagor and Kingston as the mortgagee in relation to the securities in SCL for the purpose of securing the obligations of Hanny (as borrower) under the loan agreement mentioned in (iv) above;
- (viii) the deed of security assignment dated 11 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 for the purpose of securing the obligations of Hanny (as borrower) under the loan agreement mentioned in (iv) above;
- (ix) the subscription agreement dated 18 August 2005 entered into between Hanny and Wo Kee Hong (Holdings) Limited (“WKH”) in respect of the subscription by Hanny of HK\$30 million 7.25% convertible note due 2008 issued by WKH in cash;
- (x) the disposal agreement dated 19 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®. The aggregate cash consideration for the disposal was US\$330,000,000, plus adjustments amount and earnout amount calculated in accordance with the terms of the disposal agreement.
- (xi) the inducement agreement dated 19 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 disposal agreement mentioned in (x) above;
- (xii) the conditional sale and purchase agreement dated 9 March 2006 entered into between Best Position Limited, an indirect wholly-owned subsidiary of Hanny, and Asset Manage Limited relating to the acquisition of a 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. The consideration of the agreement was adjusted to HK\$39,048,340;
- (xiii) the conditional subscription agreement dated 23 March 2006 entered into between CEL, an indirect non wholly-owned subsidiary of Hanny, and Wing On, an associated company of Hanny, 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;
- (xiv) the underwriting agreement dated 22 April 2006 entered into between Hanny, SCL and Success Securities Limited in relation to the underwriting of the rights issue involving 10,771,122,220 rights shares of SCL at a price of HK\$0.014 each, pursuant to which Hanny agreed to underwrite 329,037,330 rights shares of SCL;
- (xv) the subscription agreement dated 27 April 2006 entered into between Hanny and MPP in relation to the subscription of HK\$270 million 1% convertible note due 2011 issued by MPP in cash;
- (xvi) the five conditional subscription agreements all dated 27 June 2006 (as supplemented by the supplemental agreements) entered into between Hanny and each of ITC and the other four subscribers in relation to the subscription of the convertible exchangeable notes of Hanny. On 29 December 2006, Hanny and each of ITC and the other four subscribers entered into termination agreement to terminate the conditional subscription agreement;
- (xvii) the subscription agreement dated 28 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 4% convertible note due 2009 of Mei Ah in cash;

- (xviii) the subscription agreement dated 10 July 2006 entered into between Quick Target Limited, an indirect wholly-owned subsidiary of Hanny, as the subscriber and Golden Harvest Entertainment (Holdings) Limited (“Golden Harvest”) as the issuer in respect of the subscription of HK\$50 million 4% convertible note due 2008 of Golden Harvest in cash;
- (xix) the conditional subscription agreement dated 29 August 2006 entered into between Hanny as subscriber and CEL in relation to the subscription of US\$100 million (equivalent to approximately HK\$776.6 million) 1% convertible notes due 2011 of CEL in cash. On 29 December 2006, Hanny and CEL entered into the termination agreement to terminate the conditional subscription agreement;
- (xx) the conditional subscription agreement dated 19 January 2007 entered into between Improvemany International Limited, an indirect wholly-owned subsidiary of Hanny, as the subscriber and China Star Entertainment Limited as the issuer in respect of the subscription of HK\$124.5 million zero coupon convertible bonds due 2012 in cash; and
- (xxi) the underwriting agreement dated 6 March 2007 entered into between Hanny and SCL pursuant to which Hanny agreed to underwrite up to 367,047,620 rights shares of SCL at a price of HK\$0.2 each.

PROCEDURE FOR DEMANDING A POLL

Pursuant to bye-law 79 of the bye-laws of ITC, 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 ITC 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 Director or 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 Director or 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 registrar and transfer office of ITC is Butterfield Fund Services (Bermuda) Limited of Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda and the branch share registrar 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 the SGM:

- the memorandum of association and bye-laws of each of the Company;
- the audited consolidated financial statements of each of the Company for each of the years ended 31 March 2005 and 2006;
- the material contracts referred to in this appendix;
- the following circulars issued by the Company pursuant to the requirements set out under Chapter 14 of the Listing Rules since 31 March 2006, being the date to which the latest published audited consolidated financial statements of the Group were made up:
 - a circular dated 16 February 2007 regarding a discloseable transaction in relation to the subscription of convertible bond of China Star Entertainment Limited by an indirect wholly owned subsidiary of Hanny;
 - a circular dated 20 October 2006 regarding a possible very substantial acquisition of shares in Hanny by Famex and possible conditional mandatory cash offers by Kingston Securities for and on behalf of Famex for all issued shares of Hanny and outstanding Hanny convertible Bonds (other than those already owned by or agreed to be acquired by Famex and parties acting in concert with it (except Cobbleford Limited)); and
 - a circular dated 8 September 2006 regarding a major transaction in relation to the subscription of convertible notes of Hanny and a possible very substantial acquisition.

NOTICE OF SGM



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 Wednesday, 18 April 2007 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution, which will be proposed as ordinary resolution of the Company:

ORDINARY RESOLUTION

"THAT:–

- (A) the disposal by the Company and/or its subsidiaries of shares of HK\$0.10 each (each a "PYI Share") in PYI Corporation Limited ("PYI") from time to time when the conditions set out in paragraph (B) below can be satisfied and before the first anniversary of the date on which this resolution is passed be and is hereby approved and authorised;
- (B) no disposal of PYI Shares pursuant to the authority granted under this ordinary resolution shall be made unless:–
 - (a) price per share at which such disposal is made shall be equal to or exceed HK\$3 per PYI Share (subject to adjustments for share consolidation or share subdivision by PYI and such rounding as may be determined by the Directors in their discretion to take into account fractions of shares);
 - (b) all of the percentage ratios (as defined in and calculated as required by Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) in respect of that disposal when aggregated with all other disposals then made or contracted for pursuant to the authority granted under this ordinary resolution are below 75%, calculated at the time of contract of each disposal;
 - (c) the PYI Shares to be disposed shall be to such person(s) who, to the best of the knowledge, information and belief of the directors of the Company (the "Directors"), having made all reasonable enquiries, to parties who are independent of the Company and any director, chief executive or substantial shareholder of the Company or its subsidiaries or any associate of any of them or any connected persons (as defined in the Listing Rules) of the Company; and
 - (d) the disposal is to be completed before first anniversary of the date on which this resolution is passed; and
- (C) the Directors be and are hereby authorised to exercise all the powers of the Company and take all other steps as might in the opinion of the Directors be desirable or necessary in connection with the disposal, including without limitation, settling, approving or executing one or more agreements in connection with the disposal and generally to exercise all the powers of the Company as they deem desirable or necessary for the foregoing purpose."

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

Hong Kong, 2 April 2007

NOTICE OF SGM

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 of Directors 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 board of Directors comprised:–

Executive Directors

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

Independent Non-executive Directors:

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