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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

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# ITC ITC CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 372)

(Warrant Code: 779)

**(1) PROPOSED RIGHTS ISSUE  
ON THE BASIS OF FOUR RIGHTS SHARES  
FOR EVERY REORGANISED SHARE HELD  
ON THE RECORD DATE  
AND  
(2) NOTICE OF SPECIAL GENERAL MEETING**

Financial Adviser



Underwriter of the Rights Issue



Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders



**Menlo Capital Limited**

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It should be noted that the Reorganised Shares will be dealt in on an ex-rights basis from Tuesday, 21 April 2009. Dealings in the Rights Shares in the nil-paid form will take place from Monday, 4 May 2009 to Monday, 11 May 2009 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or waived (as applicable) or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any dealing in the nil-paid Rights Shares during the period from Monday, 4 May 2009 to Monday, 11 May 2009 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

It should be noted that the Underwriting Agreement in respect of the Rights Issue contains provisions entitling the Underwriter by notice in writing to the Company at any time prior to 4:00 p.m. on the Settlement Date to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure. These events are set out under the paragraph headed "Termination of the Underwriting Agreement" on pages 13 and 14 of this circular. If the Underwriter terminates the Underwriting Agreement in accordance with the terms thereof, the Rights Issue will not proceed. In addition, the Rights Issue is conditional on all conditions set out on page 12 of this circular being fulfilled or waived (as applicable). If such conditions have not been satisfied or waived (as applicable) in accordance with the Underwriting Agreement on or before the time and dates specified therein (or, if no time or date is specified, 4:00 p.m. on 30 June 2009 or such later time and date as the Underwriter may agree with the Company in writing), all obligations of the parties to the Underwriting Agreement shall cease and determine and neither party shall have any claim against the other save that all such reasonable costs, fees and other out-of-pocket expenses (excluding sub-underwriting fees and related expenses) as have been reasonably and properly incurred by the Underwriter in connection with the underwriting of the Underwritten Shares by the Underwriter shall, to the extent agreed by the Company, be borne by the Company, and the Rights Issue will not proceed.

A letter of advice from Menlo Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 28 of this circular and a letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on page 19 of this circular.

A notice convening a special general meeting of the Company to be held at 11:00 a.m. on Tuesday, 28 April 2009 at B27, Basement, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong is set out on pages 145 and 146 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office and warrant registrar of the Company in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

9 April 2009

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## EXPECTED TIMETABLE

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The expected timetable for the Rights Issue is set out below:

**2009**

Last day of dealings in Reorganised Shares on a cum-rights basis . . . . .	Monday, 20 April
First day of dealings in Reorganised Shares on an ex-rights basis . . . . .	Tuesday, 21 April
Latest time for lodging transfers of Reorganised Shares in order to qualify for the Rights Issue. . . . .	4:30 p.m. on Wednesday, 22 April
Register of members to be closed . . . . .	Thursday, 23 April to Tuesday, 28 April (both dates inclusive)
Latest time for return of form of proxy for the SGM (not less than 48 hours) . . . . .	11:00 a.m. on Sunday, 26 April
Record Date . . . . .	Tuesday, 28 April
Date of the SGM. . . . .	11:00 a.m. on Tuesday, 28 April
Announcement of results of the SGM . . . . .	Tuesday, 28 April
Register of members to be re-opened . . . . .	Wednesday, 29 April
Prospectus Documents to be posted . . . . .	Wednesday, 29 April
First day of dealings in nil-paid Rights Shares . . . . .	Monday, 4 May
Latest time for splitting of nil-paid Rights Shares. . . . .	4:30 p.m. on Wednesday, 6 May
Last day of dealings in nil-paid Rights Shares . . . . .	Monday, 11 May
Latest time for acceptance of and payment for Rights Shares and for application and payment for excess Rights Shares . . . . .	4:00 p.m. on Thursday, 14 May
Rights Issue expected to become unconditional . . . . .	after 4:00 p.m. on Tuesday, 19 May
Announcement of results of acceptance and excess application of the Rights Shares. . . . .	Thursday, 21 May
Refund cheques for wholly and partially unsuccessful applications for excess Rights Shares . . . . .	on or before Friday, 22 May
Certificates for fully-paid Rights Shares to be despatched . . . . .	on or before Friday, 22 May
First day of dealings in the fully-paid Rights Shares. . . . .	Tuesday, 26 May

All references to time in this circular are references to Hong Kong time.

Dates or deadlines specified in this circular are indicative only and may be varied by agreement between the Company and the Underwriter. Any consequential changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

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## EXPECTED TIMETABLE

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### **EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES**

The latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if there is:

1. a tropical cyclone warning signal number 8 or above, or
2. a “black” rainstorm warning
  - (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Acceptance Date. Instead, the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
  - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Acceptance Date. Instead, the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take place on the Acceptance Date, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following terms shall have the following meanings:*

“Acceptance Date”	14 May 2009 (or such other date as the Underwriter may agree in writing with the Company as the latest date for acceptance of, and payment for, Rights Shares and application for the excess Rights Shares)
“Announcement”	the announcement of the Company dated 17 March 2009 relating to, inter alia, the Rights Issue
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day, (excluding Saturday, Sunday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning is hoisted or in effect between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“Bye-laws”	the bye-laws of the Company from time to time
“Capital Reorganisation”	the reorganisation of the share capital of the Company as set out in the announcement and the circular of the Company dated 19 February 2009 and 11 March 2009 respectively
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CC Shares”	187,413,164 Rights Shares to be taken up by Dr. Chan pursuant to the CC Undertaking Letter
“CC Undertaking Letter”	the irrevocable undertaking given by Dr. Chan in favour of the Company and the Underwriter on 16 March 2009, as more particularly set out in the paragraph headed “Undertakings by Dr. Chan and the Directors” in the “Letter from the Board” in this circular
“CC Warrants”	187,413,170 Warrants held or deemed to be held by Dr. Chan as at the Latest Practicable Date
“Companies Act”	the Companies Act 1981 of Bermuda (as amended)
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Company” or “ITC”	ITC Corporation Limited (Stock Code: 372), a company incorporated in Bermuda with limited liability and whose issued securities are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Convertible Notes”	the 5% convertible notes due 2009 in the aggregate principal amount of HK\$200 million issued by the Company on 2 November 2007, all of which remains outstanding as at the Latest Practicable Date
“Director(s)”	director(s) of the Company
“Directors’ Options”	4,820,000 Options collectively held by certain Directors as at the Latest Practicable Date
“Director’s Undertaking Letter(s)”	the irrevocable undertaking given by each of the Directors, who is the holder of the Options, in favour of the Company and the Underwriter on 16 March 2009, as more particularly set out in the paragraph headed “Undertakings by Dr. Chan and the Directors” in the “Letter from the Board” in this circular

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## DEFINITIONS

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“Dr. Chan”	Dr. Chan Kwok Keung, Charles, the controlling Shareholder, the chairman of the Company and an executive Director
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, based on opinions provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Overseas Shareholder(s) on account either of legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that (those) place(s)
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors formed for the purpose of advising the Independent Shareholders in relation to the Rights Issue
“Independent Shareholder(s)”	Shareholder(s) other than Dr. Chan and his associates
“Last Trading Day”	16 March 2009, being the last trading day before the suspension of the trading of the securities of the Company on the Stock Exchange, pending the release of the Announcement
“Latest Practicable Date”	6 April 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Committee”	has the meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Menlo Capital”	Menlo Capital Limited, a corporation licensed to carry on business in type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue
“Option(s)”	the share option(s) granted by the Company pursuant to the Share Option Scheme
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is(are) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) in respect of the Rights Issue proposed to be issued to the Qualifying Shareholders
“Posting Date”	29 April 2009, or such other date as the Underwriter may agree in writing with the Company, as the date for the despatch of the Prospectus Documents or the Prospectus only (as the case may be) to the Shareholders
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan

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## DEFINITIONS

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“Prospectus”	the prospectus to be despatched to the Shareholders in relation to the Rights Issue
“Prospectus Documents”	the Prospectus, PAL and EAF
“Qualifying Shareholder(s)”	Shareholder(s), whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date, other than the Excluded Shareholder(s)
“Record Date”	28 April 2009 or such other date as the Underwriter may agree in writing with the Company as the date for determining the entitlements of the Shareholders to participate in the Rights Issue
“Registrar”	Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, being the branch share registrar and transfer office and the warrant registrar of the Company in Hong Kong
“Reorganised Shares(s)”	ordinary shares(s) of HK\$0.01 each in the share capital of the Company immediately after the Capital Reorganisation became effective on 3 April 2009
“Rights Issue”	the proposed issue by way of rights of the Rights Shares in the proportion of four Rights Shares for every Reorganised Share in issue and held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Rights Shares”	not less than 538,922,484 and not more than 695,036,396 new Reorganised Shares to be allotted and issued pursuant to the Rights Issue
“Settlement Date”	19 May 2009, being the third Business Day following the Acceptance Date
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SGM”	the special general meeting of the Company to be held to consider and, if thought fit, approve the Rights Issue
“Share Option Scheme”	the share option scheme adopted by the Company on 16 January 2002 (as amended on 19 September 2007)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company before the Capital Reorganisation became effective on 3 April 2009
“Shareholder(s)”	holder(s) of Share(s) or Reorganised Share(s) (as the case may be)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.20 per Rights Share
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter”	Get Nice Securities Limited, a corporation deemed licensed to carry on business in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the SFO, which is not a connected person of the Company

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## DEFINITIONS

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“Underwriting Agreement”	the underwriting agreement dated 16 March 2009 entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	not less than 351,509,320 and not more than 507,623,232 Rights Shares underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
“Warrants”	a total of 538,913,886 listed warrants outstanding as at the Latest Practicable Date, carrying rights to subscribe in cash for 26,945,694 Reorganised Shares at the subscription price of HK\$4.4 per Reorganised Share (subject to adjustments) at any time until 4:10 p.m. on 4 November 2009 pursuant to an instrument issued by the Company dated 5 November 2008 (Warrant Code: 779)
“%” or “per cent.”	percentage or per centum



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## LETTER FROM THE BOARD

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# ITC CORPORATION LIMITED

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 372)

(Warrant Code: 779)

*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

Mr. Chan Yiu Lun, Alan

*Independent non-executive Directors:*

Mr. Chuck, Winston Calptor

Mr. Lee Kit Wah

Hon. Shek Lai Him, Abraham, *SBS, JP*

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head office and principal place of  
business in Hong Kong:*

30th Floor

Bank of America Tower

12 Harcourt Road

Central

Hong Kong

9 April 2009

*To the Shareholders and, for information only,  
to the holders of the Convertible  
Notes and/or the Warrants*

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE  
ON THE BASIS OF FOUR RIGHTS SHARES  
FOR EVERY REORGANISED SHARE  
HELD ON THE RECORD DATE**

### INTRODUCTION

On 17 March 2009, the Board announced that the Company proposed, subject to the Capital Reorganisation becoming effective, to raise approximately HK\$107.78 million before expenses (assuming no conversion or subscription rights attaching to the Convertible Notes, the Warrants and the Options are exercised on or before the Record Date) to approximately HK\$139.01 million before expenses (assuming full exercise of the conversion or subscription rights attaching to the Convertible Notes, the Warrants (other than the CC Warrants) and the Options (other than the Directors' Options) on or before the Record Date) by way of the Rights Issue of issuing not less than 538,922,480 Rights Shares and not more than 695,036,396 Rights Shares at the Subscription Price of HK\$0.20 per Rights Share payable in full on acceptance.

The Capital Reorganisation became effective on 3 April 2009.

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Rights Issue. Menlo Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you, among others, (i) further details about the Rights Issue; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Rights Issue; (iii) the advice of Menlo Capital to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue; and (iv) a notice of the SGM at which resolution will be proposed to consider and, if though fit, to approve the Rights Issue.

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## LETTER FROM THE BOARD

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### PROPOSED RIGHTS ISSUE

#### Issue statistics

Basis of the Rights Issue	:	Four Rights Shares for every Reorganised Share held at the close of business on the Record Date
Subscription Price	:	HK\$0.20 per Rights Share
Number of Reorganised Shares in issue as at the Latest Practicable Date	:	134,730,621 Reorganised Shares
Number of Rights Shares	:	Not less than 538,922,484 Rights Shares (assuming no conversion or subscription rights attaching to the Convertible Notes, the Warrants and the Options are exercised on or before the Record Date) and not more than 695,036,396 Rights Shares (assuming full exercise of the conversion or subscription rights attaching to the Convertible Notes, the Warrants (other than the CC Warrants) and the Options (other than the Directors' Options) on or before the Record Date) ( <i>Note</i> )

#### *Note:*

As at the Latest Practicable Date:

1. there were outstanding Convertible Notes with an aggregate principal amount of HK\$200 million convertible into 16,393,442 Reorganised Shares at the conversion price of HK\$12.2 per Reorganised Share (subject to adjustments). Assuming full conversion of the Convertible Notes on or before the Record Date, a total of 16,393,442 new Reorganised Shares would fall to be issued, which would result in the issue of additional 65,573,768 Rights Shares;
2. there were a total of 538,913,886 Warrants outstanding carrying rights to subscribe for 26,945,694 Reorganised Shares at the subscription price of HK\$4.4 per Reorganised Share (subject to adjustments). Assuming full exercise of the subscription rights attaching to the Warrants (other than the CC Warrants) on or before the Record Date, a total of 17,575,036 new Reorganised Shares would fall to be issued, which would result in the issue of additional 70,300,144 Rights Shares; and
3. there were outstanding Options to subscribe for an aggregate of 9,880,000 Reorganised Shares. Assuming full exercise of the subscription rights attaching to the Options (other than the Directors' Options) on or before the Record Date, a total of 5,060,000 new Reorganised Shares would fall to be issued, which would result in the issue of additional 20,240,000 Rights Shares.

Based on the above, the maximum number of Rights Shares that may be issued under the Rights Issue would become 695,036,396.

Save for the outstanding Convertible Notes, Warrants and Options as mentioned above, the Company had no other outstanding convertible securities, options or warrants in issue which confer any right to convert into or subscribe for Reorganised Shares as at the Latest Practicable Date.

Assuming no conversion or subscription rights attaching to the outstanding Convertible Notes, Warrants and Options as mentioned above are exercised on or before the Record Date, the 538,922,484 nil-paid Rights Shares proposed to be provisionally allotted represent 400% of the Company's issued share capital as at the Latest Practicable Date and 80% of the Company's issued share capital as enlarged by the issue of the Rights Shares.

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## LETTER FROM THE BOARD

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### Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and be a Qualifying Shareholder. In order to be registered as members of the Company at the close of business on the Record Date, Shareholders must lodge their transfers of Reorganised Shares (together with the relevant share certificate(s)) with the Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on 22 April 2009.

### Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong and Bermuda.

Based on the register of members of the Company as at the Latest Practicable Date, there were five Overseas Shareholders having registered addresses located in the PRC, the British Virgin Islands, Singapore and Australia. The Company has made enquiries pursuant to Rule 13.36(2) of the Listing Rules regarding the feasibility of extending the Rights Issue to these Overseas Shareholders. Based on the preliminary advice provided by the legal counsels in the relevant jurisdictions and having regard the likely costs and time involved if overseas compliance were to be observed, the Board is of the opinion that it would be necessary or expedient to exclude those Overseas Shareholders as at the Latest Practicable Date whose registered addresses are in Australia as shown on the register of members of the Company from the Rights Issue if the register of members remains unchanged from the Latest Practicable Date to the Record Date. The Board will make appropriate legal enquiries as to which Shareholders with registered addresses outside Hong Kong on the Record Date will be excluded from the Rights Issue and disclose the same in the Prospectus.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the Excluded Shareholders. The Company will retain individual amounts of HK\$100 or less for the benefits of the Company. Any unsold entitlement of the Excluded Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be made available for excess application on EAFs by the Qualifying Shareholders.

The Company will send the Prospectus Documents to the Qualifying Shareholders and the Prospectus (without the PAL and EAF), for information only, to the Excluded Shareholders on the Posting Date.

### Closure of register of members

The register of members of the Company will be closed from 23 April 2009 to 28 April 2009, both dates inclusive. No transfer of the Reorganised Shares will be registered during this period.

### Basis of provisional allotment

The basis of the provisional allotment shall be four Rights Shares for every Reorganised Share in issue and held as at the close of business on the Record Date, being not less than 538,922,484 Rights Shares and not more than 695,036,396 Rights Shares at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents.

### Subscription Price

The Subscription Price is HK\$0.20 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 82.76% to the theoretical closing price of HK\$1.16 per Reorganised Share, based on the closing price of HK\$0.058 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted taking into account the effect of the Capital Reorganisation;
- (ii) a discount of approximately 48.98% to the theoretical ex-rights price of approximately HK\$0.392 per Reorganised Share, based on the closing price of HK\$0.058 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted taking into account the effect of the Capital Reorganisation;

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## LETTER FROM THE BOARD

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- (iii) a discount of approximately 82.58% to the average theoretical closing price of approximately HK\$1.148 per Reorganised Share, based on the average closing price of HK\$0.0574 per Share as quoted on the Stock Exchange from 9 March 2009 to 13 March 2009, both dates inclusive, being the last five consecutive trading days immediately before the date of the Underwriting Agreement and adjusted taking into account the effect of the Capital Reorganisation; and
- (iv) a discount of approximately 75.61% to the closing price of HK\$0.82 per Reorganised Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the market price of the Shares under the prevailing market conditions. The Directors (including the independent non-executive Directors) consider that the discount of the Subscription Price would encourage the Shareholders to participate in the Rights Issue and accordingly maintain their shareholdings in the Company and participate in the future growth of the Group and the terms of the Rights Issue (including the rate of commission) to be fair and reasonable and in the interests of the Group and the Shareholders as a whole. The net price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares (assuming no conversion or subscription rights attaching to the Convertible Notes, the Warrants and the Options are exercised on or before the Record Date) will be approximately HK\$0.193.

### **Status of the Rights Shares**

The Rights Shares, when allotted and fully paid, will rank *pari passu* in all respects with the Reorganised Shares in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

### **Share certificates and refund cheques for Rights Issue**

Subject to the fulfillment or waiver (as applicable) of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before 22 May 2009. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before 22 May 2009 by ordinary post to the applicants at their own risk.

The dealings in the Rights Shares in their fully-paid form is expected to commence from 9:30 a.m. on 26 May 2009.

### **Fractions of Rights Shares**

The Company will not provisionally allot fractions of Rights Shares in nil-paid form. All fractions of nil-paid Rights Shares will be aggregated and all nil-paid Rights Shares arising from such aggregation will be sold in the market, if a premium (net of expenses) can be achieved, and the Company will retain the net proceeds from such sale(s) for its benefit. Any unsold fractions of nil-paid Rights Shares will be made available for excess application under the EAFs.

### **Application for excess Rights Shares**

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Excluded Shareholders and for any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders.

Applications for excess Rights Shares may be made by completing the EAFs and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (1) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with intention to abuse this mechanism; and

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## LETTER FROM THE BOARD

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- (2) subject to availability of excess Rights Shares after allocation under principle (1) above, the excess Rights Shares will be allocated to the Qualifying Shareholders based on a sliding scale with reference to the number of the excess Rights Shares applied by them (i.e. Qualifying Shareholders applying for a smaller number of Rights Shares are allocated with a higher percentage of successful application but will receive a lesser number of Rights Shares; whereas Qualifying Shareholders applying for a larger number of Rights Shares are allocated with a smaller percentage of successful application but will receive a higher number of Rights Shares) and with board lot allocations to be made on a best effort basis.

Investors with their Reorganised Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. Investors with their Reorganised Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Reorganised Shares in the name of the beneficial owner(s) prior to the Record Date.

Investors whose Reorganised Shares are held by their nominee(s) and who would like to have their names registered on the register of members of the Company must lodge all necessary documents with the Registrar for completion of the relevant registration by 4:30 p.m. on 22 April 2009.

### **Application for listing**

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms (both in board lots of 2,000), which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

### **Undertakings by Dr. Chan and the Directors**

As at the Latest Practicable Date, Dr. Chan was interested or deemed to be interested in:

- (i) 46,853,291 Reorganised Shares, representing approximately 34.78% of the existing entire issued share capital of the Company; and
- (ii) 187,413,170 Warrants with rights to subscribe for 9,370,658 Reorganised Shares at the subscription price of HK\$4.4 per Reorganised Share (subject to adjustments).

Dr. Chan has irrevocably agreed and undertaken to the Company and the Underwriter, inter alia, to accept, or procure the acceptance of, the provisional allotment of the CC Shares in full under the Rights Issue, and not to exercise, and to procure the non-exercise of, the subscription rights under the CC Warrants until the close of business on the Record Date pursuant to and subject to the terms of the CC Undertaking Letter.

As at the Latest Practicable Date, certain Directors collectively held 4,820,000 Options. Each of such Directors has given an irrevocable undertaking, inter alia, not to exercise the subscription rights under the relevant Directors' Options until the close of business on the Record Date pursuant to and subject to the terms of the relevant Director's Undertaking Letter.

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## LETTER FROM THE BOARD

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### Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled or waived (as appropriate):

- (a) the passing of the requisite resolution(s) by the Shareholders (other than those persons, if any, who are precluded from voting under the Listing Rules or other applicable laws, rules, regulations or codes) at the SGM to be held on or before the Record Date approving the Rights Issue and authorising the Directors to allot and issue the Rights Shares (in both their nil-paid and fully-paid forms) in accordance with the Bye-laws, the Listing Rules and the Takeovers Code (if applicable);
- (b) the delivery to the Stock Exchange and the filing with and registration by the Registrar of Companies in Hong Kong respectively on or prior to the Posting Date of one copy of each of the Prospectus Documents duly certified in compliance with section 342C of the Companies Ordinance (and all other documents required to be attached thereto) and otherwise complying with the requirements of the Companies Ordinance and the Listing Rules;
- (c) the filing of the Prospectus Documents (all having been received or accepted by the Stock Exchange and signed by or on behalf of all Directors) with the Registrar of Companies in Bermuda in compliance with the Companies Act on or as soon as reasonably practicable after the Posting Date;
- (d) the posting on the Posting Date of copies of the Prospectus Documents to the Qualifying Shareholders and of the Prospectus marked “**For information only**” to the Excluded Shareholders;
- (e) the Listing Committee granting or agreeing to grant (subject to allotment) the listing of, and permission to deal in, all the Rights Shares in both their nil-paid and fully-paid forms before their respective dates of commencement of dealings on the Stock Exchange, either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) and not having withdrawn or revoked such listing and permission;
- (f) compliance with and performance of the CC Undertaking Letter by Dr. Chan and the Director’s Undertaking Letter by each of the Directors who is the holder of the outstanding Options;
- (g) obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms of the Underwriting Agreement;
- (h) the Capital Reorganisation becoming effective; and
- (i) if necessary, the consent or permission from the Bermuda Monetary Authority in respect of the issue of the Rights Shares on or before the Posting Date.

If the conditions of the Rights Issue have not been satisfied or waived (as applicable) in accordance with the Underwriting Agreement on or before the time and dates specified above (or, if no time or date is specified, 4:00 p.m. on 30 June 2009 or such later time and date as the Underwriter may agree with the Company in writing), all obligations of the parties to the Underwriting Agreement shall cease and determine and neither party shall have any claim against the other save that all such reasonable costs, fees and other out-of-pocket expenses (excluding sub-underwriting fees and related expenses) as have been reasonably and properly incurred by the Underwriter in connection with the underwriting of the Underwritten Shares by the Underwriter shall, to the extent agreed by the Company, be borne by the Company, and the Rights Issue will not proceed.

As at the Latest Practicable Date, condition (h) had been fulfilled.



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## LETTER FROM THE BOARD

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### The Underwriting Agreement

Date	:	16 March 2009
Underwriter	:	Get Nice Securities Limited. To the best of the Directors' knowledge and information, the Underwriter and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons
Total number of Rights Shares being underwritten by the Underwriter	:	The Underwriter has conditionally agreed pursuant to the Underwriting Agreement to underwrite the Rights Issue on a fully underwritten basis, being not less than 351,509,320 Rights Shares and not more than 507,623,232 Rights Shares (being the Rights Shares less the CC Shares), subject to the terms and conditions of the Underwriting Agreement
Commission	:	2.5% of the aggregate Subscription Price in respect of the maximum number of the Underwritten Shares as determined on the Record Date

The Board considers the terms of the Underwriting Agreement including the commission rate accord with the market practice and are fair and reasonable so far as the Company and the Shareholders are concerned.

### Termination of the Underwriting Agreement

If, prior to 4:00 p.m. on the Settlement Date, one or more of the following events or matters (whether or not forming part of a series of events) shall occur, arise, exist, or come into effect:

- (i) the Underwriter shall become aware of the fact that, or shall, in its reasonable opinion, believe that any of the warranties contained in the Underwriting Agreement was untrue, inaccurate, misleading or breached, and in each case the same represents or is likely to represent (in the reasonable opinion of the Underwriter) a material and adverse change in the business, financial or trading position or prospects of the Group as a whole or is otherwise likely to have a material and adverse effect on the Rights Issue;
- (ii) the Company commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement;
- (iii)
  - (a) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic, currency, epidemic or other nature (whether or not sui generis with any of the foregoing or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict);
  - (c) any change in local, national or international equity securities or currency markets (including but without limitation, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise);
  - (d) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;
  - (e) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere which shall or may materially and adversely affect the Group or a material proportion of the shareholders in their capacity as such;

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## LETTER FROM THE BOARD

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- (f) any withdrawal of the current listing of the Reorganised Shares or suspension in their trading on the Stock Exchange for more than 14 consecutive trading days (save for the purposes of clearing the Announcement or any other announcements or circulars relating to the Underwriting Agreement and the ancillary agreements thereto) or indication being received from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to in connection with the terms of the Underwriting Agreement or for any other reason;
- (g) any change occurs in the circumstances of the Company or any member of the Group, which event or events is or are in the reasonable opinion of the Underwriter:
  - (1) likely to have a material adverse effect on the business or financial or trading position or prospects of the Group as a whole; or
  - (2) likely to have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares “taken up”; or
  - (3) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

then, and in such case the Underwriter may in its absolute discretion, in addition to and without prejudice to any other remedies to which the Underwriter may be entitled, by notice in writing given to the Company on or before 4:00 p.m. on the Settlement Date terminate the Underwriting Agreement forthwith.

Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and neither party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter the fees and expenses in accordance with the terms of the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.

### Reasons for the Rights Issue and use of proceeds

The Company is an investment holding company which directly and indirectly holds strategic investments in a number of listed companies. The principal activities of the Company and its subsidiaries comprise investment holding, the provision of finance, property investment and treasury investment.

Given the recent sluggish Hong Kong stock market and the gloomy economic outlook as a result of the global financial crisis, the Directors consider that the capability of the Company to raise additional funding in the foreseeable future is very uncertain. The Board has considered other means of fund raising in both the debt market and the equity market other than the Rights Issue. Fund raising through the debt market will increase the interest burden of the Group. Regarding the equity market, a private placement of Shares or Reorganised Shares (as the case may be) by its nature excludes existing Shareholders, and at the same time, result in immediate dilution of existing Shareholders' interest in the Company. The Board considers that the Rights Issue will enable the Group to strengthen its capital base and to enhance its financial position for future strategic investments as and when opportunities arise. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and, hence the Board considers that fund raising through the Rights Issue is in the interests of the Group and the Shareholders as a whole.

The gross proceeds from the Rights Issue will be not less than approximately HK\$107.78 million (assuming no conversion or subscription rights attaching to the Convertible Notes, the Warrants and the Options are exercised on or before the Record Date) but not more than approximately HK\$139.01 million (assuming full exercise of the conversion or subscription rights attaching to the Convertible Notes, the Warrants (other than the CC Warrants) and the Options (other than the Directors' Options) on or before the Record Date). The estimated net proceeds from the Rights Issue will be not less than approximately HK\$103.78 million but not more than approximately HK\$134.22 million and are intended to be used as the general working capital of the Group.

The Directors consider that it is in the interest of the Group and the Shareholders to raise further capital through the Rights Issue, and that the Rights Issue will provide all Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company.



## LETTER FROM THE BOARD

### FUND RAISING EXERCISE OF THE COMPANY

As set out in the announcement and the circular of the Company dated 31 July 2008 and 18 August 2008 respectively, a total of 538,921,053 Warrants (before the adjustments as a result of the Capital Reorganisation) have been issued on 5 November 2008. Assuming the subscription rights attaching to these Warrants are exercised in full at the initial subscription price of HK\$0.22 per Share (before the adjustments as a result of the Capital Reorganisation) (subject to adjustments), the Company will be able to raise approximately HK\$118.56 million in total. The Company intends to apply any subscription monies received as and when the subscription rights attaching to these Warrants are exercised towards the general working capital of the Group depending on its requirements at the relevant time. As at the Latest Practicable Date, 538,913,886 Warrants remained outstanding and 7,167 Warrants had been exercised before the Capital Reorganisation becoming effective, raising an amount of approximately HK\$1,577 for the general working capital of the Group.

Save as abovementioned, the Company has not conducted any fund raising exercise in the past 12 months before the date of this circular.

### SHAREHOLDING IN THE COMPANY

Set out below is the shareholding structure of the Company assuming that there is no change in the shareholding structure of the Company from the Latest Practicable Date to immediately before completion of the Rights Issue save pursuant to the exercise of the conversion or subscription rights attaching to the Convertible Notes, the Warrants (other than the CC Warrants) and the Options (other than the Directors' Options):

#### Scenario 1:

Assuming no conversion or subscription rights attaching to the Convertible Notes, the Warrants and the Options are exercised on or before the Record Date

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue (assuming all Rights Shares are taken up by the Qualifying Shareholders)		Immediately after completion of the Rights Issue (assuming no Rights Shares are taken up by the Qualifying Shareholders (other than the CC Shares which Dr. Chan has undertaken to subscribe for))	
	Number of Reorganised Shares	Approximate %	Number of Reorganised Shares	Approximate %	Number of Reorganised Shares	Approximate %
Dr. Chan (Note 1)	46,853,291	34.78	234,266,455	34.78	234,266,455	34.78
Director (and his associates) of the Company's subsidiaries	535,260	0.40	2,676,300	0.40	535,260	0.08
Director (and his associates) of the Company's subsidiaries who hold Warrants	-	-	-	-	-	-
Directors of the Company's subsidiaries (other than the Directors) who hold Options	-	-	-	-	-	-
Underwriter (Note 2)	-	-	-	-	351,509,320	52.18
Public: (Note 3)						
- holders of Convertible Notes	-	-	-	-	-	-
- holders of Warrants other than the director (and his associates) of the Company's subsidiaries	-	-	-	-	-	-
- holders of Options other than directors of the Company's subsidiaries (other than the Directors)	-	-	-	-	-	-
- others (Note 4)	87,342,070	64.82	436,710,350	64.82	87,342,070	12.96
<b>Total</b>	<b>134,730,621</b>	<b>100.00</b>	<b>673,653,105</b>	<b>100.00</b>	<b>673,653,105</b>	<b>100.00</b>

## LETTER FROM THE BOARD

### Scenario 2:

Assuming full exercise of the conversion or subscription rights attaching to the Convertible Notes, the Warrants (other than the CC Warrants) and the Options (other than the Directors' Options) on or before the Record Date

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue (assuming all Rights Shares are taken up by the Qualifying Shareholders)		Immediately after completion of the Rights Issue (assuming no Rights Shares are taken up by the Qualifying Shareholders (other than the CC Shares which Dr. Chan has undertaken to subscribe for))	
	Number of Reorganised Shares	Approximate %	Number of Reorganised Shares	Approximate %	Number of Reorganised Shares	Approximate %
Dr. Chan (Note 1)	46,853,291	34.78	234,266,455	26.96	234,266,455	26.96
Director (and his associates) of the Company's subsidiaries	535,260	0.40	2,676,300	0.31	535,260	0.06
Director (and his associates) of the Company's subsidiaries who hold Warrants	–	–	535,260	0.06	107,052	0.01
Directors of the Company's subsidiaries (other than the Directors) who hold Options	–	–	4,500,000	0.52	900,000	0.10
Underwriter (Note 2)	–	–	–	–	507,623,232	58.43
Public: (Note 3)						
– holders of Convertible Notes	–	–	81,967,210	9.44	16,393,442	1.89
– holders of Warrants other than the director (and his associates) of the Company's subsidiaries	–	–	87,339,920	10.05	17,467,984	2.01
– holders of Options other than directors of the Company's subsidiaries (other than the Directors)	–	–	20,800,000	2.40	4,160,000	0.49
– others (Note 4)	87,342,070	64.82	436,710,350	50.26	87,342,070	10.05
<b>Total</b>	<b>134,730,621</b>	<b>100.00</b>	<b>868,795,495</b>	<b>100.00</b>	<b>868,795,495</b>	<b>100.00</b>

*Notes:*

- These Reorganised Shares comprise those held by Dr. Chan individually and by his indirect wholly-owned company.
- The Underwriter has sub-underwritten its underwriting obligations under the Underwriting Agreement to sub-underwriters such that each of the Underwriter and the sub-underwriters (together with their respective parties acting in concert as defined in the Takeovers Code) will not own 20% or more of the issued share capital of the Company after completion of the Rights Issue (for both scenarios 1 and 2 referred above). Each of the Underwriter and the sub-underwriters (and their respective ultimate beneficial owners) is not a party acting in concert with each other. In addition, each of the Underwriter and the sub-underwriters and their respective ultimate beneficial owners do not have any shareholding in the Company and are not connected persons of the Company.

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## LETTER FROM THE BOARD

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3. Assuming none of the Qualifying Shareholders takes up the provisional allotment of the Rights Shares other than the CC Shares which Dr. Chan has undertaken to subscribe for, the public float of the Reorganised Shares may drop to approximately 12.96% (for scenario 1) or approximately 14.44% (for scenario 2) upon completion of the Rights Issue, which is below the minimum 25% requirement under Rule 8.08 of the Listing Rules. In the event that the Underwriter or any of the sub-underwriters is required to take up the Rights Shares pursuant to its underwriting obligations under the Underwriting Agreement, the Underwriter or such sub-underwriter will procure independent places to take up such number of Rights Shares as may be necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with. In addition, the Company and the controlling Shareholder undertake to the Stock Exchange that they will use their respective reasonable endeavours to make prior arrangements (including but not limited to the placing of Reorganised Shares to independent third parties) to ensure that such minimum public float is maintained upon completion of the Rights Issue. The Directors and the Underwriter expect that no new substantial Shareholder will be arisen upon completion of the Rights Issue.
4. As at the Latest Practicable Date, 231 Reorganised Shares were held by an indirect wholly-owned subsidiary of the Company. These Reorganised Shares were the fractional Reorganised Shares arising from the Capital Reorganisation.

### **POSSIBLE ADJUSTMENTS TO THE CONVERTIBLE NOTES, THE WARRANTS AND THE OPTIONS**

As a result of the Rights Issue, the conversion price of the Convertible Notes, the subscription price and the number of Reorganised Shares to be issued under the Warrants and the exercise price and the number of Reorganised Shares to be issued pursuant to the Options may be adjusted in accordance with the respective terms and conditions of the Convertible Notes, the instrument creating the Warrants and the Share Option Scheme. Further announcement will be made by the Company in respect of such adjustments as and when appropriate.

### **TAXATION**

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the tax implications of the holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms, as regards the Excluded Shareholders, their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding, disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms.

### **WARNING OF THE RISKS OF DEALINGS IN THE REORGANISED SHARES AND THE NIL-PAID RIGHTS SHARES**

**The Reorganised Shares will be dealt in on an ex-rights basis from 21 April 2009. Dealings in the Rights Shares in the nil-paid form will take place from 4 May 2009 to 11 May 2009 (both dates inclusive). If the conditions of the Underwriting Agreement are not fulfilled or waived (as applicable) or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed.**

**Any Shareholders or other persons contemplating selling or purchasing Rights Shares in their nil-paid form during the period from 4 May 2009 to 11 May 2009 (both dates inclusive) who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in the Reorganised Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled or waived (as applicable) (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from 4 May 2009 to 11 May 2009 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.**

### **SGM**

The Rights Issue will increase the existing issued share capital of the Company by more than 50%. Pursuant to Rules 7.19(6)(a) and 13.39(4) of the Listing Rules, the Rights Issue must be made conditional on approval by the Shareholders in general meeting by way of poll by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the Latest Practicable Date, Dr. Chan and his associates held an aggregate of 46,853,291 Reorganised Shares, representing approximately 34.78% of the issued share capital of the Company. Consequently, Dr. Chan and his associates will be required to abstain from voting in favour of the proposed resolution approving the Rights Issue at the SGM.

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## LETTER FROM THE BOARD

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After the passing of the resolution approving the the Rights Issue by the Independent Shareholders at the SGM, the Prospectus Documents will be despatched to the Qualifying Shareholders, and the Prospectus will be despatched to the Excluded Shareholders for information only, on the Posting Date.

The notice convening the SGM is set out on pages 145 and 146 of this circular. The SGM will be held at 11:00 a.m. on Tuesday, 28 April 2009 at B27, Basement, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong for the purpose of, considering and, if thought fit, approving the Rights Issue.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, 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 you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

### RECOMMENDATION

You are advised to read carefully the letter from the Independent Board Committee and the letter from Menlo Capital set out on page 19 and pages 20 to 28 respectively of this circular. The Independent Board Committee, having taken into account the advice of Menlo Capital, considers that the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue is in the interests of the Group and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the proposed resolution approving the Rights Issue at the SGM.

