THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

This circular is addressed to the shareholders of the Company in connection with a special general meeting of the Company to be held on 8 June 2009.

ITC CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 372)
(Warrant Code: 779)

(1) POSSIBLE MAJOR TRANSACTION – SUBSCRIPTION OF THE RIGHTS SHARES IN PYI CORPORATION LIMITED; (2) REFRESHMENT OF THE 10% LIMIT ON GRANT OF OPTIONS UNDER THE SHARE OPTION SCHEME; AND (3) REFRESHMENT OF GENERAL MANDATES TO ISSUE SHARES AND TO REPURCHASE SHARES

Financial Adviser

ANGLO CHINESE
CORPORATE FINANCE, LIMITED

A notice convening the special general meeting of the Company to be held at B27, Basement, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong on Monday, 8 June 2009 at 11:00 a.m. is set out on pages 252 to 255 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the principal place of business of the Company in Hong Kong at 30th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be). 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.

Hong Kong, 21 May 2009

CONTENTS

Page

Definitions . . . 1

Letter from the Board

Introduction . . . 4

Proposed PYI Rights Issue . . . 4

Information on PYI and reasons of the PYI Rights Issue . . . 5

Business review and prospects of PYI as extracted from the interim report of PYI for the six months ended 30 September 2008 . . . 5

Reasons for the Participation . . . 7

Effect on earnings and assets and liabilities of the Company . . . 7

Undertaking and sub-underwriting by Dr. Chan . . . 7

Refreshment of Scheme Mandate Limit . . . 8

Refreshment of Issue Mandate . . . 9

Refreshment of Repurchase Mandate . . . 9

The SGM . . . 10

Recommendation . . . 10

Additional information . . . 10

Appendix I – Financial information of the PYI Group . . . 11

Appendix II – Financial information of the Group . . . 172

Appendix III – Unaudited pro forma financial information of the Group . . . 234

Appendix IV – Explanatory statement on the New Repurchase Mandate . . . 238

Appendix V – General information . . . 240

Notice of the SGM . . . 252

Accompanying document

– Form of proxy

DEFINITIONS

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

"associate(s)"	has the meaning ascribed to it in the Listing Rules
"AGM"	the annual general meeting of the Company held on 30 September 2008
"Board"	the board of Directors
"Capital Reorganisation"	the reorganisation of the share capital of the Company as set out in the circular of the Company dated 11 March 2009, which became effective on 3 April 2009
"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
"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 remained outstanding as at the Latest Practicable Date
"Dr. Chan"	Dr. Chan Kwok Keung, Charles, the controlling Shareholder, the chairman of the Company and an executive Director and a non-executive director of PYI
"Director(s)"	the director(s) of the Company
"Eligible Persons"	has the meaning ascribed to it in the Share Option Scheme
"Existing Issue Mandate"	the general mandate granted to the Directors at the AGM to allot, issue and deal with new Shares
"Existing Repurchase Mandate"	the general mandate granted to the Directors at the AGM to exercise the powers of the Company to repurchase Shares on the Stock Exchange
"Group"	the Company and its subsidiaries
"Latest Practicable Date"	18 May 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	The Model Code for Securities Transactions by Directors of Listing Issuers contained in Appendix 10 to the Listing Rules
"New Issue Mandate"	the proposed general mandate to be granted to the Directors to exercise all the powers of the Company to allot, issue and otherwise deal with new Shares not exceeding 20% of the issued share capital of the Company as at the date of the passing of the resolution approving the said mandate
"New Repurchase Mandate"	the proposed general mandate to be granted to the Directors to exercise all the powers of the Company to repurchase Shares not exceeding 10% of the issued share capital of the Company as at the date of the passing of the resolution approving the said mandate
"Participation"	the proposed acceptance by the Company, through its subsidiaries, of the provisional allotment of not less than 809,025,130 PYI Rights Shares in full, being its pro rata entitlement under the PYI Rights Issue as at the Latest Practicable Date

"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
"PYI"	PYI Corporation Limited (stock code: 498), a company incorporated in Bermuda with limited liability and whose issued securities are listed on the main board of the Stock Exchange
"PYI Announcement"	the announcement of PYI dated 30 April 2009 relating to, inter alia, the PYI Rights Issue
"PYI Board"	the board of directors of PYI
"PYI Group"	PYI and its subsidiaries
"PYI Rights Issue"	the proposed issue by way of rights of the PYI Rights Shares at a subscription price of HK$0.12 per PYI Rights Share on the basis of two PYI Rights Shares for every PYI Share in issue and held on the Record Date
"PYI Rights Shares"	not less than 3,016,787,034 new PYI Rights Shares and not more than 3,588,897,924 new PYI Rights Shares to be issued and allotted pursuant to the PYI Rights Issue
"PYI Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of PYI
"PYI Shareholder(s)"	holder(s) of PYI Share(s)
"PYI Warrants"	a total of 251,398,919 listed warrants carrying rights to subscribe in cash for 251,398,919 PYI Shares at an initial subscription price of HK$1.00 per PYI Share (subject to adjustments) at any time until 25 September 2009 pursuant to an instrument executed by PYI dated 25 September 2008 (Warrant Code: 849), all of which remained outstanding as at the Latest Practicable Date
"Qualifying PYI Shareholder(s)"	means the "Qualifying Shareholder(s)" as defined in the PYI Announcement
"Record Date"	the date as announced by PYI for determining the entitlements of the Qualifying PYI Shareholder(s) to participate in the PYI Rights Issue
"Refreshment of Issue Mandate"	the proposed refreshment of the Existing Issue Mandate to the New Issue Mandate
"Refreshment of Repurchase Mandate"	the proposed refreshment of the Existing Repurchase Mandate to the New Repurchase Mandate
"Refreshment of Scheme Mandate Limit"	the 10% limit under the Share Option Scheme proposed to be refreshed by the Shareholders at the SGM pursuant to which the Board may grant share options to Eligible Persons to subscribe for up to 10% of the Shares in issue as at the date of the passing of the resolution approving such refreshment
"Refreshments"	the Refreshment of Issue Mandate, the Refreshment of Repurchase Mandate and the Refreshment of Scheme Mandate Limit
"Rights Issue"	the issue by way of rights of new Shares undertaken by the Company as set out in the circular of the Company dated 9 April 2009
"Rights Shares"	538,951,624 new Shares to be allotted and issued pursuant to the Rights Issue

"Scheme Mandate Limit"	the maximum number of Shares which may be issued upon the exercise of all the share options to be granted under the Share Option Scheme and such other schemes of the Company which initially shall not in aggregate exceed 10% of the Shares in issue as at the date of the approval of the Share Option Scheme by the Shareholders and thereafter, if refreshed, shall not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit by the Shareholders
"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 on 8 June 2009 at which resolutions will be proposed to consider and, if thought fit, approve the Participation and the Refreshments
"Shareholder(s)"	the holder(s) of the Share(s)
"Share(s)"	ordinary share(s) in the share capital of ITC before and after the Capital Reorganisation (as the case may be)
"Share Option Scheme"	the share option scheme of the Company adopted on 16 January 2002 (as amended on 19 September 2007)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong
"Undertaking"	the irrevocable undertaking given by the Company on 29 April 2009 as set out under the section headed "Undertaking and sub-underwriting by Dr. Chan" in the "Letter from the Board" in this circular
"Underwriter"	BOCI Asia Limited, a corporation which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities for the purpose of the SFO, and also the financial adviser to PYI, which is not a connected person of the Company
"Warrants"	a total of 538,768,186 listed warrants outstanding as at the Latest Practicable Date, carrying rights to subscribe in cash for 26,938,409 Shares at the subscription price of HK$4.4 per Share (subject to adjustments) at any time until 4:10 p.m. on 4 November 2009 pursuant to an instrument issued by the Company dated 5 November 2008 (Warrant Code: 779)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

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

21 May 2009

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

Dear Sir or Madam,

(1) POSSIBLE MAJOR TRANSACTION – SUBSCRIPTION OF THE RIGHTS SHARES IN PYI CORPORATION LIMITED;
(2) REFRESHMENT OF THE 10% LIMIT ON GRANT OF OPTIONS UNDER THE SHARE OPTION SCHEME; AND
(3) REFRESHMENT OF GENERAL MANDATES TO ISSUE SHARES AND TO REPURCHASE SHARES

INTRODUCTION

The purpose of this circular is to provide you with:

(a) details of the Participation;

(b) details regarding the Refreshments; and

(c) the notice of the SGM.

PROPOSED PYI RIGHTS ISSUE

The PYI Board announced on 30 April 2009 that it proposed to raise approximately HK$362.0 million to HK$430.7 million before expenses by way of the PYI Rights Issue of not less than 3,016,787,034 PYI Rights Shares and not more than 3,588,897,924 PYI Rights Shares on the basis of two PYI Rights Shares for every PYI Share in issue and held on the Record Date at a subscription price of HK$0.12 per PYI Rights Share, payable in full on acceptance. As at the Latest Practicable Date, PYI was an associated company of the Company.

The PYI Rights Issue is conditional upon, among other things, approval of the independent PYI Shareholders at a special general meeting of PYI. Further details in relation to the PYI Rights Issue have been set out in the PYI Announcement.

As at the Latest Practicable Date, the Company was interested in 404,512,565 PYI Shares, representing approximately 26.8% of the total issued share capital of PYI, and PYI Warrants of HK$67,418,760. The Company has not acquired any PYI Shares in the past 12 months before the Latest Practicable Date. Given its current interests in PYI, the Company will be entitled to subscribe for not less than 809,025,130 PYI Rights Shares. On the basis of HK$0.12 per PYI Rights Share, the total consideration payable by the Company under the Participation amounts to not less than approximately HK$97.1 million, which exceeds 25% but is less than 100% of one of the applicable ratios of the Company under the Listing Rules. The Participation therefore constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules and is subject to the Shareholders' approval at the SGM. The total consideration payable by the Company under the Participation is proposed to be satisfied in cash from internal resources of the Company. Given the cash balances and other net current assets of the Group and the net proceeds from the Rights Issue, among other things, the Directors believe that the Group will have sufficient resources to subscribe for the PYI Rights Shares under the Participation.

INFORMATION ON PYI AND REASONS OF THE PYI RIGHTS ISSUE

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

The following is a summary of the consolidated results of the PYI Group for the two years ended 31 March 2008 and 2007 and six months ended 30 September 2008 and 2007 respectively:

	For the financial year ended 31 March		**For the six months ended 30 September**	
	2008	2007	**2008**	2007
	(audited)	(audited)	**(unaudited)**	(unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit before taxation	**833,297**	326,595	**280,081**	695,864
Taxation (charge) credit	**(315,186)**	50,552	**(152,233)**	(268,827)
Profit after taxation (before minority interests)	**518,111**	377,147	**127,848**	427,037

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

It is also mentioned in the PYI Announcement that the estimated net proceeds from the PYI Rights Issue will be not less than approximately HK$350.0 million but not more than approximately HK$418.7 million and are intended to be used on the PYI Group's investment in port and port-related projects and as general working capital of the PYI Group.

For further details, please refer to the PYI Announcement.

BUSINESS REVIEW AND PROSPECTS OF PYI AS EXTRACTED FROM THE INTERIM REPORT OF PYI FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

Financial results

For the six months period under review, the PYI Group recorded a consolidated turnover of about HK$2,790 million (2007: HK$2,432 million), representing an increase of about 15% when compared with that of the last corresponding period. The increase was mainly attributable to the increase in the PYI Group's business in management contracting.

The PYI Group's gross profit increased by 5% to about HK$169 million (2007: HK$161 million) as compared with the corresponding period last year. Such gross profit represented a gross margin of 6% (2007: 7%) of the consolidated turnover. Profit before taxation of about HK$280 million was achieved as compared with about HK$696 million for the corresponding period last year. The PYI Group's profit before taxation was composed of:

(i) net gain of about HK$40 million in management contracting and property development management businesses (2007: HK$49 million);

(ii) net gain of about HK$5 million in port and infrastructure development and logistics business (2007: net loss of HK$6 million);

(iii) net gain of about HK$10 million in LPG distribution (2007: net loss of HK$3 million);

(iv) net gain of about HK$16 million in treasury investment (2007: HK$31 million);

(v) net gain of about HK$320 million in property investment (2007: HK$629 million);

(vi) net loss of about HK$4 million in property trading (2007: HK$0.1 million);

(vii) interest income and other income of about HK$17 million (2007: HK$41 million);

(viii) net gain of about HK$24 million (2007: HK$35 million) from share of results of associates and jointly controlled entities;

(ix) net loss in investments held for trading of about HK$35 million (2007: net gain of HK$5 million);

(x) net corporate and other expenses of about HK$75 million (2007: HK$61 million); and

(xi) finance costs of about HK$38 million (2007: HK$24 million).

Net profit for the period attributable to the PYI Shareholders was about HK$74 million (2007: HK$312 million) and basic earnings per share was 4.9 cents (2007: 20.9 cents). The performance was adversely affected by the set back in contribution from the PYI Group's engineering arm - Paul Y. Engineering Group Limited and its subsidiaries, as well as the reduction in profit contributed from the property investment in Yangkou Port, which 1.95 sq km of land parcel was recognised as investment properties and revalued during the current period when compared with 4.16 sq km of land parcel of the last corresponding period.

When compared with the PYI Group's financial position as at 31 March 2008, total assets increased by 15% to about HK$11,895 million (31.3.2008: HK$10,361 million) and net current assets decreased by 47% to about HK$72 million (31.3.2008: HK$137 million). These changes were mainly attributable to the PYI Group's further capital expenditure in Yangkou Port. Consequently, current assets decreased from 1.04 times to 1.02 times of current liabilities. After accounting for the net profit of about HK$74 million net of dividends declared of about HK$13 million as well as surplus arising from RMB exchange translation of about HK$83 million, equity attributable to the PYI Shareholders increased by 6% to about HK$3,588 million (31.3.2008: HK$3,377 million), representing HK$2.38 per share as at 30 September 2008 (31.3.2008: HK$2.24 per share).

Net cash outflow from operating activities was about HK$13 million and that from investing activities was about HK$324 million, and net cash inflow from financing activities was about HK$365 million, resulting in a net increase in available cash and cash equivalents of about HK$28 million for the period under review.

As at 30 September 2008, the net asset value of the PYI Group was approximately HK$3,592.3 million.

Prospects

The global financial meltdown has certainly impacted upon the international trade and hence the economic growth in the PRC. Shipping and logistics sectors along the Yangtze River could not be immune from such effect. It is expected that the RMB4 trillion stimulus program would induce major infrastructure spending along the Yangtze River and in the coastal region of the Yangtze Delta. The PRC is set to launch numerous social and economic programs with a view to maintain economic growth momentum through induced expansion in domestic demands.