The Directors believe that the terms of the Rights Issue are fair and reasonable and in the interests of the Group and the Shareholders as a whole, and accordingly, the Directors recommend the Shareholders to vote in favour of the proposed resolution approving the Rights Issue at the SGM.

### ADDITIONAL INFORMATION

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

Yours faithfully,  
On behalf of the Board  
**ITC Corporation Limited**  
**Dr. Chan Kwok Keung, Charles**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the Rights Issue:*



## ITC CORPORATION LIMITED

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 372)

(Warrant Code: 779)

9 April 2009

*To the Independent Shareholders*

Dear Sir or Madam,

### **PROPOSED RIGHTS ISSUE ON THE BASIS OF FOUR RIGHTS SHARES FOR EVERY REORGANISED SHARE HELD ON THE RECORD DATE**

We refer to the circular of the Company dated 9 April 2009 (the “Circular”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable insofar as the Independent Shareholders are concerned. Menlo Capital has been appointed as the independent financial adviser to advise you and us in this respect.

Having taken into account the principal reasons and factors considered by, and the advice of, Menlo Capital as set out in its letter of advice to you and us on pages 20 to 28 of the Circular, we are of the opinion that the Rights Issue are in the interests of the Group and the Independent Shareholders as a whole and the terms thereof are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Rights Issue.

Yours faithfully,  
For and on behalf of

**Independent Board Committee**

**Mr. Chuck, Winston Calptor, Mr. Lee Kit Wah, Hon. Shek Lai Him, Abraham, SBS, JP**  
*Independent non-executive Directors*

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## LETTER FROM MENLO CAPITAL

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*The following is the text of a letter from Menlo Capital in connection with the proposed Rights Issue which has been prepared for the purpose of inclusion in this circular:*



**Menlo Capital Limited**  
17/F., Asia Standard Tower  
59-65 Queen's Road Central, Hong Kong

9 April 2009

*To the Independent Board Committee and the Independent Shareholders of  
ITC Corporation Limited*

Dear Sirs,

**PROPOSED RIGHTS ISSUE  
ON THE BASIS OF FOUR RIGHTS SHARES  
FOR EVERY REORGANISED SHARE HELD  
ON THE RECORD DATE**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders whether the Rights Issue is in the interests of the Group and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Group and the Independent Shareholders are concerned, details of the terms of the Rights Issue thereof are set out in the letter from the Board (the "Board Letter") contained in the circular of the Company dated 9 April 2009 (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context of this letter otherwise requires.

The Company proposes, subject to the Capital Reorganisation becoming effective, to raise approximately HK\$107.78 million before expenses (assuming no conversion or subscription rights attaching to the Convertible Notes, the Warrants and the Options are exercised on or before the Record Date) to approximately HK\$139.01 million before expenses (assuming full exercise of the conversion or subscription rights attaching to the Convertible Notes, the Warrants (other than the CC Warrants) and the Options (other than the Directors' Options) on or before the Record Date) by way of the Rights Issue of issuing not less than 538,922,484 Rights Shares and not more than 695,036,396 Rights Shares at the Subscription Price of HK\$0.20 per Rights Share payable in full on acceptance. The Company will provisionally allot to the Qualifying Shareholders four Rights Shares in nil-paid form for every Reorganised Share in issue and held on the Record Date. The Rights Issue will not be available to the Excluded Shareholders. The Capital Reorganisation became effective on 3 April 2009.

Pursuant to the requirements of the Listing Rules, the Rights Issue is conditional on the approval by the Shareholders by way of poll at the SGM, where the controlling Shareholder, or in the case that the Company has no controlling Shareholder, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates are required to abstain from voting in favour of the Rights Issue. As at the Latest Practicable Date, Dr. Chan and his associates hold an aggregate of 46,853,291 Reorganised Shares, representing approximately 34.78% of the existing issued share capital of the Company. Consequently, Dr. Chan and his associates will be required to abstain from voting in favour of the proposed resolution approving the Rights Issue at the SGM.

We have not considered the taxation implications on the Shareholders in relation to the subscription for, holding or disposal of the Rights Shares or otherwise, since these are particular to their individual circumstances. It is emphasised that we will not accept responsibility for any tax effects on, or liabilities of any person resulting from the subscription for, holding or disposal of the Rights Shares or otherwise. In particular, Shareholders subject to overseas or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

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## LETTER FROM MENLO CAPITAL

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We consider that we have received sufficient information to enable us to reach an informed view and to justify our reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our view and recommendation. We have no reason to suspect that any material information has been withheld by the Company or by the Directors. We have not, however, carried out any independent investigation into the business and affairs of the Company. We have taken all reasonable steps pursuant to Rule 13.80 of the Listing Rules including the notes thereof, which include the following:

- (a) obtaining all the information and documents relevant to an assessment of the fairness and reasonableness of the terms of the Rights Issue, including but not limited to, the Announcement, the Board Letter, the terms of the Rights Issue and the annual report of the Company for the year ended 31 March 2008;
- (b) researching the terms and conditions of the comparable rights issues;
- (c) reviewing the fairness, reasonableness and completeness of the assumptions or projections relevant to the Rights Issue, the performance and financial situation of the Company as well as the reasons and background of the Rights Issue;
- (d) confirming that no third party expert provides any opinion or valuation relevant to the Rights Issue; and
- (e) reviewing and assessing the alternative ways of fund raising other than Rights Issue and the reasons given by the management of the Company for rejecting other alternatives, if any.

### **PRINCIPAL FACTORS TAKEN INTO ACCOUNT**

In arriving at our advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue, we have taken the following principal factors and reasons into consideration:

#### **(I) Background**

The Company is an investment holding company which directly and indirectly holds strategic investments in a number of listed companies. The principal activities of the Company and its subsidiaries comprise investment holding, the provision of finance, property investment and treasury investment.

#### **(II) Reasons for the Rights Issue**

Given the recent sluggish Hong Kong stock market and the gloomy economic outlook as a result of the global financial crisis, the Directors consider that the capability of the Company to raise additional funding in the foreseeable future is very uncertain. The Board has considered other means of fund raising in both the debt market and the equity market other than the Rights Issue. Fund raising through the debt market will increase the interest burden of the Group. Regarding the equity market, a private placement of Shares or Reorganised Shares (as the case may be) by its nature excludes existing Shareholders, and at the same time, results in immediate dilution of existing Shareholders' interest in the Company. The Board considers that the Rights Issue will enable the Group to strengthen its capital base and to enhance its financial position for future strategic investments as and when opportunities arise.

The Rights Issue is effected on a pro-rata basis and we are of the view that the Rights Issue offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interest in the Company and to continue to participate in the future development of the Group. The nil-paid Rights Shares will be traded on the Stock Exchange. The Qualifying Shareholders who do not take up their entitlements in full will have the opportunity to realise their nil-paid Rights Shares on the market, subject to market conditions. On this basis, we consider the Rights Issue to be fair and reasonable to the Qualifying Shareholders.

#### **(III) Use of proceeds of the Rights Issue**

The estimated net proceeds of the Rights Issue will be between approximately HK\$103.78 million (assuming no conversion or subscription rights attaching to the Convertible Notes, the Warrants and the Options are exercised on or before the Record Date) to HK\$134.22 million (assuming full exercise of the conversion or subscription rights attaching to the Convertible Notes, the Warrants (other than the CC Warrants) and the Options (other than the Directors' Options) on or before the Record Date). The Company intends to utilise the entire net proceeds from the Rights Issue as the general working capital of the Group.



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## LETTER FROM MENLO CAPITAL

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As set out under the sub-section “Financial effects of the Rights Issue” in this letter, we are of the view that the net proceeds from the Rights Issue could further improve the net assets and the working capital position of the Group while giving the Group greater flexibility to make future possible investments if opportunities arise. Moreover, the overall improvement of the financial position, including but not limited to the net assets and the working capital position of the Group as a result of the proceeds from the Rights Issue could place the Group in a better position to secure future bank borrowings, if required, for funding future investments, which is beneficial to the future development of the Group and therefore is in the interests of the Group and the Shareholders as a whole. As at the Latest Practicable Date, the Company had no intention to secure bank borrowings.

Although the Company has not identified any specific investment plan as at the Latest Practicable Date, the Directors believe that more investments opportunities could be identified once the global financial markets become stable. In the event that the Group does not have sufficient cash resources on hand or fails to secure other alternative financing in a timely manner, the Group may fail to capture an otherwise favourable investment opportunity should it arise in the future. We are of the view that in order to (i) improve the liquidity and financial position of the Company; (ii) enhance the flexibility of the Company for making investments; and (iii) enable the Company to implement investment decisions in a timely manner, it is in the interest of the Group and the Shareholders as a whole to raise the requisite funding through the Rights Issue.

### **Fund raising activities during the past 12 months**

As set out in the announcement and the circular of the Company dated 31 July 2008 and 18 August 2008 respectively, a total of 538,921,053 Warrants (before the adjustments as a result of the Capital Reorganisation) have been issued on 5 November 2008. Assuming the subscription rights attaching to these Warrants are exercised in full at the initial subscription price of HK\$0.22 per Share (subject to adjustments), the Company will be able to raise approximately HK\$118.56 million in total. The Company intends to apply any subscription monies received as and when the subscription rights attaching to these Warrants are exercised towards the general working capital of the Group depending on its requirements at the relevant time. As at the Latest Practicable Date, 538,913,886 Warrants remained outstanding and 7,167 Warrants had been exercised before the Capital Reorganisation becoming effective, raising an amount of approximately HK\$1,577 for the general working capital of the Group.

Save as abovementioned, the Company has not conducted any fund raising exercise in the past 12 months before the date of the Circular.

### **(IV) The major terms of the Rights Issue**

Basis of the Rights Issue	:	Four Rights Shares for every Reorganised Share held on the Record Date
Subscription Price	:	HK\$0.20 per Rights Share
Number of Reorganised Shares in issue as at the Latest Practicable Date	:	134,730,621 Reorganised Shares
Number of Rights Shares	:	Not less than 538,922,484 Rights Shares (assuming no conversion or subscription rights attaching to the Convertible Notes, the Warrants and the Options are exercised on or before the Record Date) and not more than 695,036,396 Rights Shares (assuming full exercise of the conversion or subscription rights attaching to the Convertible Notes, the Warrants (other than the CC Warrants) and the Options (other than the Directors’ Options) on or before the Record Date) ( <i>Note</i> )

*Note:*

As at the Latest Practicable Date:

- (1) there were outstanding Convertible Notes with an aggregate principal amount of HK\$200 million convertible into 16,393,442 Reorganised Shares at the conversion price of HK\$12.2 per Reorganised Share (subject to adjustments). Assuming full conversion of the Convertible Notes on or before the Record Date, a total of 16,393,442 new Reorganised Shares would fall to be issued, which would result in the issue of additional 65,573,768 Rights Shares;



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## LETTER FROM MENLO CAPITAL

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- (2) there were a total of 538,913,886 Warrants outstanding carrying rights to subscribe for 26,945,694 Reorganised Shares at the subscription price of HK\$4.4 per Reorganised Share (subject to adjustments). Assuming full exercise of the subscription rights attaching to the Warrants (other than the CC Warrants) on or before the Record Date, a total of 17,575,036 new Reorganised Shares would fall to be issued, which would result in the issue of additional 70,300,144 Rights Shares; and
- (3) there were outstanding Options to subscribe for an aggregate of 9,880,000 Reorganised Shares. Assuming full exercise of the subscription rights attaching to the Options (other than the Directors' Options) on or before the Record Date, a total of 5,060,000 new Reorganised Shares would fall to be issued, which would result in the issue of additional 20,240,000 Rights Shares.

Based on the above, the maximum number of Rights Shares that may be issued under the Rights Issue would become 695,036,396.

Save for the outstanding Convertible Notes, Warrants and Options as mentioned above, the Company had no other outstanding convertible securities, options or warrants in issue which confer any right to convert into or subscribe for Shares as at the Latest Practicable Date.

Assuming no conversion or subscription rights attaching to the outstanding Convertible Notes, Warrants and Options as mentioned above are exercised on or before the Record Date, the 538,922,484 nil-paid Rights Shares proposed to be provisionally allotted represent 400% of the Company's issued share capital as at the Latest Practicable Date and 80% of the Company's issued share capital as enlarged by the issue of the Rights Shares.

### Subscription price

The Subscription Price is HK\$0.20 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 82.76% to the theoretical closing price of HK\$1.16 per Reorganised Share, based on the closing price of HK\$0.058 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted taking into account the effect of the Capital Reorganisation;
- (ii) a discount of approximately 48.98% to the theoretical ex-rights price of approximately HK\$0.392 per Reorganised Share, based on the closing price of HK\$0.058 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted taking into account the effect of the Capital Reorganisation;
- (iii) a discount of approximately 82.58% to the average theoretical closing price of approximately HK\$1.148 per Reorganised Share, based on the average closing price of HK\$0.0574 per Share as quoted on the Stock Exchange from 9 March 2009 to 13 March 2009, both dates inclusive, being the last five consecutive trading days immediately before the date of the Underwriting Agreement and adjusted taking into account the effect of the Capital Reorganisation; and
- (iv) a discount of about 75.61% to the closing price of HK0.82 per Reorganised Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Directors consider that the Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the market price of the Shares under the prevailing market conditions. The Directors (including the independent non-executive Directors) consider that the discount of the Subscription Price would encourage the Shareholders to participate in the Rights Issue and accordingly maintain their shareholdings in the Company and participate in the future growth of the Group and the terms of the Rights Issue (including the rate of commission) to be fair and reasonable and in the interests of the Group and the Shareholders as a whole. The net price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares (assuming no conversion or subscription rights attaching to the Convertible Notes, the Warrants and the Options are exercised on or before the Record Date) will be approximately HK\$0.193.

## LETTER FROM MENLO CAPITAL

We have reviewed and included, so far as we are aware, all the rights issues (the “Comparables”) announced during the last 12 months prior to the date of the Announcement (“Comparable Period”) by the companies listed on the Main Board of the Stock Exchange. The pricing of the Comparables may vary under different stock market conditions as well as for companies with different financial standings and business performances. Nevertheless, we consider that the Comparables could provide a general reference for the reasonableness of the pricing of the Rights Issue. The terms of all the Comparables are summarised as below:

Company name (Stock Code)	Date of Announcement	Offer ratio	(Discount) of subscription price to the closing price per share/ reorganised share on the last trading day (%)	(Discount) of subscription price to the theoretical ex-rights price per share/ reorganised share (%)	Underwriting commission (%)
Shun Cheong Holdings Limited (650)	8/4/2008	3 for 2	(64.03)	(41.59)	2.0
Midas International Holdings Limited (1172)	29/4/2008	1 for 2	(37.5)	(28.57)	2.5
Hong Kong Chinese Limited (655)	17/5/2008	7 for 20	(32.0)	(22.0)	2.5
Lippo Limited (226)	17/5/2008	1 for 4	(28.0)	(21.0)	1.5
Wing On Travel (Holdings) Limited (1189)	20/5/2008	4 for 1	(71.83)	(33.77)	2.5
Citic Resources Holdings Limited (1205)	30/5/2008	3 for 20	(27.77)	(25.06)	0
Sino Katalytics Investment Corporation (2324)	3/6/2008	1 for 2	(27.54)	(20.21)	2.5
ITC Properties Group Limited (199)	6/6/2008	3 for 1	(62.8)	(29.6)	2.5
Mascottee Holdings Limited (136)	13/6/2008	1 for 2	(52.38)	(42.31)	2.5
Green Global Resources Limited (61)	17/6/2008	1 for 1	(30.3)	(18.2)	2.5
Willie International Holdings Limited (273)	19/6/2008	5 for 2	(63.86)	(33.63)	2.5
UDL Holdings Limited (620)	1/8/2008	1 for 1	(10.26)	(5.41)	2.5
China Resources Logic Limited (1193)	21/8/2008	4 for 1	(14.5)	(3.4)	0
Hanny Holdings Limited (275)	12/9/2008	4 for 1	(85.07)	(53.27)	2.5
Climax International Company Limited (439)	12/9/2008	4 for 1	(86.81)	(56.83)	2.5
Easyknit enterprises Holdings Limited (616)	12/11/2008	10 for 1	(57.14)	(11.76)	1.0
Standard Chartered PLC (2888)	24/11/2008	30 for 91	(48.7)	(41.6)	2.75
Hycomm Wireless Limited (499)	1/12/2008	7 for 1	(72.31)	(24.61)	2.5
COL Capital Limited (383)	1/12/2008	1 for 1	(48.05)	(31.62)	0
Victory City International Holdings Ltd (539)	3/12/2008	1 for 2	(53.79)	(43.72)	2.0
Freeman Corporation Limited (279)	12/11/2009	1 for 1	(28.57)	(16.67)	2.5
Unity Investments Holdings Limited (913)	2/2/2009	1 for 1	(23.66)	(13.42)	2.5
Fortuna International Holdings Limited (530)	12/2/2009	9 for 1	(20.24)	(2.47)	2.5
Franshion Properties (China) Limited (817)	13/2/2009	23 for 100	(5.6)	(4.6)	0
Yu Ming Investments Limited (666)	14/2/2009	1 for 1	0	0	2.5
CASH Financial Services Group Limited (510)	20/2/2009	1 for 2	(34.8)	(26.2)	2.5
China Sci-Tech Holdings Limited (985)	23/2/2009	5 for 1	(87.76)	(54.55)	2.5
HSBC Holdings plc (5)	2/3/2009	5 for 12	(50.2)	not available	2.75
Singamas Container Holdings Limited (716)	3/3/2009	2 for 1	(53.9)	(28.6)	4.0
<b>(Lowest Discount)</b>			<b>0</b>	<b>0</b>	<b>0</b>
<b>(Highest Discount)</b>			<b>(87.76)</b>	<b>(56.83)</b>	<b>4.0</b>
<b>mean</b>			<b>(44.12)</b>	<b>(26.24)</b>	<b>2.1</b>
<b>median</b>			<b>(48.05)</b>	<b>(25.63)</b>	<b>2.5</b>
<b>The Company</b>	<b>17/3/2009</b>	<b>4 for 1</b>	<b>(82.76)</b>	<b>(48.98)</b>	<b>2.5</b>

Source: The Stock Exchange website, the respective announcements and circulars of the Comparables

As noted from the above table,

- the subscription price to the closing prices on the last trading day prior to the dates of announcements of the Comparables ranged from a discount of approximately 0% to a discount of approximately 87.76% (the “First Relevant Range”), with the mean and median at discounts of approximately 44.12% and approximately 48.05% respectively. The discount of the Subscription Price to the closing price of the Shares on the Last Trading Day is approximately 82.76 %, which is more than the mean and median but falls within the First Relevant Range of the Comparables; and

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## LETTER FROM MENLO CAPITAL

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2. the subscription price to the theoretical ex-rights prices per share based on the last trading day prior to the dates of the announcements in relation to the Comparables ranged from a discount of approximately 0 % to a discount of approximately 56.83 % (the “Second Relevant Range”), with the mean and median at discounts of approximately 26.24% and approximately 25.63% respectively. The discount of the Subscription Price to the theoretical ex-rights price per Share of approximately 48.98 %, based on the closing price of the Shares on the Last Trading Day, is more than the mean and the median but falls within the Second Relevant Range of the Comparables.

We note that (i) it is common to offer discount in rights issues in order to enhance their attractiveness to the shareholders as well as the underwriters; (ii) the discount of the Subscription Price to the closing price of the Shares on the Last Trading Day is more than the mean and median, but falls within the First Relevant Range of the Comparables; and (iii) the discount of the Subscription Price to the theoretical ex-rights price per Share is more than the mean and median but falls within the Second Relevant Range of the Comparables.

The discount of the Subscription Price to the closing price of the Shares on the Last Trading Day and to the theoretical ex-rights price per Share is more than the mean and median of relevant ranges of the Comparables. From the deep discount of the Subscription Price, Dr. Chan and his associates, holding an aggregate of approximately 34.78% of the issued share capital of the Company as at the Latest Practicable Date, seems to benefit more than the other Shareholders in the absolute amount. Having considered that the Rights Issue will allow all the Qualifying Shareholders to maintain their proportionate interests in the Company and to participate in the future growth and development of the Group at the same Subscription Price with the same discount rate and that the Qualifying Shareholders who do not take up their entitlements in full may realise their nil-paid Rights Shares on the market, we are of the view that the Subscription Price is fair and reasonable so far as the Qualifying Shareholders are concerned.

The following table sets out the monthly/period average daily closing price, the average daily number of Shares traded on the Stock Exchange, the average daily turnover of the Shares and the average daily number of Shares traded to the total number of Shares as at the Last Trading Day during the Comparable Period:

Month/period	Average daily closing price of the month/period (HK\$)	Average daily no. of Shares traded (‘million)	Average daily turnover of Shares (HK\$’ million)	Average daily no. of Shares traded to the total no. of Shares as at the Last Trading Day
<b>2008</b>				
March (note 1)	0.379	3.74	1.42	0.14%
April	0.377	1.24	0.47	0.05%
May	0.378	1.92	0.73	0.07%
June	0.339	0.47	0.16	0.02%
July	0.276	1.10	0.30	0.04%
August	0.206	1.50	0.31	0.06%
September	0.147	1.85	0.27	0.07%
October	0.080	3.25	0.26	0.12%
November	0.072	1.48	0.11	0.05%
December	0.079	2.26	0.18	0.08%
<b>2009</b>				
January	0.090	10.64	0.96	0.39%
February	0.086	2.28	0.20	0.08%
March (note 2)	0.061	3.78	0.23	0.14%

*Notes:*

1. the period from 17 March 2008 to the end of March 2008.
2. the period from 1 March 2009 to 16 March 2009.

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## LETTER FROM MENLO CAPITAL

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As shown in the above table, the average of the closing price of the Shares as quoted on the Stock Exchange in the Comparable Period was in a continuous downward trend with a rebound in the two months of December 2008 and January 2009. The average daily turnover of the Shares in the Comparable Period ranged from approximately HK\$0.11 million to approximately HK\$1.42 million. The average daily trading volumes of the Shares in the Comparable Period ranged from approximately 0.02% to approximately 0.39% of the total number of Shares as at the Last Trading Day.

The Rights Issue of raising fund in the range of approximately HK\$107.78 million to approximately HK\$139.01 million before expenses respectively represents approximately 70 to 1,260 times of the average daily turnover of the Shares in the Comparable Period.

Given that (i) there was a continuous downward trend in the Share price and relatively low trading volume of the Shares in the Comparable Period; (ii) a relatively substantial amount of funding will be raised under the Rights Issue; (iii) it is common to offer higher discount rates for the Comparables involved heavy calls; (iv) the discount of the Subscription Price to the closing price of the Shares on the Last Trading Day falls within the First Relevant Range and the Second Relevant Range of the Comparables; and (v) the Rights Issue will allow all the Qualifying Shareholders to maintain their proportionate interests in the Company, we are of the view the Subscription Price offered to all Qualifying Shareholders is fair and reasonable so far as the Independent Shareholders are concerned.

The discount of the Subscription Price to the closing price of the Share on the Last Trading Day and the theoretical ex-right price of the Shares provides an opportunity for the Qualifying Shareholders to take up the Rights Shares at an attractive price while providing the Company with the funding which in turn is in the interest of the Group and the Shareholders as a whole of concern.

The underwriting commission rates of the Comparables ranged from nil to 4.0% (the “Third Relevant Range”), with the mean and median of approximately 2.1% and 2.5% respectively. The underwriting commission of the Rights Issue, being 2.5 %, is higher than the mean and equivalent to the median but falls within the Third Relevant Range of the Comparables. We consider that the Subscription Price and the underwriting commission of the Rights Issue are generally in line with that of the Comparables and are fair and reasonable so far as the Independent Shareholders are concerned.

### **(V) Other terms of the Rights Issue and the underwriting arrangements**

The other terms of the Rights Issue, being set out under the section headed “Proposed Rights Issue” in the Board Letter, include:

- the Qualifying Shareholders;
- the closure of register of members;
- the rights of Overseas Shareholders;
- the basis of provisional allotment;
- the fractions of Rights Shares;
- the status of the Rights Shares;
- the application for excess Rights Shares;
- the Share certificates and refund cheques for Rights Issue;
- the application for listing;
- the undertakings by Dr. Chan and the Directors;
- the conditions of the Rights Issue;
- the Underwriting Agreement; and
- the termination of the Underwriting Agreement

Other than the Subscription Price and the underwriting commission of the Rights Issue as reviewed above, we have also reviewed the other terms of the Rights Issue together with the terms of the Underwriting Agreement as listed above and the terms of the Comparables announced, we are of the view that the terms of the Rights Issue together with the terms of the Underwriting Agreement are on normal commercial basis and fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM MENLO CAPITAL

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### **(VI) Effect on shareholding interests of the Shareholders**

Being set out in the section headed “Shareholding in the Company” in the Board Letter, immediately after completion of the Rights Issue, (i) the shareholding of the existing public Shareholders will be substantially diluted from 64.82% to 12.96% (assuming no conversion or subscription rights attaching to the Convertible Notes, the Warrants and the Options are exercised on or before the Record Date); and (ii) the shareholding of the existing public Shareholders will be substantially diluted from 64.82% to 14.44% (assuming full exercise of the conversion or subscription rights attaching to the Convertible Notes, the Warrants (other than the CC Warrants) and the Options (other than the Directors’ Options) on or before the Record Date). For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue.

For those Qualifying Shareholders who do not take up their entitlements in full, they may realise their nil-paid Rights Shares on the market, subject to market conditions. The nil-paid Rights Shares will be traded on the Stock Exchange.

The Underwriter has sub-underwritten its underwriting obligations under the Underwriting Agreement to sub-underwriters such that each of the Underwriter and the sub-underwriters (together with their respective parties acting in concert, as defined in the Takeovers Code) will not own 20% or more of the issued share capital of the Company after completion of the Rights Issue (for both scenarios described in the section headed “Shareholding in the Company” in the Board Letter). Each of the Underwriter and the sub-underwriters (and their respective ultimate beneficial owners) is not a party acting in concert with each other. Each of the Underwriter and the sub-underwriters and their respective ultimate beneficial owners do not have any shareholding in the Company and are not connected persons of the Company.

Taking into consideration the foregoing, we consider that as the Qualifying Shareholders can choose to participate in the Rights Issue or, if they are unwilling or unable to do so, to dispose of their nil-paid entitlements in the market at a premium if one can be obtained, the Rights Issue is an equitable method for all the Qualifying Shareholders to raise new equity capital for the Company. The Rights Issue is a fair and reasonable method to raise funds, as the Rights Issue will allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company.

### **(VII) Financial effects of the Rights Issue**

#### *(a) Net assets*

The effect on the unaudited pro forma consolidated net assets of the Group immediately after completion of the Rights Issue are set out in Appendix II in the Circular.

The Company proposes to raise net proceeds of the Rights Issue will be between approximately HK\$103.78 million (assuming no conversion or subscription rights attaching to the Convertible Notes, the Warrants and the Options are exercised on or before the Record Date) to HK\$134.22 million (assuming full exercise of the conversion or subscription rights attaching to the Convertible Notes, the Warrants (other than the CC Warrants)). The Company intends to utilise the entire net proceeds as the general working capital of the Group. The net assets of the Company will be correspondingly increased by the amount of the net proceeds of the Rights Issue immediately after the completion of the Rights Issue.

We are also of the view that the improvement of the net assets of the Company is in the interest of the Group and the Shareholders, including both the Qualifying Shareholders and the Excluded Shareholders, as a whole.

#### *(b) Working capital*

The Rights Issue can raise a net amount of capital in the range from approximately HK\$103.78 million to HK\$134.22 million depending on the amount of the conversion or subscription rights attaching to the Convertible Notes, the Warrants (other than the CC Warrants) and the Options (other than the Directors’ Options) on or before the Record Date. The cash position and working capital (before any specific investments made) of the Group immediately after the Rights Issue will be increased by the same amount of the net proceeds of the Rights Issue.

We are also of the view that the cash position and working capital of the Group to be further improved immediately after the Rights Issue is in the interest of the Group and the Shareholders, including both the Qualifying Shareholders and the Excluded Shareholders, as a whole.

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## LETTER FROM MENLO CAPITAL

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### RECOMMENDATION

We have taken into consideration of the above principal factors and reasons, in particular:

- the net proceeds of the fund raising activities completed during the past 12 months have already been used as intended;
- the net proceeds from the Rights Issue will improve the working capital position of the Group;
- the Rights Issue would enlarge the capital base of the Company;
- the Rights Issue would enhance the flexibility and provide the financial resources for the Company to implement investment decisions in a timely manner;
- the Rights Issue would be a preferred method of equity financing as it will allow all the Qualifying Shareholders to maintain their proportionate interests in the Company and to participate in the future growth and development of the Group;
- the Rights Issue is on normal commercial terms;
- the discounts represented by the Subscription Price to the closing price of the Shares and the theoretical ex-rights price of the Shares fall within the First Relevant Range and the Second Relevant Range respectively; and
- the Rights Issue can improve the net assets of the Company and the working capital position of the Group.

We are of the view that the Rights Issue is in the interests of the Group and the Shareholders as a whole and the terms of Rights Issue are fair and reasonable so far as the Group and the Independent Shareholders, including both the Qualifying Shareholders and the Excluded Shareholders, are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Rights Issue.

Yours faithfully,  
For and on behalf of  
**Menlo Capital Limited**  
**Michael Leung**  
*Executive Director*

## 1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated results and financial position of the Group for the three years ended 31 March 2008 as extracted from the annual report of the Company for the year ended 31 March 2008.

**RESULTS**

	<b>Year ended 31st March,</b>		
	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i> (Restated)	<b>2006</b> <i>HK\$'000</i> (Restated)
Revenue			
– Continuing operations	155,634	244,060	44,238
– Discontinued operations	<u>2,547</u>	<u>5,177</u>	<u>4,234</u>
	<u>158,181</u>	<u>249,237</u>	<u>48,472</u>
Profit before taxation	324,501	899,546	46,436
Taxation	(10,669)	(8,695)	–
Profit for the year from discontinued operations	<u>2</u>	<u>29</u>	<u>–</u>
Profit for the year	<u>313,834</u>	<u>890,880</u>	<u>46,436</u>
Attributable to:			
Equity holders of the Company	252,051	843,929	50,289
Minority interests	<u>61,783</u>	<u>46,951</u>	<u>(3,853)</u>
	<u>313,834</u>	<u>890,880</u>	<u>46,436</u>

**ASSETS AND LIABILITIES**

	<b>As at 31st March,</b>		
	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
Total assets	3,705,532	6,310,209	2,460,700
Total liabilities	<u>(309,101)</u>	<u>(1,938,149)</u>	<u>(428,691)</u>
Shareholders' funds	<u>3,396,431</u>	<u>4,372,060</u>	<u>2,032,009</u>
Attributable to:			
Equity holders of the Company	3,396,431	2,810,426	2,009,945
Convertible notes reserve of a subsidiary	–	55,279	–
Minority interests	<u>–</u>	<u>1,506,355</u>	<u>22,064</u>
	<u>3,396,431</u>	<u>4,372,060</u>	<u>2,032,009</u>



## 2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below is the audited consolidation financial statements of the Group for the financial years ended 31 March 2007 and 31 March 2008 together with the relevant notes to the accounts, which are extracted from the annual report of the Company for the year ended 31 March 2008. The auditors of the Company have not issued any qualified opinion on the Group's financial statements for the financial years ended 31 March 2007 and 31 March 2008.

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31ST MARCH, 2008**

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i> (Restated)
<b>Continuing operations</b>			
Revenue	6	<u>155,634</u>	<u>244,060</u>
Management and other related service income		5,110	4,372
Net gain on financial instruments	7	159,441	117,271
Interest income		71,530	92,377
Property rental income		1,615	738
Other income	8	9,831	27,735
Gain (loss) on changes in fair values of investment properties		4,566	(7,018)
Administrative expenses		(122,868)	(97,155)
Impairment losses	10	(20,960)	(10,014)
Finance costs	11	(57,040)	(39,450)
Discount on acquisitions of a subsidiary	12	–	560,055
Net (loss) gain on deemed disposal and disposal of subsidiaries and associates	13	(88,638)	1,893
Share of results of associates			
– share of results		160,939	207,221
– discount on acquisitions of associates		<u>200,975</u>	<u>41,521</u>
Profit before taxation	14	324,501	899,546
Taxation	15	<u>(10,669)</u>	<u>(8,695)</u>
Profit for the year from continuing operations		313,832	890,851
<b>Discontinued operation</b>			
Profit for the year from discontinued operation	16	<u>2</u>	<u>29</u>
Profit for the year		<u>313,834</u>	<u>890,880</u>
Attributable to:			
Equity holders of the Company		252,051	843,929
Minority interests		61,783	46,951
		<u>313,834</u>	<u>890,880</u>
Distributions	17	<u>78,043</u>	<u>59,191</u>
Earnings per share	18		
		<i>HK cents</i>	<i>HK cents</i>
<b>From continuing and discontinued operations</b>			
Basic		<u>9.9</u>	<u>38.0</u>
Diluted		<u>9.0</u>	<u>32.5</u>
<b>From continuing operations</b>			
Basic		<u>9.9</u>	<u>38.0</u>
Diluted		<u>9.0</u>	<u>32.5</u>



## CONSOLIDATED BALANCE SHEET

AT 31ST MARCH, 2008

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	19	88,621	179,765
Investment properties	20	9,511	150,421
Prepaid lease payments	21	85,223	87,437
Intangible assets	22	830	4,580
Interests in associates	23	2,745,768	1,594,047
Debt portion of convertible notes	24	180,555	274,304
Conversion options embedded in convertible notes	24	1,923	98,466
Deposits for acquisition of subsidiaries	25	–	50,000
Deposits for acquisition of long-term investments	26	–	145,000
Payments for acquisition of interest in properties	27	–	58,830
Available-for-sale investments	28	117,377	1,033,823
Deferred tax assets	47	–	1,464
		<u>3,229,808</u>	<u>3,678,137</u>
<b>Current assets</b>			
Inventories		33	239
Prepaid lease payments	21	2,214	2,214
Other assets	29	–	229,288
Debtors, deposits and prepayments	30	8,898	404,029
Margin account receivables	31	2,930	17,523
Deposits for acquisition of investments held for trading	32	–	73,289
Amounts due from associates	33	261,294	500,050
Amounts due from related companies	34	6,753	7,262
Loans receivable	35	25,000	340,549
Financial assets designated at fair value through profit or loss	36	5,390	147,238
Investments held for trading	37	33,433	626,649
Tax recoverable		–	1,438
Short-term bank deposits, bank balances and cash	38	70,297	282,304
		<u>416,242</u>	<u>2,632,072</u>
Non-current assets classified as held for sale	39	59,482	–
		<u>475,724</u>	<u>2,632,072</u>
<b>Current liabilities</b>			
Margin account payables	31	1,835	6,794
Creditors and accrued expenses	40	20,524	91,884
Amounts due to associates	41	832	163,015
Derivative financial instruments	42	–	222
Redeemable convertible preference shares	43	–	286,137
Tax payable		–	63,977
Borrowings – due within one year	44	2,450	517,100
Bank overdrafts	45	29,457	71,599
		<u>55,098</u>	<u>1,200,728</u>
<b>Net current assets</b>		<u>420,626</u>	<u>1,431,344</u>
<b>Total assets less current liabilities</b>		<u>3,650,434</u>	<u>5,109,481</u>

**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP**

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Borrowings – due after one year	44	55,200	141,350
Convertible notes payable	46	192,952	556,980
Deferred tax liabilities	47	5,851	39,091
		<u>254,003</u>	<u>737,421</u>
<b>Net assets</b>		<u><u>3,396,431</u></u>	<u><u>4,372,060</u></u>
<b>Capital and reserves</b>			
Share capital	48	269,460	187,298
Share premium and reserves		<u>3,126,971</u>	<u>2,623,128</u>
<b>Equity attributable to equity holders of the Company</b>		3,396,431	2,810,426
Convertible notes reserve of a subsidiary		–	55,279
Minority interests		<u>–</u>	<u>1,506,355</u>
<b>Total equity</b>		<u><u>3,396,431</u></u>	<u><u>4,372,060</u></u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31ST MARCH, 2008**