PYI remains committed to the long term potentials of the Yangtze Strategy. There will be structural adjustments to the composition of PYI's current port investments made in line with its financial capacity. That may lead to partial divestment of some existing port investments. Increase in financial liquidity will be a key short term focus. During the period under review, PYI has taken measured steps to extend its foothold to the middle reach of Yangtze River by agreeing to acquire 51% stake in Yichang Port – one of the eight largest ports on the Yangtze River. Such earning accretive investment will connect PYI's ports and logistics network with the upstream and the rest of Yangtze, delivering a more complete bulk cargo network and sustainable returns to the PYI Shareholders.

REASONS FOR THE PARTICIPATION

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

Based on the unaudited financial information of PYI for the six months ended 30 September 2008, the profit after taxation of the PYI Group decreased in the six months ended 30 September 2008, revenue during the same period grew approximately 14.7%. The unrealised gain from fair value changes in respect of investment properties has a significant impact declining to approximately HK$320 million for the six months ended 30 September 2008 as compared to approximately HK$628 million during the same period in the previous year. Nonetheless, a gain was recorded and hence the value of the investment properties of PYI continued to experience growth.

The Directors consider that the terms of the Participation are fair and reasonable as it will enable the Group to maintain its pro rata shareholding in PYI and to share the benefit from the growth of the PYI Group. On this basis, the Directors consider that the Participation is in the interests of the Group and the Shareholders as a whole.

EFFECT ON EARNINGS AND ASSETS AND LIABILITIES OF THE COMPANY

As a result of the Participation, the Company's shareholding in PYI will remain the same at approximately 26.8% of the total issued share capital of PYI immediately after completion of the PYI Rights Issue.

There will also be no significant impact on the earnings, assets and liabilities of the Group immediately following the Participation as the increase in the 809,025,130 PYI Rights Shares at a total consideration of approximately HK$97 million to be booked in the interests in associates account of the Group will be offset by a decrease in cash and bank balances.

If ITC does not subscribe for any PYI Rights Shares, its interests in PYI will be diluted to approximately 8.9% of the enlarged total issued share capital of PYI after completion of the PYI Rights Issue, assuming no conversion or subscription rights attaching to the convertible notes, the warrants and the share options of PYI are exercised on or before the Record Date. In such dilution event, the Group, according to its books and records as at 30 September 2008, will record a loss on deemed disposal of approximately HK$773.8 million and investment in PYI will be accounted for as available-for-sale investment in accordance with Hong Kong Accounting Standard 39 "Financial Instruments: Recognition and Measurement" and the use of equity method will be discontinued from the date that PYI ceased to be an associate of the Group.

UNDERTAKING AND SUB-UNDERWRITING BY DR. CHAN

The Company has given the Undertaking in favour of PYI and the Underwriter pursuant to which it has undertaken, inter alia, that the PYI Shares and the PYI Warrants beneficially owned by the Company on the date of the Undertaking will remain registered in the name of the Company or its subsidiary(ies) and beneficially owned by the Company as at the Record Date or 16 July 2009 (whichever is the earlier), and that it will not, and will procure its subsidiaries not to, exercise the subscription rights attaching to the PYI Warrants beneficially owned by the Company up to the Record Date or 16 July 2009 (whichever is earlier). The Undertaking will also lapse if the PYI Rights Issue does not become unconditional in accordance with its terms. ITC has also expressed its intention that subject to the approval of the Shareholders in accordance with the requirements of the Listing Rules (if required), it will procure its subsidiaries to accept the provisional allotment of the 809,025,130 PYI Rights Shares under the PYI Rights Issue and the Board also intends to recommend, in accordance with the requirements of the Listing Rules, the Shareholders to vote in favour of the proposed resolution approving the Participation at the SGM.

The Company has been informed by Dr. Chan that Dr. Chan has entered into a sub-underwriting agreement with the Underwriter on 29 April 2009. Under the sub-underwriting agreement, Dr. Chan had agreed, inter alia, to subscribe or procure subscribers to subscribe for up to 909,025,130 PYI Rights Shares (which include the 809,025,130 PYI Rights Shares under the Participation if the Company chooses not to take up) representing approximately 20.1% of the enlarged issued share capital of PYI immediately after completion of the PYI Rights Issue, assuming no conversion or subscription rights attaching to the convertible notes, the warrants and the share options of PYI are exercised on or before the Record Date.

For further details, please refer to the PYI Announcement.

REFRESHMENT OF SCHEME MANDATE LIMIT

By an ordinary resolution passed at a special general meeting of the Shareholders held on 16 January 2002, the Company adopted the Share Option Scheme (which was amended on 19 September 2007).

The Company may refresh the Scheme Mandate Limit by an ordinary resolution of the Shareholders at general meeting provided that the Scheme Mandate Limit so refreshed shall not exceed 10% of the total number of issued Shares as at the date of the Shareholders' approval of the refreshing of the Scheme Mandate Limit. Options previously granted under any existing schemes (including options outstanding, cancelled or lapsed in accordance with the relevant scheme rules or exercised options) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed.

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 Share Option Scheme and any other share option scheme(s) of the Company must not in aggregate exceed 30% of the total number of Shares in issue from time to time.

As at 16 January 2002 (being the date of adoption of the Share Option Scheme), the total number of issued Shares was 630,960,774, thus the Scheme Mandate Limit was 63,096,077 Shares. By an ordinary resolution passed on 30 September 2008, the Scheme Mandate Limit was refreshed to 269,460,526 Shares (representing approximately 10% of the Shares in issue as at 30 September 2008).

As at the Latest Practicable Date, assuming the Rights Issue was completed, there were 673,689,530 Shares in issue and options outstanding under the Share Option Scheme whereby a total of 9,730,000 Shares might be issued at an exercise price of HK$7.7 per Share (subject to adjustments).

Assuming no further issue (except the issue of Rights Shares pursuant to the Rights Issue) or repurchase of Shares prior to the SGM and that the Rights Issue is completed, upon the approval of the Refreshment of Scheme Mandate Limit by the Shareholders at the SGM, the Company may grant options entitling holders thereof to subscribe for a total of 67,368,953 Shares (representing approximately 10% of the Shares in issue as at the date of the SGM).

To the extent that there are any unutilized options under the Scheme Mandate Limit as refreshed by the Shareholders on 30 September 2008 which amounted to options, if granted, entitling holders thereof to subscribe for a total of 26,946,052 Shares as at the Latest Practicable Date, all such unutilized options will be considered as lapsed upon the approval of the Refreshment of Scheme Mandate Limit at the SGM and the Company will not be allowed to grant any further options pursuant to the unutilized options. No options may be granted if this will result in the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company exceed 30% of the total number of Shares in issue from time to time.

The Company believes the Refreshment of Scheme Mandate Limit would allow the Company to achieve the purpose of the Share Option Scheme which is to provide incentive or reward to Eligible Persons for their contribution to, and continuing efforts to promote the interests of, the Group. The Directors consider that the Refreshment of Scheme Mandate Limit is in the interests of the Group and the Shareholders as a whole as it provides the Group with more flexibility in providing incentives to those Eligible Persons by way of granting of options.

The Refreshment of Scheme Mandate Limit is conditional on:

(a) the passing of an ordinary resolution to approve the Refreshment of Scheme Mandate Limit by the Shareholders at the SGM; and

(b) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares (representing 10% of the Shares in issue as at the date of the passing of the resolution approving the Refreshment of Scheme Mandate Limit) which may fall to be issued pursuant to the exercise of options under the Share Option Scheme and any other share option scheme(s) of the Company.

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of and permission to deal in the Shares (representing 10% of the Shares in issue as at the date of the passing of the resolution approving the Refreshment of Scheme Mandate Limit) which may fall to be issued pursuant to the exercise of options under the Share Option Scheme and any other share option scheme(s) of the Company.

REFRESHMENT OF ISSUE MANDATE

At the AGM, the Directors were granted the Existing Issue Mandate to allot, issue and deal with new Shares up to 20% of the aggregate issued share capital of the Company as at the date of such meeting. As at the date of the AGM, 2,694,605,269 Shares were in issue and accordingly, a maximum of 538,921,053 new Shares may be issued under the Existing Issue Mandate.

Since the AGM and up to the Latest Practicable Date, the Existing Issue Mandate had not been utilized.

Upon completion of the Rights Issue on 22 May 2009, the number of issued Shares will be 673,689,530 Shares, inclusive of Shares issued pursuant to the exercise of Warrants. The conditional bonus issue of Warrants by the Company to the Shareholders on the basis of one Warrant for every five Shares was described in the prospectus of the Company dated 21 October 2008.

In order to (a) replace the Existing Issue Mandate to reflect the changes in the issued share capital as a result of the Capital Reorganisation and completion of the Rights Issue; and (b) provide flexibility and discretion to the Directors to issue new Shares in the future, the Directors propose to the Shareholders an ordinary resolution to grant the New Issue Mandate such that the Directors can exercise the powers of the Company to issue new Shares up to 20% of the issued share capital of the Company as at the date of the SGM.

Notwithstanding that the Existing Issue Mandate has not been utilised since its approval at the AGM, the Directors consider that following completion of the Rights Issue, the Existing Issue Mandate is insufficient to provide the necessary financial flexibility need for the efficient operation of the Group, and will not enable the Group to raise fund in a timely manner to take advantage of opportunities as they may arise. The availability of a greater buffer to allot, issue or otherwise deal with an enlarged number of Shares by way of the Refreshment of the Issue Mandate is beneficial to the Group and the Shareholders as a whole.

Rules 13.36(4)(a), (b) and (c) of the Listing Rules provides, among others things, that any refreshments of the general mandate before the next annual general meeting shall be subject to, inter alia, any controlling shareholder abstaining from voting in favour of the proposed resolution to approve the refreshment of the Issue Mandate and advice from an independent financial adviser is required to be given to the shareholders.

Under Rule 13.36(4)(e) of the Listing Rules, where an issuer offers or issues securities to its shareholders pro rata to their existing holdings, such as in the case of the Rights Issue and the bonus Warrants, (including where overseas shareholders are excluded for legal or regulatory reasons), it will not be necessary for the issuer to comply with Rule 13.36(4)(a), (b) or (c) of the Listing Rules in order for it to refresh its general mandate immediately thereafter such that the amount in percentage terms of the unused part of the general mandate upon refreshment is the same as the unused part of the general mandate immediately before the issue of securities. As the Refreshment of the Issue Mandate is proposed by reason of the Rights Issue, Rule 13.36(4)(e) of the Listing Rules applies. Hence, no advice from an independent financial adviser is required and no Shareholders will be required to abstain from voting on the proposed resolution approving the Refreshment of the Issue Mandate.

Subject to the approval of the Shareholders for the Refreshment of Issue Mandate, and assuming that no other Share (except the issue of Rights Shares pursuant to the Rights Issue) will be issued or repurchased by the Company and no other change to the issued share capital of the Company on or prior to the date of the SGM and that the Rights Issue is completed, the Shares in issue as at the date of the SGM will be 673,689,530 Shares, which means that under the New Issue Mandate, the Directors will be authorised to allot and issue a maximum of 134,737,906 Shares if the Refreshment of Issue Mandate is approved by the Shareholders at the SGM.

REFRESHMENT OF REPURCHASE MANDATE

At the SGM, it will be proposed, by way of an ordinary resolution, that the Directors be given a general and unconditional mandate to exercise all powers of the Company to repurchase Shares on the Stock Exchange up to a maximum of 10% of the share capital of the Company in issue as at the date of the passing of the said resolution.

The Company at present does not have any plan for repurchases of Shares. Repurchases will only be made when the Directors believe that such a repurchase will benefit the Group and the Shareholders. Considering the rapid changes in the market conditions, the New Repurchase Mandate can provide more flexibility to the Directors to enhance the net asset value of the Company and/or its earnings per Share. An explanatory statement containing information relating to the New Repurchase Mandate as required pursuant to the Listing Rules is set out in Appendix IV to this circular.

THE SGM

A notice convening the SGM to be held at B27, Basement, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong on Monday, 8 June 2009 at 11:00 a.m. is set out on pages 252 to 255 of this circular, at which resolutions will be proposed to consider and, if thought fit, to approve the Participation and the Refreshments.

A form of proxy for use at the SGM is enclosed. If you are not able to attend the SGM, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the principal place of business of the Company in Hong Kong at 30th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding such meeting or any adjournment thereof (as the case may be). 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 (as the case may be) should you so wish.

RECOMMENDATION

The Directors consider that the Participation is on normal commercial terms and that such terms are fair and reasonable and in the interests of the Group and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Participation. Despite Dr. Chan has entered into a sub-underwriting agreement with the Underwriter on 29 April 2009 as mentioned above, he is not regarded as having a material interest in the PYI Rights Issue as he has indicated to the Company that he will exercise his right as controlling Shareholder to vote in favour of such proposed resolution. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, none of the Shareholders had any material interest in the PYI Rights Issue. Therefore, no Shareholder is required to abstain from voting on the Participation at the SGM.

The Directors, having taken into account, inter alia, the terms of the New Issue Mandate and the New Repurchase Mandate, consider that the Refreshments are in the interests of the Group and the Shareholders as a whole and are fair and reasonable. Accordingly, it recommends the Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the SGM to approve the Refreshments.

Pursuant to the requirement of the Listing Rules, all resolutions put to the vote of the Shareholders at the SGM will be taken by way of poll.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in appendices to this circular and the notice convening the SGM.