	Attributable to equity holders of the Company														Convertible notes reserve of a subsidiary HK\$'000	Share option reserve of a subsidiary HK\$'000	Minority interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000 (Note a)	Reserve on acquisition HK\$'000 (Note b)	Capital redemption reserve HK\$'000	Other reserve HK\$'000 (Note c)	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Convertible notes reserve HK\$'000	Preference share reserve HK\$'000	Share option reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000				
At 1st April, 2006	183,750	282,782	1,108,927	(58,374)	908	3,470	467	15,259	25,691	-	871	-	446,194	2,009,945	-	-	22,064	2,032,009
Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	-	-	2,165	-	-	-	2,165	-	-	-	(7,190)	(5,025)
Share of post-acquisition reserve movements of associates	-	-	-	-	-	-	-	(10,306)	26,857	-	-	-	16,551	-	-	-	4,839	21,390
Surplus arising from revaluation of:	-	-	-	-	-	-	8,943	-	-	-	-	-	8,943	-	-	-	-	8,943
- land and buildings	-	-	-	-	-	-	8,943	-	-	-	-	-	8,943	-	-	-	-	8,943
- available-for-sale investments	-	-	-	-	-	-	-	3,449	-	-	-	-	3,449	-	-	-	2,235	5,684
Deferred tax liability arising on revaluation of land and buildings	-	-	-	-	-	-	(2,746)	-	-	-	-	-	(2,746)	-	-	-	-	(2,746)
Net (expense) income recognised directly in equity	-	-	-	-	-	-	6,197	(6,857)	29,022	-	-	-	843,929	28,362	-	-	(116)	28,246
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	843,929	843,929	-	-	46,951	890,880
Released on deemed disposal and disposal of associates	-	-	-	4,987	-	(72)	-	(68)	(1,617)	-	-	-	-	3,230	-	-	-	3,230
Released on disposal of available-for-sale investments	-	-	-	-	-	-	-	(8,241)	-	-	-	-	(8,241)	-	-	-	-	(8,241)
Total recognised income and expenses for the year	-	-	-	4,987	-	(72)	6,197	(15,166)	27,405	-	-	-	843,929	867,280	-	-	46,835	914,115
Issue of shares:																		
- on conversion of redeemable convertible preference shares	90	855	-	-	-	-	-	-	-	(3)	-	-	942	-	-	-	-	942
- under scrip dividend scheme	3,458	(3,458)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Distributions	-	-	-	-	-	-	-	-	-	-	-	(59,191)	(59,191)	-	-	-	-	(59,191)
Acquisition of interests in subsidiaries	-	-	-	4,215	-	-	-	(1,681)	-	-	-	3,143	5,677	55,279	-	-	1,765,646	1,826,602
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(325,106)	(325,106)
Credit arising on scrip dividends	-	-	-	-	-	-	-	-	-	-	-	17,780	17,780	-	-	-	-	17,780
Dividend paid to minority shareholders of a listed subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,159)	(4,159)
Share of post-acquisition reserve movements of associates	-	-	-	(32,134)	-	127	-	-	-	-	-	-	(32,007)	-	-	-	1,075	(30,932)
At 31st March, 2007	187,298	280,179	1,108,927	(81,306)	908	3,525	6,664	(1,588)	53,096	-	868	-	1,251,855	2,810,426	55,279	-	1,506,355	4,372,060
Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	-	-	8,299	-	-	-	8,299	-	-	-	3,798	12,097
Share of post-acquisition reserve movements of associates	-	-	-	-	-	-	-	(57,059)	82,757	-	-	-	25,698	-	-	-	5,999	31,697
Surplus arising from revaluation of:	-	-	-	-	-	-	13,218	-	-	-	-	-	13,218	-	-	-	-	13,218
- land and buildings	-	-	-	-	-	-	13,218	-	-	-	-	-	13,218	-	-	-	-	13,218
- available-for-sale investments	-	-	-	-	-	-	-	97,575	-	-	-	-	97,575	-	-	-	41,110	138,685
Deferred tax liability arising on revaluation of land and buildings	-	-	-	-	-	-	(3,007)	-	-	-	-	-	(3,007)	-	-	-	-	(3,007)
Net income (expense) recognised directly in equity	-	-	-	-	-	-	10,211	40,516	91,056	-	-	-	141,783	-	-	-	50,907	192,690
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	252,051	252,051	-	-	-	61,783	313,834
Impairment loss on available-for-sale investments	-	-	-	-	-	-	-	20,960	-	-	-	-	20,960	-	-	-	-	20,960
Released on loss of control of subsidiaries as a result of deemed disposal	-	-	-	(106)	-	97	-	(617)	(352)	-	-	-	(978)	(55,099)	(69)	(2,120,666)	(2,176,812)	
On deemed disposal and disposal of partial interests in:																		
- subsidiaries	-	-	-	(2,580)	-	1,144	-	(7,302)	(6,861)	-	-	-	(15,599)	-	-	-	504,524	488,925
- associates	-	-	-	646	-	46	-	(349)	(583)	-	-	-	(240)	-	-	-	-	(240)
Released on disposal of available-for-sale investments	-	-	-	-	-	-	-	(20,183)	-	-	-	-	(20,183)	-	-	-	-	(20,183)
Total recognised income and expenses for the year	-	-	-	(2,040)	-	1,287	10,211	33,025	83,260	-	-	-	252,051	377,794	(55,099)	(69)	(1,503,452)	(1,180,826)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	-	-	18,768	-	18,768	-	69	-	-	18,837
Recognition of equity component of convertible notes	-	-	-	-	-	-	-	-	4,183	-	-	-	4,183	-	-	-	-	4,183
Issue of shares:																		
- on placement of shares	30,000	192,000	-	-	-	-	-	-	-	-	-	-	222,000	-	-	-	-	222,000
- on conversion of redeemable convertible preference shares	102	961	-	-	-	-	-	-	-	(4)	-	-	1,059	-	-	-	-	1,059
- under scrip dividend scheme	8,580	(8,580)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- on bonus issue	43,480	(43,480)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transaction costs attributable to issue of shares	-	(6,794)	-	-	-	-	-	-	-	-	-	-	(6,794)	-	-	-	-	(6,794)
Distributions	-	-	-	-	-	-	-	-	-	-	-	(78,043)	(78,043)	-	-	-	-	(78,043)
Released on conversion of convertible notes of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(180)	-	-	4,431	4,251
Redemption of redeemable convertible preference shares	-	-	-	-	-	-	-	-	-	(864)	-	864	-	-	-	-	-	-
Credit arising on scrip dividends	-	-	-	-	-	-	-	-	-	-	-	46,465	46,465	-	-	-	-	46,465
Share of post-acquisition reserve movements of associates	-	-	-	(265)	-	(248)	-	-	-	-	-	1,086	573	-	-	-	(7,334)	(6,761)
At 31st March, 2008	269,460	414,286	1,108,927	(83,611)	908	4,564	16,875	31,437	136,356	4,183	-	18,768	1,474,278	3,396,431	-	-	-	3,396,431

*Notes:*

- (a) The contributed surplus of the Group comprises the difference between the nominal amount of the ordinary share capital issued by the Company in exchange for the nominal amount of the share capital of a subsidiary acquired pursuant to a corporate reorganisation on 24th January, 1992 and the credits arising from the changes in the capital and reserves of the Company in other capital reorganisations and the transfers to the accumulated losses as approved by the board of directors from time to time.
- (b) The reserve on acquisition of the Group represents:
  - (i) the amount of fair value changes shared by the Group in relation to the acquisition of additional interest in a subsidiary of an associate;
  - (ii) the amount of fair value changes shared by the Group in relation to the acquisition of a subsidiary by an associate; and
  - (iii) the amount of fair value changes arising from the acquisition of additional interest in a subsidiary by the Group.
- (c) Other reserve represents the statutory reserves required by the relevant rules and regulations of The People's Republic of China (the "PRC") applicable to the Group's associates.

**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31ST MARCH, 2008**

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	324,503	899,575
Adjustments for:		
Allowance recognised (reversed) for:		
– amounts due from associates and related companies	2,511	2,731
– debtors, deposits and prepayments	(901)	2,301
– loans receivable	–	(6,773)
Depreciation of property, plant and equipment	10,408	10,235
Release of prepaid lease payments	2,214	2,214
Discount on acquisition of:		
– interests in subsidiaries	–	(370,923)
– additional interests in subsidiaries	–	(189,132)
Net loss (gain) on deemed disposal and disposal of subsidiaries and associates	88,660	(1,893)
(Gain) loss on changes in fair values of:		
– conversion options embedded in convertible notes	(64,396)	32,239
– derivative financial instruments	–	222
– financial assets designated at fair value through profit or loss	(11,873)	(12,673)
– investments held for trading	(42,150)	(106,842)
– investment properties	(4,566)	7,018
Gain on disposal of:		
– available-for-sale investments	(20,183)	(8,209)
– property, plant and equipment	(1,537)	(960)
Impairment loss (reversed) recognised on:		
– intangible assets	(25)	–
– available-for-sale investments	20,960	4,859
– goodwill of associates	–	5,155
Interest expenses	57,040	39,450
Share-based payment expense	18,837	–
Share of results of associates	(361,914)	(248,742)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	17,588	59,852
Increase in inventories	(104)	(70)
Decrease (increase) in debtors, deposits and prepayments	86,339	(85,592)
Increase in margin account receivables	(15,103)	(4,231)
Decrease in deposits for acquisition of investments held for trading	–	(73,289)
Increase in amounts due from associates	(42,365)	(292,708)
(Increase) decrease in amounts due from related companies	(1,895)	131,946
Decrease in loans receivable	2,286	316,509
Decrease in financial assets designated at fair value through profit or loss	20,768	58,206
(Increase) decrease in investments held for trading	(33,144)	2,254
Increase (decrease) in margin account payables	1,176	(24,678)
Increase (decrease) in creditors and accrued expenses	53,711	(46,545)
Increase in amounts due to associates	5,103	162,754
Decrease in amount due to a related company	–	(190,969)
Decrease in derivative financial instruments	(222)	(460)
	<hr/>	<hr/>
Cash generated from operations	94,138	12,979
Dividends received from associates	35,263	94,963
Hong Kong Profits Tax paid	–	(17)
	<hr/>	<hr/>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>129,401</b>	<b>107,925</b>

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
<b>INVESTING ACTIVITIES</b>			
Acquisition of additional interests in associates		(351,976)	(25,582)
Investment in financial assets designated at fair value through profit or loss		(158,279)	–
Deposits (paid) refunded for acquisition of long-term investments		(110,000)	45,175
Deemed disposal and disposal of subsidiaries, net of cash and cash equivalents disposed	50	(82,751)	–
Acquisition of convertible notes		(69,974)	(121,322)
Additions to available-for-sale investments		(67,998)	(11,823)
Additions to property, plant and equipment		(21,195)	(7,472)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	51	–	(231,355)
Acquisition of additional interests in subsidiaries		–	(135,974)
Additions to investment properties		–	(10,358)
Proceeds from disposal of interests in associates		165,213	–
Proceeds from disposal of partial interests in subsidiaries		131,688	–
Proceeds from disposal of available-for-sale investments		51,118	29,968
Deposits refunded for acquisition of subsidiaries		20,000	–
Proceeds from disposal of property, plant and equipment		1,857	2,560
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<u>(492,297)</u>	<u>(466,183)</u>
<b>FINANCING ACTIVITIES</b>			
Gross proceeds from issue of shares		222,000	–
Gross proceeds on issue of convertible notes payable		200,000	–
Gross proceeds from issue of shares of a subsidiary		147,900	–
New bank borrowings raised		30,000	–
Redemption of redeemable convertible preference shares		(280,966)	–
Interest paid		(46,568)	(27,501)
Dividends paid		(31,578)	(41,411)
Repayments of bank borrowings		(33,612)	(4,775)
Payment of transaction costs attributable to issues of shares of the Company and a subsidiary		(12,279)	–
Payment of transaction costs attributable to issue of convertible notes payable		(4,579)	–
Other loans raised		–	500,000
Repayments of other loans		–	(40,000)
Dividend paid to minority shareholders of a listed subsidiary		–	(4,159)
Repayment of obligation under a finance lease		–	(111)
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<u>190,318</u>	<u>382,043</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>(172,578)</u>	<u>23,785</u>
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>		210,705	199,591
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		<u>2,713</u>	<u>(12,671)</u>
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>		<u><u>40,840</u></u>	<u><u>210,705</u></u>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Short-term bank deposits, bank balances and cash		70,297	282,304
Bank overdrafts		(29,457)	(71,599)
		<u><u>40,840</u></u>	<u><u>210,705</u></u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST MARCH, 2008**

**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 consolidated financial statements are presented in Hong Kong dollars (“HKD”), which is also 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 60 and 23 respectively.

**2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are effective for the Group’s financial year beginning 1st April, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) - Int 8	Scope of HKFRS 2
HK(IFRIC) - Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) - Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) - Int 11	HKFRS 2: Group and Treasury Share Transactions

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) - Int 12	Service Concession Arrangements <sup>3</sup>
HK(IFRIC) - Int 13	Customer Loyalty Programmes <sup>4</sup>
HK(IFRIC) - Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2009

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2008

<sup>4</sup> Effective for annual periods beginning on or after 1st July, 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent’s ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of other new or revised standards, amendments or interpretations will have no material effect on how the results and the financial position of the Group are prepared and presented.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements have been prepared on 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 Hong Kong Financial Reporting Standards 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 entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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**

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

**Acquisition of additional interests in subsidiaries**

On acquisition of additional interest in a subsidiary, the difference between the fair values and the carrying values of the underlying assets and liabilities attributable to the additional interest in a subsidiary acquired is debited to reserve on acquisition. Goodwill or discount arising on the purchase of the additional interest is calculated as the difference between the additional cost of the interest acquired and the increase in the Group's interest, based on the fair value of all identifiable assets and liabilities of the subsidiary.

**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 discount on acquisition/goodwill associated with that transaction. Any adjustments to those fair values relating to previously held interests is accounted for as changes in reserve on acquisition.

**Deemed disposal and disposal of subsidiaries/associates**

On deemed disposal and disposal of a subsidiary/associate, the difference between the carrying values of the underlying assets and liabilities attributable to the interests disposed, or deemed to be disposed, and the consideration paid, if any, is charged or credited to the consolidated income statement as gain/loss on deemed disposal and disposal of interest in a subsidiary/associate.

**Property, plant and equipment**

Property, plant and equipment, other than land and buildings, are stated at cost less subsequent accumulated depreciation 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 consolidated balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation 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 consolidated 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 over their estimated useful lives and after taking into account of 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 consolidated income statement in the year in which the item is derecognised.

#### **Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values 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 consolidated income statement in the year in which the item is derecognised.

#### **Interests in associates**

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated 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 net assets 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.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill and such goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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.

#### **Intangible assets**

Intangible assets acquired separately and with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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 consolidated income statement when the asset is derecognised.

#### **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 financial assets at fair value through profit or loss ("FVTPL"), loans and receivables 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.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets at FVTPL, of which interest income is included in net gains or losses.

*Financial assets at FVTPL*

Financial assets at FVTPL have two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated at FVTPL.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain recognised in profit or loss includes interest but excludes dividend earned on the financial assets.

*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 trade and other receivables, margin account receivables, loans receivable, bank balances and cash, amounts due from associates/related companies, debt portion of convertible notes) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Convertible notes held by the Group are separately presented as a debt portion and conversion option embedded in convertible notes. On initial recognition, the debt portion represents the residual between the fair value of the convertible notes and the fair value of the embedded conversion option. The debt portion is classified as loans and receivables and is subsequently measured at amortised cost according to the effective interest method.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

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 (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

*Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade debtors and loans receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 30 to 90 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, amounts due from associates, amounts due from related companies and loans receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a balance aforesaid is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. 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 after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL (derivatives) and other financial liabilities.

#### ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

#### ***Convertible notes payable and redeemable convertible preference shares***

Convertible notes payable and redeemable convertible preference shares issued by group entities that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the respective group entity's own equity instruments is classified as an equity instrument.

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 gross proceeds of the issue of the convertible notes payable/redeemable convertible preference shares and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes/preference shares into equity, is included in equity (convertible notes reserve/preference share reserve).

In subsequent periods, the liability component of the convertible notes payable and redeemable convertible preference shares is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the respective group entity, 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 payable/redeemable convertible preference shares are allocated to the liability and equity components in proportion to the allocation of the gross 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 payable/redeemable convertible preference shares using the effective interest method.

#### *Other financial liabilities*

Other financial liabilities (including bank and other borrowings, trade and other creditors, margin account payables, amounts due to associates) are subsequently measured at amortised cost, 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. Such derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

#### *Embedded derivatives*

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held for trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the host contracts are not measured at fair value with changes in fair value recognised 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 receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised 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 paid and payable is recognised in profit or loss.

#### **Inventories**

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

#### **Impairment (other than goodwill)**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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.

#### **Other assets**

Other assets represent costs incurred for the exclusive development right to a land development project in the PRC and also the right to obtain the land for the development. The amounts are stated at the lower of cost and net realisable value.

**Non-current assets held for sale**

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

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

**Revenue recognition**

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

Revenue from sales of goods are recognised when the goods are delivered and title has passed.

Service income is recognised when services are rendered.

Sales of securities are recognised on a trade-date basis when contracts are executed.

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

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

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

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

**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 the respective 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**

Taxation represents the sum of the income tax expense 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 consolidated 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 profits 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 to profit or loss, 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 plans are charged as an expense when employees have rendered service entitling them to the contributions.

#### **Borrowing costs**

All borrowing costs are recognised as and included in finance costs in the consolidated 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 consolidated income statement on a straight-line basis over the terms of the relevant lease.

#### ***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.

#### ***Leasehold land and building***

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

#### **Equity-settled share-based payment transactions**

##### ***Share options granted to employees***

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

##### ***Share options granted to consultants***

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses immediately, unless the goods or services qualify for recognition as assets. Corresponding adjustment has been made to equity (share option reserve).

#### **4. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings, bank overdrafts and convertible notes payable disclosed in notes 44, 45 and 46, respectively, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.



## 5. FINANCIAL INSTRUMENTS

## (a) Categories of financial instruments

	2008 HK\$'000	2007 HK\$'000
<i>Financial assets</i>		
Fair value through profit or loss (FVTPL)		
Held for trading	33,433	626,649
Conversion options embedded in convertible notes	1,923	98,466
Designated at FVTPL (see below)	5,390	147,238
Loans and receivables (including cash and cash equivalents)	554,190	1,473,131
Available-for-sale financial assets	117,377	1,033,823
<i>Financial liabilities</i>		
Derivative financial instruments	–	222
Amortised cost	294,979	1,761,370

## (b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, margin account receivables and payables, loans receivable, short-term deposits, bank balances and cash, amounts due from associates/related companies, debt portion of convertible notes, conversion options embedded in convertible notes, available-for-sale investments, financial assets designated at fair value through profit or loss, investments held for trading, trade creditors, derivative financial instruments, redeemable convertible preference shares, bank and other borrowings and convertible notes payable. 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 exposure to ensure appropriate measures are implemented on a timely and effective manner. There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

*Market risks*(i) *Currency risk*

Certain investments held for trading and other receivables with aggregate carrying value of approximately HK\$5,471,000 (2007: HK\$67,482,000) are denominated in United States dollars ("USD"). Since HKD is pegged to USD, 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.

(ii) *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate debt element of convertible notes, fixed-rate convertible notes payable issued by the Group, fixed-rate convertible notes designated at FVTPL, fixed-rate redeemable convertible preference shares and fixed-rate borrowings.

The Group is also exposed to cash flow interest rate risk in relation to margin account receivables, bank deposits, amounts due from associates and related companies, loans receivable borrowings and bank overdrafts which are arranged at floating rates.

Management has employed a treasury team to closely monitor interest rate movement and manage the potential risk. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate change exposure and will consider hedging significant interest rate change exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the best lending rate of HKD quoted by The Hong Kong and Shanghai Banking Corporation Limited (the "Best Lending Rate") and Hong Kong Interbank Offer Rate ("HIBOR") arising from the Group's HKD denominated borrowings and Canadian prime rate arising from the Group's Canadian denominated borrowing.

*Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates for the financial instruments at the balance sheet date which carried floating market interest rate. The analysis is prepared assuming the amount of assets and liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.



If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year would increase/decrease by HK\$1,262,000 (2007: decrease/increase by HK\$1,004,000).

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the year.

(iii) *Price risk*

The Group is exposed to equity price risk through the Group's available-for-sale investments, investments held for trading, conversion options embedded in convertible notes and certain financial assets designated at FVTPL. Management closely monitors the exposure to price risk. The Group's equity price risk is mainly concentrated on equity instruments quoted on the Hong Kong Stock Exchange.

The conversion options embedded in convertible notes held by the Group is required to be recognised at fair value at each balance sheet date. Changes in fair value are recognised in the consolidated income statement as long as the convertible notes are outstanding. The fair value adjustment will be affected either positively or negatively, amongst others, by the changes in share price of the convertible notes issuer.

*Sensitivity analysis*

The sensitivity analyses on available-for-sale investments, investments at FVTPL set out as below have been determined based on the exposure to the share price risks of listed securities, at the reporting date.

If the prices of the respective equity instruments had been 5% higher/lower, and all other variables were held constant, the Group's profit for the year would increase/decrease by HK\$1,941,000 (2007: increase/decrease by HK\$32,555,000) as a result of the changes in fair value of investments held for trading, derivative financial instruments and certain financial assets designated at FVTPL. The investment valuation reserve would increase/decrease by HK\$5,869,000 (2007: increase/decrease by HK\$14,298,000) for the Group as a result of the changes in fair value of available-for-sale investments.

The sensitivity analysis on conversion options embedded in convertible notes set out as below have been determined based on the exposure to the change of share price of the convertible notes issuers at the reporting date only.

If the share prices of those convertible notes issuers had been 5% higher/lower and all other variables were held constant, the Group's profit for the year would increase/decrease by HK\$214,000 (2007: HK\$9,749,000), as a result of changes in fair value of conversion option embedded in the convertible notes.

In management's opinion, the sensitivity analyses are unrepresentative of the inherent market risk as the pricing model used in determining the fair value of the conversion option embedded in the convertible notes involves multiple variables and certain variables are interdependent.

*Credit risk*

The Group's maximum exposure to credit risk in the event of the counterparties' failure to discharge their obligations as at 31st March, 2008, in relation to each class of recognised financial assets, are the amounts stated in the consolidated balance sheet; and the amount of contingent liabilities in relation to financial guarantee and financial support given as disclosed in note 54. 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 and convertible notes receivable 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 loans receivable and amounts due from two related companies and six associates, amounting to approximately HK\$25 million, HK\$7 million and HK\$261 million, respectively. As they have a strong financial position with good payment record in the past, the directors of the Company consider that the Group's credit risk to these counterparties is minimal. Other than that, the Group has no significant concentration of credit risk.

In addition, the credit risk on corporate guarantee given to a third party/an associate is limited because management will regularly review the financial performance of the third party/associate and reconsider the continuance of the given guarantee regularly.

The credit risk on liquid fund is limited because the counterparties are banks and other financial institutions with high credit ratings.

	2008 HK\$'000	2007 HK\$'000
<i>Loans or receivables designated at FVTPL</i>		
Carrying amount of loans or receivables designated at FVTPL	<u>5,390</u>	<u>147,238</u>

The fair value attributable to changes in the credit risk is considered not significant as the counterparties are either financial institutions or companies with high credit ratings.

#### Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

For derivative instruments settle on a net basis, undiscounted net cash (inflows) outflows are presented.

#### Liquidity and interest risk tables

	Weighted average interest rate %	Less than 3 months or on demand HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	5+ years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>2008</b>							
<b>Non-derivative financial liabilities</b>							
Margin account payables	1.81	1,837	-	-	-	1,837	1,835
Creditors	-	12,253	-	-	-	12,253	12,253
Amounts due to associates	-	832	-	-	-	832	832
Bank overdrafts	4.67	29,584	-	-	-	29,584	29,457
Borrowings – variable-rate	4.09	589	4,218	26,282	38,513	69,602	57,650
Convertible notes payable	5.00	2,412	7,236	202,600	-	212,248	192,952
		<u>47,507</u>	<u>11,454</u>	<u>228,882</u>	<u>38,513</u>	<u>326,356</u>	<u>294,979</u>
<b>2007</b>							
<b>Non-derivative financial liabilities</b>							
Margin account payables	-	6,794	-	-	-	6,794	6,794
Creditors	-	18,395	-	-	-	18,395	18,395
Amounts due to associates	-	163,015	-	-	-	163,015	163,015
Bank overdrafts	6.27	71,833	-	-	-	71,833	71,599
Borrowings – variable-rate	5.46	510,734	14,629	74,410	101,506	701,279	658,450
Convertible notes payable	2.00	-	8,355	590,400	-	598,755	556,980
Redeemable convertible preference shares	3.77	2,697	294,228	-	-	296,925	286,137
		<u>773,468</u>	<u>317,212</u>	<u>664,810</u>	<u>101,506</u>	<u>1,856,996</u>	<u>1,761,370</u>
<b>Derivatives – net settlement</b>							
Futures	-	222	-	-	-	222	222

#### (c) Fair value

The fair value of the Group's financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities (including derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and
- the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For an option-based derivative, the fair value is estimated using option pricing model.

The directors consider that the carrying amounts of the Group's financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

## 6. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the amounts received and receivable from outside customers for the year. An analysis of the Group's revenue for the year, for both continuing and discontinued operation, is as follows:

	2008 HK\$'000	2007 HK\$'000
<b>Continuing operations</b>		
Net gain on disposal of investments held for trading	21,975	12,254
Net gains (losses) arising from changes in fair value of:		
Gold trading contracts	(65)	(303)
Derivative financial instruments	–	(222)
Investments held for trading	42,150	106,842
Financial assets designated at FVTPL	11,873	12,673
Interest income	71,530	92,377
Dividend income from listed investments	1,403	2,384
Property rental income	1,615	738
Others	5,153	17,317
	<u>155,634</u>	<u>244,060</u>
<b>Discontinued operation</b>		
Trading of building materials and machinery	2,547	5,177
	<u>158,181</u>	<u>249,237</u>

In the current year, revenue includes net gain on disposal of investments held for trading and the net gains (losses) arising from changes in fair value of financial instruments (excluding conversion options embedded in convertible notes). In 2007, revenue included gross proceeds from disposal of financial instruments of approximately HK\$375,305,000. The Group has revised its presentation of revenue in order to reflect the nature of sales of financial assets in a more appropriate manner and to conform with market practice. Comparative figures have been restated to conform with the current year's presentation.

**Business segments**

For management purposes, the Group's operations are organised into five operating divisions, namely finance, securities investment, other investment, property investment and trading of building materials and machinery. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Finance	–	loan financing services
Securities investment	–	trading of securities
Other investment	–	investments in financial instruments except investments held for trading
Property investment	–	leasing of investment properties
Trading of building materials and machinery	–	trading of building materials and machinery
Unallocated segment	–	leasing of motor vehicles, management services and sand mining business

During the year, the Group disposed of its entire interest in a subsidiary engaged in trading of building materials and machinery business (note 16).

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

Business segment information for the year ended 31st March, 2008 is presented below:

	Continuing operations						Discontinued operation	Consolidated HK\$'000	
	Finance HK\$'000	Securities investment HK\$'000	Other investment HK\$'000	Property investment HK\$'000	Unallocated HK\$'000	Eliminations HK\$'000	Total HK\$'000		Trading of building materials and machinery HK\$'000
GROSS PROCEEDS	62,871	628,140	38,813	6,810	7,692	(26,270)	718,056	2,547	720,603
REVENUE									
External sales	42,794	65,528	38,070	1,615	7,627	-	155,634	2,547	158,181
Inter-segment sales	20,077	-	998	5,195	-	(26,270)	-	-	-
Total	62,871	65,528	39,068	6,810	7,627	(26,270)	155,634	2,547	158,181
RESULT									
Segment result	5,762	63,278	102,326	5,196	990	-	177,552	24	177,576
Unallocated corporate expenses							(69,287)	-	(69,287)
Finance costs							(57,040)	-	(57,040)
Net loss on deemed disposal and disposal of subsidiaries and associates							(88,638)	(22)	(88,660)
Share of results of associates - share of results							160,939	-	160,939
- discount on acquisitions of associates							200,975	-	200,975
Profit before taxation							324,501	2	324,503
Taxation							(10,669)	-	(10,669)
Profit for the year							313,832	2	313,834

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

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

	Finance HK\$'000	Securities investment HK\$'000	Other investment HK\$'000	Property investment HK\$'000	Trading of building materials and machinery HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>BALANCE SHEET</b>							
<b>ASSETS</b>							
Segment assets	296,335	36,343	376,830	9,511	-	-	719,019
Interests in associates							2,745,768
Unallocated corporate assets							240,745
Total assets							<u>3,705,532</u>
<b>LIABILITIES</b>							
Segment liabilities	-	1,835	-	-	-	-	1,835
Unallocated corporate liabilities							307,266
Total liabilities							<u>309,101</u>
<b>OTHER INFORMATION</b>							
Capital additions:							
- segment portion	-	-	-	-	3	-	3
- unallocated corporate portion	-	-	-	-	-	-	21,192
Depreciation of property, plant and equipment:							
- segment portion	-	-	-	-	2	-	2
- unallocated corporate portion	-	-	-	-	-	-	10,406
Release of prepaid lease payments							
- unallocated corporate portion	-	-	-	-	-	-	2,214
Gain arising from changes in fair value of:							
- conversion options embedded in convertible notes	-	-	64,396	-	-	-	64,396
- financial assets designated at fair value through profit or loss	-	-	11,873	-	-	-	11,873
- investments held for trading	-	42,150	-	-	-	-	42,150
- investment properties	-	-	-	4,566	-	-	4,566
Gain on disposal of available-for-sale investments	-	-	20,183	-	-	-	20,183
Impairment loss on available-for-sale investments	-	-	20,960	-	-	-	20,960

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

Business segment information for the year ended 31st March, 2007 is presented below:

	Continuing operations						Discontinued operation	Consolidated HK\$'000	
	Finance HK\$'000	Securities investment HK\$'000	Other investment HK\$'000	Property investment HK\$'000	Unallocated HK\$'000	Eliminations HK\$'000	Total HK\$'000		Trading of building materials and machinery HK\$'000
GROSS PROCEEDS	69,020	378,643	60,297	5,851	11,048	(36,738)	488,121	5,177	493,298
REVENUE									
External sales	53,248	122,364	57,014	738	10,696	-	244,060	5,177	249,237
Inter-segment sales	15,772	-	15,804	5,113	49	(36,738)	-	-	-
Total	69,020	122,364	72,818	5,851	10,745	(36,738)	244,060	5,177	249,237
RESULT									
Segment result	24,277	123,724	22,146	(8,511)	3,504	-	165,140	418	165,558
Unallocated corporate expenses							(36,834)	(389)	(37,223)
Discount on acquisitions of a subsidiary							560,055	-	560,055
Finance costs							(39,450)	-	(39,450)
Net gain on deemed disposal and disposal of associates							1,893	-	1,893
Share of results of associates – share of results							207,221	-	207,221
– discount on acquisitions of associates							41,521	-	41,521
Profit before taxation							899,546	29	899,575
Taxation							(8,695)	-	(8,695)
Profit for the year							890,851	29	890,880

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

	Finance HK\$'000	Securities investment HK\$'000	Other investment HK\$'000	Property investment HK\$'000	Trading of building materials and machinery HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>BALANCE SHEET</b>							
<b>ASSETS</b>							
Segment assets	358,809	717,461	1,837,036	150,421	846	116,725	3,181,298
Interests in associates							1,594,047
Unallocated corporate assets							1,534,864
Total assets							<u>6,310,209</u>
<b>LIABILITIES</b>							
Segment liabilities	-	7,016	10,966	-	-	1,543	19,525
Unallocated corporate liabilities							1,918,624
Total liabilities							<u>1,938,149</u>
<b>OTHER INFORMATION</b>							
Capital additions:							
- segment portion	-	-	-	143,000	6	-	143,006
- unallocated corporate portion	-	-	-	-	-	-	129,203
Depreciation of property, plant and equipment:							
- segment portion	-	-	-	-	3	-	3
- unallocated corporate portion	-	-	-	-	-	-	10,232
Release of prepaid lease payments							
- unallocated corporate portion	-	-	-	-	-	-	2,214
Gain (loss) arising from changes in fair value of:							
- convertible options embedded in convertible notes	-	-	(32,239)	-	-	-	(32,239)
- financial assets designated at fair value through profit or loss	-	-	12,673	-	-	-	12,673
- investments held for trading	-	106,842	-	-	-	-	106,842
- investment properties	-	-	-	(7,018)	-	-	(7,018)
Gain on disposal of available-for-sale investments	-	-	8,209	-	-	-	8,209
Impairment loss on available-for-sale investments	-	-	4,859	-	-	-	4,859

### Geographical segments

Over 90% of the revenue of the Group was from the customers in Hong Kong, accordingly, no geographical analysis of revenue 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	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Hong Kong	659,154	2,756,853	3	143,006
The PRC	2	346,013	-	-
Others	59,863	78,432	-	-
	<u>719,019</u>	<u>3,181,298</u>	<u>3</u>	<u>143,006</u>



## 7. NET GAIN ON FINANCIAL INSTRUMENTS

	Continuing operations		Discontinued operation		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Gain on disposal of:						
– Precious metals	65	1,354	–	–	65	1,354
– Investments held for trading	21,975	12,254	–	–	21,975	12,254
– Derivative financial instruments	(1,794)	954	–	–	(1,794)	954
– Financial assets designated at FVTPL (Note)	(745)	5,365	–	–	(745)	5,365
– Available-for-sale investments	20,183	8,209	–	–	20,183	8,209
Dividend income on investments held for trading	1,403	2,384	–	–	1,403	2,384
Gain (loss) on changes in fair value of:						
– Conversion options embedded in convertible notes	64,396	(32,239)	–	–	64,396	(32,239)
– Derivative financial instruments	–	(222)	–	–	–	(222)
– Financial assets designated at FVTPL (Note)	11,873	12,673	–	–	11,873	12,673
– Investments held for trading	42,150	106,842	–	–	42,150	106,842
– Gold trading contract	(65)	(303)	–	–	(65)	(303)
	<b>159,441</b>	<b>117,271</b>	<b>–</b>	<b>–</b>	<b>159,441</b>	<b>117,271</b>

Note:

The amount includes nil (2007: HK\$5,365,000) interest earned.

## 8. OTHER INCOME

	Continuing operations		Discontinued operation		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Reversal of allowance for bad and doubtful debts	1,982	7,084	–	–	1,982	7,084
Net foreign exchange gain	2,616	15,630	–	–	2,616	15,630
Income from internet trading system	1,722	4,303	–	–	1,722	4,303
Others	3,511	718	–	–	3,511	718
	<b>9,831</b>	<b>27,735</b>	<b>–</b>	<b>–</b>	<b>9,831</b>	<b>27,735</b>

## 9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the eight (2007: nine) directors were as follows:

## (a) Directors' emoluments

	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit scheme contributions HK\$'000	Discretionary bonus HK\$'000	Equity-settled share-based payments HK\$'000	Total HK\$'000
<b>2008</b>						
Chan Kwok Keung, Charles	10	3,000	300	2,500	–	5,810
Chau Mei Wah, Rosanna	10	3,000	300	2,250	2,542	8,102
Chan Kwok Chuen, Augustine	10	1,838	63	1,500	1,134	4,545
Chan Fut Yan	10	600	60	–	2,363	3,033
Cheung Hon Kit	10	–	–	–	2,363	2,373
Chuck, Winston Calptor	200	–	–	–	236	436
Lee Kit Wah	200	–	–	–	236	436
Shek Lai Him, Abraham	200	–	–	–	236	436
Total	<u>650</u>	<u>8,438</u>	<u>723</u>	<u>6,250</u>	<u>9,110</u>	<u>25,171</u>
<b>2007</b>						
Chan Kwok Keung, Charles	10	3,000	300	2,000	–	5,310
Chau Mei Wah, Rosanna	10	3,000	300	1,500	–	4,810
Chan Kwok Chuen, Augustine	10	1,838	63	1,000	–	2,911
Chan Fut Yan	10	600	60	–	–	670
Cheung Hon Kit	10	–	–	–	–	10
Chuck, Winston Calptor	200	–	–	–	–	200
Lee Kit Wah	200	–	–	–	–	200
Shek Lai Him, Abraham	153	–	–	–	–	153
Wong Kam Cheong, Stanley	91	–	–	–	–	91
Total	<u>694</u>	<u>8,438</u>	<u>723</u>	<u>4,500</u>	<u>–</u>	<u>14,355</u>

## (b) Employees' emoluments

All of the five highest paid individuals in the Group for the year ended 31st March, 2008 are directors (2007: three directors and two employees). For the year 2007, the emoluments of the remaining two individuals were as follows:

	<b>2007</b> HK\$'000
Salaries and other benefits	1,903
Retirement benefit scheme contributions	57
Discretionary bonus	800
	<u>2,760</u>

Their emoluments were within the following bands:

	<b>2007</b> Number of employees
HK\$1,000,001 to HK\$1,500,000	1
HK\$1,500,001 to HK\$2,000,000	1
	<u>2</u>

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.

## 10. IMPAIRMENT LOSSES

	Continuing operations		Discontinued operation		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Impairment losses recognised in respect of:						
Available-for-sale investments	20,960	4,859	–	–	20,960	4,859
Goodwill of associates	–	5,155	–	–	–	5,155
	<u>20,960</u>	<u>10,014</u>	<u>–</u>	<u>–</u>	<u>20,960</u>	<u>10,014</u>

## 11. FINANCE COSTS

	Continuing operations		Discontinued operation		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on:						
Bank borrowings wholly repayable within five years	1,224	2,929	–	–	1,224	2,929
Bank borrowings not wholly repayable within five years	3,617	3,105	–	–	3,617	3,105
Other borrowings wholly repayable within five years	26,367	8,990	–	–	26,367	8,990
Margin account payables	4,758	1,798	–	–	4,758	1,798
Convertible notes payable wholly repayable within five years	14,584	11,681	–	–	14,584	11,681
Redeemable convertible preference shares wholly repayable within five years	6,490	10,947	–	–	6,490	10,947
	<u>57,040</u>	<u>39,450</u>	<u>–</u>	<u>–</u>	<u>57,040</u>	<u>39,450</u>

## 12. DISCOUNT ON ACQUISITIONS OF A SUBSIDIARY

	Continuing operations		Discontinued operation		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Discount on acquisitions of:						
Interests in a subsidiary	–	370,923	–	–	–	370,923
Additional interests in a subsidiary	–	189,132	–	–	–	189,132
	<u>–</u>	<u>560,055</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>560,055</u>

## 13. NET (LOSS) GAIN ON DEEMED DISPOSAL AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

	Continuing operations		Discontinued operation		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss on deemed disposal of partial interests in a subsidiary	(160,483)	–	–	–	(160,483)	–
Net loss on disposal of partial interests in subsidiaries	(56,724)	–	–	–	(56,724)	–
Gain on deemed disposal of subsidiaries	276	–	–	–	276	–
Loss on disposal of a subsidiary	–	–	(22)	–	(22)	–
Net gain on deemed disposal of partial interests in associates	51,738	1,893	–	–	51,738	1,893
Net gain on disposal of associates	76,555	–	–	–	76,555	–
	<u>(88,638)</u>	<u>1,893</u>	<u>(22)</u>	<u>–</u>	<u>(88,660)</u>	<u>1,893</u>

During the year, significant changes in shareholdings of subsidiaries and associates are as follows:

(a) **Disposal and deemed disposal of interests in Hanny Holdings Limited (“Hanny”), a then subsidiary of the Company**

- In April 2007, Hanny issued 43,500,000 ordinary shares at a price of HK\$3.40 each pursuant to a placing and subscription agreement, resulting in the Group’s interest in Hanny being decreased from approximately 67.23% and 57.36%. Loss on deemed disposal of partial interests in Hanny as a subsidiary amounted to approximately HK\$160,483,000.
- In May 2007, the Group disposed of 21,000,000 ordinary shares of Hanny at a price of HK\$5.00 each, resulting in a loss on disposal of partial interests in a subsidiary of approximately HK\$80,595,000. Accordingly, the Group’s interest in Hanny was further reduced to approximately 50.27%.
- Subsequent to the above disposal, the Group’s interest in Hanny was further reduced to approximately 49.54% due to the conversion of the convertible notes of Hanny by certain noteholders. Hanny then ceased to be a subsidiary and became an associate of the Group on 18th May, 2007. The deemed disposal of Hanny resulted in a gain of approximately HK\$265,000 as disclosed in note 50.
- The Group’s interest in Hanny at balance sheet date increased to approximately 49.90% as a combined effect of additional interests in Hanny acquired by the Group and dilution of interests in Hanny due to the shares allotment and issuance of scrip dividend by Hanny. The net loss on deemed disposal of partial interests in Hanny as an associate amounted to approximately HK\$6,918,000.

(b) **Disposal and deemed disposal of interests in Trasy Gold Ex Limited (“Trasy”), a then subsidiary of the Company**

- In May 2007, the Group disposal of approximately 6.45% equity interests in Trasy. The Group’s interest in Trasy was reduced to approximately 50.00004%. Gain on disposal of interests in Trasy from this transaction amounted to approximately HK\$23,871,000.
- In June 2007, the Group’s interest in Trasy was further diluted to approximately 49.998% as a result of exercise of share options granted by Trasy and Trasy then ceased to be a subsidiary and became an associate of the Group on 11th June, 2007. Gain on deemed disposal of interests in Trasy as a subsidiary amounted to approximately HK\$11,000 (note 50).
- After 11th June, 2007, the Group’s interest in Trasy was further reduced due to the dilution effect of placing and subscription for a total of 1,215,000,000 ordinary shares of Trasy, resulting in gains on deemed disposal of partial interests in associate of approximately HK\$62,159,000.
- In September 2007, the Group donated 10,000,000 shares of Trasy to The Community Chest of Hong Kong, in which the carrying value of such donated shares was approximately HK\$688,000, and disposed of the remaining shares of Trasy for considerations of approximately HK\$165,343,000. The total net gain on disposal of shares of Trasy amounted to approximately HK\$76,555,000.

After the series of transactions mentioned above, the Group did not have any shareholding interests in Trasy at 31st March, 2008.

The net assets of Hanny, Trasy and other disposed subsidiary at the respective dates of disposal were set out in note 50.

During the year ended 31st March, 2007, the net gain was due to the effect of deemed disposal of interest in associates arising from the dilution effect of exercise of share options, issuance of scrip dividend, issuance of new shares and conversion of convertible notes by outsiders.

## 14. PROFIT BEFORE TAXATION

	Continuing operations		Discontinued operation		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Profit before taxation has been arrived at after charging:						
Staff costs, including directors' emoluments:						
Salaries and other benefits	30,173	35,089	587	1,092	30,760	36,181
Retirement benefit scheme contributions, net of forfeited contributions of approximately HK\$37,000 (2007: Nil)	1,263	406	20	431	1,283	837
Discretionary bonus	10,638	6,627	–	–	10,638	6,627
Equity-settled share-based payments	12,033	–	–	–	12,033	–
	54,107	42,122	607	1,523	54,714	43,645
Auditor's remuneration	4,258	7,310	–	14	4,258	7,324
Cost of inventories recognised as an expense	–	–	1,794	3,374	1,794	3,374
Release of prepaid lease payments	2,214	2,214	–	–	2,214	2,214
Depreciation of property, plant and equipment	10,406	10,232	2	3	10,408	10,235
Minimum lease payments under operating leases in respect of premises	1,166	1,533	85	164	1,251	1,697
Allowance for bad and doubtful debts	3,592	5,343	–	–	3,592	5,343
and after crediting:						
Gain on disposal of property, plant and equipment	1,537	960	–	–	1,537	960
Rental income under operating leases in respect of premises, net of negligible outgoings	1,615	738	–	–	1,615	738
Reversal of impairment loss of intangible assets	25	–	–	–	25	–

## 15. TAXATION

	Continuing operations		Discontinued operation		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Current tax:						
Hong Kong Profits Tax	10,726	9,920	–	–	10,726	9,920
Overseas tax	–	342	–	–	–	342
	10,726	10,262	–	–	10,726	10,262
Overprovision of overseas tax in previous year	–	(5)	–	–	–	(5)
Deferred tax (note 47)	(57)	(1,562)	–	–	(57)	(1,562)
Taxation attributable to the Company and its subsidiaries	10,669	8,695	–	–	10,669	8,695

Hong Kong Profits Tax was calculated at the rate of 17.5% of the estimated assessable profit for both years.

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

The taxation for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Profit before taxation		
Continuing operations	324,501	899,546
Discontinued operation	2	29
	<u>324,503</u>	<u>899,575</u>
Tax at Hong Kong Profits Tax rate of 17.5% (2007: 17.5%)	56,788	157,426
Tax effect of expenses not deductible for tax purposes	57,348	5,836
Tax effect of income not taxable for tax purposes	(41,519)	(106,590)
Tax effect of utilisation of deductible temporary differences previously not recognised	(4,290)	(5,122)
Tax effect of tax losses not recognised	5,677	7,238
Tax effect of share of results of associates	(63,335)	(43,530)
Effect of different tax rates of subsidiaries operating in other jurisdictions	–	(6,558)
Overprovision of taxation in previous years	–	(5)
Taxation for the year	<u>10,669</u>	<u>8,695</u>

Details of the deferred tax are set out in note 47.

#### 16. DISCONTINUED OPERATION

On 2nd October, 2007, the Group entered into a sale and purchase agreement to dispose of its entire equity interest in a subsidiary, Dreyer and Company Limited (“Dreyer”), which carried out all of the Group’s business of trading of building materials and machinery for a consideration of HK\$1. The disposal was completed on 26th October, 2007, on which the control of Dreyer was passed to the acquirer.

The profit for the year from the discontinued operation is analysed as follows:

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Profit from trading of building materials and machinery for the period/year	24	29
Loss on disposal of the business of trading of building materials and machinery ( <i>note 50</i> )	(22)	–
	<u>2</u>	<u>29</u>

The results of the operation of trading of building materials and machinery were as follows:

	<b>1.4.2007 to</b> <b>26.10.2007</b> <i>HK\$'000</i>	<b>1.4.2006 to</b> <b>31.3.2007</b> <i>HK\$'000</i>
Revenue	2,547	5,177
Cost of sales	(1,794)	(3,374)
Gross profit	753	1,803
Administrative expenses	(729)	(1,774)
Profit for the period/year	<u>24</u>	<u>29</u>
Attributable to:		
Equity holders of the Company	24	29
Minority interests	–	–
	<u>24</u>	<u>29</u>

Please refer to note 50 for the net assets of Dreyer at the date of disposal.

	<b>1.4.2007 to 26.10.2007</b>	<b>1.4.2006 to 31.3.2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from Dreyer:		
Net cash from operating activities	407	313
Cash (used in) from investing activities	(3)	5
Cash used in financing activities	(271)	–
Net cash flows	<u>133</u>	<u>318</u>
<b>17. DISTRIBUTIONS</b>		
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends recognised as distributions to equity holders of the Company during the year:		
Final dividend for 2007 – HK2.0 cents (2007: HK1.7 cents for 2006) per ordinary share	43,480	31,237
Interim dividend for 2008 – HK1.3 cents (2007: HK1.5 cents for 2007) per ordinary share	<u>34,563</u>	<u>27,954</u>
	<u>78,043</u>	<u>59,191</u>
Dividend proposed in respect of current year:		
Final dividend proposed for 2008: HK0.3 cent (2007: HK2.0 cents for 2007) per ordinary share	<u>8,084</u>	<u>43,460</u>

Of the dividend paid during the year, approximately HK\$46,465,000 (2007: HK\$17,780,000) was settled in ordinary shares under the Company's scrip dividend schemes notified by way of circular by the Company on 16th October, 2007 and 31st January, 2008 in respect of the 2007 final dividend and the 2008 interim dividend.

The amount of the final dividend proposed for the year ended 31st March, 2008, which will be payable in cash, has been calculated by reference to 2,694,605,269 issued ordinary shares as at the date of this report.

On 5th November, 2007, the Company issued bonus shares to the holders of ordinary shares of the Company on the basis of one new ordinary share for every five ordinary shares held on 15th October, 2007.

In addition, the board of directors has also recommended a bonus issue of warrants on the basis of one warrant for every five ordinary shares of the Company held on 20th October, 2008 at an initial subscription price of HK\$0.22 per ordinary share (subject to adjustments) with a term of one year.

## 18. EARNINGS PER SHARE

### For continuing and discontinued operations

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

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year attributable to equity holders of the Company for the purposes of basic earnings per share	252,051	843,929
Effect of dilutive potential ordinary shares:		
Adjustment of finance costs on convertible notes payable	5,851	–
Adjustment of finance costs on redeemable convertible preference shares	6,490	10,947
Adjustment to the share of results of associates and subsidiaries based on dilution of their earnings per share	<u>(7,036)</u>	<u>(28,587)</u>
Earnings for the purposes of diluted earnings per share	<u>257,356</u>	<u>826,289</u>



	Number of shares 2008	2007
Weighted average number of ordinary shares for the purposes of basic earnings per share	2,542,782,838	2,218,705,720
Effect of dilutive potential ordinary shares:		
Options	13,737	–
Redeemable convertible preference shares	191,768,457	326,156,885
Convertible notes payable	130,974,065	–
	<u>2,865,539,097</u>	<u>2,544,862,605</u>

The weighted average number of ordinary shares for the purpose of basic earnings per share for both years have been adjusted for the bonus issue of shares on 5th November, 2007.

#### From continuing operations

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

	2008 HK\$'000	2007 HK\$'000
Profit for the year attributable to equity holders of the Company for the purposes of basic earnings per share	252,051	843,929
Less: Profit for the year from discontinued operation	(2)	(29)
	<u>252,049</u>	<u>843,900</u>
Earnings for the purposes of basic earnings per share from continuing operations	252,049	843,900
Effect of dilutive potential ordinary shares:		
Adjustment of finance costs on convertible notes payable	5,851	–
Adjustment of finance costs on redeemable convertible preference shares	6,490	10,947
Adjustment to the share of results of associates and subsidiaries based on dilution of their earnings per share	(7,036)	(28,587)
	<u>257,354</u>	<u>826,260</u>

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

#### From discontinued operation

Basic and diluted earnings per share for the discontinued operation is negligible for both years, based on the profit for the year from the discontinued operation of HK\$2,000 (2007: HK\$29,000) and the denominators detailed above for both basic and diluted earnings per share.

## 19. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Plant, machinery and office equipment HK\$'000	Yacht and motor vehicles HK\$'000	Furniture and fixtures HK\$'000	Sand mining vessel HK\$'000	Total HK\$'000
<b>COST OR VALUATION</b>						
At 1st April, 2006	35,261	3,416	17,700	8,138	–	64,515
Translation adjustments	365	8	(27)	20	2,286	2,652
Additions	–	300	6,022	1,150	–	7,472
Acquired on acquisition of subsidiaries	–	32	1,438	1,075	119,192	121,737
Disposals	–	(94)	(6,541)	(329)	–	(6,964)
Revaluation increase	8,398	–	–	–	–	8,398
At 31st March, 2007	44,024	3,662	18,592	10,054	121,478	197,810
Translation adjustments	3,757	69	169	165	1,923	6,083
Additions	–	330	20,329	536	–	21,195
Deemed disposal and disposal of subsidiaries	–	(425)	(3,250)	(2,482)	(123,401)	(129,558)
Disposals	–	(370)	(4,875)	(246)	–	(5,491)
Revaluation increase	12,383	–	–	–	–	12,383
At 31st March, 2008	60,164	3,266	30,965	8,027	–	102,422
Comprising:						
At cost	–	3,266	30,965	8,027	–	42,258
At valuation – 2008	60,164	–	–	–	–	60,164
	60,164	3,266	30,965	8,027	–	102,422
<b>DEPRECIATION</b>						
At 1st April, 2006	–	1,492	10,010	2,178	–	13,680
Translation adjustments	–	6	14	19	–	39
Provided for the year	545	677	2,717	1,543	4,753	10,235
Eliminated on disposals	–	(94)	(5,091)	(179)	–	(5,364)
Reversal on revaluation	(545)	–	–	–	–	(545)
At 31st March, 2007	–	2,081	7,650	3,561	4,753	18,045
Translation adjustments	1	63	113	155	–	332
Provided for the year	834	637	3,658	1,581	3,698	10,408
Eliminated on deemed disposal and disposal of subsidiaries	–	(222)	(286)	(19)	(8,451)	(8,978)
Eliminated on disposals	–	(196)	(4,800)	(175)	–	(5,171)
Reversal on revaluation	(835)	–	–	–	–	(835)
At 31st March, 2008	–	2,363	6,335	5,103	–	13,801
<b>CARRYING VALUES</b>						
At 31st March, 2008	60,164	903	24,630	2,924	–	88,621
At 31st March, 2007	44,024	1,581	10,942	6,493	116,725	179,765

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	2% – 5%
Plant, machinery and office equipment	10% – 33 $\frac{1}{3}$ %
Yacht and motor vehicles	20% – 33 $\frac{1}{3}$ %
Furniture and fixtures	10% – 33 $\frac{1}{3}$ %
Sand mining vessel	10%

At 31st March, 2008, land and buildings of the Group were revalued by Greater China Appraisal Limited and RHL Appraisal Ltd., an independent qualified professional property valuer, using the direct comparison method. Both Greater China Appraisal Limited and RHL Appraisal Ltd. are not connected with the Group. This revaluation gave rise to a surplus on revaluation of approximately HK\$13,218,000, which has been credited to the property revaluation reserve of the Group.

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

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Freehold properties in Canada	48,164	31,624
Buildings in Hong Kong	12,000	12,400
	<u>60,164</u>	<u>44,024</u>

At 31st March, 2008, the Group's land and buildings been carried at cost less accumulated depreciation, the carrying value would have been approximately HK\$37,458,000 (2007: HK\$35,213,000).

## 20. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
FAIR VALUE	
At 1st April, 2006	4,016
Translation adjustments	65
Acquired on an acquisition of subsidiaries	143,000
Additions	10,358
Net decrease in fair value recognised in the consolidated income statement	<u>(7,018)</u>
At 31st March, 2007	150,421
Translation adjustments	524
Deemed disposal and disposal of subsidiaries	(146,000)
Net increase in fair value recognised in the consolidated income statement	<u>4,566</u>
At 31st March, 2008	<u>9,511</u>

The fair value of the Group's investment properties at 31st March, 2008 have been arrived at on the basis of a valuation carried out on that date by RHL Appraisal Limited, who is a member of the Hong Kong Institute of Valuers, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at using the direct comparison method by reference to market evidence of transaction prices for similar properties.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. The investment properties represents freehold properties outside Hong Kong.

## 21. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent leasehold land held under medium-term lease in Hong Kong and are analysed for reporting purposes as follows:

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Non-current assets	85,223	87,437
Current assets	2,214	2,214
	<u>87,437</u>	<u>89,651</u>

## 22. INTANGIBLE ASSETS

Intangible assets represent club memberships in Hong Kong and the PRC with indefinite life. The directors have reviewed the carrying amounts of the intangible assets and considered that, in light of market conditions, no impairment loss has been recognised in the consolidated income statement for both years.

## 23. INTERESTS IN ASSOCIATES

	2008 HK\$'000	2007 HK\$'000
Share of net assets of associates:		
Listed in Hong Kong	2,740,309	997,900
Listed overseas	4,282	271,506
Unlisted	–	324,641
Goodwill ( <i>note (a) below</i> )	1,177	–
	<u>2,745,768</u>	<u>1,594,047</u>
Market value of listed securities:		
Hong Kong	1,166,454	1,477,663
Overseas	378,927	362,788
	<u>1,545,381</u>	<u>1,840,451</u>

*Notes:*

- (a) Included in the cost of interests in associates is goodwill with carrying value of HK\$1,177,000 (2007: Nil) arising on acquisitions and deemed acquisitions.

	HK\$'000
Cost	
At 1st April, 2006	3,265
Arising on acquisition or deemed acquisition of interests in associates	1,890
	<u>5,155</u>
At 31st March, 2007	5,155
Arising on acquisition of interests in associates	1,177
	<u>6,332</u>
At 31st March, 2008	<u>6,332</u>
Impairment	
At 1st April, 2006	–
Recognised for the year	5,155
	<u>5,155</u>
At 31st March, 2007	5,155
Recognised for the year	–
	<u>5,155</u>
At 31st March, 2008	<u>5,155</u>
Carrying value	
At 31st March, 2008	<u>1,177</u>
	<u>–</u>
At 31st March, 2007	<u>–</u>

(b) Particulars of the Group's principal associates as at 31st March, 2008 and 2007 are as follows:

Name of associate	Place of listing	Place of incorporation/ registration	Principal place of operation	Percentage of issued share capital held by the Group		Principal activities
				2008 %	2007 %	
Burcon NutraScience Corporation	Canada and Germany	Canada	Canada	24.89	25.46	Investment holding in company engaged in the development of commercial canola protein
Central Town Limited <i>(note (i))</i>	N/A	Hong Kong	Hong Kong	50.00	50.00	Property investment
PYI Corporation Limited ("PYI")	Hong Kong	Bermuda	Hong Kong	26.84	26.97	Investment holding in companies engaged in development and investment in port, and infrastructure project, property development and investment, treasury investment, engineering and property related services
Hanny	Hong Kong	Bermuda	Hong Kong	49.90	N/A <i>(note (ii))</i>	Trading of securities, industrial water supply business, holding of vessels for sand mining and other strategic investments
Wing On Travel (Holdings) Limited ("Wing On Travel") <i>(note (iii))</i>	Hong Kong	Bermuda	Hong Kong	14.22 <i>(note (iv))</i>	22.23	Investment holding with subsidiaries principally engaged in the business of providing package tours, travel and other related services, hotel operation in Hong Kong and trading of securities
ITC Properties Group Limited ("ITC Properties")	Hong Kong	Bermuda	Hong Kong	6.53 <i>(note (iv))</i>	-	Business of property development and investment in Macau, the PRC and Hong Kong, golf resort and leisure operations in the PRC, securities investment and loan financing services
PSC Corporation Ltd	Singapore	Singapore	Singapore	N/A <i>(note (v))</i>	26.30	Supply of household consumer products
Hangzhou Zhongce Rubber Company Limited	N/A	PRC	PRC	N/A <i>(note (v))</i>	26.00	Manufacturing of tires

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

*Notes:*

- (i) As disclosed in note 39, it was disposed of by the Group on 1st April, 2008 and classified as non-current assets held for sale in the consolidated balance sheet.
- (ii) As disclosed in note 13, Hanny ceased to be a subsidiary of the Company on 18th May, 2007.
- (iii) Wing On Travel is a company listed on the Hong Kong Stock Exchange and its financial year end is 31st December. As only published financial information of Wing On Travel are available to the Group, the Group has used the financial statements of Wing On Travel for the financial year ended 31st December, 2007 in applying the equity method of accounting in respect of the interests in the equity shares of Wing On Travel held by the Group. Hence, the Group's share of net assets and interests of Wing On Travel as 31st March, 2008 is calculated based on the net assets of Wing On Travel as at 31st December, 2007 and the results up to 31st December, 2007, respectively.
- (iv) In the opinion of the directors, the Group has representation on the board of directors of these associates, and is able to exercise significant influence over the financing and operating policies of these associates.
- (v) As Hanny ceased to be a subsidiary of the Company on 18th May, 2007, these companies ceased to be associates of the Group.

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

	2008 HK\$'000	2007 HK\$'000
Total assets	24,019,426	18,638,321
Total liabilities	(11,624,124)	(11,429,865)
Net assets	<u>12,395,302</u>	<u>7,208,456</u>
The Group's share of net assets of associates	<u>2,744,591</u>	<u>1,594,047</u>
Revenue	5,689,205	9,827,896
Profit for the year	<u>551,619</u>	<u>819,856</u>
The Group's share of results of associates for the year	<u>160,939</u>	<u>207,221</u>

#### 24. DEBT PORTION OF CONVERTIBLE NOTES AND CONVERSION OPTIONS EMBEDDED IN CONVERTIBLE NOTES

	Debt portion		Embedded conversion option	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Convertible notes issued by:				
Hanny ( <i>note (a) below</i> )	154,821	–	489	–
ITC Properties ( <i>note (b) below</i> )	25,734	23,848	1,434	1,754
Wing On Travel ( <i>note (c) below</i> )	–	250,456	–	44,642
	<u>180,555</u>	<u>274,304</u>	1,923	46,396
Convertible options embedded in other convertible notes, in which the debt elements are designated as available for sale investment ( <i>note 28</i> )			–	52,070
			<u>1,923</u>	<u>98,466</u>

*Notes:*

- (a) The 2% convertible notes were issued by Hanny ("Hanny Notes") with principal amounts of HK\$19,500, HK\$94,801,560 and HK\$95,138,660 and with maturity on 12th, 15th and 22nd June, 2011, respectively, entitling the noteholders to convert into shares in Hanny at an initial conversion price of HK\$9 per share (subject to adjustments), which was subsequently adjusted to HK\$0.67 as a result of issuance of bonus shares by Hanny on 6th June, 2007 and 24th September, 2007. On maturity, unless previously converted, Hanny shall redeem the Hanny Notes at the principal amount of the Hanny Notes plus the outstanding interest.
- (b) The 1% convertible notes were issued by ITC Properties (the "ITC Properties Notes") with a principal amount of HK\$30,000,000 entitling the holders of the ITC Properties Notes to convert into shares in ITC Properties at an initial conversion price of HK\$0.7 per share. Unless previously converted, ITC Properties shall redeem the ITC Properties Notes at the redemption amount which is 110% of their principal amount plus the outstanding interest on 14th June, 2011.
- (c) The 2% convertible notes held by Hanny as at 31st March, 2007 were issued by Wing On Travel ("Wing On Travel Notes") with an aggregate principal amount of HK\$300,000,000 entitling the holders of the Wing On Travel Notes to convert into shares in Wing On Travel at an initial conversion price of HK\$0.79 per share (subject to adjustments). Unless previously converted or lapsed by Wing On Travel, Wing On Travel shall redeem the Wing On Travel Notes on 7th June, 2011 at 110% of their principal amount. The Wing On Travel Notes was disposed of as a result of deemed disposal of interests in Hanny.

The Group classified the debt portion of the convertible notes as loans and receivables and the embedded conversion option is deemed as held for trading and recognised at fair value on initial recognition. The fair values of the conversion options embedded in on initial recognition are determined by the directors of the Company with reference to the valuation performed by Greater China Appraisal Limited, a firm of independent professional valuers not connected with the Group using Black-Scholes Option Pricing Model. Details of the method and assumptions used in the Black Scholes Option Pricing Model in the valuation of the conversion options embedded in convertible notes as at are as follows:

31st March, 2007    31st March, 2008

**Hanny Notes**

Stock price	N/A	HK\$0.129
Conversion price	N/A	HK\$0.67
Volatility	N/A	55.19%
Dividend yield	N/A	10.30%
Option life	N/A	3.2 years
Risk free rate	N/A	1.53%

**ITC Properties Notes**

Stock price	HK\$0.41	HK\$0.238
Conversion price	HK\$0.70	HK\$0.70
Volatility	49.20%	84.73%
Dividend yield	Zero	Zero
Option life	3.37 years	2.52 years
Risk free rate	3.93%	1.39%

**Wing On Travel Notes**

Stock price	HK\$0.60	N/A
Conversion price	HK\$0.79	N/A
Volatility	89.00%	N/A
Dividend yield	Zero	N/A
Option life	3.35 years	N/A
Risk free rate	3.96%	N/A

**25. DEPOSITS FOR ACQUISITION OF SUBSIDIARIES**

The deposits as at 31st March, 2007 were paid by a subsidiary of Hanny pursuant to a conditional agreement for the acquisition of 100% equity interest in Goal Wisdom Limited at a consideration of HK\$50,000,000. Goal Wisdom Limited is an investment holding company with its subsidiary engaged in food and beverage operations and related management. During the year, the acquisition was cancelled as certain conditions, including the transfer of land use right of a piece of land located in the PRC to the subsidiary of Goal Wisdom Limited, could not be fulfilled and the amount of HK\$20,000,000 was refunded to the Group.

**26. DEPOSITS FOR ACQUISITION OF LONG-TERM INVESTMENTS**

The deposits as at 31st March, 2007 were paid by certain subsidiaries of Hanny for the acquisition of equity interest in an unlisted investment established, and principally engaged in port business in the PRC and as tender deposits pursuant to certain conditional agreements for the acquisition of certain interests in water supply business, sand dredging business and the exploitation right for river sand business.

**27. PAYMENTS FOR ACQUISITION OF INTEREST IN PROPERTIES**

The amount as at 31st March, 2007 represented an initial amount of RMB58,000,000 (equivalent to HK\$58,830,000) paid by certain subsidiaries of Hanny pursuant to a conditional agreement for the acquisition of interest in certain properties in Shanghai for an aggregate consideration of RMB450,000,000 (equivalent to HK\$424,528,000).



## 28. AVAILABLE-FOR-SALE INVESTMENTS

	2008 HK\$'000	2007 HK\$'000
At fair value:		
Listed investments:		
– Equity securities listed in Hong Kong	75,579	257,552
– Equity securities listed elsewhere	18,316	28,315
Unlisted equity securities ( <i>note (a) below</i> )	23,482	–
Unlisted debt securities ( <i>note (b) below</i> )	–	704,067
	<u>117,377</u>	<u>989,934</u>
At cost less impairment:		
Unlisted equity securities, ( <i>note (c) below</i> )	–	43,889
	<u>117,377</u>	<u>1,033,823</u>

During the year, an impairment loss of HK\$20,960,000 (2007: HK\$4,859,000) in respect of equity securities listed in Hong Kong has been recognised in the consolidated income statement.

*Notes:*

- (a) The amount represents investment in Shikumen Offshore Feeder Fund, which is managed by Shikumen Capital Management Limited. The fair value of the investment is determined by reference to the valuation provided by the counterparty financial institution, which is determined based on inputs such as share price of equity securities of the fund.
- (b) At 31st March, 2007, the debt securities which were held by Hanny include the debt portion of five convertible notes designated as available-for-sale-investment are with the following terms:

Issuer (convertible notes)	Principal amount HK\$'000	Maturity date	Coupon rate %	Redemption amount	Effective interest rate at 31st March, 2007 %
ITC Properties (ITC Properties Note 2010)	330,000	10th August, 2010	–	110% of the principal amount	8.33
ITC Properties (ITC Properties Note 2011)	270,000	14th June, 2011	1.00	110% of the principal amount	8.63
See Corporation Limited ("See Corp") (See Corp Note 2010)	170,000	9th August, 2010	–	110% of the principal amount	10.00
Wo Kee Hong (Holdings) Limited ("Wo Kee Hong") (Wo Kee Hong Note)	30,000	5th September, 2008	7.25	100% of the principal amount	10.00
Asia Standard International Limited (Asia Standard Note)	19,000	14th May, 2009	4.00	100% of the principal amount	9.25

All these companies are public limited companies with their shares listed on the Hong Kong Stock Exchange.

The fair value of debt element was calculated based on the present value of contractually determined stream of future cash flows discounted at the required yield ranging from 8.3% to 10% at 31st March, 2007, which was determined with reference to the credit rating of the convertible notes issuer and remaining time to maturity.

The fair values of the corresponding conversion option element as at 31st March, 2007 were approximately HK\$52,070,000 (note 24).

- (c) Black-Scholes Option Pricing Model is used for valuation for conversion option element of convertible notes. The inputs into the model of each convertible note as at 31st March, 2007 were as follows:

**ITC Properties Note 2010**

Stock price	HK\$0.41
Conversion price	HK\$0.44
Volatility	49.28%
Dividend yield	Zero
Option life	1.68 years
Risk free rate	3.79%

**ITC Properties Note 2011**

Stock price	HK\$0.41
Conversion price	HK\$0.70
Volatility	49.20%
Dividend yield	Zero
Option life	3.37 years
Risk free rate	3.93%

**See Corp Note 2010**

Stock price	HK\$0.69
Conversion price	HK\$4.06
Volatility	66.83%
Dividend yield	Zero
Option life	3.36 years
Risk free rate	3.93%

**Wo Kee Hong Note**

Stock price	HK\$0.47
Conversion price	HK\$1
Volatility	72.15%
Dividend yield	Zero
Option life	1.44 years
Risk free rate	3.79%

**Asia Standard Note**

Stock price	HK\$0.25
Conversion price	HK\$0.28
Volatility	41.62%
Dividend yield	1.99%
Option life	1.06 years
Risk free rate	3.76%

**29. OTHER ASSETS**

The other assets as at 31st March, 2007 represented payments made by certain subsidiaries of Hanny to the PRC government for the rights to obtain the land and the exclusive development right pertaining to the land development project of 珠海市龍山智業產業園 located in Long Shan Development Area, Doumen District, Zhuhai City. The subsidiaries of Hanny were also entitled to sell the rights to other investors at a consideration to be agreed among themselves.

**30. DEBTORS, DEPOSITS AND PREPAYMENTS**

	2008 HK\$'000	2007 HK\$'000
Trade debtors	7,346	16,115
Less: Allowance for doubtful debts	—	(2,223)
	<u>7,346</u>	<u>13,892</u>
Other debtors, deposits and prepayments	2,487	391,419
Less: Allowance for doubtful debts	(935)	(1,282)
	<u>1,552</u>	<u>390,137</u>
	<u>8,898</u>	<u>404,029</u>

Included in other debtors as at 31st March, 2007 was consideration receivables in connection with the disposal of the business of trading of computer related products under the trade name of "Memorex®" by Hanny on 19th January, 2006 of US\$33,000,000 (equivalent to HK\$256,047,000) held under an escrow account.

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 (2007: 30 days to 90 days).

The following is an aged analysis of trade debtors at the reporting date:

	2008 HK\$'000	2007 HK\$'000
Trade debtors		
0 - 30 days	7,338	7,018
31 - 60 days	3	28
61 - 90 days	3	1
Over 90 days	2	6,845
	<u>7,346</u>	<u>13,892</u>

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed twice a year. Over 90% of the trade receivables are neither past due nor impaired and have the best credit rating.

Included in the Group's trade debtors balance are debtors with aggregate carrying amount of HK\$2,000 (2007: HK\$6,845,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is between 90 to 120 days (2007: between 90 to 240 days).

The Group has provided fully for all receivables over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable.

Movement in the allowance for doubtful debts are as follows:

	2008 HK\$'000	2007 HK\$'000
Balance at beginning of the year	2,223	–
Impairment loss recognised on receivables	884	2,223
Impairment losses reversed	(1,438)	–
On deemed disposal and disposal of subsidiaries	(1,669)	–
Balance at end of the year	<u>–</u>	<u>2,223</u>

Included in the allowance for doubtful debts at 31st March, 2007 were individually impaired trade debtors with an aggregate balance of HK\$2,223,000 which had been in severe financial difficulties. The Group did not hold any collateral over these balances.

Movement in the allowance for other debtors are as follows:

	2008 HK\$'000	2007 HK\$'000
Balance at beginning of the year	1,282	1,204
Impairment loss recognised	197	389
Impairment losses reversed	(544)	(311)
Balance at end of the year	<u>935</u>	<u>1,282</u>

Included in the allowance for doubtful debts were individually impaired trade debtors with an aggregate balance of HK\$935,000 (2007: HK\$1,282,000) which had been in severe financial difficulties. The Group did not hold any collateral over these balances.

### 31. MARGIN ACCOUNT RECEIVABLES/PAYABLES

The margin account receivables/payables carry floating interest rates ranging from 1.17% to 5.63% (2007: 0.5% to 5.138%) per annum.

### 32. DEPOSITS FOR ACQUISITION OF INVESTMENTS HELD FOR TRADING

The deposits as at 31st March, 2007 were paid by Hanny for the acquisition of equity securities listed on the Over-The-Counter Bulletin Board of United States of America.

**33. AMOUNTS DUE FROM ASSOCIATES**

The amounts are unsecured, repayable on demand and non-interest bearing, except for an amount of approximately HK\$238,430,000 (2007: HK\$88,000,000) which bears interest at the Best Lending Rate plus 2% per annum which range from 7.25% to 9.75% (2007: 9.75% to 10%) per annum.

Before approving any new loan to associate, the Group will assess the potential borrower's credit quality and defines credit limits individually. The directors will continuously assess the recoverability of amounts due from associates. All amounts due from associates are neither past due nor impaired and have the best credit rating.

The Group has provided fully for an amount of approximately HK\$2,578,000 (2007: HK\$2,456,000). Movement of the allowance is as follows:

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Balance at beginning of the year	2,456	2,255
Impairment losses recognised	122	201
	<u>2,578</u>	<u>2,456</u>

Included in the allowance for doubtful debts were individually impaired amounts due from associates with an aggregate balance of HK\$2,578,000 (2007: HK\$2,456,000) which had been in severe financial difficulties. The Group did not hold any collateral over these balances.

**34. AMOUNTS DUE FROM RELATED COMPANIES**

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
ITC Properties	–	1,055
See Corp	6,753	6,207
	<u>6,753</u>	<u>7,262</u>

A director of the Company has significant influence over the above companies. See Corp is an investee of the Group.

The amounts are unsecured, aged within one year, repayable within one year and non-interest bearing, except for an amount of approximately HK\$5,742,000 (2007: HK\$5,742,000) which bears floating interest at 7.25% to 9.75% (2007: 9.75% to 10%) per annum.

Before approving any new loan to related company, the Group will assess the potential borrower's credit quality and defines credit limits individually. The directors will continuously assess the recoverability of amounts due from related companies. All amounts due from related companies are neither past due nor impaired and have the best credit rating.

The Group has provided fully for amounts of approximately HK\$26,683,000 (2007: HK\$24,294,000). The movement of the allowance is as follows:

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Balance at beginning of the year	24,294	21,764
Impairment losses recognised	2,389	2,530
	<u>26,683</u>	<u>24,294</u>

Included in the allowance for doubtful debts were individually impaired amounts due from related companies with an aggregate balance of HK\$26,683,000 (2007: HK\$24,294,000) which had been in severe financial difficulties. The Group did not hold any collateral over these balances.

## 35. LOANS RECEIVABLE

	2008 HK\$'000	2007 HK\$'000
Secured (note (a) below)	–	308,549
Unsecured (note (b) below)	26,898	33,898
	<u>26,898</u>	<u>342,447</u>
Less: Impairment loss recognised	(1,898)	(1,898)
	<u>25,000</u>	<u>340,549</u>

Movement in the allowance for loans receivable is as follows:

	2008 HK\$'000	2007 HK\$'000
Balance at beginning of the year	1,898	8,671
Impairment losses reversed	–	(6,773)
	<u>1,898</u>	<u>1,898</u>

Before approving any loan to new borrower, the Group will assess the potential borrower's credit quality and defines credit limits individually. The directors will continuously assess the recoverability of loans receivable. All loans receivable are neither past due nor impaired and have the best credit rating.

Included in the allowance for doubtful debts were individually impaired loans receivable with an aggregate balance of HK\$1,898,000 (2007: HK\$1,898,000) which had been in severe financial difficulties. The Group did not hold any collateral over these balances.

Notes:

- (a) The amount as at 31st March, 2007 were lent by Hanny and secured by the (i) shares in land/property holding companies; (ii) equity interest in certain subsidiaries engaged in garment manufacturing and (iii) investment in listed securities.

The loans receivables carried interest at the Best Lending Rate plus 2% to 3% per annum which ranged from 9.75% to 11% per annum and repayable within one year.

- (b) The amounts are unsecured, carry interest at the Best Lending Rate plus 3% per annum (2007: the Best Lending Rate plus 2% to 3% per annum) which ranged from 7.25% to 10.75% (2007: 9.75% to 11%) per annum and repayable within one year from the balance sheet date.

## 36. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS

	2008 HK\$'000	2007 HK\$'000
Equity linked notes (note (a) below)	5,390	24,689
Convertible notes (note (b) below)	–	122,549
	<u>5,390</u>	<u>147,238</u>

Notes:

- (a) The equity linked notes represent notes with interest payments based on the annual return of a portfolio of underlying asset-backed securities which have an early redemption option. Each equity linked note held by the Group contains one or more embedded derivatives. Hence, the Group designated the entire equity linked notes as financial assets at fair value through profit or loss.