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

1. SUMMARY OF FINANCIAL INFORMATION OF PYI GROUP

Set out below is a summary of the audited consolidated results and financial position of the PYI 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, and the unaudited consolidated results and financial position of the PYI Group for the six months ended 30 September 2008, as extracted from the interim report of the Company for the six months ended 30 September 2008:

RESULTS

	Audited For the year ended 31 March			**Unaudited 30 September**	
	2008	**2007**	**2006**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(restated)	(restated)		(restated)
Turnover	5,502,543	4,643,712	3,242,806	2,789,918	2,431,662
Profit before taxation	833,297	326,595	367,128	280,081	695,864
Taxation (charge) credit	(315,186)	50,552	(52,804)	(152,233)	(268,827)
Profit for the year/period	518,111	377,147	314,324	127,848	427,037
Attributable to					
Equity holders of PYI	359,982	345,665	278,861	74,063	312,160
Minority interests	158,129	31,482	35,463	53,785	114,877
	518,111	377,147	314,324	127,848	427,037

ASSETS AND LIABILITIES

	Audited As at 31 March		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	10,361,473	7,621,447	5,981,678
Total liabilities	(6,252,163)	(4,372,598)	(2,971,741)
	4,109,310	3,248,849	3,009,937
Attributable to:			
Equity holders of PYI	3,377,085	2,771,852	2,570,632
Share-based payment reserve of a subsidiary	5,280	981	137
Minority interests	726,945	476,016	439,168
	4,109,310	3,248,849	3,009,937

2. UNAUDITED ACCOUNTS OF THE PYI GROUP FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

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

Condensed Consolidated Income Statement
For the six months ended 30 September 2008

		Unaudited Six months ended 30 September	
		2008	**2007**
	Notes	*HK$'000*	*HK$'000* (restated)
Turnover	3	2,789,918	2,431,662
Cost of sales		(2,620,604)	(2,270,447)
Gross profit		169,314	161,215
Other income	4	41,491	50,807
Administrative expenses		(162,907)	(135,763)
Distribution costs		(26,028)	(22,199)
Other expenses		(46,895)	(1,843)
Finance costs		(38,343)	(23,630)
Gain from fair value changes in respect of investment properties	9	319,572	628,449
Gain on disposal of interest in an associate		–	3,459
Share of results of associates		23,854	35,341
Share of results of jointly controlled entities		23	28
Profit before taxation	5	280,081	695,864
Taxation	6	(152,233)	(268,827)
Profit for the period		127,848	427,037
Attributable to:			
Equity holders of the Company		74,063	312,160
Minority interests		53,785	114,877
		127,848	427,037
Distribution	7	12,833	22,467
Earnings per share	8		
Basic		HK4.9 cents	HK20.9 cents
Diluted		HK4.9 cents	HK20.5 cents

Condensed Consolidated Balance Sheet
At 30 September 2008

	Notes	Unaudited 30.9.2008 HK$'000	Audited 31.3.2008 HK$'000
NON-CURRENT ASSETS			
Investment properties	9	1,687,316	1,230,351
Property, plant and equipment	10	713,943	718,611
Project under development	11	3,619,171	3,281,039
Properties under development		107,860	172,031
Prepaid lease payments		223,168	78,770
Goodwill		64,693	63,969
Other intangible assets		62,737	61,402
Interests in associates	12	788,602	744,213
Interests in jointly controlled entities		2,010	1,987
Available-for-sale investments		814	1,081
Loans receivable – due after one year		32,888	32,222
Deferred consideration receivable		2,906	2,863
		7,306,108	6,388,539
CURRENT ASSETS			
Stock of properties	13	540,817	173,626
Prepaid lease payments		2,394	2,343
Inventories		25,497	20,171
Loans receivable – due within one year		30,000	18,000
Amounts due from related companies		315,829	296,753
Amounts due from associates		57,920	59,777
Amounts due from customers for contract works		263,384	201,589
Debtors, deposits and prepayments	14	2,481,926	2,421,568
Investments held for trading		44,456	61,255
Available-for-sale investments		56,635	56,635
Derivative financial instruments		22,899	22,268
Taxation recoverable		1,607	3,261
Pledged bank deposits		113,152	34,269
Short term bank deposits		374,940	438,878
Bank balances and cash		256,966	162,541
		4,588,422	3,972,934

	Notes	Unaudited 30.9.2008 HK$'000	Audited 31.3.2008 HK$'000
CURRENT LIABILITIES			
Amounts due to customers for contract works		754,953	804,442
Creditors and accrued expenses	15	2,325,483	1,903,832
Amounts due to associates		180,306	50,291
Amounts due to minority shareholders		22,840	1,041
Amounts due to related companies		138,969	133,051
Taxation payable		96,434	103,987
Bank and other borrowings – due within one year	16	997,638	839,410
		4,516,623	3,836,054
NET CURRENT ASSETS		71,799	136,880
TOTAL ASSETS LESS CURRENT LIABILITIES		7,377,907	6,525,419
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year	16	1,240,069	966,198
Convertible notes payable		124,804	120,551
Amounts due to minority shareholders		77,336	–
Deferred tax liabilities	17	1,511,730	1,329,360
		2,953,939	2,416,109
		4,423,968	4,109,310
CAPITAL AND RESERVES			
Share capital	18	150,839	150,709
Reserves		3,436,870	3,226,376
Equity attributable to equity holders of the Company		3,587,709	3,377,085
Share-based payment reserve of a subsidiary		4,633	5,280
Minority interests		831,626	726,945
TOTAL EQUITY		4,423,968	4,109,310

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2008

	Attributable to equity holders of the Company														
	Share capital	Share premium	Special reserve	Capital reserve	Investment revaluation reserve	Other reserves	Translation reserve	Convertible notes reserve	Share-based payment reserve	Warrants reserve	Retained profits	Sub-total	Share-based payment reserve of a subsidiary	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2007 (audited)	149,171	415,627	124,695	(343,326)	(590)	4,794	74,260	–	21,962	–	2,325,259	2,771,852	981	476,016	3,248,849
Exchange difference arising from translation of foreign operations	–	–	–	–	–	–	29,161	–	–	–	–	29,161	–	6,843	36,004
Decrease in fair value of available-for-sale investments	–	–	–	–	(255)	–	–	–	–	–	–	(255)	–	(145)	(400)
Share of translation reserve of associates	–	–	–	–	–	–	13,438	–	–	–	–	13,438	–	–	13,438
Net income (expense) recognised directly in equity	–	–	–	–	(255)	–	42,599	–	–	–	–	42,344	–	6,698	49,042
Profit for the period	–	–	–	–	–	–	–	–	–	–	312,160	312,160	–	114,877	427,037
Release upon impairment of an available-for-sale investment	–	–	–	–	809	–	–	–	–	–	–	809	–	–	809
Release upon disposal of an investment	–	–	–	–	–	(2,743)	(200)	–	–	–	–	(2,943)	–	–	(2,943)
Release upon disposal of interest in an associate	–	–	–	–	–	–	650	–	–	–	–	650	–	373	1,023
Total recognised income (expense) for the period	–	–	–	–	554	(2,743)	43,049	–	–	–	312,160	353,020	–	121,948	474,968
Shares repurchased and cancelled	(183)	(5,954)	–	–	–	–	–	–	–	–	–	(6,137)	–	–	(6,137)
Recognition of equity-settled share-based payment expense	–	–	–	–	–	–	–	–	9,706	–	–	9,706	2,482	–	12,188
Release upon lapse of vested option	–	–	–	–	–	–	–	–	(551)	–	551	–	–	–	–
Issue of shares under share option scheme	796	22,961	–	–	–	–	–	–	(4,097)	–	–	19,660	–	–	19,660
Issue of shares under share option scheme of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(189)	1,739	1,550
Share issue expenses	–	(293)	–	–	–	–	–	–	–	–	–	(293)	–	–	(293)
Share of other reserves of associates	–	–	–	–	–	1,804	–	–	–	–	–	1,804	–	–	1,804
Dividends recognised as distribution	–	–	–	–	–	–	–	–	–	–	(22,467)	(22,467)	–	–	(22,467)
Dividend distributed by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	(14,430)	(14,430)
Recognition of equity component of convertible notes	–	–	–	–	–	–	–	8,482	–	–	–	8,482	–	–	8,482
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	63,742	63,742
At 30 September 2007 (unaudited)	149,784	432,341	124,695	(343,326)	(36)	3,855	117,309	8,482	27,020	–	2,615,503	3,135,627	3,274	649,015	3,787,916
At 1 April 2008 (audited)	150,709	438,714	124,695	(343,326)	709	10,638	295,462	8,482	28,260	–	2,662,742	3,377,085	5,280	726,945	4,109,310
Exchange difference arising from translation of foreign operations	–	–	–	–	–	–	62,385	–	–	–	–	62,385	–	15,632	78,017
Decrease in fair value of available-for sale investments	–	–	–	–	(236)	–	–	–	–	–	–	(236)	–	(31)	(267)
Share of translation reserve of associates	–	–	–	–	–	–	20,563	–	–	–	–	20,563	–	41	20,604
Net income (expense) recognised directly in equity	–	–	–	–	(236)	–	82,948	–	–	–	–	82,712	–	15,642	98,354
Profit for the period	–	–	–	–	–	–	–	–	–	–	74,063	74,063	–	53,785	127,848
Total recognised income (expense) for the period	–	–	–	–	(236)	–	82,948	–	–	–	74,063	156,775	–	69,427	226,202
Recognition of equity-settled share-based payment expense	–	–	–	–	–	–	–	–	10,928	–	–	10,928	436	–	11,364
Release upon lapse of vested options	–	–	–	–	–	–	–	–	(9,990)	–	9,990	–	–	–	–
Release upon lapse of vested options of a subsidiary	–	–	–	–	–	–	–	–	–	–	312	312	(499)	187	–
Issue of shares under share option scheme	130	1,651	–	–	–	–	–	–	–	–	–	1,781	–	–	1,781
Issue of shares under share option scheme of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(584)	4,273	3,689
Share issue expenses	–	(210)	–	–	–	–	–	–	–	–	–	(210)	–	–	(210)
Share of other reserves of associates	–	–	–	–	–	41,038	–	–	–	–	–	41,038	–	–	41,038
Dividends recognised as distribution *(Note 7)*	–	–	–	–	–	–	–	–	–	12,833	(12,833)	–	–	–	–
Dividend distributed by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	(12,402)	(12,402)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	4,604	4,604
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	38,592	38,592
At 30 September 2008 (unaudited)	150,839	440,155	124,695	(343,326)	473	51,676	378,410	8,482	29,198	12,833	2,734,274	3,587,709	4,633	831,626	4,423,968

Condensed Consolidated Cash Flow Statement
For the six months ended 30 September 2008

	Notes	Unaudited Six months ended 30 September 2008 HK$'000	2007 HK$'000
NET CASH USED IN OPERATING ACTIVITIES		(13,201)	(25,891)
NET CASH USED IN INVESTING ACTIVITIES			
Increase in project under development		(204,906)	(432,497)
Additions to property, plant and equipment		(12,224)	(13,442)
Acquisition of assets through acquisition of subsidiaries, net of cash and cash equivalents acquired	19	6,168	(1,892)
Dividend income received from associates		–	88,250
Proceeds from disposal of interest in an associate		–	8,860
Proceeds from disposal of property, plant and equipment		346	1,623
(Increase) decrease in pledged bank deposits		(78,883)	1,246
Other investing cash flows		(33,866)	(46,330)
		(323,365)	(394,182)
NET CASH FROM FINANCING ACTIVITIES			
New bank and other borrowings raised		928,401	796,397
Capital contribution from minority shareholders		38,592	63,742
Proceeds from issue of shares of a subsidiary		3,689	1,550
Proceeds from issue of shares		1,781	19,660
Repayment of bank and other borrowings		(531,457)	(449,569)
Interest paid		(74,908)	(44,418)
Repayment of amount due to a minority shareholder		(1,006)	(3,030)
Share issue expenses		(210)	(293)
Payment for repurchase of shares		–	(6,137)
Others		–	(2,563)
		364,882	375,339
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		28,316	(44,734)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		2,171	2,769
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		601,419	716,334
CASH AND CASH EQUIVALENTS CARRIED FORWARD		631,906	674,369
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Short term bank deposits		374,940	393,921
Bank balances and cash		256,966	285,231
Bank overdrafts		–	(4,783)
		631,906	674,369

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 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 ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2008.

In addition, the Group applied the following policy in respect of government grants:

Government grants

Government grants relating to income are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

In the current interim period, the Group has applied, for the first time, new interpretations and amendments ("new HKFRSs") issued by HKICPA which are effective for the Group's financial year beginning 1 April 2008. 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[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[5]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

[2] Effective for annual periods beginning on or after 1 January 2009

[3] Effective for annual periods beginning on or after 1 July 2009

[4] Effective for annual periods beginning on or after 1 July 2008

[5] Effective for annual periods beginning on or after 1 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 1 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 or revised standards, amendments or interpretation will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

For management purposes, the Group's operations are currently organised into seven operating divisions, namely management contracting, property development management, port and infrastructure development and logistics, LPG distribution, treasury investment, property investment and property trading. These divisions form the basis on which the Group reports its primary segment information.

During the period ended 30 September 2007, the Group's operations were organised into six segments, namely management contracting, property development management, port and infrastructure development and logistics, LPG distribution, treasury investment and property investment. The prior period results for property trading segment that is presented for comparative purposes has been restated from unallocated results to property trading segment to reflect this internally reporting segment as a separate segment. The property trading segment is engaged in trading of formed land and real estate properties which are held for sale in the ordinary course of business.

Business segment information for the six months ended 30 September 2008 is presented below:

	Management contracting	Property development management	Port and infrastructure development and logistics	LPG distribution	Treasury investment	Property investment	Property trading	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER									
External sales	2,479,495	19,320	53,239	220,703	15,553	1,608	–	–	2,789,918
Inter-segment sales	–	1,902	740	–	–	–	–	(2,642)	–
Total	2,479,495	21,222	53,979	220,703	15,553	1,608	–	(2,642)	2,789,918
RESULTS									
Segment results	42,874	(2,578)	4,981	10,079	16,444	319,810	(3,710)	–	387,900
Unallocated expenses									(75,053)
Interest income									17,483
Finance costs									(38,343)
Decrease in fair value of investments held for trading									(35,783)
Share of results of associates	6	(161)	24,013	–	–	(4)	–	–	23,854
Share of results of jointly controlled entities	23	–	–	–	–	–	–	–	23
Profit before taxation									280,081
Taxation									(152,233)
Profit for the period									127,848

Business segment information for the six months ended 30 September 2007 is presented below:

	Management contracting HK$'000	Property development management HK$'000	Port and infrastructure development and logistics HK$'000	LPG distribution HK$'000	Treasury investment HK$'000	Property investment HK$'000	Property trading HK$'000	Eliminations HK$'000	Consolidated HK$'000
TURNOVER									
External sales	2,187,617	26,181	31,425	154,156	32,283	–	–	–	2,431,662
Inter-segment sales	–	2,751	1,194	–	–	–	–	(3,945)	–
Total	2,187,617	28,932	32,619	154,156	32,283	–	–	(3,945)	2,431,662
RESULTS									
Segment results	44,255	4,546	(6,668)	(3,095)	30,966	629,161	(110)	–	699,055
Unallocated expenses									(61,070)
Interest income									27,285
Finance costs									(23,630)
Increase in fair value of investments held for trading									5,065
Gain from fair value changes in respect of derivative financial instruments	–	–	–	–	–	10,331	–	–	10,331
Gain on disposal of interest in an associate	3,459	–	–	–	–	–	–	–	3,459
Share of results of associates	20	83	19,139	–	–	16,099	–	–	35,341
Share of results of jointly controlled entities	28	–	–	–	–	–	–	–	28
Profit before taxation									695,864
Taxation									(268,827)
Profit for the period									427,037

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

4. OTHER INCOME

The following items are included in other income:

	Unaudited Six months ended 30 September 2008 *HK$'000*	2007 *HK$'000*
Interest income	17,483	27,285
Government grant	13,590	–
Exchange gain	6,953	–
Gain from fair value changes in respect of derivative financial instruments	–	10,331
Increase in fair value of investments held for trading	–	5,065

The Group received a cash government grant of approximately HK$13,590,000 (2007: Nil) as a compensation to LPG sold by the Group at regulated prices during the period ended 30 September 2008. There are no unfilled conditions or other contingencies attached to the receipt of this government grant. There is no assurance that the Group will continue to receive such grant in the future.