The fair value of equity linked notes are determined by reference to the valuation provided by the counterparty financial institution, which is determined based on inputs such as volatility of relevant share price/index linked by the notes.

- (b) The amount as at 31st March, 2007 represented two convertible notes with principal amount of HK\$50,000,000 from Mei Ah Enterprises Group Limited ("Mei Ah CN") and HK\$50,000,000 from Golden Harvest Entertainment (Holdings) Limited ("Golden Harvest CN") held by Hanny. The Group designated these investments as financial assets at fair value through profit or loss.

Details of the assumptions used in the Black-Scholes Option Pricing Model in determining the fair value of the conversion option embedded in the convertible notes designed at fair value through profit or losses at 31st March, 2007 are as follows:

**Mei Ah CN**

Stock price	HK\$0.35
Conversion price	HK\$0.44
Volatility	64.58%
Dividend yield	0.37%
Option life	1.18 years
Risk free rate	3.76%

**Golden Harvest CN**

Stock price	HK\$3.2
Conversion price	HK\$2.2
Volatility	61.3%
Dividend yield	Zero
Option life	1.39 years
Risk free rate	3.79%

The fair value of debt element was calculated based on the present value of contractually determined stream of future cash flows discounted at the required yield of 9.75% at 31st March, 2007, which was determined with reference to the credit rating of the convertible notes issuer and remaining time to maturity.

**37. INVESTMENTS HELD FOR TRADING**

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed equity securities, at fair value:		
– in Hong Kong	32,138	594,645
– elsewhere	1,295	32,004
	<u>33,433</u>	<u>626,649</u>

**38. SHORT-TERM BANK DEPOSITS AND BANK BALANCES**

The short-term bank deposits and bank balances carry interest at prevailing market interest rates ranging from 0.7% to 6.05% (2007: 2.75% to 5.1%) per annum.

**39. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE**

On 1st April, 2008, the Group entered into a sale and purchase agreement (the “Central Town Agreement”) in relation to the sale of the Group’s entire 50% equity interest in an associate, Central Town Limited (“Central Town”) with the shareholder’s loan of HK\$30,313,000, to a third party for a consideration of HK\$145,000,000. The transaction was completed and the voting power was passed to the acquirer on the same date as the Central Town Agreement.

As negotiations for the disposal of Central Town have taken place during the year, the Group’s interest in Central Town, including the amount due from it, amounting to HK\$59,482,000 as at 31st March 2008 has been classified as non-current assets held for sale and are presented separately on the balance sheet.

**40. CREDITORS AND ACCRUED EXPENSES**

Included in creditors and accrued expenses are trade creditors of approximately HK\$4,299,000 (2007: HK\$18,396,000) and their aged analysis at the balance sheet date is as follows:

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade creditors		
0 - 30 days	138	18,320
31 - 60 days	4,161	47
Over 90 days	–	29
	<u>4,299</u>	<u>18,396</u>

**41. AMOUNTS DUE TO ASSOCIATES**

The amounts are unsecured, non-interest bearing and repayable on demand.

## 42. DERIVATIVE FINANCIAL INSTRUMENTS

	2008 HK\$'000	2007 HK\$'000
Derivative financial liabilities - Futures	—	222

The futures as at 31st March, 2007 represented the Group's investment in an overseas stock market index and matured on 7th June, 2007.

## 43. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

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

	HK\$'000
At 1st April, 2006 shown under non-current liabilities	286,811
Finance cost	10,947
Interest paid in the form of a dividend	(10,679)
Conversion on 6th December, 2006	(942)
At 31st March, 2007 shown under current liabilities	286,137
Finance cost	6,491
Interest paid in the form of a dividend	(10,602)
Conversion on 7th August, 2007	(1,060)
Redemption on 5th November, 2007	(280,966)
At 31st March, 2008	—

Number of redeemable convertible preference shares issued and fully paid is as follows:

	Number of shares
At 1st April, 2006	266,952,000
Conversion on 6th December, 2006	(890,000)
At 31st March, 2007	266,062,000
Conversion on 7th August, 2007	(1,000,000)
Redemption on 5th November, 2007	(265,062,000)
At 31st March, 2008	—

The redeemable convertible preference shares with a redemption value of HK\$1.06 per preference share were listed on the Hong Kong Stock Exchange and fully redeemed on 5th November, 2007. The redeemable convertible preference shares ranked in priority to the ordinary shares in the Company as to dividends and return of capital and were 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 of the Company passed on 13th October, 2004 for the redeemable convertible preference shares.

The redeemable convertible preference shares contained two components: liability and equity elements. The equity element was presented in equity heading "preference share reserve". The effective interest rate of the liability component was 3.88% per annum. The fair value of the embedded derivative of the redeemable convertible was considered to be negligible.

907,115 and 1,019,230 ordinary shares of HK\$0.10 each of the Company were issued upon conversion of 890,000 and 1,000,000 redeemable convertible preference shares of HK\$0.10 each at the conversion price of HK\$1.04 per share on 6th December, 2006 and 7th August, 2007, respectively. The ordinary shares issued by the Company ranked pari passu with the then existing ordinary shares of the Company in all respects.

**44. BORROWINGS**

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
The entire borrowings is secured and comprise:		
Bank loans	57,650	148,450
Other loans	–	510,000
	<u>57,650</u>	<u>658,450</u>

The borrowings are repayable as follows:

Within one year or on demand	2,450	517,100
From one to two years	2,450	9,890
From two to three years	5,250	9,890
From three to four years	5,250	9,890
From four to five years	5,250	12,690
More than five years	37,000	98,990
	<u>57,650</u>	<u>658,450</u>
Less: Amount due within one year or on demand shown under current liabilities	<u>(2,450)</u>	<u>(517,100)</u>
Amount due after one year	<u>55,200</u>	<u>141,350</u>

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates are as follows:

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Fixed-rate borrowings due within one year carrying interest at 15% per annum	<u>–</u>	<u>510,000</u>

The Group has variable-rate borrowings which carry interest at HIBOR 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 variable rate borrowings are 2.09% to 5.16% (2007: 4.715% to 10%) per annum.

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

**45. BANK OVERDRAFTS**

Bank overdrafts carry interest at prevailing market interest rates which range from 3.75% to 7.25% (2007: 6% to 8%) per annum.

**46. CONVERTIBLE NOTES PAYABLE**

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Liability component:		
At the beginning of the year	556,980	–
Issued during the year	191,238	–
On acquisition of subsidiaries	–	545,299
Interest charge	14,584	11,681
Interest payable	(4,136)	–
Eliminated on deemed disposal of a subsidiary	<u>(565,714)</u>	<u>–</u>
At the end of the year	<u>192,952</u>	<u>556,980</u>

The amount as at 31st March, 2007 represented the Hanny Notes which carry interest at 2% per annum and will be matured on 15th June, 2011. The Hanny Notes are denominated in HKD, with conversion price of HK\$9 per share (subject to anti-dilutive adjustments). The effective interest rate of the liability component is 6.87% per annum to the Group. Unless previously converted by the holders of the Hanny Notes, the Hanny Notes will be redeemed on the date of maturity at the principal amount of the Hanny Notes then outstanding. The amount of HK\$545,299,000 as acquired through acquisition of subsidiaries in 2007 was after elimination of the portion of Hanny Notes held by the Group (note 51) and was eliminated upon the deemed disposal of Hanny during the year (note 50).



On 2nd November, 2007, the Company issued 5% convertible notes at a par value of HK\$200,000,000. The convertible notes are denominated in HKD. The notes entitle the holder to convert it into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date on 2nd November, 2009 at an initial conversion price of HK\$0.75 per conversion share (subject to anti-dilutive adjustments), which is subsequently adjusted to HK\$0.63 as a result of bonus issue of shares as disclosed in note 48. If the notes have not been converted, they will be redeemed on 2nd November, 2009. The effective interest rate of the liability component is 6.06% per annum to the Group.

#### 47. DEFERRED TAX ASSETS (LIABILITIES)

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

	<b>Accelerated tax depreciation</b> <i>HK\$'000</i>	<b>Revaluation of properties</b> <i>HK\$'000</i>	<b>Tax losses</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1st April, 2006	1,163	99	(1,163)	99
Charge (credit) to consolidated income statement	21	(1,288)	(295)	(1,562)
Charge to equity	–	2,746	–	2,746
Arising on acquisition of subsidiaries	21,874	15,548	(1,078)	36,344
At 31st March, 2007	23,058	17,105	(2,536)	37,627
Charge (credit) to consolidated income statement	2,118	(1,086)	(1,089)	(57)
Charge to equity	–	3,007	–	3,007
Eliminated on deemed disposals and disposal of subsidiaries	(21,914)	(14,261)	1,449	(34,726)
At 31st March, 2008	<u>3,262</u>	<u>4,765</u>	<u>(2,176)</u>	<u>5,851</u>

The following is the analysis of the deferred tax balances for financial reporting purposes:

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Deferred tax assets	–	1,464
Deferred tax liabilities	(5,851)	(39,091)
	<u>(5,851)</u>	<u>(37,627)</u>

At the balance sheet date, the Group has unused tax losses of approximately HK\$501,120,000 (2007: HK\$495,251,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$12,434,000 (2007: HK\$14,491,000) of such losses. No deferred tax asset in respect of the remaining tax losses of approximately HK\$488,686,000 (2007: HK\$480,760,000) has been recognised due to the unpredictability of future profit streams. Tax losses can be carried forward indefinitely.

## 48. SHARE CAPITAL

	Number of shares	Value HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1st April, 2006 and 31st March, 2007	3,000,000,000	300,000
Increase during the year ( <i>note (a) below</i> )	<u>7,000,000,000</u>	<u>700,000</u>
At 31st March, 2008	<u><u>10,000,000,000</u></u>	<u><u>1,000,000</u></u>
Issued and fully paid:		
At 1st April, 2006	1,837,495,145	183,750
Conversion of redeemable convertible preference shares ( <i>note (b) below</i> )	907,115	90
Issue of shares ( <i>note (c) below</i> )	<u>34,580,108</u>	<u>3,458</u>
At 31st March, 2007	1,872,982,368	187,298
Conversion of redeemable convertible preference shares ( <i>note (d) below</i> )	1,019,230	102
Placement of shares ( <i>note (e) below</i> )	300,000,000	30,000
Issue of bonus shares ( <i>note (f) below</i> )	434,800,319	43,480
Issue of shares ( <i>note (g) below</i> )	<u>85,803,352</u>	<u>8,580</u>
At 31st March, 2008	<u><u>2,694,605,269</u></u>	<u><u>269,460</u></u>

*Notes:*

- (a) On 19th September, 2007, the authorised ordinary share capital of the Company was increased from HK\$300,000,000 to HK\$1,000,000,000 by the creation of 7,000,000,000 ordinary shares of HK\$0.10 each.
- (b) On 6th December, 2006, 907,115 ordinary shares of the Company of HK\$0.10 each were issued upon the conversion of 890,000 redeemable convertible preference shares of HK\$0.10 each at the conversion price of HK\$1.04 per ordinary share.
- (c) 25,208,848 and 9,371,260 ordinary shares of the Company of HK\$0.10 each were issued in the form of a scrip dividend on 3rd November, 2006 and 27th February, 2007, respectively.
- (d) On 7th August, 2007, 1,019,230 ordinary shares of the Company of HK\$0.10 each were issued upon the conversion of 1,000,000 redeemable convertible preference shares of HK\$0.10 each at the conversion price of HK\$1.04 per ordinary share.
- (e) On 29th June, 2007, 300,000,000 ordinary shares of the Company of HK\$0.10 each were issued at HK\$0.74 per ordinary share pursuant to a placing and subscription agreement dated 16th June, 2007 entered into between the Company, Dr. Chan Kwok Keung, Charles and a placing agent.
- (f) On 5th November, 2007, 434,800,319 ordinary shares of the Company of HK\$0.10 each were issued on the basis of one bonus share for every five ordinary shares held by the ordinary shareholders.
- (g) 49,916,232 and 35,887,120 ordinary shares of the Company of HK\$0.10 each were issued in the form of a scrip dividend on 5th November, 2007 and 14th March, 2008, respectively.

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

**49. SHARE OPTIONS****(a) Share options of the Company**

The Company adopted a share option scheme (the “ITC Scheme”) on 16th January, 2002 (the “Adoption Date”) (which was amended on 19th September, 2007) 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, inter alia, employees and directors of the Company, the controlling shareholder of the Company and invested entity and their respective subsidiaries, supplier, adviser, agent, consultant, or contractor for the provision of goods or services to any member of the Group or any invested entity and its subsidiaries and any vendor, customer or celebrity of any member of the Group or any invested entity and its subsidiaries, any person or entity that provides research, development or other technological support to any member of the Group, and any shareholder of any member of the Group or any invested entity and its subsidiaries or any holder of any securities issued by any member of the Group or any invested entity and its subsidiaries.

At the time of adoption of the ITC Scheme the aggregate number of shares which may be issued upon the exercise of all options to be granted by the Company 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 shares of the Company as at the date of shareholders’ approval of the ITC Scheme. By ordinary resolution passed at the Company’s annual general meetings on 19th September, 2007 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 to 217,400,159 shares of the Company. As at the date of this report, the total number of shares available for issue, save for those granted but yet to be exercised, under the ITC Scheme is 18,800,159 shares, which represented approximately 0.70% of the issued share capital of the Company as at the date of this report. Notwithstanding the foregoing, the maximum number of 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 shares of the Company from time to time.

Unless approved by the shareholders of the Company in general meeting, the total number of 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 shares in issue from time to time. Options granted to a substantial shareholder and/or an independent non-executive director of the Company or any of their respective associates (as defined in the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Listing Rules”)) in any 12-month period in excess of 0.1% of the total number of shares of the Company in issue and have an aggregate value exceeding HK\$5 million must be approved by the shareholders of the Company in general meeting in advance.

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 not be lower than the nominal value of the shares of the Company and shall be at least the higher of (i) the closing price of the 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 (ii) the average of the closing prices of the 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 is valid and effective for a period of ten years commencing after the Adoption Date, after which period no further options may be granted.

Details of the movements in share options of the Company granted under the ITC Scheme during the year are as follows:

Category of participants	Date of grant	Vesting date	Exercisable period	Exercise price per share (subject to adjustments) HK\$	Number of shares of the Company to be issued upon exercise of the share options		
					Outstanding as at 1.4.2007	Granted during the year	Outstanding as at 31.3.2008
Directors	28.3.2008	28.3.2008	28.3.2008 to 27.3.2011	0.385	-	96,400,000	96,400,000
Employees	28.3.2008	28.3.2008	28.3.2008 to 27.3.2011	0.385	-	30,200,000	30,200,000
Other participants	28.3.2008	28.3.2008	28.3.2008 to 27.3.2011	0.385	-	72,000,000	72,000,000
Total					-	198,600,000	198,600,000

No options were exercised, cancelled or lapsed during the year. All of the outstanding share options are exercisable as at 31st March, 2008.

The fair values of the share options granted during the current year were calculated using the Binomial Model (the "Model") carried out by Greater China Appraisal Limited, an independent valuer with no connection with the Group. The inputs into the Model and the estimated fair values of the share options granted on 28th March, 2008 were summarised as follows:

Closing share price at the date of grant	HK\$0.385
Exercise price	HK\$0.385
Expected volatility	47%
Expected life	3 years
Risk-free interest rate	1.601%
Expected annual dividend yield	5.83%
Fair value per share option	HK\$0.0945

The Model is one of the commonly used models to estimate the fair value of the share option. The value of a share option varies with different variables of certain subjective assumptions. Any changes in the variables so adopted may materially affect the estimation of the fair value of a share option.

The expected volatility used in the Model was determined by using the annualised standard deviation of the continuously compounded rate of return on the ordinary shares of the Company. The expected life used in the Model has been adjusted, based on management's best estimate, for the effects of non-transferability and behavioural considerations.

The total estimated fair value of approximately HK\$11,964,000 and HK\$6,804,000 with respect to share options granted to directors/employees of the Group and other eligible participants respectively, were charged to the consolidated income statement during the year.

As the fair value of services to be performed by other eligible participants cannot be estimated reliably, the fair value of such services is also measured with reference to the fair value of the share options granted using the Model.

**(b) Share options of Trasy**

*(i) Pre-IPO Option Plan of Trasy*

Trasy, a former subsidiary of the Company, adopted a pre-IPO share option plan (the "Trasy Pre-IPO Plan") on 6th November, 2000. Pursuant to the Trasy Pre-IPO Plan, the board of directors of Trasy could, at its discretion, grant options to any full-time employees or executives of Trasy or its former ultimate holding company and their respective subsidiaries on or before 29th November, 2000 which entitle them to subscribe for shares representing up to a maximum of 10% of the shares of Trasy in issue on the date of listing on the Growth Enterprise Market of the Hong Kong Stock Exchange on 7th December, 2000.

No share options were granted 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 directors 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 invested 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. Trasy granted 5,400,000 share options to employees and other eligible participant(s) during the period from 1st April, 2007 to 10th June, 2007, the date immediate before the date on which Trasy ceased to be a subsidiary of the Company and all of them remain outstanding at the date immediate before the date on which Trasy ceased to be a subsidiary of the Company. 1,510,000 outstanding share options are exercisable at the date immediate before the date on which Trasy ceased to be a subsidiary of the Company.

The closing prices of shares of Trasy immediate before 1st June, 2007 and 6th June, 2007, the dates of grants of the options, were HK\$0.231 and HK\$0.163 respectively. The fair values of the options determined at the dates of the grants using the Model were approximately HK\$159,000 and HK\$25,000, respectively. An amount of share option expense of approximately HK\$69,000 has been recognised in the current year.

Date of grant	1st June, 2007	6th June, 2007
Closing share price at the date of grant	HK\$0.2190	HK\$0.1890
Exercise price	HK\$0.2194	HK\$0.2014
Expected volatility	14.34%	14.34%
Expected life	3 years	3 years
Risk-free interest rate	4.355%	4.355%
Expected annual dividend yield	Nil	Nil

The Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors’ best estimate. The value of an option varies with different variables of certain subjective assumptions.

The expected volatility used in the Model was determined by using the annualised standard deviation of the continuously compounded rate of return on the ordinary shares of Trasy. The expected life used in the Model has been adjusted, based on management’s best estimate, for the effects of non-transferability and behavioural considerations.

Share options granted thereunder are exercisable in stages during the option period in the following manner:

- (i) 1st one-third of share options granted become exercisable from the grant date;
- (ii) 2nd one-third of share options granted shall become exercisable one year after the grant date; and
- (iii) 3rd one-third of share options granted shall become exercisable two years after the grant date.

As the fair value of the services to be performed by other eligible participants cannot be estimated reliably, the fair value of such services is also measured with reference to the fair value of share options granted using the Model.

**(c) Share options of Hanny**

Pursuant to a resolution passed at a special general meeting of Hanny on 17th March, 2003, Hanny adopted a share option scheme (the "2003 Share Option Scheme"). Under the 2003 Share Option Scheme, the board of directors of Hanny may grant options to directors and employees of the Hanny Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters and service providers of any members of the Hanny Group to whom the board of directors of Hanny considers have contributed or will contribute or can contribute to the Hanny Group. The purpose of the 2003 Share Option Scheme is to provide participants with the opportunity to acquire proprietary interests in the Hanny Group and to encourage participants to work towards enhancing the value of the Hanny Group and its shares for the benefits of the Hanny Group and its shareholders as a whole.

Subject to the condition that the total number of shares which may be issued upon the exercise of all outstanding options granted and to be exercised under the 2003 Share Option Scheme and any other schemes of Hanny must not exceed 30% of the shares of Hanny in issue from time to time, the total number of shares in respect of which options may be granted under the 2003 Share Option Scheme, when aggregated with any shares subject to any other schemes, is not permitted to exceed 10% of the shares of Hanny in issue on the date of approval and adoption of the 2003 Share Option Scheme.

Under the 2003 Share Option Scheme, the options which may be granted to any individual in any one year are not permitted to exceed 1% of the shares of Hanny in issue, without prior approval from Hanny's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess 0.1% of Hanny's share capital or with a value in excess of HK\$5 million must be approved in advance by Hanny's shareholders.

Options granted must be taken up within 28 days from the date of grant, upon payment of HK\$1 per grant. Options may be exercised at any time from the date on which the option is accepted to the tenth anniversary of the date of grant. The exercise price is determined by the directors of Hanny, and will not be less than the higher of the closing price of Hanny shares on the date of grant or the average closing price of the shares for the five business days immediately preceding the date of grant or the nominal value of the share of Hanny.

No share options were granted under the 2003 Share Option Scheme until the date immediate before the date on which Hanny ceased to be a subsidiary of the Company and during the year of 2007.

## 50. DEEMED DISPOSAL AND DISPOSAL OF SUBSIDIARIES

As detailed in note 13, the Company's interests in Hanny and Trasy were reduced to below 50% and they ceased to be the subsidiaries of the Company on 18th May, 2007 and 11th June, 2007, respectively. In addition, the Company's interests in Dreyer was disposed as detailed in note 16. The net assets of Hanny, Trasy and Dreyer at the respective disposal dates were as follows:

	Hanny HK\$'000	Trasy HK\$'000	Dreyer HK\$'000	Total HK\$'000
Net assets disposed of:				
Property, plant and equipment	120,038	534	8	120,580
Investment properties	146,000	–	–	146,000
Intangible assets	3,525	250	–	3,775
Interests in associates	853,122	–	–	853,122
Debt portion of convertible notes	250,457	–	–	250,457
Conversion options embedded in convertible notes	169,771	–	–	169,771
Deposits for acquisition of subsidiaries	30,000	–	–	30,000
Deposits for acquisition of long-term investments	255,000	–	–	255,000
Payments for acquisition of interest in properties	59,800	–	–	59,800
Available-for-sale investments	1,119,918	136	–	1,120,054
Deferred tax assets	1,464	–	–	1,464
Inventories	141	–	169	310
Other assets	229,288	–	–	229,288
Debtors, deposits and prepayments	300,873	496	355	301,724
Margin account receivables	3,474	26,222	–	29,696
Deposits for acquisition of investments held for trading	73,289	–	–	73,289
Amounts due from associates	444,298	–	–	444,298
Amounts due from related companies	–	–	21	21
Loans receivable	313,263	–	–	313,263
Financial assets designated at fair value through profit or loss	291,232	–	–	291,232
Investments held for trading	654,072	14,438	–	668,510
Tax recoverable	1,451	–	–	1,451
Short-term bank deposits, bank balances and cash	85,637	17,096	631	103,364
Margin account payables	(6,135)	–	–	(6,135)
Creditors and accrued expenses	(158,146)	(9,694)	(1,158)	(168,998)
Amount due to ultimate holding company	(169,000)	–	–	(169,000)
Amounts due to associates	(167,297)	–	(4)	(167,301)
Tax payable	(74,716)	–	–	(74,716)
Borrowings	(597,188)	–	–	(597,188)
Bank overdrafts	(20,613)	–	–	(20,613)
Convertible notes payable	(636,066)	–	–	(636,066)
Deferred tax liabilities	(36,190)	–	–	(36,190)
	3,540,762	49,478	22	3,590,262
Minority interests	(2,095,962)	(24,704)	–	(2,120,666)
Conversion option reserve	(55,099)	–	–	(55,099)
Share option reserve	–	(69)	–	(69)
	1,389,701	24,705	22	1,414,428
Transfer to interests in associates	(1,388,988)	(24,716)	–	(1,413,704)
Release of reserve on acquisition	(106)	–	–	(106)
Release of translation reserve	(352)	–	–	(352)
Release of investment revaluation reserve	(617)	–	–	(617)
Release of other reserve	97	–	–	97
(Gain) loss on deemed disposal and disposal of subsidiaries	<u>(265)</u>	<u>(11)</u>	<u>22</u>	<u>(254)</u>
Cash and cash equivalent of subsidiaries disposed of	<u>65,024</u>	<u>17,096</u>	<u>631</u>	<u>82,751</u>

## 51. ACQUISITION OF SUBSIDIARIES

In 2007, the Group acquired an additional equity interest in Hanny. Hanny and its subsidiaries are engaged in the business of securities trading, property investment and trading, holding of vessels for sand mining and strategic investments. Hanny's shares are listed on the Hong Kong Stock Exchange and it became a subsidiary of the Company in December 2006. The acquisition had been accounted for using the purchase method. The amounts of assets and liabilities acquired by the Group, and the discount on acquisition arising in 2007 are as follows:

	Hanny's carrying amount before combination HK\$'000	Adjustments HK\$'000	Fair value HK\$'000
NET ASSETS ACQUIRED:			
Property, plant and equipment	121,737	–	121,737
Intangible assets	3,500	–	3,500
Investment properties	143,000	–	143,000
Interests in associates	811,988	(16,975)	795,013
Conversion option embedded in convertible notes	116,303	–	116,303
Debt portion of convertible notes	239,787	9,007	248,794
Available-for-sale investments	967,994	–	967,994
Deposits for acquisition of subsidiaries	50,000	–	50,000
Deposits for acquisition of long-term investments	190,175	–	190,175
Payments for acquisition of interest in properties	57,546	–	57,546
Inventories	32	–	32
Other assets	229,288	–	229,288
Debtors, deposits and prepayments	335,820	–	335,820
Margin account receivables	2,501	–	2,501
Amount due from an associate	60,453	–	60,453
Amounts due from related companies	30,000	–	30,000
Financial assets designated at fair value through profit or loss	106,961	–	106,961
Investments held for trading	466,331	–	466,331
Loans receivable	442,665	–	442,665
Tax recoverable	1,095	–	1,095
Short-term bank deposits, bank balances and cash	55,348	–	55,348
Margin account payables	(6,424)	–	(6,424)
Creditors and accrued expense	(139,236)	–	(139,236)
Amounts due to associates	(138)	–	(138)
Amounts due to related companies	(190,227)	–	(190,227)
Amount due to ultimate holding company	(169,757)	–	(169,757)
Tax payable	(53,248)	–	(53,248)
Borrowings	(140,675)	–	(140,675)
Obligation under a finance lease	(111)	–	(111)
Convertible notes payable	(644,556)	17,652	(626,904)
Deferred tax liabilities	(36,344)	–	(36,344)
	<u>3,051,808</u>	<u>9,684</u>	3,061,492
Minority interests			(1,765,646)
Convertible notes reserve ( <i>Note</i> )			(59,530)
Less: Interests acquired in previous acquisition			(554,332)
– interests in an associate			(4,215)
– revaluation increase on net assets shared by the Group in interest in an associate			(18,681)
– available-for-sale investments			1,681
– investment revaluation reserve reversed			(370,923)
Discount on acquisition			(3,143)
Share of results recognised in retained profits			<u>286,703</u>
SATISFIED BY:			
Cash consideration paid			<u>286,703</u>
Net cash outflow arising on acquisitions:			
Cash consideration paid			(286,703)
Cash and cash equivalents acquired			55,348
			<u>(231,355)</u>



*Note:*

Since a portion of Hanny Notes is held by the Group, the corresponding convertible notes reserves is eliminated after acquisition and the remaining amount of HK\$55,279,000 is presented in the consolidated statement of changes in equity.

In 2007, Hanny contributed HK\$41,582,000 and HK\$121,535,000 to the Group's revenue and profit for the year, between the dates of acquisition and the balance sheet date.

Had the acquisition been completed on 1st April, 2006, the Group's revenue and profit for the year attributable to the equity holders of the Company from operations would have been approximately HK\$467,255,000 and HK\$527,080,000, respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been impacted had the acquisitions been completed on 1st April, 2007, nor is it intended to be a projection of future results.

The consideration paid for acquisition of interest in Hanny was based on the offer price of HK\$3.8 per share, which was substantially lower than the fair value of the net assets acquired. Accordingly, a discount on acquisition of HK\$370,923,000 was recognised for the year ended 31st March, 2007. Subsequent to December 2006, the Group acquired additional equity interest of 14.20% in Hanny resulting in a discount on acquisition of additional interest in subsidiaries of approximately HK\$189,132,000.

**52. MAJOR NON-CASH TRANSACTIONS**

During the year, 1,000,000 (2007: 890,000) redeemable convertible preference shares were converted into 1,019,230 (2007: 907,115) ordinary shares of the Company at HK\$1.04 per share.

In addition, 434,800,319 bonus shares of the Company were issued on the basis of one bonus share of every five shares held by the ordinary shareholders.

**53. RETIREMENT BENEFIT SCHEMES**

The Group operates a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance for qualifying employees. The assets of the scheme are separately held in funds under the control of trustees.

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

At the balance sheet date, there were no significant forfeited contributions which arose upon employees leaving the scheme 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 (the "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 the 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 by the Group in future years.

**54. CONTINGENT LIABILITIES**

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Guarantees given to banks and financial institutions in respect of general facilities:		
– granted to an associate ( <i>note</i> )	53,667	56,000
– granted to a third party	–	23,292
Financial support given to an associate ( <i>note</i> )	6,840	8,790
	<u>60,507</u>	<u>88,082</u>

*Note:*

The guarantees and financial support were provided to Central Town, which have been released upon the disposal of Central Town as disclosed in note 39.

**55. 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:

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Within one year	384	363
In the second to fifth year inclusive	108	327
	<u>492</u>	<u>690</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:

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Within one year	596	1,050
In the second to fifth year inclusive	307	745
	<u>903</u>	<u>1,795</u>

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

**56. PLEDGE OF ASSETS**

At the balance sheet date, the following assets were pledged by the Group to secure banking and other financing facilities:

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Listed securities of associates	97,942	92,955
Buildings	60,164	44,024
Prepaid lease payments	87,438	89,651
Investment properties	9,511	150,421
Investments held for trading	10,915	101,543
	<u>265,970</u>	<u>478,594</u>

**57. POST BALANCE SHEET EVENT**

As disclosed in note 39, the Group disposed of its entire 50% equity interest in Central Town on 1st April, 2008. According to the Central Town Agreement, the Group had given an indemnity to the purchaser relating to taxation liabilities, if any, and the affairs and business of Central Town.

**58. RELATED PARTIES TRANSACTIONS**

During the year, the Group had transactions balances with the following related parties, details of which are as follows:

<b>Class of related party</b>	<b>Nature of transactions/balances</b>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Associates of the Group	Sales of building materials by the Group	458	424
	Rentals and related building management fee charged by the Group	2,435	366
	Service fees charged by the Group	1,178	1,028
	Interest income received by the Group	35,501	18,901
	Interest expense paid by the Group	1,963	–
	Rental and related building management fee paid by the Group	72	2,027
Other related companies <i>(note)</i>	Rental and related building management fee charged by the Group	–	190
	Rental and related building management fee paid by the Group	60	–
	Interest income received by the Group	11,789	8,398
		<u>11,789</u>	<u>8,398</u>

*Note:* A director of the Company has significant influence over 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 9. The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

The discretionary bonus is based on the director's and employee's skills, knowledge and involvement in the Company's affairs and are determined by reference to the Company's performance, as well as remuneration benchmark in the industry and the prevailing market conditions.

**59. BALANCE SHEET OF THE COMPANY**

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Total assets	2,074,840	1,978,996
Total liabilities	(212,792)	(304,943)
Total assets and liabilities	<u>1,862,048</u>	<u>1,674,053</u>
Capital and reserves		
Share capital	269,461	187,298
Share premium and reserves	1,592,587	1,486,755
Total equity	<u>1,862,048</u>	<u>1,674,053</u>

## 60. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31st March, 2008 and 2007 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				Principal activities
			held by the Company*/ subsidiaries		attributable to the Group		
			2008 %	2007 %	2008 %	2007 %	
All Combine Investments Limited	British Virgin Islands	US\$1 ordinary share	100*	100*	100	100	Investment holding
Burcon Group Limited (note (a))	Canada	CAD1,000 class A common shares	100	100	100	100	Investment and property holding
China Enterprises Limited ("CEL") (note (b))	Bermuda	US\$90,173 common stock	N/A (note (c))	55.23	N/A (note (c))	36.72	Investment holding
Dreyer	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	100	100	Securities trading and treasury investment
Great Intelligence Limited	British Virgin Islands	US\$1 ordinary share	100*	100*	100	100	Investment holding
Great Intelligence Limited	Hong Kong	HK\$2 ordinary shares	100	100	100	100	Property holding and investment
Hanny	Bermuda	HK\$2,528,243 ordinary shares	N/A (note (d))	67.23	N/A (note (d))	67.23	Investment holding
Hanny Magnetics Limited	Hong Kong	HK\$1,100,000,200 ordinary shares HK\$6,000,000 5% non-voting deferred shares (note (e))	N/A (note (c))	100	N/A (note (c))	100	Investment holding
Hero's Way Resources Ltd.	British Virgin Islands	US\$1 ordinary share	100*	100*	100	100	Investment holding
Island Town Limited	Hong Kong	HK\$100	N/A (note (c))	100	N/A (note (c))	67.23	Investment property holding
ITC Development Co. Limited	British Virgin Islands	US\$15,000 ordinary shares	100*	100*	100	100	Investment holding
ITC Finance Limited	Hong Kong	HK\$2 ordinary shares	100	100	100	100	Provision of finance
ITC Investment Holdings Limited	British Virgin Islands	US\$1 ordinary share	100*	100*	100	100	Investment holding
ITC Management Group Limited	British Virgin Islands	US\$2 ordinary shares	100*	100*	100	100	Investment holding
ITC Management Limited	Hong Kong	HK\$2 ordinary shares	100	100	100	100	Provision of management and financial services and treasury investment
Large Scale Investments Limited	British Virgin Islands	US\$1 ordinary share	100*	100*	100	100	Investment holding

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/registered capital				Principal activities
			held by the Company*/ subsidiaries		attributable to the Group		
			2008 %	2007 %	2008 %	2007 %	
MRI Holdings Limited ("MRI") (note (f))	Australia	A\$31,184,116	N/A (note (c))	57.26	N/A (note (c))	38.08	Investment holding
Trasy	Cayman Islands	HK\$27,790,000 ordinary shares	-	56.45	-	56.45	Provision and operation of an internet-based precious metal trading system
Zhuhai Zhongce Property Investment Limited	British Virgin Islands	US\$1	N/A (note (c))	100	N/A (note (c))	67.23	Holding of land development project held for sale
廣州耀陽實業有限公司 (note (g))	PRC	RMB1,000,000	N/A	100	N/A	67.23	Sand mining

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 are limited companies.

*Notes:*

- (a) Burcon Group Limited operates in Canada.
- (b) CEL operates in both Hong Kong and the PRC and its shares are trading on the OTC Securities Market of the United States of America.
- (c) These companies are subsidiaries of Hanny, which ceased to be a subsidiary of the Group on 18th May, 2007.
- (d) As disclosed in note 23 to the consolidated financial statements, Hanny ceased to be a subsidiary of the Company on 18th May, 2007.
- (e) The holders of the 5% non-voting deferred shares are not entitled to receive notice of or to attend or vote at any general meetings of Hanny Magnetics Limited. The non-voting deferred shares practically carry no rights to dividends or to participate in any distribution on winding up.
- (f) MRI operates in both Australia and Hong Kong and its shares are listed on the Australian Securities Exchange.
- (g) This company is registered in the form of wholly-owned foreign investment enterprise and 100% owned by Hanny.

Other than the subsidiaries stated in the above notes, all of the above subsidiaries have its principal place of operation in Hong Kong.

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

None of the subsidiaries had issued any debt securities at the end of the year of 2008 and 2007 except for Hanny which has issued convertible notes at principal amount of HK\$770,973,000, in which the Group has HK\$101,742,000 interest at 31st March, 2007.

## 3. UNAUDITED INTERIM RESULTS

Set out below is the summary of the unaudited consolidated financial statements of the Group together with the relevant notes to the accounts, as extracted from the interim report of the Company for the six months ended 30 September 2008.

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2008**

	Notes	(Unaudited)	
		30.9.2008 HK\$'000	30.9.2007 HK\$'000 (Restated)
<b>Continuing operations</b>			
Turnover	3	231,965	331,027
Revenue	3	29,456	133,987
Management and other related service income		2,053	3,153
Net (loss) gain on financial instruments	4	(13,620)	175,734
Interest income		19,528	47,958
Property rental income		1,756	465
Other income		556	9,817
Loss on changes in fair values of investment properties		(11,278)	–
Administrative expenses		(33,101)	(82,456)
Impairment loss recognised in respect of available-for-sale investments		(5,445)	(20,960)
Finance costs	5	(8,299)	(46,296)
Net gain (loss) on deemed disposal and disposal of subsidiaries and associates	6	30,523	(74,400)
Share of results of associates			
– share of results		(325,285)	352,281
– discount on acquisitions of associates		41,136	10,450
(Loss) profit before taxation	7	(301,476)	375,746
Taxation	8	1,739	(10,669)
(Loss) profit for the period from continuing operations		(299,737)	365,077
<b>Discontinued operation</b>			
Profit for the period from discontinued operation	9	–	24
(Loss) profit for the period		(299,737)	365,101
Attributable to:			
Equity holders of the Company		(299,737)	303,318
Minority interests		–	61,783
		(299,737)	365,101
Distributions	10	8,596	43,480
(Loss) earnings per share	11		
From continuing and discontinued operations			
Basic (HK cents)		(11.1)	12.5
Diluted (HK cents)		(11.1)	9.9
From continuing operations			
Basic (HK cents)		(11.1)	12.5
Diluted (HK cents)		(11.1)	9.9

**CONDENSED CONSOLIDATED BALANCE SHEET**  
**AT 30TH SEPTEMBER, 2008**

	<i>Notes</i>	<b>(Unaudited)</b> <b>30.9.2008</b> <i>HK\$'000</i>	<b>(Audited)</b> <b>31.3.2008</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	12	77,948	88,621
Investment properties	12	61,523	9,511
Prepaid lease payments		58,664	85,223
Intangible assets		830	830
Interests in associates	13	2,654,071	2,745,768
Debt portion of convertible notes		186,367	180,555
Conversion options embedded in convertible notes		377	1,923
Available-for-sale investments		111,227	117,377
		<u>3,151,007</u>	<u>3,229,808</u>
<b>Current assets</b>			
Inventories		27	33
Prepaid lease payments		1,544	2,214
Debtors, deposits and prepayments	14	10,261	8,898
Margin account receivables		125	2,930
Amounts due from associates		262,163	261,294
Amounts due from related companies		6,961	6,753
Loans receivable		25,000	25,000
Financial assets designated at fair value through profit or loss		–	5,390
Investments held for trading		8,962	33,433
Derivative financial instruments		3,438	–
Short-term bank deposits, bank balances and cash		25,860	70,297
		<u>344,341</u>	<u>416,242</u>
Non-current assets classified as held for sale	15	–	59,482
		<u>344,341</u>	<u>475,724</u>
<b>Current liabilities</b>			
Margin account payables		–	1,835
Creditors and accrued expenses	16	14,763	20,524
Dividend payable		8,596	–
Amounts due to associates		2,508	832
Borrowings – due within one year		2,450	2,450
Bank overdrafts		36,910	29,457
		<u>65,227</u>	<u>55,098</u>
<b>Net current assets</b>		<u>279,114</u>	<u>420,626</u>
<b>Total assets less current liabilities</b>		<u>3,430,121</u>	<u>3,650,434</u>
<b>Non-current liabilities</b>			
Borrowings – due after one year		55,200	55,200
Convertible notes payable		195,092	192,952
Deferred tax liabilities		9,002	5,851
		<u>259,294</u>	<u>254,003</u>
<b>Net assets</b>		<u><u>3,170,827</u></u>	<u><u>3,396,431</u></u>
<b>Capital and reserves</b>			
Share capital		269,460	269,460
Share premium and reserves		2,901,367	3,126,971
<b>Total equity</b>		<u><u>3,170,827</u></u>	<u><u>3,396,431</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2008**

Attributable to equity holders of the Company

	Share capital	Share premium	Contributed surplus	Reserve on acquisition	Capital on redemption reserve	Other reserve	Property revaluation reserve	Investment revaluation reserve	Translation reserve	Convertible notes reserve	Preference share reserve	Share option reserve	Accumulated profits	Total	Minority interests	Convertible notes reserve of a subsidiary	Share option reserve of a subsidiary	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	HKS'000	HKS'000	HKS'000
At 1st April, 2008 (audited)	269,460	414,286	1,108,927	(83,611)	908	4,564	16,875	31,437	136,356	4,183	-	18,768	1,474,278	3,396,431	-	-	-	3,396,431
Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	-	-	(1,046)	-	-	-	(1,046)	-	-	-	-	(1,046)
Share of post-acquisition reserve movements of associates	-	-	-	-	-	-	-	88,625	(29,868)	-	-	-	58,757	-	-	-	-	58,757
Surplus (deficit) arising from revaluation of:																		
- prepaid lease payments upon transfer to investment properties	-	-	-	-	-	-	33,513	-	-	-	-	-	33,513	-	-	-	-	33,513
- land and buildings	-	-	-	-	-	-	(2,449)	-	-	-	-	-	(2,449)	-	-	-	-	(2,449)
- available-for-sale investments	-	-	-	-	-	-	-	(6,664)	-	-	-	-	(6,664)	-	-	-	-	(6,664)
Deferred tax liability arising on revaluation of land and buildings	-	-	-	-	-	-	(4,890)	-	-	-	-	-	(4,890)	-	-	-	-	(4,890)
Net income (expenses) recognised directly in equity	-	-	-	-	-	-	26,174	81,961	(30,914)	-	-	-	77,221	-	-	-	-	77,221
Loss for the period	-	-	-	-	-	-	-	-	-	-	-	-	(299,737)	(299,737)	-	-	-	(299,737)
Impairment loss on available-for-sale investments	-	-	-	-	-	-	-	5,445	-	-	-	-	5,445	-	-	-	-	5,445
Released on deemed disposal and disposal of partial interests in associates	-	-	-	79	-	(5)	-	-	(86)	-	-	-	(12)	-	-	-	-	(12)
Total recognised income and expenses for the period	-	-	-	79	-	(5)	26,174	87,406	(31,000)	-	-	-	(299,737)	(217,083)	-	-	-	(217,083)
Distributions	-	-	-	-	-	-	-	-	-	-	-	-	(8,596)	(8,596)	-	-	-	(8,596)
Share of post-acquisition reserve movements of associates	-	-	-	(13,887)	-	(3,012)	-	-	-	-	-	-	16,974	75	-	-	-	75
At 30th September, 2008 (unaudited)	269,460	414,286	1,108,927	(97,419)	908	1,547	43,049	118,843	105,356	4,183	-	18,768	1,182,919	3,170,827	-	-	-	3,170,827
At 1st April, 2007 (audited)	187,298	280,179	1,108,927	(81,306)	908	3,525	6,664	(1,588)	53,096	-	868	-	1,251,855	2,810,426	1,506,355	55,279	-	4,372,060
Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	-	-	8,907	-	-	-	8,907	3,798	-	-	-	12,705
Share of post-acquisition reserve movements of associates	-	-	-	-	-	-	-	(73,671)	13,565	-	-	-	(60,106)	5,999	-	-	-	(54,107)
Surplus arising from revaluation of available-for-sale investments	-	-	-	-	-	-	-	54,917	-	-	-	-	54,917	41,110	-	-	-	96,027
Net income (expenses) recognised directly in equity	-	-	-	-	-	-	-	(18,754)	22,472	-	-	-	3,718	50,907	-	-	-	54,625
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	303,318	303,318	61,783	-	-	365,101
Impairment loss on available-for-sale investments	-	-	-	-	-	-	-	20,960	-	-	-	-	20,960	-	-	-	-	20,960
Released on loss of control of subsidiaries as a result of deemed disposal and disposal of partial interest in:																		
- subsidiaries	-	-	-	(2,686)	-	1,241	-	(7,919)	(7,213)	-	-	-	(16,577)	(1,611,711)	(55,099)	(69)	(1,683,456)	
- associates	-	-	-	426	-	50	-	(349)	(433)	-	-	-	(306)	-	-	-	-	(306)
Released on disposal of available-for-sale investments	-	-	-	-	-	-	-	(20,613)	-	-	-	-	(20,613)	-	-	-	-	(20,613)
Total recognised income and expenses for the period	-	-	-	(2,260)	-	1,291	-	(26,675)	14,826	-	-	-	303,318	290,500	(1,499,021)	(55,099)	(69)	(1,263,689)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	69	69
Issue of shares																		
- on placement of shares	30,000	192,000	-	-	-	-	-	-	-	-	-	-	222,000	-	-	-	-	222,000
- on conversion of redeemable convertible preference shares	102	961	-	-	-	-	-	-	-	(4)	-	-	1,059	-	-	-	-	1,059
Transaction costs contributable to issue of shares	-	(6,512)	-	-	-	-	-	-	-	-	-	-	(6,512)	-	-	-	-	(6,512)
Released on conversion of convertible notes of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(180)	-	(180)
Distributions	-	-	-	-	-	-	-	-	-	-	-	-	(43,480)	(43,480)	-	-	-	(43,480)
Share of post-acquisition reserve movements of associates	-	-	-	(202)	-	(1,834)	-	-	-	-	-	-	148	(1,888)	(7,334)	-	-	(9,222)
At 30th September, 2007 (unaudited)	217,400	466,628	1,108,927	(83,768)	908	2,982	6,664	(28,263)	67,922	-	864	-	1,511,841	3,272,105	-	-	-	3,272,105



**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2008**

	<i>Note</i>	<b>(Unaudited)</b>	
		<b>30.9.2008</b>	<b>30.9.2007</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities		(49,694)	(114,744)
Net cash from (used in) investing activities			
Disposal of non-current assets held for sale		143,556	–
Acquisition of additional interests in associates		(138,225)	–
Additions to available-for-sale investments		(514)	(18,603)
Disposal of interests in associates		–	46,040
Deemed disposal of subsidiaries, net of cash and cash equivalents disposed	17	–	(82,120)
Disposal of partial interests in subsidiaries		–	131,768
Proceeds from disposal of available-for-sale investments		–	45,918
Acquisition of convertible notes		–	(69,964)
Investment in financial assets designated at fair value through profit or loss		–	(158,279)
Deposit paid for acquisition of long-term investments		–	(110,000)
Others		(1,303)	(6,992)
		<u>3,514</u>	<u>(222,232)</u>
Net cash from financing activities			
Net increase (decrease) in bank overdrafts		7,453	(34,507)
Interest paid		(6,159)	(48,398)
Gross proceeds from issue of shares		–	222,000
Gross proceeds from issue of shares of a subsidiary		–	147,900
Repayments of bank borrowings		–	(31,162)
Payment of transaction costs attributable to issue of shares of the Company and a subsidiary		–	(11,997)
		<u>1,294</u>	<u>243,836</u>
Net decrease in cash and cash equivalents		(44,886)	(93,140)
Cash and cash equivalents at beginning of the period		70,297	282,304
Effect of foreign exchange rate changes		449	2,246
Cash and cash equivalents at end of the period, representing by short-term bank deposits, bank balances and cash		<u><u>25,860</u></u>	<u><u>191,410</u></u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2008**

**1. BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

**2. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, where appropriate.

In the current interim period, the Group has applied, for the first time, the following new interpretations and amendments (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1st April, 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>2</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>2</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>3</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>2</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>3</sup>
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>2</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>2</sup>
HKFRS 3 (Revised)	Business Combinations <sup>3</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>4</sup>
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate <sup>2</sup>
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation <sup>5</sup>
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>3</sup> Effective for annual periods beginning on or after 1st July, 2009

<sup>4</sup> Effective for annual periods beginning on or after 1st July, 2008

<sup>5</sup> Effective for annual periods beginning on or after 1st October, 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31st March, 2008. In addition, the Group has applied the following accounting policy during the current interim period.

#### **Property, plant and equipment**

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item and the related prepaid lease payments accounted for as operating leases in previous years at the date of transfer is recognised in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated profits.

### **3. TURNOVER, REVENUE AND SEGMENT INFORMATION**

The Group has revised its presentation of revenue during the financial year ended 31st March, 2008, in order to reflect the nature of sales of financial assets in a more appropriate manner and to conform with market practice. Accordingly, in the current interim period, revenue represents the amount received and receivable from outside customers for the period and includes net gain on disposal of investments held for trading and the net gains arising from changes in fair value of financial instruments. In the Group's previously published interim financial information for the six months ended 30th September, 2007, revenue included gross proceeds from disposal of financial instruments of approximately HK\$275,824,000. Comparative figures have been restated to conform with the current period's presentation.

Turnover represents the amounts received and receivables from outside customers for the period together with gross proceeds from disposal of financial instruments which arise incidental to the main revenue generating activities of the Group.

#### **Business segments**

For management purposes, the Group's operations are organised into five operating divisions, namely finance, securities investment, other investment, property investment and trading of building materials and machinery. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Finance	–	loan financing services
Securities investment	–	trading of securities
Other investment	–	investments in financial instruments except investments held for trading
Property investment	–	leasing of investment properties
Trading of building materials and machinery	–	trading of building materials and machinery
Unallocated segment	–	leasing of motor vehicles, management services and sand mining business

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

On 26th October, 2007, the Group disposed of its entire interest in a subsidiary engaged in trading of building materials and machinery business (note 9).

Six months ended 30th September, 2008

	Continuing operations						Discontinued operation	Consolidated	
	Finance HK\$'000	Securities investment HK\$'000	Other investment HK\$'000	Property investment HK\$'000	Unallocated HK\$'000	Eliminations HK\$'000	Trading of building materials and machinery HK\$'000		
<b>TURNOVER</b>									
- GROSS PROCEEDS	18,033	203,048	13,523	3,798	2,243	(8,680)	231,965	-	231,965
<b>REVENUE</b>									
External sales	11,395	5,929	8,133	1,756	2,243	-	29,456	-	29,456
Inter-segment sales	6,638	-	-	2,042	-	(8,680)	-	-	-
Total	18,033	5,929	8,133	3,798	2,243	(8,680)	29,456	-	29,456
<b>RESULT</b>									
Segment result	(9,691)	(12,673)	6,580	(10,144)	(765)	-	(26,693)	-	(26,693)
Unallocated corporate expenses							(12,858)	-	(12,858)
Finance costs							(8,299)	-	(8,299)
Net gain on deemed disposal and disposal of associates							30,523	-	30,523
Share of results of associates							(325,285)	-	(325,285)
- share of results									
- discount on acquisitions of associates							41,136	-	41,136
Loss before taxation							(301,476)	-	(301,476)
Taxation							1,739	-	1,739
Loss for the period							(299,737)	-	(299,737)

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

Six months ended 30th September, 2007

	Continuing operations						Discontinued operation	Consolidated	
	Finance HK\$'000	Securities investment HK\$'000	Other investment HK\$'000	Property investment HK\$'000	Unallocated HK\$'000	Eliminations HK\$'000	Trading of building materials and machinery HK\$'000		
<b>TURNOVER</b>									
- GROSS PROCEEDS	43,075	268,518	28,627	3,051	5,544	(17,788)	331,027	2,547	333,574
<b>REVENUE</b>									
External sales	28,871	70,870	28,237	465	5,544	-	133,987	2,547	136,534
Inter-segment sales	14,204	-	998	2,586	-	(17,788)	-	-	-
Total	43,075	70,870	29,235	3,051	5,544	(17,788)	133,987	2,547	136,534
<b>RESULT</b>									
Segment result	15,866	70,453	103,326	117	2,095	-	191,857	24	191,881
Unallocated corporate expenses							(58,146)	-	(58,146)
Finance costs							(46,296)	-	(46,296)
Net loss on deemed disposal and disposal of subsidiaries and associates							(74,400)	-	(74,400)
Share of results of associates - share of results							352,281	-	352,281
- discount on acquisitions of associates							10,450	-	10,450
Profit before taxation							375,746	24	375,770
Taxation							(10,669)	-	(10,669)
Profit for the period							365,077	24	365,101

Inter-segment sales are charged at prevailing market rate or at terms determined and agreed by both parties.

**4. NET (LOSS) GAIN ON FINANCIAL INSTRUMENTS**

	Continuing operations		Discontinued operation		Consolidated	
	30.9.2008 HK\$'000	30.9.2007 HK\$'000	30.9.2008 HK\$'000	30.9.2007 HK\$'000	30.9.2008 HK\$'000	30.9.2007 HK\$'000
Net (loss) gain on:						
- Conversion options embedded in convertible notes	(1,546)	77,236	-	-	(1,546)	77,236
- Derivative financial instruments	-	(3,265)	-	-	-	(3,265)
- Financial assets designated at fair value through profit or loss	-	10,280	-	-	-	10,280
- Investments held for trading	(12,811)	69,635	-	-	(12,811)	69,635
- Gold trading contracts	-	(65)	-	-	-	(65)
Gain on disposal of:						
- Available-for-sale investments	-	20,613	-	-	-	20,613
- Precious metals	-	65	-	-	-	65
Dividend income on investments held for trading	737	1,235	-	-	737	1,235
	(13,620)	175,734	-	-	(13,620)	175,734

## 5. FINANCE COSTS

	Continuing operations		Discontinued operation		Consolidated	
	Six months ended		Six months ended		Six months ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on:						
Bank borrowings wholly repayable within five years	545	588	-	-	545	588
Bank borrowings not wholly repayable within five years	499	2,998	-	-	499	2,998
Convertible notes payable wholly repayable within five years	7,154	8,734	-	-	7,154	8,734
Redeemable convertible preference shares wholly repayable within five years	-	5,464	-	-	-	5,464
Other borrowings wholly repayable within five years	3	26,366	-	-	3	26,366
Margin account payables	98	2,146	-	-	98	2,146
	<u>8,299</u>	<u>46,296</u>	<u>-</u>	<u>-</u>	<u>8,299</u>	<u>46,296</u>

## 6. NET GAIN (LOSS) ON DEEMED DISPOSAL AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

	Continuing operations		Discontinued operation		Consolidated	
	Six months ended		Six months ended		Six months ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss on deemed disposal of partial interests in subsidiaries	-	(160,207)	-	-	-	(160,207)
Loss on disposal of partial interests in subsidiaries	-	(56,644)	-	-	-	(56,644)
Gain on deemed disposal of partial interests in associates	139	65,768	-	-	139	65,768
Gain on disposal of interests in associates classified as non-current assets held for sale	30,384	76,683	-	-	30,384	76,683
	<u>30,523</u>	<u>(74,400)</u>	<u>-</u>	<u>-</u>	<u>30,523</u>	<u>(74,400)</u>

During the period, the gain is mainly resulted from the disposal of the Group's entire 50% equity interest in an associate, Central Town Limited ("Central Town"), as disclosed in note 15, which resulted in a gain on disposal of approximately HK\$30,384,000.

For the six months ended 30th September, 2007, the net loss was mainly resulted from deemed disposal and disposal of interest in Hanny Holdings Limited ("Hanny") and Trasy Gold Ex Limited ("Trasy"), then subsidiaries of the Company.

The net assets of Hanny and Trasy at the respective dates of deemed disposal of subsidiaries were set out in note 17.

## 7. (LOSS) PROFIT BEFORE TAXATION

	Continuing operations		Discontinued operation		Consolidated	
	Six months ended		Six months ended		Six months ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss) profit before taxation has been arrived at after charging (crediting):						
Depreciation of property, plant and equipment	4,643	6,781	-	2	4,643	6,783
Donation	1,000	688	-	-	1,000	688
Release of prepaid lease payments	828	1,107	-	-	828	1,107
Share of taxation of associates (included in share of results of associates)	34,832	124,993	-	-	34,832	124,993
Loss (gain) on disposal of property, plant and equipment	13	(1,665)	-	-	13	(1,665)
	<u>13</u>	<u>(1,665)</u>	<u>-</u>	<u>-</u>	<u>13</u>	<u>(1,665)</u>

## 8. TAXATION

	Continuing operations		Discontinued operation		Consolidated	
	Six months ended		Six months ended		Six months ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax:						
Hong Kong Profits Tax	-	10,726	-	-	-	10,726
Deferred Tax	(1,739)	(57)	-	-	(1,739)	(57)
	<u>(1,739)</u>	<u>10,669</u>	<u>-</u>	<u>-</u>	<u>(1,739)</u>	<u>10,669</u>

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30th September, 2008.

No provision for taxation has made in current period as the Group had no assessable profit for that period.

## 9. DISCONTINUED OPERATION

On 2nd October, 2007, the Group entered into a sale and purchase agreement to dispose of its entire equity interest in a subsidiary, Dreyer and Company Limited (“Dreyer”), which carried out all of the Group’s business of trading of building materials and machinery for a consideration of HK\$1. The disposal was completed on 26th October, 2007, on which the control of Dreyer was passed to the acquirer.

The profit for the six months ended 30th September, 2007 from the discontinued operation was analysed as follows:

	<b>Six months ended</b> <b>30.9.2007</b> <i>HK\$'000</i>
Profit from trading of building materials and machinery for the period	<u>24</u>

The results of the operation of trading of building materials and machinery for the six months ended 30th September, 2007 were as follows:

	<i>HK\$'000</i>
Revenue	2,547
Cost of sales	<u>(1,794)</u>
Gross profit	753
Administrative expenses	<u>(729)</u>
Profit for the period	<u>24</u>
Attributable to:	
Equity holders of the Company	24
Minority interests	<u>–</u>
	<u>24</u>

## 10. DISTRIBUTIONS

	<b>Six months ended</b>	
	<b>30.9.2008</b>	<b>30.9.2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends recognised as distributions to equity holders of the Company:		
– Final dividend declared for the year ended 31st March, 2008 – HK0.3 cent (2007: HK2.0 cents) per ordinary share	8,084	43,480
Bonus warrants ( <i>Note</i> )	<u>512</u>	<u>–</u>
	<u>8,596</u>	<u>43,480</u>

*Note:* On 30th September, 2008, the shareholders of the Company approved the issuance of bonus warrants to the holders of ordinary shares of the Company on the basis of one warrant for every five ordinary shares of the Company held on 20th October, 2008 at an initial subscription price of HK\$0.22 per ordinary share with a term of one year. The fair value of the warrant, at the date of approval (i.e. 30th September, 2008), was determined by the directors of the Company with reference to the valuation performed by an independent professional valuer, not connected with the Group, using the Binomial Model.

The directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2008 (2007: interim dividend of HK1.3 cents declared per ordinary share in cash with scrip option).

Subsequent to 30th September, 2008,

- (i) a cash dividend of HK0.3 cent per ordinary share was paid to the holders of ordinary shares of the Company as a final dividend for the year ended 31st March, 2008; and
- (ii) the Company issued 538,921,053 bonus warrants to the holders of ordinary shares of the Company as detailed in note above.



## 11. (LOSS) EARNINGS PER SHARE

**From continuing and discontinued operations**

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

	<b>Six months ended</b>	
	<b>30.9.2008</b>	<b>30.9.2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) profit for the period attributable to equity holders of the Company and (loss) earnings for the purpose of basic (loss) earnings per share	(299,737)	303,318
Effect of dilutive potential ordinary shares:		
Adjustment to the share of results of associates based on dilution of their earnings per share	-	(36,404)
Adjustment of finance costs on redeemable convertible preference shares	-	5,464
	<u>                    </u>	<u>                    </u>
(Loss) earnings for the purpose of diluted (loss) earnings per share	<u>(299,737)</u>	<u>272,378</u>

	<b>Six months ended</b>	
	<b>30.9.2008</b>	<b>30.9.2007</b>
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	2,694,605,269	2,432,864,465
Effect of dilutive potential ordinary shares:		
Redeemable convertible preference shares	-	325,071,706
	<u>                    </u>	<u>                    </u>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<u>2,694,605,269</u>	<u>2,757,936,171</u>

The potential ordinary shares attributable to the Company's outstanding convertible notes payable and share options have anti-dilutive effect for the current period.

**From continuing operations**

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

	<b>Six months ended</b>	
	<b>30.9.2008</b>	<b>30.9.2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) profit for the period attributable to equity holders of the Company and (loss) earnings for the purpose of basic (loss) earnings per share	(299,737)	303,318
Less: Profit for the period from discontinued operation	-	(24)
	<u>                    </u>	<u>                    </u>
(Loss) earnings for the purpose of basic (loss) earnings per share from continuing operations	(299,737)	303,294
Effect of dilutive potential ordinary shares:		
Adjustment to the share of results of associates based on dilution of their earnings per share	-	(36,404)
Adjustment of finance costs on redeemable convertible preference shares	-	5,464
	<u>                    </u>	<u>                    </u>
(Loss) earnings for the purpose of diluted (loss) earnings per share from continuing operations	<u>(299,737)</u>	<u>272,354</u>

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share.

**From discontinued operation**

Basic and diluted earnings per share for the discontinued operation is negligible for the period ended 30th September, 2007, based on the profit for the period from the discontinued operation of HK\$24,000 and the denominators detailed above for both basic and diluted earnings per share.

**12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES**

During the period, the Group spent approximately HK\$1,303,000 (1.4.2007 to 30.9.2007: HK\$741,000) on property, plant and equipment.

In April 2008, a portion of self-use office premises has been leased to an associate for rental income. At the date of transfer, the fair values of the building portion classified as property, plant and equipment of approximately HK\$3,623,000 and the land portion classified as prepaid lease payments of approximately HK\$59,915,000 were revalued by an independent professional valuer not connected with the Group using the direct comparison method and were transferred to investment properties. The resulting revaluation surplus of the land portion on the date of transfer amounting to HK\$33,513,000 has been credited to the properties revaluation reserve.

The Group's leasehold land and buildings classified as property, plant and equipment and investment properties were revalued by an independent professional valuer not connected with the Group at 30th September, 2008. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The resulting revaluation deficit of HK\$2,449,000 for property, plant and equipment and HK\$11,278,000 for investment properties have been debited to the properties revaluation reserve and recognised directly in the condensed consolidated income statement respectively.

**13. INTERESTS IN ASSOCIATES**

	(Unaudited) 30.9.2008 HK\$'000	(Audited) 31.3.2008 HK\$'000
Share of net assets of associates:		
Listed in Hong Kong	2,651,676	2,740,309
Listed overseas	1,218	4,282
Goodwill	1,177	1,177
	<u>2,654,071</u>	<u>2,745,768</u>
Market value of listed securities:		
Hong Kong	328,648	1,166,454
Overseas	377,943	378,927
	<u>706,591</u>	<u>1,545,381</u>

As detailed in note 6, the Group's entire interest in Central Town was disposed during the period and Central Town has ceased to be an associate of the Group since 1st April, 2008.

**14. DEBTORS, DEPOSITS AND PREPAYMENTS**

Included in debtors, deposits and prepayments are trade debtors of approximately HK\$8,280,000 (31.3.2008: HK\$7,346,000) and their aged analysis at the balance sheet date is as follows:

	(Unaudited) 30.9.2008 HK\$'000	(Audited) 31.3.2008 HK\$'000
Trade debtors		
0-30 days	1,344	7,338
31-60 days	5	3
61-90 days	2	3
Over 90 days	6,929	2
	<u>8,280</u>	<u>7,346</u>

Trade debtors arising 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 (31.3.2008: 30 days to 90 days).

## 15. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 1st April, 2008 the Group entered into a sale and purchase agreement (the "Central Town Agreement") in relation to the sale of the Group's entire 50% equity interest in Central Town, amounting to approximately HK\$29,169,000 (31.3.2008: HK\$29,169,000), with the shareholder's loan of approximately HK\$84,003,000 (31.3.2008: HK\$30,313,000) to a third party for a net proceeds of approximately HK\$143,556,000. The transaction was completed and the voting power was passed to the acquirer on the same date as the Central Town Agreement.

As negotiations for the disposal of Central Town have taken place during last financial year, the Group's interest in Central Town and the amount due from it amounting to HK\$59,482,000 as at 31st March, 2008 has been classified as non-current assets held for sale and are presented separately on the condensed consolidated balance sheet.

## 16. CREDITORS AND ACCRUED EXPENSES

Included in creditors and accrued expenses are trade payables of approximately HK\$4,542,000 (31.3.2008: HK\$4,299,000) and their aged analysis at the balance sheet date is as follows:

	(Unaudited) 30.9.2008 HK\$'000	(Audited) 31.3.2008 HK\$'000
Trade creditors		
0-30 days	362	138
31-60 days	4,175	4,161
Over 90 days	5	-
	<u>4,542</u>	<u>4,299</u>

## 17. DEEMED DISPOSAL OF SUBSIDIARIES

The Group's interests in Hanny and Trasy were reduced to below 50% and they ceased to be the subsidiaries of the Company on 18th May, 2007 and 11th June, 2007 respectively. The net assets of Hanny and Trasy at the respective dates were as follows:

	Hanny HK\$'000	Trasy HK\$'000	Total HK\$'000
<b>NET ASSETS DISPOSED OF</b>			
Total assets	5,406,113	59,172	5,465,285
Total liabilities	(1,865,351)	(9,694)	(1,875,045)
	<u>3,540,762</u>	<u>49,478</u>	<u>3,590,240</u>
Minority interests	(2,095,962)	(24,704)	(2,120,666)
Conversion option reserve	(55,099)	-	(55,099)
Share option reserve	-	(69)	(69)
	<u>1,389,701</u>	<u>24,705</u>	<u>1,414,406</u>
Transfer to interests in associates	(1,388,988)	(24,716)	(1,413,704)
Release of reserve on acquisition	(106)	-	(106)
Release of translation reserve	(352)	-	(352)
Release of investment revaluation reserve	(617)	-	(617)
Release of other reserve	97	-	97
Gain on dilution of interests in subsidiaries	265	11	276
	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents disposed of	<u>65,024</u>	<u>17,096</u>	<u>82,120</u>

## 18. CONTINGENT LIABILITIES

	(Unaudited) 30.9.2008 HK\$'000	(Audited) 31.3.2008 HK\$'000
Guarantees given to banks and financial institutions in respect of general facilities granted to an associate	–	53,667
Financial support given to an associate	–	6,840
	<u>–</u>	<u>60,507</u>

In addition, on disposal of Central Town, the Group had given an indemnity to the purchaser relating to unrecorded taxation liabilities, if any, and the affairs and business of Central Town upto the date of disposal.

## 19. RELATED PARTIES TRANSACTIONS

During the period, the Group had transactions with the following related parties, details of which are as follows:

	Six months ended	
	30.9.2008 HK\$'000	30.9.2007 HK\$'000
Associates of the Group:		
Sales of building materials by the Group	–	458
Dividend income earned by the Group	4,733	22,723
Rentals and related building management fee charged by the Group	1,682	1,089
Service fees charged by the Group	782	516
Interest income earned by the Group	16,804	9,496
Interest charged to the Group	–	1,963
Other related companies ( <i>Note</i> ):		
Rentals and related building management fee charged by the Group	–	95
Interest income earned by the Group	<u>1,217</u>	<u>17,565</u>

*Note:* A director of the Company has significant influence over the above other related companies.

#### 4. INDEBTEDNESS

##### (a) Borrowings

As at the close of business on 28 February 2009, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had an aggregate outstanding borrowings of approximately HK\$80.1 million comprising (i) secured bank borrowings of approximately HK\$71.8 million; and (ii) unsecured bank borrowings of approximately HK\$8.3 million.

The secured bank borrowings were secured by certain of the Group's properties with an aggregate carrying amount of approximately HK\$166.4 million as at 28 February 2009.

##### (b) Debt securities

As at the close of business on 28 February 2009, the Group had outstanding Convertible Notes with principal amount of approximately HK\$200 million. The carrying amount of the Convertible Notes on the balance sheet at 28 February 2009 was approximately HK\$196.9 million.

##### (c) Contingent liabilities

As at the close of business on 28 February 2009, the Group had no contingent liabilities, except that on disposal of an associate, the Group had given an indemnity to the purchaser relating to unrecorded taxation liabilities, if any, and the affairs and business of the associate up to the date of disposal.

##### (d) Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, as at the close of business on 28 February 2009, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

#### 5. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present financial resources, the banking facilities presently available and the estimated net proceeds from the Rights Issue, in the absence of unforeseen circumstances, the Group will have sufficient working capital to meet its requirements for the next twelve months from the date of this circular.

#### 6. MATERIAL ADVERSE CHANGE

As set out in the interim report of the Group for the six months ended 30 September 2008, the Group recorded a net loss attributable to the Shareholders after minority interests of approximately HK\$299.74 million for the six months ended 30 September 2008.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2008, being the date to which the latest published audited consolidated financial statements of the Group were made up.

#### 7. BUSINESS REVIEW

##### Review of operations

The principal activities of the Group comprise investment holding, the provision of finance, property investment and treasury investment.

The Group held significant interests, directly and indirectly, in a number of companies listed in Hong Kong, Canada, Singapore, the United States of America ("U.S.A."), Australia and Germany, and other high-potential unlisted investments pursuant to its long-term strategy of exploring potential

investments in an aggressive, but cautious, manner and enhancing a balanced and diversified investment portfolio. The following are the major listed strategic investments held by the Group:

*Listed strategic investments directly held*

Hanny Holdings Limited (“Hanny”)

Hanny is an investment holding company. Hanny is principally engaged in the trading of securities, holding of vessels for sand mining, industrial water supply business, property development and trading, and other strategic investments including investments in (i) a subsidiary whose issued shares are listed on the Australian Securities Exchange; (ii) an associate whose issued shares are traded on the OTC Bulletin Board in the U.S.A.; (iii) associates whose issued shares are listed on the Stock Exchange or the Singapore Exchange Limited; and (iv) long-term convertible notes issued by companies whose issued shares are listed on the Stock Exchange.

PYI Corporation Limited (“PYI”)

Based in Hong Kong, PYI focuses on infrastructure investment in and the operation of bulk cargo ports and logistics facilities in the Yangtze River region in the PRC. It also engages in land and property development in association with port facilities. In addition, PYI provides comprehensive engineering and property-related services through Paul Y. Engineering Group Limited.

ITC Properties Group Limited (“ITC Properties”)

ITC Properties is principally engaged in property development and investment in Macau, the PRC and Hong Kong. ITC Properties is also engaged in golf resort and leisure operations in the PRC, securities investment, and loan financing services.

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

Wing On Travel is principally engaged in the business of providing package tours, travel and other related services with branches in Hong Kong, Macau, the PRC, Canada and the United Kingdom, and hotel operation business including a hotel chain with the “Rosedale” brand in Hong Kong and the PRC.

Burcon NutraScience Corporation (“Burcon”)

Burcon is a research and development company developing a portfolio of composition, application and process patents around its plant protein extraction and purification technology. Burcon, in conjunction with Archer Daniels Midland, is commercialising versatile new canola proteins, Puratein® and Supertein™, with valuable nutritional profiles and each with unique functional properties. Burcon’s Puratein® and Supertein™ are the first canola isolates to have attained GRAS status in the U.S.A.. Burcon’s goal is to develop Puratein® and Supertein™ to participate in the expanding multi-billion dollar protein ingredient market, with potential uses in functional beverages, prepared foods, and nutritional supplements. Burcon has also developed Clarisoy™, a soy protein isolate that is 100% soluble and transparent, even in highly acidic solutions. Burcon expects Clarisoy™ to be a next generation soy protein isolate offering all the benefits of soy protein but with minimal impact on the properties of the beverage to which it is added.

PSC Corporation Ltd (“PSC”)

PSC focuses on two business clusters which are “Consumer Essentials” and “Strategic Investments”. The Consumer Essentials cluster comprises FMCG manufacturing, marketing and brand management, franchise management, health solutions and services, and media education and entertainment. The Strategic Investment cluster generates value and financial asset capabilities by investing in promising enterprises in high growth sectors, including packaging and integrated solutions trading.

*Listed strategic investments indirectly held*

Paul Y. Engineering Group Limited (“Paul Y. Engineering”)

Paul Y. Engineering is an international engineering and property services group, serving Hong Kong, Macau, the PRC and the Middle East. It has three core areas of business: management contracting,

property development management and property investment. Paul Y. Engineering serves a wide spectrum of distinguished clients, including the government and major enterprises.

See Corporation Limited (“See Corp”)

See Corp is principally engaged in the entertainment and media business, which includes film and TV production; music production; event production; artiste and model management; a pay TV operation; and investments in securities.

China Enterprises Limited (“China Enterprises”)

China Enterprises is principally engaged in investment holding, which includes investment in an associate which is principally engaged in manufacturing and trading of tires products in the PRC and other countries; and investment in financial assets.

MRI Holdings Limited (“MRI”)

MRI is an investment company, which has investments in securities and financial assets. MRI continues to identify appropriate, strategic investment opportunities that maximise returns to shareholders, within the clear mandate determined by shareholders of MRI.

Intraco Limited (“Intraco”)

Intraco has developed its business portfolio under five core sectors, which are agri-business and foods; energy and environment; industrial materials; building materials and security solutions; and semiconductors.

Tat Seng Packaging Group Ltd. (“Tat Seng Packaging”)

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

## **8. FINANCIAL AND TRADING PROSPECTS**

The financial tsunami has already had a dampening effect on business activities and consumer sentiment across the globe. Looking ahead, the Group will continue to establish a prudent approach in managing its business and to maintain a sound financial management. The financial tsunami, on the other hand, allows the Group to seek investment opportunities undervalued by the market. The Group’s aggressive, but cautious, investment approach allows the Group to mitigate risks while forging for quality investments at propitious times. With its strong foundation and experience, the Group is confident of its business operations.

### 1. UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) of the Group attributable to the equity holders of the Company has been prepared by the Directors in accordance with Paragraph 4.29 of the Listing Rules to illustrate the effect of the Rights Issue of not less than 538,922,484 but not more than 695,036,396 Reorganised Shares of HK\$0.01 each at HK\$0.20 per Rights Share payable in full upon acceptance on the basis of four Rights Shares for every Reorganised Share held on the consolidated net tangible assets of the Group as if the Rights Issue had been taken place on 30 September 2008.

The Unaudited Pro Forma Financial Information is prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial position of the Group as at the date to which it is made up or at any future date.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited condensed consolidated balance sheet of the Group as at 30 September 2008, extracted from the interim report of the Group for the six months ended 30 September 2008 as set out in Appendix I to this circular, with adjustments described below:

	Consolidated net assets of the Group attributable to the equity holders of the Company as at 30 September 2008 <i>HK\$'000</i> <i>(Note 1)</i>	Adjustment for goodwill and intangible assets <i>HK\$'000</i> <i>(Note 2)</i>	Adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 September 2008 <i>HK\$'000</i>	Conversion of outstanding Convertible Notes <i>HK\$'000</i> <i>(Note 3)</i>	Exercise of Warrants <i>HK\$'000</i> <i>(Note 4)</i>	Exercise of Options <i>HK\$'000</i> <i>(Note 5)</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 6)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company after completion of Rights Issue <i>HK\$'000</i>
Minimum number of Rights Shares	3,170,827	2,007	3,168,820	N/A	N/A	N/A	103,780	3,272,600
Maximum number of Rights Shares	3,170,827	2,007	3,168,820	195,092	77,330	38,962	134,220	3,614,424
								<i>HK\$</i>
Unaudited adjusted consolidated net tangible assets per Reorganised Share attributable to the equity holders of the Company as at 30th September, 2008 immediately after the completion of Capital Reorganisation but before the issue of Rights Shares <i>(Note 7)</i>								<u>23.52</u>
Unaudited pro forma adjusted consolidated net tangible assets per Reorganised Share attributable to the equity holders of the Company immediately after the completion of Rights Issue with 538,922,484 Rights Shares issued <i>(Note 8)</i>								<u>4.86</u>
Unaudited pro forma adjusted consolidated net tangible assets per Reorganised Share attributable to the equity holders of the Company immediately after the Rights Issue assuming full exercise of the conversion or subscription rights attaching to the Convertible Notes, the Warrants (other than the CC Warrants) and the Options (other than the Directors' Options) on or before the Record Date and the completion of Right Issue with 695,036,396 Rights Shares issued <i>(Note 9)</i>								<u>4.16</u>



*Notes:*

- (1) The consolidated net assets of the Group attributable to the equity holders of the Company as at 30 September 2008 is extracted from the published unaudited consolidated financial statements of the Group for the period ended 30 September 2008 as set out in Appendix I to this circular.
- (2) Adjustment for goodwill and intangible assets represent the Group's goodwill included in interests in associates and intangible assets of approximately HK\$1,177,000 and HK\$830,000 respectively.
- (3) There are outstanding Convertible Notes with an aggregate principal amount of HK\$200,000,000 convertible into 16,393,442 Reorganised Shares at the conversion price of HK\$12.2 per Reorganised Share (subject to adjustments).