5. PROFIT BEFORE TAXATION

	Unaudited Six months ended 30 September 2008 *HK$'000*	2007 *HK$'000*
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	784	690
Cost of construction works recognised as an expense	2,397,046	2,109,799
Cost of inventories recognised as an expense	208,511	144,889
Decrease in fair value of investments held for trading (included in other expenses)	35,783	–
Depreciation of property, plant and equipment		
Amount provided for the period	36,593	35,435
Less: Amount capitalised in respect of contracts in progress	(1,088)	(949)
Amount capitalised in respect of project under development	(633)	(826)
Amount capitalised in respect of properties under development/stock of properties	(359)	(160)
	34,513	33,500
Impairment loss on an available-for-sale investment	–	1,389
Impairment loss on receivables	–	10,100
Release of prepaid lease payments	903	897

6. TAXATION

	Unaudited Six months ended 30 September 2008 HK$'000	2007 HK$'000
The charge comprises:		
Current taxation in jurisdictions outside Hong Kong	8,739	6,370
Deferred taxation *(Note 17)*		
Land Appreciation Tax ("LAT")	84,188	138,472
Others	59,306	123,985
	143,494	262,457
Taxation attributable to the Company and its subsidiaries	152,233	268,827

No tax is payable on the profit for both periods arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

According to the requirements of the Provisional Regulations of the People's Republic of China ("the PRC") on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all income from the sale or transfer of land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value.

7. DISTRIBUTION

	Unaudited Six months ended 30 September 2008 HK$'000	2007 HK$'000
Dividends recognised as distributions to equity holders of the Company during the current period:		
Final dividend for the year ended 31 March 2008 – HK0.85 cent (2007: HK1.5 cents for the year ended 31 March 2007) per share	12,833	22,467

The final dividend for the year ended 31 March 2008 was distributed in the form of warrants issued on the basis of one warrant for every six existing shares held by shareholders whose names appear on the register of members of the Company on 18 September 2008. Each warrant will entitle shareholders of the Company to subscribe for one new share at an initial subscription price of HK$1.0 per share in cash, subject to anti-dilutive adjustments, at any time between the date of issue of the warrants on 26 September 2008 and the day immediately preceding the anniversary of the date of issue on 25 September 2009, both days inclusive. The fair value of each warrant issued was determined based on a valuation as at the date of approval of the issue of the warrants (5 September 2008) performed by RHL Appraisal Ltd., an independent qualified professional valuer not connected with the Group.

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2008. For the six months ended 30 September 2007, an interim dividend of HK1.5 cents per share amounting to approximately HK$22,586,000 was declared.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the period is based on the following data:

	Unaudited Six months ended 30 September 2008 *HK$'000*	**2007** *HK$'000*
Earnings attributable to equity holders of the Company for the purpose of basic earnings per share	74,063	312,160
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	–	3,518
Earnings attributable to equity holders of the Company for the purpose of diluted earnings per share	74,063	315,678

	2008 *Number of shares*	**2007** *Number of shares*
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,507,974,391	1,492,852,828
Effect of dilutive potential ordinary shares:		
Share options	1,115,237	19,822,690
Convertible notes	–	25,216,275
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,509,089,628	1,537,891,793

The potential ordinary shares attributable to the convertible notes have anti-dilutive effect for the current period.

9. INVESTMENT PROPERTIES

Certain investment properties are held for rental purposes under operating leases.

During the period, the Group completed the reclamation of certain sea area and obtained the certificate of completion of land reclamation (the "Certificate") in respect of certain land area (the "Formed Land") in Jiangsu Province, the PRC. Such Formed Land, the future use of which is currently undetermined, has been recognised as investment properties upon obtaining the Certificate. The relevant costs, which include the cost of sea use rights, development expenditure, borrowing costs capitalised and other directly attributable expenses, amounting to HK$100,134,000 (31.3.2008: HK$378,551,000), have been reclassified from project under development.

In respect of the land for which the Group has obtained a certificate from the local land bureau for the Formed Land, once the future use of the land is determined, the Group will apply for the appropriate land use right certificates of the Formed Land. The directors of the Company consider that there is no material impediment to obtain those land use rights certificates for the Group.

The fair value of the Group's investment properties at 30 September 2008 has been arrived at on the basis of a valuation carried out as at that date by Greater China Appraisal Limited, an independent qualified professional valuer not connected with the Group. In determining the fair value of the investment properties, the comparison method is adopted where comparison based on prices information of recent transacted prices of comparable property is made. Comparable property of similar size, character and location are analysed in order to arrive at a fair comparison of capital values. The gain from fair value adjustment amounted to HK$319,572,000 (2007: HK$628,449,000) and had been recognised in the profit or loss during the current period.

Deferred tax consequences in respect of the revalued investment properties are assessed on the basis that reflects the tax consequences that would follow from the manner in which the Group expects to recover the carrying amounts of the property at each balance sheet date. For Formed Land held for undetermined future use located in the PRC, management of the Company, for the purpose of deferred tax calculation, has made a best estimate that half of the Formed Land will be realised through sale in the long term. The temporary difference of the relevant position between the tax base of the revalued investment properties and their carrying amounts therefore would be subject to PRC LAT in addition to enterprise income tax.

The investment properties of the Group are under medium-term leasehold land in the PRC.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the additions of the Group's property, plant and equipment amounted to approximately HK$12,224,000 (2007: HK$152,303,000). Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, which ranged from 3 years to 49 years, after taking into account of their estimated residual value, using straight-line method.

For the prior period, assets additions were mainly represented the port facilities transferred from project under development.

11. PROJECT UNDER DEVELOPMENT

	Unaudited 30.9.2008 *HK$'000*	**Audited 31.3.2008** *HK$'000*
Sea use rights	1,534,002	1,631,465
Development costs	2,085,169	1,649,574
	3,619,171	3,281,039

The amount mainly relates to a development project located in Jiangsu Province, the PRC. The Group is undergoing the reclamation of certain area of the sea and the construction of bridge and ports. According to the sea use right certificates, the sea use rights are granted for terms ranging from 49 to 50 years commencing 2004.

12. INTERESTS IN ASSOCIATES

	Unaudited 30.9.2008 *HK$'000*	**Audited 31.3.2008** *HK$'000*
Cost of unlisted investment in associates, less impairment *(Note)*	494,343	499,343
Share of post-acquisition profits and reserves, net of dividends received	294,259	244,870
	788,602	744,213

Note: As at 30 September 2008, the unlisted investment includes the Group's 45% equity interest in Nantong Port Group Limited ("Nantong Port Group"), which is a sino-foreign joint venture enterprise registered in the PRC. Nantong Port Group is principally engaged in providing cargo loading and off loading, storage, shipping agent, cargo agent, ship anchoring, ship repairing, port machinery, shipping logistics and ship piloting services in Nantong Port, Jiangsu Province, the PRC.

13. STOCK OF PROPERTIES

Certain real estate properties of approximately HK$438,943,000 (31.3.2008: HK$173,626,000) are properties under development held for sale in the ordinary course of business. The relevant costs include acquisition costs, development expenditure, borrowing costs capitalised and other direct costs attributable to such properties.

During the period, the Group completed the reclamation of certain sea area and obtained the Certificate in respect of Formed Land. Those pieces of Formed Land are held for sale in the ordinary course of business and have been classified as stock of properties upon obtaining the Certificate. The relevant costs, which include the cost of sea use rights, development expenditure, borrowing costs capitalised and other directly attributable costs, amounting to approximately HK$101,874,000 (31.3.2008: Nil), have been reclassified from project under development.

Stock of properties is stated at the lower of cost and net realisable value. Net realisable value is determined by reference to sale proceeds received after the balance sheet date less selling expenses, or by management estimates based on prevailing market condition.

14. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group's credit terms for its management contracting segment are negotiated at terms determined and agreed with its customers. Credit terms for property leasing business is payable according to the agreements and the credit terms granted by the Group to other debtors normally range from 30 days to 90 days.

Included in debtors, deposits and prepayments are debtors of approximately HK$803,963,000 (31.3.2008: HK$882,254,000) and their aged analysis is as follows:

	Unaudited **30.9.2008** *HK$'000*	**Audited** **31.3.2008** *HK$'000*
Within 90 days	646,156	807,265
More than 90 days and within 180 days	3,786	16,366
More than 180 days	154,021	58,623
	803,963	882,254

15. CREDITORS AND ACCRUED EXPENSES

Included in creditors and accrued expenses are creditors of approximately HK$412,371,000 (31.3.2008: HK$471,022,000) and their aged analysis is as follows:

	Unaudited **30.9.2008** *HK$'000*	**Audited** **31.3.2008** *HK$'000*
Within 90 days	395,928	450,612
More than 90 days and within 180 days	835	7,379
More than 180 days	15,608	13,031
	412,371	471,022

16. MOVEMENTS IN BANK AND OTHER BORROWINGS

During the period, the Group raised new bank and other borrowings of approximately HK$928,401,000 (2007: HK$796,397,000) and repaid approximately HK$531,457,000 (2007: HK$449,569,000). As at 30 September 2008, the bank and other borrowings represented balance repayable within one year or on demand of approximately HK$997,638,000 (31.3.2008: HK$839,410,000), and balance repayable after one year of approximately HK$1,240,069,000 (31.3.2008: HK$966,198,000). The secured bank and other borrowings as at 30 September 2008 were approximately HK$1,568,864,000 (31.3.2008: HK$1,225,901,000).

17. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the current period:

	Fair value adjustment on investment properties	Fair value adjustment on project under development	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2008 (audited)	422,754	883,851	22,755	1,329,360
Exchange realignment	13,035	25,196	645	38,876
Transfer	36,294	(36,294)	–	–
Charge (credit) to income statement	143,936	–	(442)	143,494
At 30 September 2008 (unaudited)	616,019	872,753	22,958	1,511,730

18. SHARE CAPITAL

	Number of shares	Value
		HK$'000
Ordinary shares of HK$0.10 each:		
Authorised:		
At 1 April 2008 and 30 September 2008	3,000,000,000	300,000
Issued and fully paid:		
At 1 April 2008	1,507,093,517	150,709
Issue of shares under share option scheme	1,300,000	130
At 30 September 2008	1,508,393,517	150,839

During the period, the Company granted 85,684,000 share options to the directors and employees at an exercise price ranging from HK$2.00 to HK$3.00. The fair value of the share options granted during the period using the Black-Scholes Option Pricing Model is approximately HK$15,942,000. The share options granted are subject to vesting period from zero to two years with or without certain performance conditions.

As a result of the warrants issued relating to the distribution of final dividend for the year ended 31 March 2008 as set out in note 7, on 19 September 2008, the Company adjusted the exercise price of the outstanding share options by reducing it by a factor of 6/7 and adjusted the number of shares to be issued upon exercise of the share options by increasing it by a factor of 7/6.

19. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 9 September 2008, the Group was granted an option by the other shareholder of Feeder Port Holdings Limited ("Feeder Port"), which is engaged in logistic network solution, to increase its interest in Feeder Port from 50% to 87.5% at a consideration of HK$15,000,000. The Group exercised the above option on 17 September 2008 and the consideration was satisfied by converting its loan receivable into equity interests in Feeder Port. The acquisition has been accounted for as an acquisition of assets and liabilities. The net assets acquired in the transaction was summarised as follows:

	2008
	HK$'000
Net assets acquired:	
Property, plant and equipment	494
Prepaid lease payments	143,976
Project under development	20,758
Debtors, deposits and prepayments	15,063
Bank balances and cash	6,168
Creditors and accrued expenses	(122,748)
	63,711
Less: Minority interest	(4,604)
	59,107
Total consideration satisfied by:	
Interests in associates	7,302
Amounts due from associates	15,000
Derivative financial instrument (fair value of option)	36,805
	59,107
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	6,168

20. CONTINGENCIES AND COMMITMENTS

	Unaudited	**Audited**
	30.9.2008	**31.3.2008**
	HK$'000	*HK$'000*
Commitments		
Expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of:		
– Property, plant and equipment	294,236	279,066
– Project under development	228,414	449,536
– Properties under development	33,756	425,995
– Equity investments	169,772	–
	726,178	1,154,597
Contingencies		
Guarantee given to a bank in respect of banking facilities granted to an associate	11,835	10,481

21. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) The Group entered into the following significant transactions with its related parties during the period:

Class of related party	Nature of transactions	Unaudited Six months ended 30 September 2008 HK$'000	2007 HK$'000
Associates of the Group	Interest income charged by the Group	–	1,170
	Rentals and related building management fee charged to the Group	–	5,776
	Project management fees charged by the Group	12,964	15,570
Jointly controlled entities of the Group	Subcontracting fees charged to the Group	–	3,861
Subsidiaries of ITC Corporation Limited ("ITC")	Interest income charged by the Group	–	1,922
	Interest charged to the Group	2,544	–
Associates of ITC *(Note)*	Interest income charged by the Group	13,820	5,825
	Interest charged to the Group	1,817	–
	Construction works charged by the Group	5,412	–

Note: ITC is the substantial shareholder of the Company, which Dr Chan Kwok Keung, Charles, was, in turn, the substantial shareholder of ITC and director of the Company. He has significant influence over these related parties.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management, which is determined by the remuneration committee having regard to the performance of individuals and market trends, is as follows:

	Unaudited Six months ended 30 September 2008 HK$'000	2007 HK$'000
Short-term benefits	11,323	10,527
Post-employment benefits	243	278
Share-based payment expense	6,777	5,906
	18,343	16,711

22. COMPARATIVE INFORMATION

During the year ended 31 March 2008, the Group changed its presentation of revenue and cost of sales in the condensed consolidated income statement in respect of its investments in securities for the current and prior periods. The net gain on investments held for trading is now included in other income instead of separately disclosed in revenue and cost of sales. The comparatives have been restated accordingly such that the net loss and net gain on investments in securities for the current and prior periods are grouped under other expenses and other income respectively.

3. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE PYI GROUP FOR THE YEAR ENDED 31 MARCH 2008

Set out below is the audited consolidated financial statements of PYI Group for the financial years ended 31 March 2007 and 31 March 2008 together with the relevant notes to the accounts, as extracted from the annual report of PYI for the year ended 31 March 2008.

Consolidated Income Statement
For the year ended 31 March 2008

	Notes	**2008** *HK$'000*	**2007** *HK$'000* (restated)
Turnover	7	5,502,543	4,643,712
Cost of sales		(5,075,383)	(4,370,170)
Gross profit		427,160	273,542
Other income	9	80,865	171,396
Administrative expenses		(291,246)	(238,936)
Distribution costs		(44,622)	(18,471)
Other expenses	10	(14,916)	(69,068)
Finance costs	11	(53,252)	(23,597)
Gain on disposal of interest in an associate		3,459	5,067
Discount on acquisition of business	46(a)	–	3,755
Gain from fair value adjustments in respect of investment properties	18	669,460	–
Share of results of associates		56,330	223,549
Share of results of jointly controlled entities		59	(642)
Profit before taxation	13	833,297	326,595
Taxation (charge) credit	14	(315,186)	50,552
Profit for the year		518,111	377,147
Attributable to:			
Equity holders of the Company		359,982	345,665
Minority interests		158,129	31,482
		518,111	377,147
Distribution	15	45,053	369,668
		HK$	*HK$*
Earnings per share	16		
Basic		0.240	0.236
Diluted		0.238	0.233

Consolidated Balance Sheet
At 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	718,611	528,203
Investment properties	18	1,230,351	–
Project under development	19	3,281,039	2,411,680
Properties under development	20	172,031	44,458
Prepaid lease payments	21	78,770	67,968
Goodwill	22	63,969	61,646
Other intangible assets	23	61,402	55,775
Interests in associates	24	744,213	710,234
Interests in jointly controlled entities	25	1,987	1,928
Available-for-sale investments	26	1,081	1,312
Loans receivable			
– due after one year	27	32,222	30,956
Deferred consideration receivable	30	2,863	6,597
		6,388,539	3,920,757
CURRENT ASSETS			
Properties under development	20	173,626	82,732
Prepaid lease payments	21	2,343	1,766
Inventories		20,171	23,425
Loans receivable			
– due within one year	27	18,000	181,508
Amounts due from related companies	28	296,753	150,099
Amounts due from associates	29	59,777	187,314
Amounts due from customers for contract works	31	201,589	223,637
Debtors, deposits and prepayments	32	2,421,568	1,910,690
Conversion option embedded in loan receivable	33	94	1,427
Investments held for trading	34	61,255	155,783
Available-for-sale investments	26	56,635	–
Derivative financial instruments	35	22,174	–
Taxation recoverable		3,261	2,942
Pledged bank deposits	36	34,269	42,601
Short term bank deposits	36	438,878	441,769
Bank balances and cash	36	162,541	294,997
		3,972,934	3,700,690

	Notes	2008 HK$'000	2007 HK$'000
CURRENT LIABILITIES			
Amounts due to customers for contract works	31	804,442	1,038,548
Creditors and accrued expenses	37	1,903,832	1,157,990
Amounts due to associates	38	50,291	17,429
Amounts due to minority shareholders	39	1,041	4,071
Amounts due to related companies	40	133,051	–
Taxation payable		103,987	61,286
Bank and other borrowings – due within one year	41	839,410	597,386
		3,836,054	2,876,710
NET CURRENT ASSETS		136,880	823,980
TOTAL ASSETS LESS CURRENT LIABILITIES		6,525,419	4,744,737
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year	41	966,198	426,751
Convertible notes payable	42	120,551	–
Deferred consideration payable	46(a)	–	121,213
Deferred tax liabilities	43	1,329,360	947,924
		2,416,109	1,495,888
		4,109,310	3,248,849
CAPITAL AND RESERVES			
Share capital	44	150,709	149,171
Reserves		3,226,376	2,622,681
Equity attributable to equity holders of the Company		3,377,085	2,771,852
Share-based payment reserve of a subsidiary		5,280	981
Minority interests		726,945	476,016
TOTAL EQUITY		4,109,310	3,248,849

Consolidated Statement of Changes in Equity
For the year ended 31 March 2008

	Attributable to the equity holders of the Company													
	Share capital	Share premium	Special reserve	Capital reserve	Investment revaluation reserve	Other reserve	Translation reserve	Convertible notes reserve	Share-based payment reserve	Retained profits	Sub-total	Share-based payment reserve of a subsidiary	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2006	137,880	169,129	124,695	(201,291)	(352)	5,733	5,143	–	4,940	2,324,755	2,570,632	137	439,168	3,009,937
Exchange difference arising from translation of foreign operations	–	–	–	–	–	–	54,168	–	–	–	54,168	–	27,800	81,968
Decrease in fair value of available-for-sale investments	–	–	–	–	(238)	–	–	–	–	–	(238)	–	(103)	(341)
Share of translation reserve of associates	–	–	–	–	–	–	15,167	–	–	–	15,167	–	–	15,167
Share of other reserve of associates	–	–	–	–	–	2,019	–	–	–	–	2,019	–	–	2,019
Net (expense) income recognised directly in equity	–	–	–	–	(238)	2,019	69,335	–	–	–	71,116	–	27,697	98,813
Profit for the year	–	–	–	–	–	–	–	–	–	345,665	345,665	–	31,482	377,147
Release upon disposal of interest in associates	–	–	–	–	–	(2,991)	(218)	–	–	–	(3,209)	–	–	(3,209)
Total recognised (expense) income for the year	–	–	–	–	(238)	(972)	69,117	–	–	345,665	413,572	–	59,179	472,751
Transfer of reserve of an associate	–	–	–	–	–	33	–	–	–	(33)	–	–	–	–
Shares repurchased and cancelled	(200)	(4,181)	–	–	–	–	–	–	–	–	(4,381)	–	–	(4,381)
Recognition of equity-settled share-based payment expense	–	–	–	–	–	–	–	–	22,181	–	22,181	1,088	–	23,269
Issue of shares under share option scheme	3,657	59,597	–	–	–	–	–	–	(5,096)	–	58,158	–	–	58,158
Release upon lapse of vested share options	–	–	–	–	–	–	–	–	(63)	63	–	–	–	–
Issue of shares under share option scheme by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(244)	1,744	1,500
Issue of shares under scrip dividend schemes	984	(984)	–	–	–	–	–	–	–	–	–	–	–	–
Issue of shares upon acquisition of additional interests in subsidiaries	6,850	192,701	–	–	–	–	–	–	–	–	199,551	–	–	199,551
Credit arising on scrip dividends	–	–	–	–	–	–	–	–	–	24,477	24,477	–	–	24,477
Share issue expenses	–	(635)	–	–	–	–	–	–	–	–	(635)	–	–	(635)
Distribution	–	–	–	–	–	–	–	–	–	(369,668)	(369,668)	–	–	(369,668)
Dividend distributed by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(17,547)	(17,547)
Contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	–	–	48,761	48,761
Scrip dividends distributed by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	5,472	5,472
Acquisition of additional interests in subsidiaries	–	–	–	(142,035)	–	–	–	–	–	–	(142,035)	–	(60,761)	(202,796)
At 31 March 2007	149,171	415,627	124,695	(343,326)	(590)	4,794	74,260	–	21,962	2,325,259	2,771,852	981	476,016	3,248,849

	Attributable to the equity holders of the Company													
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Capital reserve HK$'000	Investment revaluation reserve HK$'000	Other reserve HK$'000	Translation reserve HK$'000	Convertible notes reserve HK$'000	Share-based payment reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Share-based payment reserve of a subsidiary HK$'000	Minority interests HK$'000	Total HK$'000
At 31 March 2007	149,171	415,627	124,695	(343,326)	(590)	4,794	74,260	–	21,962	2,325,259	2,771,852	981	476,016	3,248,849
Exchange difference arising from translation of foreign operations	–	–	–	–	–	–	159,028	–	–	–	159,028	–	39,992	199,020
Increase in fair value of available-for-sale investments	–	–	–	–	490	–	–	–	–	–	490	–	(141)	349
Share of translation reserve of associates	–	–	–	–	–	–	61,730	–	–	–	61,730	–	–	61,730
Net income recognised directly in equity	–	–	–	–	490	–	220,758	–	–	–	221,248	–	39,851	261,099
Profit for the year	–	–	–	–	–	–	–	–	–	359,982	359,982	–	158,129	518,111
Recognition of impairment of an available-for-sale investment	–	–	–	–	809	–	–	–	–	–	809	–	–	809
Release upon disposal of interest in an associate	–	–	–	–	–	–	644	–	–	–	644	–	379	1,023
Release upon disposal of an investment held for trading	–	–	–	–	–	(2,743)	(200)	–	–	–	(2,943)	–	–	(2,943)
Total recognised income (expense) for the year	–	–	–	–	1,299	(2,743)	221,202	–	–	359,982	579,740	–	198,359	778,099
Transfer of reserve of an associate	–	–	–	–	–	40	–	–	–	(40)	–	–	–	–
Share of other reserve of associates	–	–	–	–	–	8,547	–	–	–	–	8,547	–	–	8,547
Shares repurchased and cancelled	(183)	(5,954)	–	–	–	–	–	–	–	–	(6,137)	–	–	(6,137)
Recognition of equity-settled share-based payment expense	–	–	–	–	–	–	–	–	15,478	–	15,478	4,697	–	20,175
Issue of shares under share option scheme	1,062	30,088	–	–	–	–	–	–	(5,095)	–	26,055	–	–	26,055
Release upon lapse of vested share options	–	–	–	–	–	–	–	–	(4,085)	4,085	–	–	–	–
Issue of shares under share option scheme by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(398)	3,234	2,836
Issue of shares under scrip dividend schemes	659	(659)	–	–	–	–	–	–	–	–	–	–	–	–
Credit arising on scrip dividends	–	–	–	–	–	–	–	–	–	18,509	18,509	–	–	18,509
Share issue expenses	–	(388)	–	–	–	–	–	–	–	–	(388)	–	–	(388)
Distribution	–	–	–	–	–	–	–	–	–	(45,053)	(45,053)	–	–	(45,053)
Dividend distributed by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(22,119)	(22,119)
Recognition of equity component of convertible notes	–	–	–	–	–	–	–	8,482	–	–	8,482	–	–	8,482
Contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	–	–	65,722	65,722
Scrip dividends distributed by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	5,733	5,733
At 31 March 2008	150,709	438,714	124,695	(343,326)	709	10,638	295,462	8,482	28,260	2,662,742	3,377,085	5,280	726,945	4,109,310

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

The capital reserve represents the difference between the fair value and the carrying amount in the underlying assets and liabilities that attributable to the additional interests in subsidiaries acquired by the Group.

The other reserve represents the share of statutory reserve of the associate of the Group in the People's Republic of China and the share of contribution from associate's shareholders.

Consolidated Cash Flow Statement
For the year ended 31 March 2008

	2008	2007
	HK$'000	*HK$'000*
		(restated)
OPERATING ACTIVITIES		
Profit before taxation	833,297	326,595
Adjustments for:		
Finance costs	53,252	23,597
Loss on disposal of property, plant and equipment	118	977
Release of reserves upon disposal of investment held for trading	(2,943)	–
Gain on disposal of interest in an associate	(3,459)	(5,067)
Share of results of associates	(56,330)	(223,549)
Share of results of jointly controlled entities	(59)	642
Release of prepaid lease payments	1,958	1,031
Amortisation of intangible assets	1,334	490
Depreciation of property, plant and equipment	65,348	21,779
Decrease (increase) in fair value of investments held for trading	9,508	(89,472)
Decrease in fair value of conversion option embedded in loan receivable	1,333	1,650
Increase in fair value of derivative financial instruments	(11,086)	–
Gain from fair value adjustments in respect of investment properties	(669,460)	–
Share-based payment expense	19,867	23,083
Interest income	(46,577)	(42,444)
Impairment loss on receivables	2,686	18,628
Impairment loss on an available-for-sale investment	1,389	–
Reversal of impairment loss on receivables	–	(30,324)
Discount on acquisition of business	–	(3,755)
Operating cash flows before movements in working capital	200,176	23,861
(Increase) decrease in amounts due from (to) customers for contract works, net of attributable interest expenses and depreciation	(209,435)	553,472
Decrease in properties held for sale	–	78,245
Increase in properties under development	(85,806)	(82,732)
Decrease (increase) in loans receivable	148,395	(72,759)
Decrease (increase) in inventories	3,254	(23,425)
Increase in debtors, deposits and prepayments	(382,297)	(511,224)
(Increase) decrease in amounts due from related companies	(134,931)	115,017
Decrease in amounts due from associates	127,845	167,848
Decrease in investments held for trading	85,020	88,633
Increase in creditors and accrued expenses	471,226	237,139
Increase in amounts due to associates	32,862	13,751
Increase in amounts due to related companies	13,051	–
Cash generated from operations	269,360	587,826
Hong Kong Profits Tax paid	(593)	(3,296)
Hong Kong Profits Tax refunded	21	–
Overseas tax paid	(5,822)	(892)
NET CASH FROM OPERATING ACTIVITIES	262,966	583,638

	Notes	2008 HK$'000	2007 HK$'000 (restated)
INVESTING ACTIVITIES			
Increase in project under development		(912,607)	(290,888)
Payment of deferred consideration payable		(111,111)	–
Increase in properties under development		(86,966)	(43,264)
Additions to available-for-sale investments		(56,635)	–
Acquisition of assets through acquisition of subsidiaries	47	(46,119)	–
Additions to property, plant and equipment		(44,838)	(50,077)
Additions to derivative financial instruments		(11,088)	–
Additions to prepaid lease payments		(8,869)	(383)
Additions to other intangible assets		(2,366)	–
Acquisition of subsidiaries	46	(1,792)	(369,262)
Dividend received from associates		88,250	4,790
Interest received		45,045	42,070
Proceeds from disposal of interest in an associate		8,860	26,055
Decrease in pledged bank deposits		8,332	76,021
Proceeds from disposal of property, plant and equipment		660	1,973
Acquisition of interests in associates		–	(278,520)
Acquisition of additional interests in subsidiaries		–	(7,800)
Repayment of deferred consideration receivable		–	4,000
Proceeds from disposal of other intangible assets		–	115
NET CASH USED IN INVESTING ACTIVITIES		(1,131,244)	(885,170)
FINANCING ACTIVITIES			
New bank and other borrowings raised		1,583,135	1,198,106
Loan from a related company		70,000	–
Contribution from minority shareholders		65,722	50,261
Proceeds from issue of shares		26,055	58,158
Proceeds from issue of shares of a subsidiary		2,836	–
Repayment of bank and other borrowings		(837,236)	(850,715)
Interest paid		(109,130)	(39,808)
Dividends paid to equity holders of the Company		(26,544)	(19,531)
Dividends paid to minority shareholders of subsidiaries		(16,386)	(12,075)
Share repurchase		(6,137)	(4,381)
Repayment of amounts due to minority shareholders		(3,030)	(3,597)
Share issue expenses		(388)	(635)
Loan repaid to a minority shareholder		–	(31,821)
NET CASH FROM FINANCING ACTIVITIES		748,897	343,962
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(119,381)	42,430
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		4,466	7,866
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		716,334	666,038
CASH AND CASH EQUIVALENTS CARRIED FORWARD		601,419	716,334
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Short term bank deposits		438,878	441,769
Bank balances and cash		162,541	294,997
Bank overdrafts		–	(20,432)
		601,419	716,334

Notes to the Consolidated Financial Statements

For the year ended 31 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 its principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

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

The Company is an investment holding company. The activities of its principal subsidiaries, associates and jointly controlled entities are set out in note 56.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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 ("HKICPA"), which are effective for the Group's financial year beginning on 1 April 2007.

Hong Kong Accounting Standard ("HKAS") 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
Hong Kong (IFRIC) – Interpretation ("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 requirement 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.