In respect of the calculation of minimum number of Rights Shares, it is assumed no conversion of Convertible Notes on or before the Record Date. Therefore, the liability component of the Convertible Notes was not adjusted.

In respect of the calculation of maximum number of Rights Shares, it is assumed full conversion of the Convertible Notes on or before the Record Date. Therefore, the carrying amount of liability component of the Convertible Notes amounted to approximately HK\$195,092,000 has been adjusted accordingly.

- (4) There are a total of 538,913,886 Warrants outstanding carrying rights to subscribe for 26,945,694 Reorganised Shares at the subscription price of HK\$4.4 per Reorganised Share (subject to adjustments).

In respect of the calculation of minimum number of Rights Shares, it is assumed that no subscription rights attaching to the Warrants were exercised on or before the Record Date. Therefore, no pro forma adjustment should be provided for the Warrants.

In respect of the calculation of maximum number of Rights Shares, it is assumed that full exercise of the subscription rights attaching to the Warrants (other than the CC Warrants) on or before the Record Date which a total of 17,575,036 Reorganised Shares would fall to be issued. Therefore, the proceeds of approximately HK\$77,330,000 have been adjusted accordingly.

- (5) There are outstanding Options to subscribe for an aggregate of 9,880,000 Reorganised Shares at the subscription price of HK\$7.7 per Reorganised Share (subject to adjustments).

In respect of the calculation of minimum number of Rights Shares, it is assumed that no subscription rights attaching to the Options were exercised on or before the Record Date. Therefore, no pro forma adjustment should be provided for the Options.

In respect of the calculation of maximum number of Rights Shares, it is assumed that full exercise of the subscription rights attaching to the Options (other than the Directors' Options) on or before the Record Date which a total of 5,060,000 Reorganised Shares would fall to be issued. Therefore, the proceeds of approximately HK\$38,962,000 have been adjusted accordingly.

- (6) The estimated net proceeds from the Rights Issue of approximately HK\$103,780,000 are based on the minimum number of 538,922,484 Rights Shares to be issued at the subscription price of HK\$0.20 per Rights Share and after deduction of estimated related expenses, include among others, underwriting commission, financial advisory fee and other professional fees, which are directly attributable to the Rights Issue, of approximately HK\$4,004,000.

The estimated net proceeds from the Rights Issue of approximately HK\$134,220,000 are based on the maximum number of 695,036,396 Rights Shares to be issued at the subscription price of HK\$0.20 per Rights Share and after deduction of estimated related expenses include among others, underwriting commission, financial advisory fee and other professional fees, which are directly attributable to the Rights Issue, of approximately HK\$4,787,000.

- (7) The number of shares used for the calculation of unaudited adjusted consolidated net tangible assets per share attributable to the equity holders of the Company as at 30 September 2008 and prior to completion of the Rights Issue is based on 134,730,621 Reorganised Shares in issue at the date of this circular.
- (8) The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets per share attributable to the equity holders of the Company immediately after completion of the Rights Issue (based on minimum number of Rights Shares to be issued) is calculated based on 673,653,105 Reorganised Shares in issue but has not taken into account the effects of any shares which are to be issued upon full conversion of the Convertible Notes and full exercise of the subscription rights attaching to the Warrants and the Options.
- (9) The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets per share attributable to the equity holders of the Company immediately after completion of the Rights Issue (based on maximum number of Rights Shares to be issued) is calculated based on 868,795,495 Reorganised Shares in issue and has taken into account the effect of full conversion of the Convertible Notes and full exercise of the subscription rights attaching to the Warrants and the Options.

**2. LETTER ON THE UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

*The following is the text of a report received from the auditors of the Company, Deloitte Touche Tohmatsu, in respect of the unaudited pro forma financial information of the Group for the purpose of incorporation in this circular.*

**TO THE DIRECTORS OF ITC CORPORATION LIMITED**

We report on the unaudited pro forma financial information of ITC Corporation Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, for inclusion in Appendix II of the circular issued by the Company dated 9 April 2009 (the "Circular") to provide information about how the proposed rights issue on the basis of four rights shares for every Reorganised Share (as defined in the Circular) held on the Record Date (as defined in the Circular) at the subscription price of HK\$0.20 per rights share might have affected the financial information presented. The basis of preparation of the unaudited pro forma financial information is set out on pages 106 and 107 to the Circular.

**Respective responsibilities of directors of the Company and reporting accountants**

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

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

**Basis of opinion**

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

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

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 30 September 2008 or any future date.

**Opinion**

In our opinion:

- a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29 (1) of Chapter 4 of the Listing Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
9 April 2009

## 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 enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) immediately following the completion of the Rights Issue (assuming no further issue of Reorganised Shares from the Latest Practicable Date to the Record Date); and (ii) immediately following the completion of the Rights Issue (assuming full exercise of the conversion or subscription rights attaching to the Convertible Notes, the Warrants (other than the CC Warrants) and the Options (other than the Directors' Options) on or before the Record Date) were as follows:

**(i) Immediately following the completion of the Rights Issue (assuming no further issue of Reorganised Shares from the Latest Practicable Date to the Record Date)**

<i>Authorised:</i>		<i>HK\$</i>
<u>102,800,000,000</u>	Reorganised Shares of HK\$0.01 each	<u>1,028,000,000.00</u>
<i>Issued and to be issued:</i>		
134,730,621	Reorganised Shares in issue as at the Latest Practicable Date	1,347,306.21
538,922,484	Rights Shares to be allotted and issued under the Rights Issue	5,389,224.84
<u>673,653,105</u>	Reorganised Shares in issue immediately after completion of the Rights Issue	<u>6,736,531.05</u>

**(ii) Immediately following the completion of the Rights Issue (assuming full exercise of the conversion or subscription rights attaching to the Convertible Notes, the Warrants (other than the CC Warrants) and the Options (other than the Directors' Options) on or before the Record Date)**

<i>Authorised:</i>		<i>HK\$</i>
<u>102,800,000,000</u>	Reorganised Shares of HK\$0.01 each	<u>1,028,000,000.00</u>
<i>Issued and to be issued:</i>		
134,730,621	Reorganised Shares in issue as at the Latest Practicable Date	1,347,306.21
17,575,036	Reorganised Shares falling to be allotted and issued upon exercise of the subscription rights attaching to the Warrants (other than the CC Warrants) in full	175,750.36
5,060,000	Reorganised Shares falling to be allotted and issued upon exercise of the subscription rights attaching to the Options (other than the Directors' Options) in full	50,600.00
16,393,442	Reorganised Shares falling to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Notes in full	163,934.42
695,036,396	Rights Shares to be allotted and issued under the Rights Issue	6,950,363.96
<u>868,795,495</u>	Reorganised Shares in issue immediately after completion of the Rights Issue	<u>8,687,954.95</u>

All the Rights Shares to be allotted and issued will, when issued and fully paid, rank pari passu with the Reorganised Shares in issue in all respects. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid after the date of allotment and issue of the fully-paid Rights Shares. The Rights Shares to be issued will be listed on the Stock Exchange.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Reorganised Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there were (i) outstanding Convertible Notes with an aggregate principal amount of HK\$200 million convertible into 16,393,442 Reorganised Shares at the conversion price of HK\$12.2 per Reorganised Share (subject to adjustments); (ii) a total of 538,913,886 Warrants outstanding carrying rights to subscribe for 26,945,694 Reorganised Shares at a subscription price of HK\$4.4 per Reorganised Share (subject to adjustments); and (iii) outstanding Options to subscribe for an aggregate of 9,880,000 Reorganised Shares.

Save for the outstanding Convertible Notes, Warrants and Options as mentioned above, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to convert into or subscribe for Reorganised Shares as at the Latest Practicable Date.

### 3. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

#### (a) Interests and short positions in shares, underlying shares and debentures of ITC

Name of Director	Capacity	Long position/ Short position	No. of Reorganised Shares held	No. of underlying Reorganised Shares held	Approximate % of the issued share capital of ITC (Note 1)
Dr. Chan	Beneficial owner	Long position	31,588,330 (Note 2)	–	4.69%
Dr. Chan	Interest of controlled corporation (Note 2)	Long position	202,678,125 (Note 2)	–	30.08%
Dr. Chan	Interest of controlled corporation	Long position	–	8,107,125 (Note 2)	1.20%
Dr. Chan	Beneficial owner	Long position	–	1,263,533 (Note 2)	0.18%
Chau Mei Wah, Rosanna	Beneficial owner	Long position	–	1,345,000 (Note 3)	0.19%
Chan Kwok Chuen, Augustine	Beneficial owner	Long position	–	600,000 (Note 3)	0.08%
Chan Fut Yan	Beneficial owner	Long position	–	1,250,000 (Note 3)	0.18%
Cheung Hon Kit	Beneficial owner	Long position	–	1,250,000 (Note 3)	0.18%

Name of Director	Capacity	Long position/ Short position	No. of Reorganised Shares held	No. of underlying Reorganised Shares held	Approximate % of the issued share capital of ITC (Note 1)
Chuck, Winston Calptor	Beneficial owner	Long position	–	125,000 (Note 3)	0.01%
Lee Kit Wah	Beneficial owner	Long position	–	125,000 (Note 3)	0.01%
Shek Lai Him, Abraham	Beneficial owner	Long position	–	125,000 (Note 3)	0.01%

*Notes:*

- The percentage of shareholding in the Company is calculated on the assumption that the Rights Issue is completed on the basis that there is no conversion of the Convertible Notes, Warrants and Options on or before the Record Date.
- Galaxyway Investments Limited was a wholly-owned subsidiary of Chinaview International Limited which was, in turn, wholly-owned by Dr. Chan. Dr. Chan was deemed to be interested in 40,535,625 Reorganised Shares and Warrants (listed equity derivatives) with rights to subscribe for 8,107,125 Reorganised Shares at the current subscription price of HK\$4.4 per Reorganised Share (subject to adjustments) held by Galaxyway Investments Limited. Dr. Chan held 6,317,666 Reorganised Shares and Warrants (listed equity derivatives) with rights to subscribe for 1,263,533 Reorganised Shares at the current subscription price of HK\$4.4 per Reorganised Share (subject to adjustments).  
  
Pursuant to the CC Undertaking Letter, Dr. Chan has irrevocably undertaken to accept, or procure the acceptance of the provisional allotment of 187,413,164 Rights Shares under the Rights Issue in full.
- Details of outstanding Options (unlisted equity derivatives) granted to the Directors by ITC as at the Latest Practicable Date were as follows:

Name of holder of Options	Date of grant	Exercisable period*	No. of Options	Exercise price per Reorganised Share (subject to adjustments) HK\$
Chau Mei Wah, Rosanna	28.03.2008	28.03.2008 to 27.03.2011	1,345,000	7.7
Chan Kwok Chuen, Augustine	28.03.2008	28.03.2008 to 27.03.2011	600,000	7.7
Chan Fut Yan	28.03.2008	28.03.2008 to 27.03.2011	1,250,000	7.7
Cheung Hon Kit	28.03.2008	28.03.2008 to 27.03.2011	1,250,000	7.7
Chuck, Winston Calptor	28.03.2008	28.03.2008 to 27.03.2011	125,000	7.7
Lee Kit Wah	28.03.2008	28.03.2008 to 27.03.2011	125,000	7.7
Shek Lai Him, Abraham	28.03.2008	28.03.2008 to 27.03.2011	125,000	7.7

\* These Options were vested on the date of grant.

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

Name of Director	Capacity	Long position/ Short position	No. of shares of Hanny held	No. of underlying shares of Hanny held	Approximate % of the existing issued share capital of Hanny
Dr. Chan	Interest of controlled corporation (Note 1)	Long position	200,122,352 (Note 1)	–	49.90%
Dr. Chan	Interest of controlled corporations (Note 1)	Long position	–	52,024,446 (Note 1)	12.97%
Dr. Chan	Beneficial owner	Long position	1,915,328	–	0.47%
Dr. Chan	Beneficial owner	Long position	–	562,585 (Note 1)	0.14%
Cheung Hon Kit	Beneficial owner	Long position	1	–	0.00%
Shek Lai Him, Abraham	Beneficial owner	Long position	32	–	0.00%
Shek Lai Him, Abraham	Beneficial owner	Long position	–	4 (Note 2)	0.00%

*Notes:*

- 200,122,352 shares of Hanny were held by an indirect wholly-owned subsidiary of ITC. ITC, through its indirect wholly-owned subsidiaries, also held the convertible notes of Hanny (unlisted equity derivatives) with an aggregate principal amount of HK\$189,959,670. Upon full conversion of such convertible notes at a conversion price of HK\$15.83 per share of Hanny (subject to adjustments), 11,999,977 shares of Hanny would be issued to the indirect wholly-owned subsidiaries of ITC. ITC, through its indirect wholly-owned subsidiary, were also interested in warrants (listed equity derivatives) with rights to subscribe for 40,024,469 shares of Hanny at an initial subscription price of HK\$0.63 per share of Hanny (subject to adjustments).

By virtue of his direct and deemed interests in approximately 34.78% of the existing issued share capital of ITC, Dr. Chan was deemed to be interested in these shares and underlying shares of Hanny held by the indirect wholly-owned subsidiaries of ITC.

Dr. Chan owned the convertible notes of Hanny (unlisted equity derivatives) in the principal amount of HK\$2,841,810. Upon full conversion of such convertible notes at a conversion price of HK\$15.83 per share of Hanny (subject to adjustments), 179,520 shares of Hanny would be issued to Dr. Chan. Dr. Chan also held warrants (listed equity derivatives) with rights to subscribe for 383,065 shares of Hanny at an initial subscription price of HK\$0.63 per share of Hanny (subject to adjustments).

- Mr. Shek Lai Him, Abraham held warrants (listed equity derivatives) with rights to subscribe for 4 shares of Hanny at an initial subscription price of HK\$0.63 per share of Hanny (subject to adjustments).

(ii) *PYI Corporation Limited (“PYI”)*

Name of Director	Capacity	Long position/ Short position	No. of shares of PYI held	No. of underlying shares of PYI held	Approximate % of the existing issued share capital of PYI
Dr. Chan	Interest of controlled corporation ( <i>Note 1</i> )	Long position	404,512,565	–	26.81%
Dr. Chan	Interest of controlled corporation ( <i>Note 1</i> )	Long position	–	67,418,760 ( <i>Note 2</i> )	4.46%
Dr. Chan	Beneficial owner	Long position	11,978,677	–	0.79%
Dr. Chan	Beneficial owner	Long position	–	1,996,446 ( <i>Note 2</i> )	0.13%
Chau Mei Wah, Rosanna	Beneficial owner	Long position	–	1,493,333 ( <i>Note 3</i> )	0.09%
Chan Fut Yan	Beneficial owner	Long position	–	2,916,667 ( <i>Note 3</i> )	0.19%
Cheung Hon Kit	Beneficial owner	Long position	400	–	0.00%
Cheung Hon Kit	Beneficial owner	Long position	–	66 ( <i>Note 2</i> )	0.00%
Shek Lai Him, Abraham	Beneficial owner	Long position	2,000	–	0.00%
Shek Lai Him, Abraham	Beneficial owner	Long position	–	333 ( <i>Note 2</i> )	0.00%

*Notes:*

- The shares and underlying shares of PYI were held by an indirect wholly-owned subsidiary of ITC. By virtue of his direct and deemed interests in approximately 34.78% of the existing issued share capital of ITC, Dr. Chan was deemed to be interested in these shares and underlying shares of PYI held by an indirect wholly-owned subsidiary of ITC.
- An indirect wholly-owned subsidiary of ITC, Dr. Chan, Mr. Cheung Hon Kit and Mr. Shek Lai Him, Abraham held warrants (listed equity derivatives) with rights to subscribe for 67,418,760 shares of PYI, 1,996,446 shares of PYI, 66 shares of PYI and 333 shares of PYI respectively at an initial subscription price of HK\$1.0 per share of PYI (subject to adjustments).
- Ms. Chau Mei Wah, Rosanna and Mr. Chan Fut Yan held share options (unlisted equity derivatives) (which were granted on 28 December 2004) with rights to subscribe for 1,493,333 shares of PYI and 2,916,667 shares of PYI respectively at HK\$1.2857 per share of PYI (subject to adjustments) during the period from 28 December 2004 to 26 August 2012. These share options were vested on the date of grant.



(iii) *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	349,389	–	1.34%
Chau Mei Wah, Rosanna	Beneficial owner	Long position	–	68,500	0.26%

(iv) *ITC Properties Group Limited (“ITC Properties”)*

Name of Director	Capacity	Long position/ Short position	No. of shares of ITC Properties held	No. of underlying shares of ITC Properties held	Approximate % of the existing issued share capital of ITC Properties
Dr. Chan	Interest of controlled corporations (Note 1)	Long position	112,996,163	–	23.99%
Dr. Chan	Interest of controlled corporations (Note 1)	Long position	–	113,139,327 (Note 1)	24.02%
Dr. Chan	Beneficial owner	Long position	6,066,400	–	1.28%
Dr. Chan	Beneficial owner	Long position	–	761,920 (Note 1)	0.16%
Chau Mei Wah, Rosanna	Beneficial owner	Long position	3,200,000	–	0.67%
Chau Mei Wah, Rosanna	Beneficial owner	Long position	–	1,043,653 (Notes 2 & 3)	0.22%
Chan Fut Yan	Beneficial owner	Long position	–	444,080 (Note 2)	0.09%
Cheung Hon Kit	Beneficial owner	Long position	7,563,000	–	1.60%
Cheung Hon Kit	Beneficial owner	Long position	–	2,073,280 (Notes 2 & 3)	0.44%

*Notes:*

1. 36,593,400 shares of ITC Properties were held by an indirect wholly-owned subsidiary of ITC. 76,402,763 shares of ITC Properties were held by an indirect wholly-owned subsidiary of Hanny. An indirect wholly-owned subsidiary of ITC held a convertible note (unlisted equity derivative) of ITC Properties in the principal amount of HK\$30,000,000 at a conversion price of HK\$9.025 per share of ITC Properties (subject to adjustments). Upon full conversion of such convertible note, 3,324,099 shares of ITC Properties would be issued to such indirect wholly-owned subsidiary of ITC. An indirect wholly-owned subsidiary of Hanny owned convertible notes (unlisted equity derivatives) of ITC Properties in the principal amounts of HK\$330,000,000 and HK\$270,000,000 at conversion prices of HK\$5.675 and HK\$9.025 per share of ITC Properties (subject to adjustments), respectively. Upon full conversion of such convertible notes, 58,149,779 and 29,916,897 shares of ITC Properties would be issued to such indirect wholly-owned subsidiary of Hanny. An indirect wholly-owned subsidiary of ITC held warrants (listed equity derivatives) with rights to subscribe for 6,468,000 shares of ITC Properties at the subscription price of HK\$2.625 per share of ITC Properties (subject to adjustments). An indirect wholly-owned subsidiary of Hanny held warrants (listed equity derivatives) with rights to subscribe for 15,280,552 shares of ITC Properties at the subscription price of HK\$2.625 per share of ITC Properties (subject to adjustments). An indirect wholly-owned subsidiary of ITC owned approximately 49.90% of the existing issued share capital of Hanny and Dr. Chan directly held approximately 0.47% of the existing issued share capital of Hanny. By virtue of his direct and deemed interests in approximately 34.78% of the existing issued share capital of ITC, Dr. Chan was deemed to be interested in these shares and underlying shares of ITC Properties held by the subsidiaries of Hanny and ITC.

Dr. Chan held warrants (listed equity derivatives) with rights to subscribe for 761,920 shares of ITC Properties at the subscription price of HK\$2.625 per share of ITC Properties (subject to adjustments).

2. Details of outstanding share options (unlisted equity derivatives) granted to the Directors by ITC Properties as at the Latest Practicable Date were as follows:

Name of optionholder	Date of grant	Exercisable period*	No. of share options	Exercise price per share of ITC Properties (subject to adjustments) HK\$
Chau Mei Wah, Rosanna	27.07.2007	27.07.2007 to 26.07.2011	190,320	10.55
Chan Fut Yan	27.07.2007	27.07.2007 to 26.07.2011	444,080	10.55
Cheung Hon Kit	27.07.2007	27.07.2007 to 26.07.2011	761,280	10.55

\* In relation to the grant of share options on 27 July 2007 subject to the terms and conditions of the share option scheme of ITC Properties adopted on 26 August 2002, the share options shall be exercisable at any time during the option period and subject further to a maximum of 50% of the share options shall be exercisable during the period commencing from 27 July 2008 to 26 July 2009, with the balance of the share options not yet exercised may be exercised during the period commencing from 27 July 2009 to 26 July 2011.

3. Ms. Chau Mei Wah, Rosanna and Mr. Cheung Hon Kit held warrants (listed equity derivatives) with rights to subscribe for 853,333 shares of ITC Properties and 1,312,000 shares of ITC Properties respectively at the subscription price of HK\$2.625 per share of ITC Properties (subject to adjustments).

As at the Latest Practicable Date, Hanny, PYI, Burcon and ITC Properties were associated corporations of ITC within the meaning of Part XV of the SFO.

Dr. Chan was, by virtue of his direct and deemed interests in approximately 34.78% of the existing issued 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 executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

#### 4. INTERESTS 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 any Director or chief executive of the Company, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions 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.

##### (a) Interests and short positions of substantial Shareholders in the shares and underlying shares of ITC

Name	Capacity	Long position/ Short position	No. of Reorganised Shares held	No. of underlying Reorganised Shares (listed equity derivatives) held	Approximate % of the issued share capital of ITC
Dr. Chan	Beneficial owner	Long position	31,588,330 (Note 1)	–	4.68% (Note 2)
Dr. Chan	Beneficial owner	Long position	–	1,263,533 (Note 1)	0.18% (Note 2)
Dr. Chan	Interest of controlled corporation (Note 1)	Long position	202,678,125 (Note 1)	–	30.08% (Note 2)
Dr. Chan	Interest of controlled corporation (Note 1)	Long position	–	8,107,125 (Note 1)	1.20% (Note 2)
Chinaview International Limited	Interest of controlled corporation (Note 1)	Long position	202,678,125 (Note 1)	–	30.08% (Note 2)
Chinaview International Limited	Interest of controlled corporation (Note 1)	Long position	–	8,107,125 (Note 1)	1.20% (Note 2)
Galaxyway Investments Limited	Beneficial owner	Long position	202,678,125 (Note 1)	–	30.08% (Note 2)
Galaxyway Investments Limited	Beneficial owner	Long position	–	8,107,125 (Note 1)	1.20% (Note 2)

Name	Capacity	Long position/ Short position	No. of Reorganised Shares held	No. of underlying Reorganised Shares (listed equity derivatives) held	Approximate % of the issued share capital of ITC
Ng Yuen Lan, Macy	Interest of spouse (Note 1)	Long position	234,266,455	–	34.78% (Note 2)
Ng Yuen Lan, Macy	Interest of spouse (Note 1)	Long position	–	9,370,658 (Note 1)	1.39% (Note 2)
Get Nice Holdings Limited	Interest of controlled corporation (Note 3)	Long position	507,623,232 (Note 3)	–	58.43% (Note 4)
Get Nice Incorporated	Interest of controlled corporation (Note 3)	Long position	507,623,232 (Note 3)	–	58.43% (Note 4)
Underwriter	Beneficial owner	Long position	507,623,232 (Note 3)	–	58.43% (Note 4)

## Notes:

- Galaxyway Investments Limited was a wholly-owned subsidiary of Chinaview International Limited which was, 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 202,678,125 Reorganised Shares and Warrants (listed equity derivatives) with rights to subscribe for 8,107,125 Reorganised Shares at the current subscription price of HK\$4.4 per Reorganised Share (subject to adjustments) interested by Galaxyway Investments Limited. Dr. Chan personally interested in 31,588,330 Reorganised Shares and Warrants (listed equity derivatives) with rights to subscribe for 1,263,533 Reorganised Shares at the current subscription price of HK\$4.4 per Reorganised Share (subject to adjustments). Ms. Ng Yuen Lan, Macy was deemed to be interested in the Reorganised Shares and Warrants held by Dr. Chan. The above interests in Reorganised Shares have been taking into account as the interests of Dr. Chan under the CC Undertaking Letter.
- The percentage of shareholding in the Company is calculated on the assumption that the Rights Issue is completed on the basis that there is no conversion of the Convertible Notes, Warrants and Options on or before the Record Date.
- These are the Rights Shares which the Underwriter has underwritten pursuant to the Underwriting Agreement (assuming all rights attaching to the exercise of the Convertible Notes, Warrants (other than the CC Warrants) and Options (other than the Directors' Options) are exercised in full on or before the Record Date). The Underwriter is wholly-owned by Get Nice Incorporated which in turn is wholly-owned by Get Nice Holdings Limited.
- The percentage of shareholding in the Company is calculated on the assumption that the Rights Issue is completed on the basis that all rights attaching to the Convertible Notes, the Warrants (other than the CC Warrants) and the Options (other than the Directors' Options) are exercised in full on or before the Record Date).

## (b) Interests and short positions of other persons in the shares and underlying shares of ITC

Name	Capacity	Long position/ Short position	No. of Reorganised Shares held (Note 1)	Approximate % of the issued share capital of ITC (Note 2)
Paul G. Desmarais	Interest of controlled corporations (Note 1)	Long position	46,572,020	6.91%
Nordex Inc.	Interest of controlled corporations (Note 1)	Long position	46,572,020	6.91%
Gelco Enterprises Ltee	Interest of controlled corporations (Note 1)	Long position	46,572,020	6.91%
Power Corporation of Canada	Interest of controlled corporations (Note 1)	Long position	46,572,020	6.91%
2795957 Canada Inc.	Interest of controlled corporations (Note 1)	Long position	46,572,020	6.91%
171263 Canada Inc.	Interest of controlled corporations (Note 1)	Long position	46,572,020	6.91%
Power Financial Corporation	Interest of controlled corporations (Note 1)	Long position	46,572,020	6.91%
IGM Financial Inc.	Interest of controlled corporations (Note 1)	Long position	46,572,020	6.91%
Mackenzie Inc.	Interest of controlled corporations (Note 1)	Long position	46,572,020	6.91%
Mackenzie Financial Corporation	Interest of controlled corporations (Note 1)	Long position	46,572,020	6.91%

*Notes:*

- So far as known to the Directors, Mackenzie Cundill Investment Mgmt. (Bermuda) Ltd. was interested in 51,228,086 Shares. Mackenzie Cundill Investment Mgmt. (Bermuda) Ltd. was a wholly-owned subsidiary of Mackenzie (Rockies) Corp., which in turn was a wholly-owned subsidiary of Mackenzie Financial Corporation. Mackenzie Cundill Investment Management Ltd., a wholly-owned subsidiary of Mackenzie Financial Corporation, was deemed to be interested in 135,060,000 Shares held by Mackenzie Financial Capital Corporation. Mackenzie Financial Capital Corporation was a wholly-owned subsidiary of Mackenzie Financial Corporation. Mackenzie Financial Corporation was a wholly-owned subsidiary of Mackenzie Inc. which was, in turn, a wholly-owned subsidiary of IGM Financial Inc. of which Power Financial Corporation held approximately 55.99% shareholding interests. 171263 Canada Inc., a wholly-owned subsidiary of 2795957 Canada Inc., owned approximately 66.40% shareholding interests in Power Financial Corporation. 2795957 Canada Inc. was a wholly-owned subsidiary of Power Corporation of Canada of which Gelco Enterprises Ltee owned approximately 54.18% voting shareholding interests. Nordex Inc., a company which was owned as to 68.00% by Mr. Paul G. Desmarais, owned approximately 94.95% shareholding interests in Gelco Enterprises Ltee.

By virtue of the SFO, each of Mr. Paul G. Desmarais, Nordex Inc., Gelco Enterprises Ltee, Power Corporation of Canada, 2795957 Canada Inc., 171263 Canada Inc., Power Financial Corporation, IGM Financial Inc., Mackenzie Inc., Mackenzie Financial Corporation and Mackenzie Cundill Investment Management Ltd. was deemed to be interested in the Shares in which Mackenzie Cundill Investment Mgmt. (Bermuda) Ltd. and Mackenzie Financial Capital Corporation were interested.

The shareholding in the Company was calculated on the assumption that the entitlements of the Rights Shares have been fully accepted by these corporations on the Record Date.

- The percentage of shareholding in the Company is calculated on the assumption that the Rights Issue is completed on the basis that there is no conversion of the Convertible Notes, Warrants and Options on or before the Record Date.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, no person had interests or short positions in the shares or underlying shares of the Company 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 any options in respect of such capital.

#### 5. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

- (i) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired, disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to any member of the Group, since 31 March 2008, the date to which the latest published audited financial statements of the Group were made up.
- (ii) There is no contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group as a whole.

#### 6. EXPERTS

The following is the qualifications of the experts who have given opinions or advice, which are contained in this circular:

Name	Qualification
Menlo Capital	a corporation licensed to carry on business in type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants

As at the Latest Practicable Date, none of the above experts had direct or indirect shareholdings in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interests, directly or indirectly, in any assets which have been acquired, disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to the Company or any of their respective subsidiaries, respectively, since 31 March 2008, the date to which the latest published audited financial statements of the Group were made up.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its reports or letters and references to its name in the form and context in which they respectively appear.

#### 7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any other member of the Group (excluding contracts expiring or which may be terminated by the Company within a year without payment of any compensation (other than statutory compensation)).

#### 8. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, no member of the Group was engaged in any litigation, arbitration or claim of material importance and there was no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

#### 9. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this circular and are or may be material:

- (i) the placing and subscription agreement dated 11 April 2007 entered into between ITC, Hanny and Taifook Securities Company Limited ("Taifook Securities") pursuant to which Taifook Securities, as placing agent of ITC, agreed to place, on a fully-underwritten basis, 43,500,000 shares of Hanny at the price of HK\$3.40 per share on behalf of ITC and ITC agreed to subscribe for 43,500,000 new shares of Hanny at the price of HK\$3.40 per share;

- (ii) the contract note for disposal by Famex Investment Limited of 21,000,000 shares of Hanny at the price of HK\$5.00 per share on 9 May 2007;
- (iii) the placing and subscription agreement dated 12 June 2007 entered into between ITC, Trasy Gold Ex Limited (“Trasy”) and Taifook Securities pursuant to which Taifook Securities, as placing agent of ITC, agreed to place, on a fully-underwritten basis, 550,000,000 shares of Trasy at the price of HK\$0.20 per share on behalf of ITC and ITC agreed to subscribe for 550,000,000 new shares of Trasy at the price of HK\$0.20 per share;
- (iv) the placing and subscription agreement dated 16 June 2007 entered into between Dr. Chan, ITC and Kingston Securities Limited (“Kingston Securities”) pursuant to which Kingston Securities, as placing agent of Dr. Chan, agreed to place, on a fully-underwritten basis, 300,000,000 Shares at the price of HK\$0.74 per Share and Dr. Chan agreed to subscribe for 300,000,000 new Shares at the price of HK\$0.74 per Share;
- (v) the conditional subscription agreement dated 28 June 2007 entered into between ITC and Trasy in relation to the subscription of up to 340,000,000 new shares of Trasy at the price of HK\$0.205 per share. On 23 August 2007, Trasy and ITC entered into a termination agreement to terminate the conditional subscription agreement;
- (vi) the conditional subscription agreement dated 29 June 2007 (as supplemented by a letter dated 23 August 2007) entered into between ITC and Trasy in relation to the subscription of 4% convertible notes of Trasy in the principal amount of HK\$50,000,000 (subject to any increase of an amount up to the additional amount as mentioned therein), which agreement was lapsed on 31 October 2007;
- (vii) the sale and purchase agreement dated 9 August 2007 entered into between Famex Investment Limited and Mr. Hung Hon Man in relation to the conditional acquisition of the convertible bonds of Hanny in an aggregate principal amount of HK\$88,217,520 at a consideration of HK\$69,691,840 in cash;
- (viii) the conditional subscription agreement dated 24 August 2007 entered into between ITC and Hanny in relation to the subscription of up to 499,000,000 new shares of Hanny at the price of HK\$0.35 per share. The subscription price was adjusted to HK\$0.29 per share by the supplemental agreement dated 10 September 2007 entered into between ITC and Hanny;
- (ix) the placing and subscription agreement dated 27 August 2007 entered into between Golden Hall Holdings Limited (“Golden Hall”), an indirect wholly-owned subsidiary of ITC, Trasy and Kingston Securities pursuant to which Kingston Securities, as placing agent of Golden Hall, agreed to place, on a fully-underwritten basis, 330,000,000 shares of Trasy at the price of HK\$0.19 per share on behalf of Golden Hall and Golden Hall agreed to subscribe for 330,000,000 new shares of Trasy at the price of HK\$0.19 per share;
- (x) the placing agreement dated 5 September 2007 entered into between ITC and Taifook Securities pursuant to which Taifook Securities, as a placing agent of ITC, agreed to place, on a best effort basis, the Convertible Notes up to a maximum aggregate principal amount of HK\$200,000,000 at an initial conversion price of HK\$0.75 per Share, which was adjusted to HK\$12.2 per Reorganised Share as a result of the Capital Reorganisation;
- (xi) the placing and subscription agreement dated 12 September 2007 entered into between Golden Hall, Trasy and Kingston Securities pursuant to which Kingston Securities, as placing agent of Golden Hall, agreed to place, on a fully-underwritten basis, 335,000,000 shares of Trasy at the price of HK\$0.162 per share on behalf of Golden Hall and Golden Hall agreed to subscribe for 335,000,000 new shares of Trasy at the price of HK\$0.162 per share;
- (xii) the contract note for disposal by Golden Hall of 1,197,451,139 shares of Trasy at the price of HK\$0.10 per share on 28 September 2007;
- (xiii) the contract notes for acquisitions by Great Intelligence Holdings Limited and Selective Choice Investments Limited, both the indirect wholly-owned subsidiaries of ITC, of an aggregate of 200,125,000 shares of ITC Properties at an aggregate consideration of approximately HK\$85.0 million during the period from 16 October 2007 to 18 January 2008;
- (xiv) the contract notes for acquisitions by Asia Will Limited, an indirect wholly-owned subsidiary of ITC, of an aggregate of 257,646,000 shares of Wing On Travel (Holdings) Limited (“Wing On Travel”) at an aggregate consideration of approximately HK\$104.6 million during the period from 15 November 2007 to 18 January 2008;



- (xv) the sale and purchase agreement dated 1 April 2008 entered into between United Sun Investments Limited (“United Sun”), Onstart Profits Limited, The Bank of East Asia, Limited, ITC and Mr. Cheung Shu Wan in relation to the sale of 1 ordinary share of Central Town Limited (“Central Town”), representing 50% of the issued share capital of Central Town, and the assignment of the shareholder’s loan owing by Central Town to United Sun, the then indirect wholly-owned subsidiary of ITC, at a total consideration of HK\$145,000,000;
- (xvi) the irrevocable undertaking dated 15 May 2008 executed by ITC under which ITC had irrevocably undertaken, among other things, to accept or procure the acceptance of the provisional allotment of 1,035,384,000 rights shares (with bonus warrants) to ITC and/or its subsidiary(ies) at the subscription price of HK\$0.06 per rights share pursuant to the rights issue of Wing On Travel;
- (xvii) the irrevocable undertaking dated 9 September 2008 executed by ITC under which ITC had irrevocably undertaken, among other things, to accept or procure the acceptance of the provisional allotment of 200,122,352 rights shares (with bonus warrants) to ITC and/or its subsidiary(ies) at the subscription price of HK\$0.50 per rights share pursuant to the rights issue of Hanny. On 3 November 2008, the undertakings given by ITC were automatically lapsed as the rights issue of Hanny was not proceeded;
- (xviii) the irrevocable undertaking dated 6 January 2009 executed by ITC under which ITC had irrevocably undertaken, among other things, to subscribe, or procure the subscription, for 150,091,764 offer shares (with warrants) to ITC and/or its subsidiary(ies) at the subscription price of HK\$0.35 per offer share pursuant to the open offer of Hanny; and
- (xix) the Underwriting Agreement.