Other than as disclosed above, the adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 January 2008
4 Effective for annual periods beginning on or after 1 July 2008

The adoption of HKFRS 3 (Revised) "Business Combinations" 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 1 July 2009. HKAS 27 (Revised) "Consolidated and Separate Financial Statements" 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 application of these revised standards may affect the Group's results and financial position.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. 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 charged to capital reserve. 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.

Goodwill

Goodwill arising on acquisitions of a business or an associate represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business or associate at the date of acquisition. Such goodwill is carried at cost less any identified impairment loss.

For the purposes of impairment testing, goodwill arising from an acquisition of business is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

Capitalised goodwill arising on acquisition of a business is presented separately in the consolidated balance sheet. Capitalised goodwill arising on acquisition of an associate which is accounted for using the equity method is included in the cost of the investment of the associate and is assessed for impairment as part of the investment.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Discount on acquisition

A discount on acquisition arising on an acquisition of a business/additional interest in a subsidiary represents the excess of the Group's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the acquisition. Discount on acquisition is recognised immediately in profit or loss.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost 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

On initial recognition, investment properties are measured at cost, including any directly attributable expenses. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model.

Gain arising from change in the fair value of investment property is included in profit or loss for the year in which they arise.

The investment properties are derecognised upon disposal or when the investment properties are permanently withdrawn from use or no future economic benefits are expected from their 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.

Properties under development under current asset

Properties under development under current asset which are held for future sale are stated at the lower of cost and net realisable value. Cost includes the cost of land use rights, development expenditure, borrowing costs capitalised and other direct attributable expenses.

Project under development/properties under development under non-current asset

Properties under development for purpose not yet determined and project under development are carried in the consolidated financial statements at cost less any identified impairment loss. Cost of properties/project under development includes, where appropriate, borrowing cost capitalised. No depreciation has been provided for properties/project under development.

Prepaid lease payments/sea use right

The up-front payments to acquire leasehold interest in land or sea are accounted for as operating leases and are stated at cost and released over the lease term on a straight line basis.

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 the 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 net assets of the associates, 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 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, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Interests in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interest that, in substance, form part of the Group's net investment in the jointly controlled entity), 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 jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of other intangible assets below).

Other intangible assets

On initial recognition, other intangible assets acquired separately other than from business combinations are recognised at cost. After initial recognition, other intangible assets with indefinite useful lives are carried at cost less any identified impairment loss. Other intangible assets with finite useful lives are amortised on a straight-line basis over its useful lives, and carried at cost less accumulated amortisation and accumulated impairment loss.

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

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

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

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. Variations in contract work and claims are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as expenses in the period in which they are incurred. Variation in contract work and claims are included to the extent that they have been agreed with the customer. Provision is made for foreseeable losses as soon as they are anticipated by management.

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

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the excess is shown as amount due from a customer for contract work. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the excess is shown as amount due to a customer for contract work. Amounts received before the related work is performed are included in the consolidated balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet under debtors, deposits and prepayments.

Inventories

Inventories, including liquefied petroleum gas ("LPG") for sales and consumables, are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value is based on estimated selling prices in the ordinary course of business less the estimated costs necessary to make the sale.

Financial instruments

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

Financial assets

The Group's financial assets are classified into one of the three categories, including 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.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets at FVTPL comprise of financial assets held for trading.

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.

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 or loss recognised in profit or loss excludes any dividend or interest 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 bank deposits, bank balances and cash, loans receivable, deferred consideration receivable, debtors and amounts due from related companies/associates) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial asset below).

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 asset 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 asset 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 debtors and loan receivables, 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 average credit period 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 debtors, loans receivable, amounts due from related companies and amounts due from associates 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 receivable 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.

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 accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

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

Convertible notes payable issued by the Company that contain both liability and equity components are classified separately into respective liability and equity components 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 Company'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 rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes payable and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in convertible notes reserve.

In subsequent periods, the liability component of the convertible notes payable is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes reserve until the option is exercised in which case the balance stated in convertible notes reserve will be transferred to share premium. Where the option remains unexercised at the expiry date, the balance stated in convertible notes reserve will be released to the retained 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 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 using the effective interest method.

Other financial liabilities

Other financial liabilities including creditors, other payables, amounts due to related companies/associates/ minority shareholders, deferred consideration payable, convertible notes payable and bank and other borrowings 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

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are deemed as financial assets/liabilities held for trading and are recognised in profit or loss as they arise.

Derivative embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with change 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 or payable is recognised in profit or loss.

Impairment losses (other than goodwill and intangible asset with indefinite lives)

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

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.

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

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

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 a construction contract is recognised on the percentage of completion method, measured by reference to the value of work certified during the year.

Property development management service income is recognised when services are provided.

Revenue from distribution of LPG is recognised when goods are delivered and title has passed.

Revenue from sale of completed properties is recognised upon the execution of a binding sales agreement.

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

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

Service income from provision of consultancy services which also involve usage by the customer of the Group's infrastructure and logistics facilities is recognised at the time when the services are rendered. When the service contract involves a long period to deliver the services, the revenue is recognised by reference to the stage of completion of the contract service, as measured by the proportion that the project cost incurred by the customer up to date bear to the estimated total project costs.

The income from contract involving only the use by customer of the Group's infrastructure facilities is recognised on a straight-line basis over the period of the usage granted to the customer.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes including Mandatory Provident Fund Scheme are charged as an expense or capitalised in contracts in progress, where appropriate, when employees have rendered service entitling them to the contributions.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the 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 amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally 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, associates and jointly controlled entities, 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.

Foreign currencies

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

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

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

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

Share-based payment transactions

Share options granted to employees after 7 November 2002 and vested before 1 April 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Share options granted to employees after 7 November 2002 and vested on or after 1 April 2005

For share options granted to directors and employees of the Group after 1 April 2005, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period/recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share-based payment reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss with a corresponding adjustment to share-based payment reserve. At the time when the share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options are forfeited after vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to retained profits.

Share options granted to suppliers/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 credit has been made to share-based payment reserve.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

(a) Construction contracts

The Group recognises contract revenue and profit on a construction contract according to the management's estimation of the total outcome of the project as well as the percentage of completion of construction works. Notwithstanding that management of the Group reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

(b) Deferred tax asset

At 31 March 2008, no deferred tax asset in relation to unused tax losses of HK$917 million has been recognised in the Group's consolidated balance sheet due to unpredictability of future profit streams on those subsidiaries. In cases where the actual future profits generated by those subsidiaries are more than expected, a material deferred tax credit would be recognised in the consolidated income statement in the period in which the tax losses are utilised.

(c) Deferred tax liability recognised in respect of fair value adjustments on investment properties and project under development

The measurement of deferred tax liabilities shall reflect the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover the carrying amount of its assets.

As at 31 March 2008, the deferred tax liability in respect of the fair value adjustment on project under development amounted to approximately HK$883,851,000 (2007: HK$926,204,000), of which, the amount included approximately HK$641,327,000 (2007: HK$672,059,000) as the People's Republic of China (the "PRC") Land Appreciation Tax ("LAT"). In making the estimation, the directors have considered that the land and sea use rights development may be recovered through future sale in the long term. Upon the completion of the development and the market condition by that time, the directors will assess the use of property interests and make appropriate adjustments to reflect the tax consequences of the related assets.

As described in note 18, the directors of the Company have made a best estimate on deferred tax liability in considering the manner in which the Group expects to recover the investment properties. In making the estimation, the directors took reference to the use of the property interests nearby and assumptions are made based on the likelihood that the properties may use in that location. The directors had made a best estimate that half of the property interests may be realised through sale in the long term. The LAT had been recognised as deferred tax liability based on the above estimate. The amount of related deferred tax liability as at 31 March 2008 is approximately HK$244,902,000 (2007: Nil).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders 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 debt, which includes the borrowings disclosed in note 41, convertible notes payable and equity attributable to equity holders of the Company, comprising issued share capital and various reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and their associated risks thereto. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2008	2007
	HK$'000	*HK$'000*
Financial assets		
Fair value through profit or loss (FVTPL)		
– Investments held for trading	61,255	155,783
– Conversion option embedded in loan receivable	94	1,427
– Derivative financial instruments	22,174	–
	83,523	157,210
Loans and receivables		
– Loans receivables	50,222	212,464
– Debtors and other receivables	2,003,808	1,693,034
– Amounts due from associates	59,777	187,314
– Amounts due from related companies	296,753	150,099
– Deferred consideration receivable	10,795	10,529
– Bank deposits	473,147	484,370
– Bank balances and cash	162,541	294,997
	3,057,043	3,032,807
Available-for-sale financial assets		
– Available-for-sale investments	57,716	1,312
Total	3,198,282	3,191,329
Financial liabilities at amortised costs		
Creditors and other payables	1,738,603	1,014,455
Amounts due to associates	50,291	17,429
Amounts due to related companies	133,051	–
Amounts due to minority shareholders	1,041	4,071
Bank and other borrowings	1,805,608	1,024,137
Convertible notes payable	120,551	–
Deferred consideration payable	–	121,213
	3,849,145	2,181,305

6b. Financial risk management objectives and policies

The Group's major financial instruments include bank deposits, bank balances and cash, debtors, loans and other receivables, available-for-sale investments, investments held for trading, derivative financial instruments, creditors and other payables, amounts due from (to) associates/related companies/minority shareholders, bank and other borrowings and convertible notes payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall strategy remains unchanged from prior year.

(a) Market risk

(i) Interest rate risk

The Group's exposure to interest rates is mainly attributable to its financial instruments that are subject to variable rate. Those financial instruments expose the Group to cash flow interest rate risk. Details of the Group's interest bearing financial instruments at variable rate have been disclosed in notes 28, 29, 32, 36, 40 and 41. Financial instruments at fixed rates expose the Group to fair value interest risk. Details of the Group's interest bearing financial instruments at fixed rate have been disclosed in notes 27, 28 and 41.

In order to mitigate the interest rate risk, the Group adopts a policy of maintaining an appropriate mix of fixed and floating rate borrowings which is achieved primarily through entering into different contractual terms of borrowings. The position is regularly monitored and evaluated by reference of anticipated changes in market interest rate.

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 rates announced by the People's Bank of China arising from the Group's Renminbi ("RMB") borrowings at variable rates and Hong Kong Inter-bank Offered Rate ("HIBOR") and Hong Kong Best Lending Rate ("HKBLR") arising from the Group's HK Dollars borrowings at variable rates.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable rate instruments at the balance sheet date. The analysis is prepared assuming the amount 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.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the effect to the profit of the Group is insignificant.

(ii) *Currency risk*

Foreign currency risk is the risk that the value of a monetary item will fluctuate because of changes in foreign exchange rates. Certain receivables of the Group are denominated in foreign currencies such as Macau Pataca ("MOP"), RMB and United States Dollars ("US Dollars") and which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arises.

Majority of the subsidiaries of the Group operates in the Mainland China with most of the transactions denominated in either RMB, HK Dollars or US Dollars. RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. Certain subsidiaries of the Company have foreign currency transactions, including contract revenue, purchase of materials, contract costs, expenses and borrowings. The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time.

All of the Group's borrowings are denominated in HK Dollars and RMB. It is the policy of the Group to draw borrowings in the functional currencies of the entities as management considers the repayments can be sourced from income to be generated in those currencies.

As HK Dollars is pegged to US Dollars, the Group believes the exposure of transactions denominated in US Dollars which are entered by group companies with a functional currency of HK Dollars to be insignificant.

The exchange rates between HK Dollars and MOP would not be materially fluctuate, hence, the Group's currency risk in relation to MOP is expected to be minimal.

The Group considers its foreign currency exposure is mainly arising from the exposure of RMB against HK Dollars. The Group regularly reviews the assets and liabilities and the currencies in which the transactions are denominated so as to minimise the Group's exposure to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities with exposure to foreign currency risk, which are considered as significant by management, at the respective balance sheet dates are as follows:

	Liabilities		Assets	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
US Dollars	–	–	312,414	77,835
RMB	19,951	298	309,166	204,359
HK Dollars	25,132	25,132	14,799	36,856
MOP	22,761	725	105,998	106,987

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against HK Dollars. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit where RMB strengthen 5% against HK Dollars. For a 5% weakening of RMB against HK Dollars, there would be an equal and opposite impact on the profit for the year, and the balances below would be negative.

	2008	**2007**
	HK$'000	*HK$'000*
Increase in profit	11,612	9,050

In management's opinion, the sensitivity analysis is not necessarily representative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(iii) *Other price risk*

The Group is exposed to equity securities price risk on its available-for-sale and held for trading investments. Management manages this exposure by maintaining a portfolio of investments with different risk profiles.

The Group's derivative financial instruments are measured at fair value at each balance sheet date. No analysis is presented as the change in market condition has no significant impact to the Group.

The Group has monitored the other price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 5% higher/lower:

- profit for the year ended 31 March 2008 would increase/decrease by approximately HK$3,063,000 (2007: increase/decrease by approximately HK$7,789,000) as a result of the changes in fair value of held-for-trading investments; and

- investment revaluation reserve would increase/decrease by approximately HK$54,000 (2007: increase/decrease by approximately HK$66,000) for the Group as a result of the changes in fair value of available-for-sale investments.

In management's opinion, the sensitivity analysis is not necessarily representative of the inherent price risk as the year end exposure does not reflect the exposure during the year.

(b) ***Credit risk***

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge obligations by the counterparties is:

– the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and

– the amount of contingent liabilities as disclosed in note 50.

In order to minimise the credit risk of the debtors, management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the Group will understand the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with an appropriate credit history. Credit limits attributed to customers and credit term granted to customers on different business units are reviewed regularly. In addition, the Group reviews regularly the recoverable amount of each individual customer 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 concentration of credit risks as follows:

For the management contracting segment, due to the fact that there are only a few major property developers in Hong Kong, the Group has significant concentration of credit risk in a few customers and significant concentration of credit risk by geographic location in Hong Kong. In view of their credit standings, good payment record in the past and long term relationships with the Group, the directors of the Company consider that the Group's credit risk is minimal. At the balance sheet date, the outstanding balances (including retention receivable) from the five largest customers amounted to approximately HK$865,154,000 (2007: HK$857,631,000) in aggregate, of which the largest customer represents approximately 18% (2007: 29%) of the total debtors and retention receivable at the balance sheet date.

The Group has advances together with interest thereon to a non-trade debtor which are included in debtors, deposits and prepayments, amounting to approximately HK$222,722,000 as at 31 March 2008 (2007: HK$176,753,000) (see note 32(c) for details) which expose the Group to the concentration of credit risk on this single counterparty. In view that the advance is secured by properties interest in the PRC and that the market value of such property interest is higher than the carrying amount of the balance, the directors of the Company consider that the Group's exposure to credit risk on this balance is reduced.

During the year ended 31 March 2008, the Group had advanced an unsecured loan to a related company, which is also a company listed in Hong Kong. As at 31 March 2008, the outstanding amount is approximately HK$290,267,000 (2007: Nil) (see note 28(a) for details), which expose the Group to the concentration of credit risk on this single counterparty. In view of good payment record in the past and relationship with the Group, the directors of the Company consider that the Group's credit risk is minimal.

With respect to concentration of credit risk arising from amounts due from associates, the Group's exposure to credit risk arising from default of the counterparty is limited as the associates have strong financial position and the Group does not expect to incur a significant loss for uncollected amounts due from these associates.

Details of another concentration of credit risk are set out in note 32(d).

Other than the above, the Group has no other significant concentration of credit risk, which exposure spread over a number of counterparties.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(c) ***Liquidity risk***

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. There are unutilised banking facilities available to finance the Group's working capital requirements. The Group relies on borrowings as a significant source of liquidity. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants. The Group will also consider the issue of equity instruments so as to finance its investment projects.

The following tables detail the Group's contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities and based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

Liquidity and interest risk tables

	Weighted average interest rate	On demand or within 90 days	More than 90 days and within 365 days	More than 365 days	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008						
Non-derivative financial liabilities						
Creditors and other payables	–	1,472,994	140,614	124,995	1,738,603	1,738,603
Amounts due to related companies/ associates/minority shareholders						
– non interest bearing	–	64,383	–	–	64,383	64,383
– interest bearing	7.25	120,000	–	–	120,000	120,000
Bank and other borrowings						
– fixed rate	7.88	136,254	95,029	–	231,283	225,542
– variable rate	6.91	251,040	453,929	1,139,046	1,844,015	1,580,066
Convertible notes payable	–	–	–	138,737	138,737	120,551
		2,044,671	689,572	1,402,778	4,137,021	3,849,145
2007						
Non-derivative financial liabilities						
Creditors and other payables	–	851,274	3,693	159,488	1,014,455	1,014,455
Amounts due to related companies/ associates/minority shareholders						
– non interest bearing	–	21,500	–	–	21,500	21,500
Bank and other borrowings						
– fixed rate	6.77	2,744	166,666	–	169,410	161,616
– variable rate	6.17	322,584	144,109	516,893	983,586	862,521
Deferred consideration payable	–	–	–	121,213	121,213	121,213
		1,198,102	314,468	797,594	2,310,164	2,181,305

6c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;

- the fair value of other financial assets and financial liabilities (excluding 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 transaction as input; and

- the fair value of derivative instruments is arrived at on the basis of valuations carried out by an independent firm of professional valuer. The professional valuer possesses appropriate qualifications and recent experiences in the valuation of similar instruments. Details of the basis are set out in notes 33 and 35.

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

7. TURNOVER

Turnover is analysed as follows:

	2008	2007
	HK$'000	*HK$'000*
		(restated)
Revenue from construction contracts	4,853,345	4,325,799
Revenue from LPG distribution	378,572	110,414
Service income from infrastructure and logistics facilities	102,698	–
Income from usage of infrastructure facilities	58,383	–
Property development management service	59,617	26,579
Income from loans receivable	49,312	80,285
Property rental and related income	500	2,635
Income from storage and logistics services	116	–
Sale of properties	–	98,000
	5,502,543	4,643,712

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group's operations are currently organised into six operating divisions, namely management contracting, property development management, port and infrastructure development and logistics, LPG distribution, treasury investment and property investment. These divisions form the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Management contracting
– Construction of properties on a contract basis

Property development management
– Provision of consultancy and advisory services on property development and building management

Port and infrastructure development and logistics
– Development of port facilities

LPG distribution
– Distribution of LPG product

Treasury investment
– Provision of credit services

Property investment
– Leasing of property rental

In the previous year, the Group's operations were organised into seven segments, namely management contracting, project management, facilities management, port and infrastructure development and logistics, LPG distribution, treasury investment and property investment. During the year, management has reorganised the operating segments by grouping the project management and facilities management segments into the property development management segment as a result of change in the Group's internal organisational and management structure. Comparative segment information has been restated accordingly.

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

	Management contracting HK$'000	Property development management HK$'000	Port and infrastructure development and logistics HK$'000	LPG distribution HK$'000	Treasury investment HK$'000	Property investment HK$'000	Eliminations HK$'000	Consolidated HK$'000
TURNOVER								
External sales	4,853,345	59,617	161,197	378,572	49,312	500	–	5,502,543
Inter-segment sales	–	4,269	2,309	–	–	–	(6,578)	–
	4,853,345	63,886	163,506	378,572	49,312	500	(6,578)	5,502,543
RESULTS								
Segment results	110,999	18,023	66,405	(8,194)	42,182	670,701	–	900,116
Unallocated expenses								(142,672)
Unallocated income								22,491
Interest income								46,577
Finance costs								(53,252)
Decrease in fair value of investments held for trading								(9,508)
Increase in fair value of derivative financial instruments	–	–	–	–	–	11,086	–	11,086
Impairment loss on an available-for-sale investment								(1,389)
Gain on disposal of interest in an associate	3,459	–	–	–	–	–	–	3,459
Share of results of associates	6,638	89	33,543	–	–	16,060	–	56,330
Share of results of jointly controlled entities	59	–	–	–	–	–	–	59
Profit before taxation								833,297
Taxation								(315,186)
Profit for the year								518,111

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

At 31 March 2008

	Management contracting *HK$'000*	Property development management *HK$'000*	Port and infrastructure development and logistics *HK$'000*	LPG distribution *HK$'000*	Treasury investment *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
ASSETS							
Segment assets	1,981,852	70,418	1,200,557	254,486	347,971	1,378,726	5,234,010
Project under development							3,281,039
Available-for-sale investments							57,716
Investments held for trading							61,255
Interests in associates	31,299	3,800	708,664	–	–	450	744,213
Interests in jointly controlled entities	1,987	–	–	–	–	–	1,987
Unallocated assets							981,253
Total assets							10,361,473
LIABILITIES							
Segment liabilities	1,821,540	3,570	336,203	15,061	143,592	64,389	2,384,355
Unallocated liabilities							3,867,808
Total liabilities							6,252,163
OTHER INFORMATION							
Capital additions attributable to segment	4,856	1,602	75,403	27,228	–	175,338	284,427
Unallocated capital additions							1,129,397
							1,413,824
Depreciation and amortisation attributable to segment	6,447	762	47,758	8,195	3	20	63,185
Unallocated depreciation and amortisation							3,497
							66,682
Release of prepaid lease payments	575	–	940	443	–	–	1,958
Share-based payment expense	2,425	105	3,590	–	1,917	537	8,574
Unallocated amount							11,293
							19,867
Impairment loss on receivables	234	–	–	–	2,452	–	2,686
Loss (gain) on disposal of property, plant and equipment	28	(3)	–	24	–	–	49
Unallocated amount							69
							118

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

	Management contracting *HK$'000*	Property development management *HK$'000*	Port and infrastructure development and logistics *HK$'000*	LPG distribution *HK$'000*	Treasury investment *HK$'000*	Property investment *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
TURNOVER (restated)								
External sales	4,325,799	26,579	–	110,414	80,285	100,635	–	4,643,712
Inter-segment sales	1,596	19,638	1,264	–	–	–	(22,498)	–
	4,327,395	46,217	1,264	110,414	80,285	100,635	(22,498)	4,643,712
RESULTS (restated)								
Segment results	58,733	(211)	(14,472)	3,304	84,208	13,863	–	145,425
Unallocated expenses								(166,596)
Unallocated income								7,718
Interest income								42,444
Increase in fair value of investments held for trading								89,472
Finance costs								(23,597)
Discount on acquisition of business	–	–	–	3,755	–	–	–	3,755
Gain on disposal of interest in an associate	–	–	–	–	5,067	–	–	5,067
Share of results of associates	1,299	681	149,717	–	–	71,852	–	223,549
Share of results of jointly controlled entities	(642)	–	–	–	–	–	–	(642)
Profit before taxation								326,595
Taxation credit								50,552
Profit for the year								377,147

At 31 March 2007

	Management contracting HK$'000	Property development management HK$'000	Port and infrastructure development and logistics HK$'000	LPG distribution HK$'000	Treasury investment HK$'000	Property investment HK$'000	Consolidated HK$'000
ASSETS							
Segment assets	1,966,433	27,575	749,338	308,674	520,954	51,729	3,624,703
Project under development							2,411,680
Interests in associates	29,038	3,376	605,179	–	–	72,641	710,234
Available-for-sale investments							1,312
Investments held for trading							155,783
Interests in jointly controlled entities	1,928	–	–	–	–	–	1,928
Unallocated assets							715,807
Total assets							7,621,447
LIABILITIES							
Segment liabilities	1,844,278	4,110	268,316	33,712	2,769	346	2,153,531
Unallocated liabilities							2,219,067
Total liabilities							4,372,598
OTHER INFORMATION							
Capital additions attributable to segment	19,418	1,346	401,935	128,491	–	43,600	594,790
Unallocated capital additions							294,631
							889,421
Depreciation and amortisation attributable to segment	5,853	173	10,085	3,529	44	1	19,685
Unallocated depreciation and amortisation							2,584
							22,269
Impairment loss on receivables	615	–	–	–	18,000	–	18,615
Unallocated amount							13
							18,628
Loss on disposal of property, plant and equipment	979	–	–	–	–	–	979
Unallocated amount							(2)
							977
Reversal of impairment loss on receivables	–	–	–	–	30,324	–	30,324
Release of prepaid lease payments	575	–	361	95	–	–	1,031
Share-based payment expense	–	–	9,065	–	2,949	325	12,339
Unallocated amount							10,744
							23,083

Geographical segments

The Group's operations are located in the PRC other than Hong Kong and Macau, Hong Kong and Macau.

The following table provides an analysis of the Group's turnover by geographical market based on location of customers, irrespective of the origin of the goods/services:

	2008	**2007**
	HK$'000	*HK$'000*
		(restated)
Hong Kong	4,112,872	2,948,541
Macau	785,850	1,561,006
The PRC other than Hong Kong and Macau	603,821	134,165
	5,502,543	4,643,712

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	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	1,636,133	1,577,148	4,988	16,952
Macau	438,584	709,855	707	–
The PRC other than Hong Kong and Macau	3,159,293	1,337,700	278,732	577,838
	5,234,010	3,624,703	284,427	594,790

9. OTHER INCOME

	2008	**2007**
	HK$'000	*HK$'000*
		(restated)
Interest income	46,311	42,070
Increase in fair value of derivative financial instruments	11,086	–
Net exchange gain	21,358	5,712
Imputed interest income on deferred consideration receivable	266	374
Reversal of impairment loss on receivables	–	30,324
Increase in fair value of investments held for trading	–	89,472
Others	1,844	3,444
	80,865	171,396

10. OTHER EXPENSES

	2008	2007
	HK$'000	*HK$'000*
Decrease in fair value of investments held for trading	9,508	–
Impairment loss on receivables	2,686	18,628
Impairment loss on an available-for-sale investment	1,389	–
Decrease in fair value of conversion option embedded in loan receivable	1,333	1,650
Accruals of withholding tax on dividend income in connection with a former investment	–	45,415
Others	–	3,375
	14,916	69,068

11. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Borrowing costs on:		
Bank borrowings wholly repayable within five years	78,245	23,349
Bank borrowings not wholly repayable within five years	21,931	8,706
Loan from a minority shareholder	–	155
Effective interest on convertible notes wholly repayable within five years	7,512	–
Other borrowings wholly repayable within five years	8,954	7,598
	116,642	39,808
Less: Amount capitalised in respect of contracts in progress	(415)	(3,307)
Amount capitalised in respect of project under development	(57,887)	(11,710)
Amount capitalised in respect of properties under development	(5,088)	(1,194)
	53,252	23,597

The capitalised borrowing costs represent the borrowing costs incurred by the entities on borrowings whose funds were specifically invested in the project and properties during the year.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the seven (2007: seven) directors are as follows:

Name of directors	Fees	Salaries and other benefits	Discretionary bonus	Retirement benefit scheme contributions	Share-based payment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008						
Lau Ko Yuen, Tom	360	4,300	3,887	319	6,790	15,656
Chan Kwok Keung, Charles	320	–	–	–	–	320
Chow Ming Kuen, Joseph	760	–	–	–	–	760
Kwok Shiu Keung, Ernest	380	–	–	–	–	380
Chan Shu Kin	420	–	–	–	–	420
Leung Po Wing, Bowen Joseph	340	–	–	–	–	340
Li Chang An	300	–	–	–	–	300
	2,880	4,300	3,887	319	6,790	18,176
2007						
Lau Ko Yuen, Tom	360	4,300	–	319	5,402	10,381
Chan Kwok Keung, Charles	320	–	–	–	–	320
Chow Ming Kuen, Joseph	787	–	–	–	–	787
Kwok Shiu Keung, Ernest	380	–	–	–	–	380
Chan Shu Kin	439	–	–	–	–	439
Leung Po Wing, Bowen Joseph	227	–	–	–	1,174	1,401
Li Chang An	68	–	–	–	1,274	1,342
	2,581	4,300	–	319	7,850	15,050

The above discretionary bonus is performance related incentive payment determined by reference to the results of the Group.

None of the directors has waived any emoluments during the year.

(b) Employees' emoluments

The five highest paid individuals in the Group for the year included one director (2007: one director) of the Company, details of whose emoluments are set out in note 12(a) above.

The aggregate emoluments of the remaining four (2007: four) highest paid individuals, who are employees of the Group, are as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Salaries and other benefits	9,851	8,120
Discretionary bonus	1,413	1,102
Retirement benefit scheme contributions	132	154
Share-based payment expense	2,708	3,645
	14,104	13,021

Their emoluments were within the following bands:

	Number of employees 2008	2007
HK$2,000,001 to HK$2,500,000	–	2
HK$2,500,001 to HK$3,000,000	2	–
HK$3,000,001 to HK$3,500,000	–	1
HK$3,500,001 to HK$4,000,000	1	–
HK$4,500,001 to HK$5,000,000	1	–
HK$5,000,001 to HK$5,500,000	–	1
	4	4

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.