## 10. CORPORATE INFORMATION

Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head office and principal place of business in Hong Kong	30th Floor Bank of America Tower 12 Harcourt Road Central, Hong Kong
Authorised representatives	Ms. Chau Mei Wah, Rosanna Mr. Lee Hon Chiu Ms. Kam Suet Fan ( <i>Alternate to Mr. Lee Hon Chiu</i> ) 30th Floor Bank of America Tower 12 Harcourt Road Central, Hong Kong
Company secretary	Mr. Lee Hon Chiu, <i>CPA, FCCA</i> 30th Floor Bank of America Tower 12 Harcourt Road Central, Hong Kong
Financial adviser to the Company	Get Nice Capital Limited 10th Floor, Cosco Tower Grand Millennium Plaza 183 Queen’s Road Central Hong Kong
Independent financial adviser to the Independent Board Committee and the Independent Shareholders	Menlo Capital Limited 17/F Asia Standard Tower 59-65 Queen’s Road Central Hong Kong



Principal share registrar and transfer office	Butterfield Fulcrum Group (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke HM 08 Bermuda
Hong Kong branch share registrar and transfer office and warrant registrar	Tricor Secretaries Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Underwriter	Get Nice Securities Limited 10th Floor, Cosco Tower Grand Millennium Plaza 183 Queen's Road Central Hong Kong
Legal advisers to the Company	<i>As to Hong Kong law</i> Iu, Lai & Li Solicitors 20th Floor, Gloucester Tower The Landmark 11 Pedder Street, Central Hong Kong  <i>As to Bermuda law</i> Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Hong Kong
Auditors	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 35/F, One Pacific Place 88 Queensway Hong Kong
Principal bankers	Bank of China (Hong Kong) Limited 52/F, Bank of China Tower 1 Garden Road, Central Hong Kong  The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong  The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Hong Kong  HSBC Bank Canada 885 West Georgia Street Vancouver, BC Canada V6C 3G1  Wing Hang Bank, Limited 161 Queen's Road Central Hong Kong

**DIRECTORS****Particulars of Directors**

Name	Correspondence Address
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**Executive Directors**

Dr. Chan Kwok Keung, Charles	30th Floor Bank of America Tower 12 Harcourt Road Central, Hong Kong
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Ms. Chau Mei Wah, Rosanna	30th Floor Bank of America Tower 12 Harcourt Road Central, Hong Kong
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Mr. Chan Kwok Chuen, Augustine	30th Floor Bank of America Tower 12 Harcourt Road Central, Hong Kong
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Mr. Chan Fut Yan	30th Floor Bank of America Tower 12 Harcourt Road Central, Hong Kong
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Mr. Cheung Hon Kit	30th Floor Bank of America Tower 12 Harcourt Road Central, Hong Kong
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Mr. Chan Yiu Lun, Alan	30th Floor Bank of America Tower 12 Harcourt Road Central, Hong Kong
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**Independent non-executive Directors**

Mr. Chuck, Winston Calptor	30th Floor Bank of America Tower 12 Harcourt Road Central, Hong Kong
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Mr. Lee Kit Wah	30th Floor Bank of America Tower 12 Harcourt Road Central, Hong Kong
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Hon. Shek Lai Him, Abraham, <i>SBS, JP</i>	30th Floor Bank of America Tower 12 Harcourt Road Central, Hong Kong
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**Executive Directors:**

**Dr. Chan Kwok Keung, Charles**, aged 54, is the Chairman of the Company. Dr. Chan holds an honorary degree of Doctor of Laws and a bachelor's degree in civil engineering and has over 28 years' international corporate management experience in the construction and property sectors as well as in strategic investments. He joined the Group in February 1997 and is responsible for its strategic planning. Dr. Chan is a non-executive director of PYI (498.HK), was the chairman of Hanny (275.HK) until September 2008 and was the chairman and chief executive officer of China Strategic Holdings Limited (235.HK) ("China Strategic") until June 2006, all of which are companies whose issued shares are listed on the Stock Exchange. Dr. Chan is the elder brother of Mr. Chan Kwok Chuen, Augustine, an executive Director, and also the father of Mr. Chan Yiu Lun, Alan, an executive Director.

**Chau Mei Wah, Rosanna**, aged 54, is the Deputy Chairman and Managing Director of the Company, a member of the Remuneration Committee of the Company and a director of various subsidiaries of the Company. Ms. Chau has over 28 years' experience in international corporate management and finance. She holds a bachelor's degree and a master's degree in commerce and is a fellow member of the Hong Kong Institute of Certified Public Accountants and the CPA Australia and a member of the Certified General Accountants' Association of Canada. She joined the Group in February 1997 and is responsible for its operations and business development. Ms. Chau is a director of Burcon, whose issued shares are listed on the TSX Venture Exchange (Stock Code: BU) and Frankfurt Stock Exchange (Stock Code: WKN 157793). She was an executive director of China Strategic until June 2006.

**Chan Kwok Chuen, Augustine**, aged 49, joined the Company as an executive Director in November 1997 and is also a director of various subsidiaries of the Company. Mr. Chan holds a diploma in arts and has over 25 years' experience in trading business in the PRC. He is an executive director of Hanny. He was an alternate director to Dr. Chan of China Strategic until June 2006. Mr. Chan is the younger brother of Dr. Chan and also the uncle of Mr. Chan Yiu Lun, Alan, an executive Director.

**Chan Fut Yan**, aged 55, joined the Company as an executive Director in December 1997 and is also a director of various subsidiaries of the Company. Mr. Chan has over 35 years' experience in the local construction field specialising in site supervision, planning of works and progress monitoring. Mr. Chan is the managing director of ITC Properties (0199.HK), whose issued shares are listed on the Stock Exchange.

**Cheung Hon Kit**, aged 55, joined the Company as an independent non-executive Director in December 1999 and was appointed as an executive Director in September 2001. Mr. Cheung graduated from the University of London with a bachelor of arts degree. He has over 31 years' experience in real estate development, property investment and corporate finance. He has worked in key executive positions in various leading property development companies in Hong Kong. Mr. Cheung is the chairman of ITC Properties, the managing director of Wing On Travel (1189.HK) and an independent non-executive director of International Entertainment Corporation (8118.HK) and Future Bright Holdings Limited (703.HK), all of which are companies whose issued shares are listed on the Stock Exchange. Mr. Cheung was an independent non-executive director of Towngas China Company Limited (1083.HK), whose issued shares are listed on the Stock Exchange, until May 2007.

**Chan Yiu Lun, Alan**, aged 25, joined the Company as an executive Director in March 2009. Mr. Chan graduated from Trinity College of Arts and Sciences of Duke University, USA, with a Bachelor of Arts Degree. He previously worked in The Goldman Sachs Group, Inc. Mr. Chan is the son of Dr. Chan and also the nephew of Mr. Chan Kwok Chuen, Augustine, an executive Director.

#### **Independent non-executive Directors:**

**Chuck, Winston Calptor**, aged 53, joined the Company as an independent non-executive Director in November 2001. He is also the chairman of the Remuneration Committee and a member of the Audit Committee of the Company. Mr. Chuck graduated from the University of Western Ontario, Canada, with a bachelor of arts degree. He is a practising solicitor in Hong Kong and has over 26 years' experience in the legal fields. Mr. Chuck is also an independent non-executive director of Starlight International Holdings Limited (485.HK), whose issued shares are listed on the Stock Exchange.

**Lee Kit Wah**, aged 53, joined the Company as an independent non-executive Director in July 2004. He is also the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Lee graduated from University of Toronto with a bachelor's degree in commerce. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong. He is a member of the Institute of Chartered Accountant in England and Wales. He has been practising as a certified public accountant in Hong Kong since 1988 and is the managing director of an accounting firm. Mr. Lee is also an independent non-executive director of SinoCom Software Group Limited (299.HK), whose issued shares are listed on the Stock Exchange. He was an independent non-executive director of Overseas Chinese Town (Asia) Holdings Limited (formerly known as Huali Holdings (Group) Limited) (3366.HK), whose issued shares are listed on the Stock Exchange, until April 2007.

**Hon. Shek Lai Him, Abraham**, *SBS, JP*, aged 63, joined the Company as an independent non-executive Director in June 2006 and is also a member of the Audit Committee of the Company. Mr. Shek graduated from the University of Sydney, Australia with a Bachelor of Arts. Mr. Shek is a member of the Legislative Council for Hong Kong representing real estate and construction functional constituency since 2000. Currently, Mr. Shek is a member of the Council of The Hong Kong University of Science & Technology and a member of the Court of The University of Hong Kong. He is a director of The Hong Kong Mortgage Corporation Limited and the Vice Chairman of Independent Police Complainants Council. Mr. Shek was appointed as a Justice of the Peace in 1995 and awarded Silver Bauhinia Star in 2007. Mr. Shek is also an independent non-executive director of NWS Holdings Limited (659.HK), Midas International Holdings Limited (1172.HK), Paliburg Holdings Limited (617.HK), Lifestyle International Holdings Limited (1212.HK), Chuang's Consortium International Limited (367.HK), Titan Petrochemicals Group Limited (1192.HK), Country Garden Holdings Company Limited (2007.HK), MTR Corporation Limited (66.HK), Hsin Chong Construction Group Ltd. (404.HK), Chuang's China Investments Limited (298.HK), Hop Hing Group Holdings Limited (47.HK) and SJM Holdings Limited (880.HK), all of which are companies whose issued shares are listed on the Stock Exchange. Mr. Shek is also an independent non-executive director of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust (2778.HK). He is also an independent non-executive director of Regal Portfolio Management Limited, the manager of Regal Real Estate Investment Trust (1881.HK). Mr. Shek was an independent non-executive director of See Corporation Limited, whose issued shares were listed on the Stock Exchange, until September 2008, and an independent non-executive director of Hop Hing Holdings Limited (47.HK), whose issued shares were listed on the Stock Exchange until April 2008.

#### 11. MISCELLANEOUS

The English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts in case of inconsistencies.

#### 12. EXPENSES

The expenses in connection with the Rights Issue, including the underwriting commission, financial advisory fees, printing, registration, translation, legal and accounting fees, are estimated to be approximately HK\$4.00 million on the basis of 538,922,484 Rights Shares to be issued or HK\$4.79 million on the basis of 695,036,396 Rights Shares to be issued, and will be payable by the Company.

#### 13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (except Saturday and public holidays) at the office of Iu, Lai & Li, Solicitors at 20th Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association of the Company and the Bye-laws;
- (b) the annual reports of the Company for the three financial years ended 31 March 2006, 31 March 2007 and 31 March 2008 and the interim report of the Company for the six months ended 30 September 2008;
- (c) circulars issued by the Company dated 22 April 2008, 3 June 2008 and 29 September 2008 respectively;
- (d) the letter of advice from Menlo Capital, the text of which is set out on pages 20 to 28 of this circular;
- (e) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 19 of this circular;
- (f) the letter on the unaudited pro forma financial information of the Group issued by Deloitte Touche Tohmatsu set out in appendix II to this circular;
- (g) the material contracts disclosed in the paragraph headed "Material contracts" in this appendix; and
- (h) the written consents referred to in the paragraph headed "Experts" in this appendix.

Set out below is a summary of certain provisions of the existing memorandum of association of the Company (the “Memorandum of Association”) and Bye-laws and of certain aspects of Bermuda company law.

## **1. MEMORANDUM OF ASSOCIATION**

The Memorandum of Association states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the Company is an exempted company as defined in the Companies Act. The Memorandum of Association also sets out the objects for which the Company was formed, including to act and to perform all the functions of a holding company. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Memorandum of Association empowers the Company to purchase its own shares and pursuant to its Bye-laws, this power is exercisable by the board upon such terms and subject to such conditions as it thinks fit.

## **2. BYE-LAWS**

The following is a summary of certain provisions of the Bye-laws:

### **(a) Directors**

#### **(i) Power to allot and issue shares and warrants**

Without prejudice to any special rights or restrictions for the time being attaching to any shares or class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital, or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine) and any preference share may, subject to the Companies Act and with the sanction of a special resolution, be issued on term that it is liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of the Company or, if so authorised by the Memorandum of Association, at the option of the holder. The board may issue warrants to subscribe for any class of shares or securities of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Act, the Bye-laws, any direction that may be given by the Company in general meeting and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms as the board in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing provision shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

#### **(ii) Power to dispose of the assets of the Company or any of its subsidiaries**

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries.

*Note:* The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the Companies Act to be exercised or done by the Company in general meeting.

## (iii) Compensation or payments for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

## (iv) Loans and provision of security for loans to Directors

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans or providing security for loans to their directors, the relevant provisions of which are summarised in the paragraph headed "Bermuda Company Law" in this Appendix.

## (v) Financial assistance to purchase shares of the Company

The Company may in accordance with any scheme for the time being in force and approved by the members in general meeting provide, directly or indirectly, money or other financial assistance for the purpose of or in connection with the purchase of, or subscription for, fully or partly paid shares in the Company or any holding company of the Company, being a purchase of or subscription for shares by a trustee of or to be held by or for the benefit of employees of the Company, any of its subsidiaries, any holding company of the Company or any subsidiary of any such holding company in each such case whether incorporated in Bermuda or elsewhere and whether or not a wholly-owned subsidiary of the Company, including any director holding a salaried employment or office with or in any such company and so that the residual beneficiary or any such trust may be or include a charitable object. The Companies Act only prohibits the Company from giving financial assistance if, on the date from which the financial assistance is to be given, there are reasonable grounds for believing that the Company is, or after the giving of such financial assistance would be, unable to pay its liabilities as they become due.

## (vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of auditor of the Company) in conjunction with his office of Director for such period and, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the board may determine. Subject to the Companies Act, a Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested as a vendor, shareholder or otherwise and no such Director shall be accountable to the Company or the members for any remuneration, profit or other benefits received by him as a director or officer of or from his interest in such other company. The board may exercise the voting powers conferred by the shares in any other company held or owned by the Company, exercisable by members of the board as directors of such other company in such manner in all respects as it thinks fit including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or other officers of such other company.

Subject to the Companies Act and to the Bye-laws, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any manner whatsoever, nor shall any such contract or any other contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be liable on that account to being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in any contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case at the first meeting of the board after he knows that he is or has become so interested.



A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum) but this prohibition shall not apply to any of the following matters:

- (aa) any contract or arrangement for the giving of any security or indemnity either (i) to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or (ii) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
  - (bb) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
  - (cc) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are beneficially interested in shares of that company provided that the Director or his associate(s) is/are not in aggregate beneficially interested in five (5) per cent. or more of the issued shares or of any class of such company (or of any third company through which his interest or that of his associates is derived) or of the voting rights;
  - (dd) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including (i) the adoption, modification or operation of any employee's share scheme or any share incentive or share option scheme under which the Director or his associate(s) may benefit; or (ii) the adoption, modification or operation of a pension fund or retirement, death, or disability benefits scheme which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director or any of his associate(s), as such any privilege or advantage not accorded to the class of persons to whom such scheme or fund relates; and
  - (ee) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.
- (vii) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services as Directors such sum as shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The board may grant special remuneration if any Director who having been called upon and being willing to do so, shall render or perform any special or extra services to or at the request of the Company including travelling or residing abroad for any business of the Company. Such special remuneration may, as the board shall determine, be made payable to such Director either in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged and the same shall be charged as part of the ordinary working expenses of the Company.

(viii) Retirement, appointment and removal

Notwithstanding any other provisions in the Bye-laws, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation such that each Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years at the annual general meeting. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

*Note:* There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or, as an addition to the existing board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in case of an addition to the board), and shall then be eligible for re-election at that meeting. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

The Company may by ordinary resolution at a special general meeting called for the purpose remove any Director (including the Managing Director or other executive Director but without prejudice to any claim he may have for damages under any contract between him and the Company) before the expiration of his period of office notwithstanding anything in the Bye-laws or in any agreement between the Company and such Director provided that the notice of any such meeting shall be served on the Director concerned not less than fourteen (14) days before the meeting and such Director shall be entitled to be heard at such meeting. Unless and until otherwise determined by the Company by ordinary resolution the number of Directors shall not be less than two (2) but there shall be no maximum number of Directors until the Company shall in general meeting fix such maximum whether permanently or for the time being.

The board may from time to time appoint one or more of its body to the office of managing director, joint managing director, or deputy managing director or other executive director and/or such other office in the management of the business of the Company as it may decide for such period and upon such terms as it thinks fit and upon such terms as to remuneration as it may decide in accordance with the Bye-laws. The board may delegate any of its powers to committees consisting of such member or members of its body and such other persons as it thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any committee either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the board.



## (ix) Borrowing powers

The board may from time to time at its discretion exercise on behalf of the Company all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purpose of the Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The board may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit and, in particular, by the issue of debentures, debenture stock, bonds or other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*Note:* These provisions, in common with the Bye-laws in general, can be varied with the sanction of a special resolution of the Company.

## (b) Alterations to constitutional documents

Without prejudice to the requirements of the Companies Act, a special resolution shall be required to alter the objects and powers contained in the Memorandum of Association, to approve any amendment of the Bye-laws or to change the name of the Company.

## (c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act:

- (i) increase its share capital by the creation of new shares, such new capital to be divided into shares of such class or classes as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its share capital into shares of a larger or smaller amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association;
- (v) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;
- (vi) change the currency denomination of its share capital; and
- (vii) make provision for the issue and allotment of shares which do not carry any voting rights.

The Company may by special resolution reduce its share capital, any capital redemption reserve, any share premium account or other undistributable reserve in any manner authorised and subject to any conditions prescribed by the Companies Act.

**(d) Variation of rights of existing shares or classes of shares**

For the purpose of the Companies Act, if at any time the share capital is divided into different classes of shares, all or any of the special rights attached to any class of shares for the time being forming part of the capital of the Company (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of the Companies Act, be varied or abrogated either while the Company is a going concern or during or in contemplation of a winding-up, with the consent in writing of the holder(s) of not less than three-fourths in the nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting, all the provisions of the Bye-laws relating to general meetings of the Company or the proceedings will mutatis mutandis apply except that the necessary quorum shall be two (2) persons (in case of a member being a corporation, acting by its duly authorised representative) at least holding or representing by proxy, one-third in nominal value of the issued shares of that class (but no that if at any adjourned meeting of such holders a quorum as above defined is not present any two persons (in the case of a member being a corporation, acting by its duly authorised representative) holding shares of the class or their proxies shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him.

**(e) Special resolution – majority required**

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, by a duly authorised corporate representative or, where proxies are allowed, vote by proxy at a general meeting of which not less than twenty-one (21) days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one (21) days' notice has been given.

**(f) Voting rights (generally and on a poll) and rights to demand a poll**

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member who is present in person or by a duly authorised corporate representative or by proxy shall have one vote, and on a poll every member present in person or, by proxy or by a duly authorised corporate representative shall have one vote for every fully paid share of which he is the holder.

At any general meeting a resolution put to the vote at the meeting shall be determined by a show of hands of the 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 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 (i) by the chairman of the meeting; or (ii) by at least three 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 (iii) 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 (iv) by a member or members present in person or by a duly authorised corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right; or (v) if required by the rules of the 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 hands 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.

Where a member is a clearing house (or its nominee(s) and, in each case, being a corporation), it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of members provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the Bye-laws shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation including the right to vote individually on a show of hands.

Where any member is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

**(g) Requirements for annual general meetings**

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meeting in that year and shall specify the meeting as such in the notices calling it; and not more than fifteen (15) months shall elapse between the date of one annual general meeting of the Company and that of the next unless a longer period would not infringe the rules of the Stock Exchange. The annual general meeting shall be held at such time and place as the board shall appoint.

**(h) Accounts and auditors**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company and the matters in respect of which such receipts and expenditure take place; and of the property, assets, credits and liabilities of the Company and all other matters required by the provisions of the Companies Act or necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of account shall be kept at the principal office of the Company or at such other place or places as the board think fit and shall always be open to the inspection of the Directors provided that such records as are required by the provisions of the Companies Act shall also be kept at the registered office of the Company.

Subject to the Companies Act and the Bye-laws, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before the Company in general meeting in accordance with the requirements of the Companies Act provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware of or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to due compliance with all applicable statutes, rules and regulations, including, without limitation, the rules of the Stock Exchange, and to obtaining all necessary consents, if any, required thereunder, the requirements of the Bye-laws shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the statutes, a summary financial statement derived from the Company's annual accounts and the directors' report which shall be in the form and containing the information required by applicable laws and regulations, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors' report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

The Company shall at each annual general meeting appoint one or more auditors to hold office until the conclusion of the next annual general meeting, but if an appointment is not made, the auditor or auditors in office shall continue in office until a successor is appointed. A Director, officer or employee of the Company or of any of its subsidiaries or a partner, officer or employee of any such Director, officer or employee shall not be capable of being appointed auditor of the Company. Subject to the Companies Act, the remuneration of the auditor or auditors shall be fixed by or on the authority of the Company in the annual general meeting except that in any particular year the Company in general meeting may delegate the fixing of such remuneration to the board and the remuneration of any auditor appointed to fill any casual vacancy may be fixed by the board.

**(i) Notices of meetings and business to be conducted thereat**

An annual general meeting or a meeting convened for the purpose of passing a special resolution shall be called by at least twenty-one (21) days' notice in writing at the least, and a meeting other than an annual general or a meeting convened for the purposes of passing special resolution shall be called by fourteen (14) days' notice in writing at the least. The notice shall specify the place, the day and the hour of meeting and shall contain particulars of the resolutions to be considered at the meeting. Every notice of an annual general meeting shall specify the meeting as such and every notice of a meeting convened for passing a special resolution shall state the intention to propose such resolution as a special resolution.

**(j) Transfer of shares**

Subject to the Companies Act, all transfers of shares may be effected by transfer in writing in the usual or common form or in a form prescribed by the Stock Exchange or in such other form as the board may accept and may be under hand only. If the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee (provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its absolute discretion, to do so), and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. The board may also resolve, either generally or in any particular case, upon request by either the transferor or the transferee, to accept machine imprinted signatures on the instrument of transfer.

Unless the board determines (subject so such conditions as the board in its absolute discretion may from time to time stipulate) no shares on the principal register of members of the Company shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other branch register. Unless the board otherwise determines, all transfers and other documents of title shall be lodged for registration, and registered, in the case of any shares on a branch register, at the relevant registration office of the Company and, in the case of any shares on the principal register of members of the Company, at the place in Bermuda at which the principal register is kept in accordance with the Companies Act.

The board may, in its absolute discretion, and without assigning any reason therefor, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve, or any share issued under any share option scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share (whether fully paid or not) to more than four (4) joint holders or any transfer of any share (not being a fully paid up shares) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of HK\$2.50 (or such other sum as may from time to time be permitted by the rules of the Stock Exchange in respect thereof) or such lesser sum as the board may from time to time determine is paid to the Company, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share, is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and the shares concerned are free of any lien in favour of the Company and where applicable, the permission of the Bermuda Monetary Authority with respect thereto has been obtained.

The registration of transfers may be suspended and the register of members of the Company may, after notice has been given by advertisement in an appointed newspaper and where applicable, any other newspapers in accordance with the requirements of the Stock Exchange, including, without limitation, the rules of the Stock Exchange, or by any means in such manner as the board may, from time to time determine and as may be accepted by the Stock Exchange to that effect, be closed at such times or for such periods not exceeding in the whole thirty (30) days in each year (or such longer period as the Companies Act may permit) as the board may, from time to time determine and either generally or in respect of any class of shares. Any transfer of shares made while the register of members of the Company is closed shall, as between the Company and the person claiming under the relevant transfer, be considered as made immediately after the re-opening of the register of members of the Company.

**(k) Power for the Company to purchase its own shares**

Subject to the Companies Act and where applicable, the rules of the Stock Exchange, the power of the Company to purchase or otherwise acquire its own shares or warrants shall be exercisable by the board upon such terms and subject to such conditions as it thinks fit.

**(l) Power for any subsidiary of the Company to own shares in the Company**

There are no provisions in the Bye-laws relating to ownership of shares in the Company by a subsidiary.

**(m) Dividends and other methods of distribution**

Subject to the Companies Act, the Company in general meeting may by ordinary resolution declare dividends in any currency but no dividends shall exceed the amount recommended by the board. The Company may also by ordinary resolution make a distribution to the members out of any contributed surplus (as ascertained in accordance with the Companies Act).

No dividend shall be payable except out of the profits of the Company available for distribution (such profits being ascertained in accordance with the Companies Act).

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid or credited as paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls shall for this purpose be treated as paid on the share.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid-up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid-up in lieu of the whole or such part of the dividend as the board may think fit on the basis that the shares so allotted shall be of the same class or classes as the class or classes of shares already held by the allottee. The Company may also upon the recommendation of the board by special resolution resolve in respect of any one particular dividend of the Company that a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the board or the Company in general meetings has resolved that a dividend be paid or declared, the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed but the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six (6) years after having been declared may be forfeited by the board and shall revert to the Company and after such forfeiture no member or other person shall have any right to any such dividend or bonus.

**(n) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. On a poll, votes may be given either personally or by a duly authorised corporate representative or by proxy. 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.

**(o) Call on shares and forfeiture of shares**

The board may from time to time make such calls as it may think fit upon any member in respect of any monies unpaid on his shares (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments.

If any part of a sum payable in respect of any call or any instalment of a call is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall be liable to pay interest on the same at such rate not exceeding 20 per cent. per annum as the board shall determine, or failing such determination, then at the rate of 20 per cent. per annum from the day appointed for the payment thereof to the time of actual payment; but the board may waive payment of such interest wholly or in part.

The board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the moneys uncalled and unpaid or instalments payable upon any shares held by him beyond the amount of the calls actually made thereon, and upon all or any of the moneys being so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent. per annum as the board may decide but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

If a member fails to pay in full any call or instalment of a call on the day appointed for payment thereof, the board may, at any time during such time as the call or any part thereof remains unpaid, without prejudice to the provisions of the Bye-laws, serve not less than fourteen (14) days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and any expenses incurred by reason of such non-payment and stating that, in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call or instalment is payable will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may, at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect.

Such forfeiture shall extend to all dividends and bonuses which shall have been declared in respect of the forfeited share, and not actually paid before the forfeiture.

A person whose shares have been forfeited shall thereupon cease to be a member in respect of the forfeited shares, but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the day of actual payment at such rate not exceeding 20 per cent. per annum as the board may prescribe or, failing such determination, at the rate of 20 per cent. per annum, and the board may enforce the payment thereof if it thinks fit, and without any deduction or allowance for the value of the shares, at the date of forfeiture, but his liability shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares.



**(p) Inspection of register of members**

Except when the register of members is closed in accordance with the Companies Act and the Bye-laws, the principal register and branch register of members shall during business hours be opened to the inspection of any member at the office where the register is kept without charge. The reference to business hours is subject to such reasonable restrictions as the Company in general meeting may impose, but so that not less than two (2) hours in each day is to be allowed for inspection. Under Bermuda law, except when the register of members is closed under the Companies Act, the register of members shall during business hours (subject to such reasonable restrictions as the Company may impose, so that not less than two hours in each day be allowed for inspection) be open for inspection by members of the public without charge.

**(q) Quorum for meetings and separate class meetings**

Save as otherwise provided in the Bye-laws, for all purposes the quorum for a general meeting shall be two (2) members present in person or by a duly authorised corporate representative or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification or abrogation of class rights the necessary quorum shall be two (2) persons (in the case of a member being a corporation, acting by its duly authorised representative) at least holding or representing by proxy, one-third in nominal value of the issued shares of that class.

**(r) Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law, as summarised in paragraph 4(e) of this Appendix.

**(s) Procedures on winding up**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit, but so that no members shall be compelled to accept any shares or other assets upon which there is a liability.

**(t) Untraceable members**

The board may by resolution at any time sell any shares of a member who is untraceable at the price reasonably obtainable at the time of the sale if (i) during the period of twelve (12) years immediately preceding the date of the said resolution of the board at least three dividends whether interim or final have been paid by the Company and no dividend during that period has been claimed by the member; (ii) the Company, if so required by the rules of the Stock Exchange, has or after the expiration of the said period of twelve (12) years by advertisement published in the newspapers in accordance with the requirements of the Stock Exchange or by any means and in such manner as the board may, from time to time, determine and as may be accepted by the Stock Exchange given notice of its intention to sell the shares of such member; (iii) the Company has not during the further period of three (3) months after the date of the notice as referred to in the foregoing or such other period as may be required by the Stock Exchange and in accordance with rules of the Stock Exchange and prior to the exercise of the power of sale received any communication from member or person entitled by transmission; and (iv) the Company has notified the Stock Exchange of its intention of such sale.

**(u) Other provisions**

The Bye-laws provide that if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription right reserve shall be established and thereafter maintained and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

**3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS**

The Memorandum of Association may be altered by the Company in general meeting. The Bye-laws may be amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the objects and powers contained in the Memorandum of Association or to approve any amendment of the Bye-laws or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of twenty-one (21) days' notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 percent in nominal value of the shares giving that right.

**4. BERMUDA COMPANY LAW**

The Company is incorporated in Bermuda and, therefore, operates subject to Bermuda law. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

**(a) Share capital**

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account", to which the provisions of the Companies Act relating to a reduction of share capital of a company shall apply as if the share premium account were paid up share capital of the company except that the share premium account may be applied by the company:

- (i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (ii) in writing off:
  - (aa) the preliminary expenses of the company; or
  - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or
- (iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Companies Act permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.



The Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws for authorising the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required, and where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

**(b) Financial assistance to purchase shares of a company or its holding company**

A company is prohibited from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares unless there are reasonable grounds for believing that the company is, and would after the giving of such financial assistance be, able to pay its liabilities as they become due. In certain circumstances, the prohibition from giving financial assistance may be excluded such as where the assistance is only an incidental part of a larger purpose or the assistance is of an insignificant amount such as the payment of minor costs.

**(c) Purchase of shares and warrants by a company and its subsidiaries**

A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be cancelled or held as treasury shares. Any purchased shares that are cancelled will, in effect, revert to the status of authorised but unissued shares. If shares of the company are held as treasury shares, the company is prohibited to exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under a scheme of arrangement, and any purported exercise of such a right is void. No dividend shall be paid to the company in respect of shares held by the company as treasury shares; and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) shall be made to the company in respect of shares held by the company as treasury shares. Any shares allotted by the company as fully paid bonus shares in respect of shares held by the company as treasury shares shall be treated for the purposes of the Companies Act as if they had been acquired by the company at the time they were allotted.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases.

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. The holding company is, however, prohibited from giving financial assistance for the purpose of the acquisition, subject to certain circumstances provided by the Companies Act. A company, whether a subsidiary or a holding company, may only purchase its own shares if it is authorised to do so in its memorandum of association or bye-laws pursuant to section 42A of the Companies Act.

**(d) Dividends and distributions**

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts. Contributed surplus is defined for purposes of section 54 of the Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

**(e) Protection of minorities**

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

**(f) Management**

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Companies Act requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the bye-laws of the company. The directors of a company may, subject to the bye-laws of the company, exercise all the powers of the company except those powers that are required by the Companies Act or the bye-laws to be exercised by the members of the company.

**(g) Accounting and auditing requirements**

The Companies Act requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Companies Act requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Companies Act; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All members of the company are entitled to receive a copy of every financial statement prepared in accordance with these requirements, at least five (5) days before the general meeting of the company at which the financial statements are to be tabled. A company the shares of which are listed on an appointed stock exchange may send to its members summarized financial statements instead. The summarized financial statements must be derived from the company's financial statements for the relevant period and contain the information set out in the Companies Act. The summarized financial statements sent to the company's members must be accompanied by an auditor's report on the summarized financial statements and a notice stating how a member may notify the company of his election to receive financial statements for the relevant period and/or for subsequent periods.

The summarized financial statements together with the auditor's report thereon and the accompanied notice must be sent to the members of the company not less than twenty-one (21) days before the general meeting at which the financial statements are laid. Copies of the financial statements must be sent to a member who elects to receive the same within seven (7) days of receipt by the company of the member's notice of election.

**(h) Auditors**

At each annual general meeting, a company must appoint an auditor to hold office until the close of the next annual general meeting; however, this requirement may be waived if all of the shareholders and all of the directors, either in writing or at the general meeting, agree that there shall be no auditor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at an annual general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than twenty-one (21) days before the annual general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than seven (7) days before the annual general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latter's replacement. If the replaced auditor does not respond within fifteen (15) days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

**(i) Exchange control**

An exempted company is usually designated as "non-resident" for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and securities by the company and the subsequent transfer of such shares and securities. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and securities in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

The Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (as defined in the Companies Act). Issues to and transfers involving persons regarded as "resident" for exchange control purposes in Bermuda will be subject to specific exchange control authorisation.

**(j) Taxation**

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until 28th March 2016, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

**(k) Stamp duty**

An exempted company is exempt from all stamp duties except on transactions involving "Bermuda property". This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

**(l) Loans to directors**

Bermuda law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a twenty per cent. (20%) interest, without the consent of any member or members holding in aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to (a) anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on condition that it will be repaid within six months of the next following annual general meeting if the loan is not approved at or before such meeting, (b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, anything done by the company in the ordinary course of that business, or (c) any advance of moneys by the company to any officer or auditor under Section 98(2)(c) of the Companies Act which allows the company to advance moneys to an officer or auditor of the company for the costs incurred in defending any civil or criminal proceedings against them, on condition that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them. If the approval of the company is not given for a loan, the directors who authorised it will be jointly and severally liable for any loss arising therefrom.

**(m) Inspection of corporate records**

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company's certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company's memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company's audited financial statements, which must be presented to the annual general meeting. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two (2) hours during business hours each day. The register of members of a company is open for inspection by members of the public without charge. The company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any person may on payment of a fee prescribed by the Companies Act require a copy of the register of members or any part thereof which must be provided within fourteen (14) days of a request. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two (2) hours in each day by members of the public without charge. If summarized financial statements are sent by a company to its members pursuant to section 87A of the Companies Act, a copy of the summarized financial statements must be made available for inspection by the public at the registered office of the company in Bermuda.

**(n) Winding up**

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the members at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

## **5. GENERAL**

Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.



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## NOTICE OF THE SGM

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# ITC CORPORATION LIMITED

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 372)

(Warrant Code: 779)

**NOTICE IS HEREBY GIVEN** that a special general meeting of ITC Corporation Limited (the "Company") will be held at 11:00 a.m. on Tuesday, 28 April 2009 at B27, Basement, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

### ORDINARY RESOLUTION

**"THAT** subject to and conditional upon the fulfilment or waiver (as applicable) of the conditions set out in the underwriting agreement dated 16 March 2009 (the "**Underwriting Agreement**") made between the Company and Get Nice Securities Limited ("**Get Nice**"), a copy of which has been produced to this meeting marked "**A**" and signed by the Chairman of this meeting for the purpose of identification, and the Underwriting Agreement not being terminated in accordance with its terms:

- (a) the entering into of the Underwriting Agreement by the Company be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated thereunder by the Company be and is hereby approved;
- (b) the issue by way of rights (the "**Rights Issue**") of not less than 538,922,484 shares of HK\$0.01 each in the share capital of the Company (the "**Rights Shares**") and not more than 695,036,396 Rights Shares to the shareholders of the Company (the "**Shareholders**") whose names appear on the register of members of the Company at the close of business on 28 April 2009 (or such other date as Get Nice may agree in writing with the Company) (the "**Record Date**") other than those Shareholders (the "**Excluded Shareholders**") whose registered addresses as shown on the register of members of the Company are outside Hong Kong and whom the directors of the Company (the "**Directors**"), after making relevant enquiry, consider it necessary or expedient not to offer the Rights Shares to them on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that (those) place(s), in the proportion of four Rights Shares for every Share then held at the subscription price of HK\$0.20 per Rights Share and otherwise on the terms and conditions as set out in the circular of the Company dated 9 April 2009 (the "**Circular**") despatched to the Shareholders containing the notice convening this meeting, a copy of the Circular has been produced to this meeting marked "**B**" and signed by the Chairman of this meeting for the purpose of identification, be and is hereby approved;
- (c) the Directors be and are hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the Shareholders and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to the Excluded Shareholders as they may, at their absolute discretion, deem necessary, desirable or expedient;
- (d) the performance of all transactions contemplated under the Rights Issue be and is hereby approved, confirmed and ratified; and
- (e) the Directors be and are hereby authorised to do all acts, deeds and things and to sign and execute all documents as they may, in their absolute discretion, deem necessary, desirable or appropriate to carry out or to give effect to the Rights Issue and any or all transactions contemplated in this resolution."

By order of the Board  
**ITC Corporation Limited**  
**Lee Hon Chiu**  
*Company Secretary*

Hong Kong, 9 April 2009

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## NOTICE OF THE SGM

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*Principal place of business in Hong Kong:*  
30th Floor  
Bank of America Tower  
12 Harcourt Road  
Central  
Hong Kong

*Registered office:*  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Notes:*

1. Any Shareholder entitled to attend and vote at the meeting of the Company may appoint another person as his proxy to attend and vote instead of him. A Shareholder who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at the meeting. A proxy need not be a Shareholder.
2. A form of proxy for use at 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 shall be deposited at the Company's branch share registrar and transfer office and warrant registrar in Hong Kong, **Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong**, as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for the holding of the meeting or any adjournment thereof at which the person named in the instrument proposes to vote and, in default, the instrument of proxy shall not be treated as valid.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary is proved, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts. The board of Directors may, nevertheless, require such evidence as it shall deem necessary as to the due execution of the instrument of proxy and the due authorisation of the same.
4. Completion and return of an instrument appointing a proxy shall not preclude a Shareholder from attending and voting in person at the meeting (or any adjournment thereof) or upon the poll concerned and, in such event, the instrument appointing a proxy shall be deemed to have been revoked.
5. In the case of joint registered holders of any Shares, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto, but if more than one of such joint holders is present at the meeting, personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.

As at the date of this notice, the board of Directors comprises:

*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  
Mr. Chan Yiu Lun, Alan

*Independent non-executive Directors:*

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