13. PROFIT BEFORE TAXATION

	2008 *HK$'000*	**2007** *HK$'000*
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets (included in distribution costs)	1,334	490
Auditor's remuneration	7,017	6,340
Cost of inventories recognised as an expense	360,312	174,652
Cost of construction works recognised as an expense	4,679,141	4,192,824
Depreciation of property, plant and equipment *(Note (a) below)*	65,348	21,779
Loss on disposal of property, plant and equipment	118	977
Operating lease rentals in respect of:		
Premises	22,581	16,925
Plant and machinery	2,567	1,134
Release of prepaid lease payments	1,958	1,031
Staff costs *(Note (b) below)*	173,526	151,386
and after crediting:		
Dividend income from investments held for trading	508	2,819
Rental income under operating leases in respect of:		
Investment properties, net of outgoings of HK$89,000 (2007: HK$1,924,000)	411	–
Plant and machinery	–	17
Total interest income	83,834	100,714

Notes:

	2008 *HK$'000*	**2007** *HK$'000*
(a) Depreciation of property, plant and equipment:		
Amount provided for the year	69,277	24,255
Less: Amount capitalised in respect of contracts in progress	(2,208)	(1,491)
Amount capitalised in respect of project under development	(1,281)	(973)
Amount capitalised in respect of properties under development	(440)	(12)
	65,348	21,779

(b) *Staff costs:*		
Directors' emoluments *(note 12(a))*	18,176	15,050
Other staff costs:		
Salaries and other benefits	396,148	321,167
Retirement benefit scheme contributions, net of forfeited contributions of HK$1,072,000 (2007: HK$1,808,000)	14,833	10,263
Share-based payment expense	13,077	15,233
	442,234	361,713
Less: Amount capitalised in respect of contracts in progress	(255,306)	(202,805)
Amount capitalised in respect of project under development	(7,469)	(6,495)
Amount capitalised in respect of properties under development	(5,933)	(1,027)
	173,526	151,386

14. TAXATION CHARGE (CREDIT)

	2008	2007
	HK$'000	*HK$'000*
The charge (credit) comprises:		
Hong Kong Profits Tax:		
Current year	–	4,325
Overprovision in prior years	–	(268)
	–	4,057
Taxation arising in other jurisdictions:		
Current year	40,175	9,109
Under(over)provision in prior years	1,103	(565)
	41,278	8,544
Deferred taxation *(note 43)*		
LAT	140,652	–
Change in tax rate	–	(62,666)
Others	133,256	(487)
	273,908	(63,153)
Taxation attributable to the Company and its subsidiaries	315,186	(50,552)

No tax is payable on the profit for the year ended 31 March 2008 arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward. Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits for the year ended 31 March 2007.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all income from the sale or transfer of land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value.

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

	2008	2007
	HK$'000	*HK$'000*
Profit before taxation	833,297	326,595
Tax at Hong Kong Profits Tax rate of 17.5% (2007: 17.5%)	145,827	57,154
Tax effect of share of results of associates/jointly controlled entities	(9,868)	(39,008)
Tax effect of expenses not deductible for tax purpose	17,011	24,305
Tax effect of income not taxable for tax purpose	(20,681)	(22,174)
Tax effect of tax losses not recognised	33,407	19,170
Tax effect of other deductible temporary difference not recognised	63	3,053
Tax effect of utilisation of tax losses previously not recognised	(11,789)	(22,747)
Tax effect of utilisation of other deductible temporary difference previously not recognised	(227)	(1,158)
Decrease in deferred tax liability resulting from change in tax rate enacted in March 2007 of certain subsidiaries	–	(62,666)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	19,688	(5,648)
Effect of recognising LAT in respect of the fair value changes in investment properties	140,652	–
Under(over)provision in prior years	1,103	(833)
Taxation charge (credit) for the year	315,186	(50,552)

Details of the deferred taxation are set out in note 43.

15. DISTRIBUTION

	2008	2007
	HK$'000	*HK$'000*
Dividends recognised as distributions to equity holders of the Company during the year:		
Final dividend for 2007 – HK1.5 cents (2007: HK1.5 cents for 2006) per share	22,467	21,939
Interim dividend for 2008 – HK1.5 cents (2007: HK1.5 cents for 2007) per share	22,586	22,069
Special dividend by way of distribution of the value derived from the Group's divestment of China Strategic Holdings Limited in 2007 – HK22.2 cents per share	–	325,660
	45,053	369,668

Of the distribution made during the year, approximately HK$15,897,000 (2007: HK$15,595,000) and HK$2,612,000 (2007: HK$8,882,000) were settled in shares under the Company's scrip dividend schemes announced by the directors of the Company on 20 September 2007 and 18 January 2008 in respect of the final dividend for the year ended 31 March 2007 and the interim dividend for 2008, respectively, and were credited to the retained profits of the Company during the year.

The final dividend for the year ended 31 March 2008 is proposed to be distributed in the form of warrants to be issued on the basis of one warrant for every six existing shares held by shareholders whose names appear on the register of members of the Company on 18 September 2008. Each warrant will entitle shareholders of the Company to subscribe for one new share at an initial subscription price of HK$1.0 per share in cash, subject to anti-dilutive adjustments, at any time between the date of issue of the warrants and the day immediately preceding the anniversary of the date of issue, both days inclusive. The value of the proposed dividend will be determined upon the approval of the issue of the warrants. For the year ended 31 March 2007, a final dividend of HK1.5 cents per share amounting to about HK$22,393,000 was proposed.

16. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year is based on the following data:

	2008 *HK$'000*	**2007** *HK$'000*
Earnings attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	359,982	345,665

	2008 *Number of shares*	**2007** *Number of shares*
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,498,636,111	1,462,372,940
Effect of dilutive potential ordinary shares:		
Share options	14,921,337	19,042,143
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,513,557,448	1,481,415,083

The dilutive potential ordinary shares of convertible notes have anti-dilutive effect.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Port facilities HK$'000	LPG equipment HK$'000	Motor vehicles and vessels HK$'000	Furniture, fixtures and computer equipment HK$'000	Total HK$'000
COST							
At 1 April 2006	900	58,325	–	–	25,447	72,010	156,682
Exchange realignment	1,192	–	–	9,940	699	156	11,987
On acquisition of business	45,891	–	–	393,626	18,127	–	457,644
Additions	18,895	13,062	–	194	9,286	8,640	50,077
Disposal	(792)	(9,106)	–	–	(1,562)	(2,035)	(13,495)
At 31 March 2007	66,086	62,281	–	403,760	51,997	78,771	662,895
Exchange realignment	6,434	–	–	39,391	3,055	524	49,404
Transfer from project under development	21,302	–	149,721	–	–	–	171,023
Additions	8,907	3,186	–	12,509	10,438	9,798	44,838
Disposal	–	(963)	–	(1)	(2,236)	(1,169)	(4,369)
At 31 March 2008	102,729	64,504	149,721	455,659	63,254	87,924	923,791
DEPRECIATION							
At 1 April 2006	201	43,306	–	–	17,263	60,112	120,882
Exchange realignment	9	–	–	–	54	37	100
Provided for the year	1,414	5,076	–	10,828	2,959	3,978	24,255
Eliminated on disposal	(223)	(8,051)	–	–	(1,206)	(1,065)	(10,545)
At 31 March 2007	1,401	40,331	–	10,828	19,070	63,062	134,692
Exchange realignment	412	–	1,358	2,345	494	193	4,802
Provided for the year	4,963	5,945	24,019	22,762	5,624	5,964	69,277
Eliminated on disposal	–	(910)	–	(1)	(1,845)	(835)	(3,591)
At 31 March 2008	6,776	45,366	25,377	35,934	23,343	68,384	205,180
CARRYING AMOUNT							
At 31 March 2008	95,953	19,138	124,344	419,725	39,911	19,540	718,611
At 31 March 2007	64,685	21,950	–	392,932	32,927	15,709	528,203

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

Buildings	Over the remaining period of the relevant leases or fifty years, whichever is shorter
Plant and machinery	10%
Port facilities	2%–20%
LPG equipment	5%–10%
Motor vehicles and vessels	5%–20%
Furniture and fixtures	8%–20%
Computer equipment	20%–$33^1/_3$%

The carrying amount of buildings are analysed as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Buildings erected on long-term leasehold land in the PRC	88	91
Buildings erected on medium-term leasehold land in the PRC	95,865	64,594
	95,953	64,685

18. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 April 2006 and 31 March 2007	–
Transferred from project under development	378,551
Exchange realignment	63,791
Acquisition of assets through acquisition of subsidiaries	118,549
Increase in fair value	669,460
At 31 March 2008	1,230,351

Certain investment properties are held for rental purposes under operating leases.

During the year, the Group completed the reclamation of certain sea area and obtained the certificate of completion of land reclamation (the "Certificate") in respect of certain land area (the "Formed Land") in Jiangsu Province, the PRC. Such Formed Land, the future use of which is currently undetermined, has been recognised as investment properties upon the obtaining of the Certificate. The relevant costs, which include the cost of sea use rights, development expenditure, borrowing costs capitalised and other directly attributable expenses, amounting to HK$378,551,000, have been reclassified from project under development.

The Group has obtained a certificate from the local land bureau for the Formed Land. Once the future use of the land is determined, the Group will apply for the appropriate land use right certificates of the Formed Land. The directors of the Company considered that there is no material impediment to obtain those land use rights certificates for the Group.

The fair value of the Group's investment properties at 31 March 2008 has been arrived at on the basis of a valuation carried out as at that date by Greater China Appraisal Limited, an independent qualified professional valuer not connected with the Group. In valuing the fair value of the investment properties, the comparison method is adopted where comparison based on prices information of recent transacted prices of comparable property is made. Comparable property of similar size, character and location are analysed in order to arrive at a fair comparison of capital values. The gain from fair value adjustment amounted to HK$669,460,000 had been recognised in the profit or loss during the current year.

Deferred tax consequences in respect of the revalued investment properties are assessed on the basis that reflects the tax consequences that would follow from the manner in which the Group expects to recover the carrying amounts of the property at each balance sheet date. For Formed Land held for undetermined future use located in the PRC, management of the Company, for the purpose of deferred tax calculation, has made a best estimate that half of the Formed Land will be realised through sale in the long term. The temporary difference of the relevant portion between the tax base of the revalued investment properties and their carrying amounts therefore would be subject to PRC LAT.

The investment properties of the Group are under medium-term leasehold land in the PRC.

19. PROJECT UNDER DEVELOPMENT

	2008	**2007**
	HK$'000	*HK$'000*
Sea use rights	1,631,465	1,747,484
Development costs	1,649,574	664,196
	3,281,039	2,411,680

The amount relates to a development project located in Jiangsu Province, the PRC. The Group is undergoing the reclamation of certain area of the sea. According to the sea use certificates, the sea use rights are granted for terms ranging from 49 to 50 years commencing 2004.

20. PROPERTIES UNDER DEVELOPMENT

	2008	**2007**
	HK$'000	*HK$'000*
At 1 April, at cost	127,190	–
Expenditure incurred during the year *(Note)*	218,467	127,190
At 31 March, at cost	345,657	127,190
Represented by:		
Amount shown under non-current assets	172,031	44,458
Amount shown under current assets	173,626	82,732
	345,657	127,190

The amount relates to certain property development projects located in Jiangsu Province, the PRC.

Note: The expenditure included a payment for lease of land in Jiangsu Province of HK$7,369,000 (2007: HK$107,176,000), of which HK$7,369,000 (2007: HK$40,342,000) is shown as non-current assets.

21. PREPAID LEASE PAYMENTS

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

	2008	**2007**
	HK$'000	*HK$'000*
Leasehold land in Hong Kong	22,561	23,136
Leasehold land outside Hong Kong	58,552	46,598
	81,113	69,734
Analysed for reporting purposes as:		
Current assets	2,343	1,766
Non-current assets	78,770	67,968
	81,113	69,734

22. GOODWILL

	2008 HK$'000	2007 HK$'000
COST AND CARRYING AMOUNTS		
At 1 April	61,646	61,646
Arising on acquisition of subsidiaries	2,323	–
At 31 March	63,969	61,646

For the purpose of impairment testing, the carrying amount of goodwill at 31 March 2008 has been allocated to management contracting and property development management's cash generating units ("CGUs").

The recoverable amount of the above CGUs has been determined based on value in use calculations. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next two years and extrapolates cash flows for the following five years with a steady growth rate of 5%. The rate used to discount the forecast cash flows is 9%. The value in use calculations is calculated based on the budgeted gross margin, which is determined using the unit's past performance and management's expectations for the market development.

During the year ended 31 March 2008, management of the Group determines that there is no impairment of the CGUs.

23. OTHER INTANGIBLE ASSETS

	Motor vehicles registration marks HK$'000 (Note a)	Club membership in Hong Kong HK$'000 (Note a)	Premium on leasehold land HK$'000 (Note b)	Rights of operation HK$'000 (Note c)	Customer base HK$'000 (Note d)	Know-how HK$'000 (Note e)	Total HK$'000
COST							
At 1 April 2006	973	7,062	–	–	–	–	8,035
Disposal	(115)	–	–	–	–	–	(115)
Arising on acquisition of business	–	–	9,210	35,923	2,032	–	47,165
Exchange realignment	–	–	233	907	51	–	1,191
At 31 March 2007	858	7,062	9,443	36,830	2,083	–	56,276
Additions	–	–	–	–	–	2,366	2,366
Exchange realignment	–	–	921	3,593	204	–	4,718
At 31 March 2008	858	7,062	10,364	40,423	2,287	2,366	63,360
AMORTISATION							
At 1 April 2006	–	–	–	–	–	–	–
Provided for the year	–	–	112	358	20	–	490
Exchange realignment	–	–	–	10	1	–	11
At 31 March 2007	–	–	112	368	21	–	501
Provided for the year	–	–	247	765	303	19	1,334
Exchange realignment	–	–	24	79	19	1	123
At 31 March 2008	–	–	383	1,212	343	20	1,958
CARRYING VALUE							
At 31 March 2008	858	7,062	9,981	39,211	1,944	2,346	61,402
At 31 March 2007	858	7,062	9,331	36,462	2,062	–	55,775

Notes:

(a) The assets have indefinite useful life. The directors are of the opinion that the club membership and motor vehicles registration marks are worth at least their carrying amounts.

(b) The amount represents the premium paid on leasehold land in Wuhan, the PRC upon acquisition by the Group through the acquisition of the relevant business and the amount is to be amortised on the same basis as the related prepaid lease payments over 36 to 41 years.

(c) Rights of operation represent the fair value of rights to operate LPG business in Wuhan, the PRC. The rights of operation are amortised on a straight-line basis over the operation period of 50 years.

(d) Customer base represents the fair value of customers relationship acquired for LPG business through acquisition of business. The amortisation is provided on a straight-line basis over 10 years.

(e) Know-how represents fair value of technology know-how for motor vehicles to use LPG as fuel. The amortisation is provided on a straight-line basis over 10 years.

24. INTERESTS IN ASSOCIATES

	2008	**2007**
	HK$'000	*HK$'000*
Cost of unlisted investments in associates, less impairment *(Note)*	499,343	503,716
Share of post-acquisition profits and reserves, net of dividends received	244,870	206,518
	744,213	710,234

Note: As at 31 March 2008 and 2007, the unlisted investment includes the Group's 45% equity interest in Nantong Port Group Limited ("Nantong Port Group"), which is a sino-foreign joint venture enterprise registered in the PRC. Nantong Port Group is principally engaged in providing cargo loading and off loading, storage, shipping agent, cargo agent, ship anchoring, ship repairing, port machinery, shipping logistics and ship piloting services in Nantong Port, Jiangsu Province, the PRC.

The financial year end date of Nantong Port Group is 31 December and its latest financial information that is available to the Group is in respect of its financial year ended 31 December 2007. Accordingly, the Group's share of results and interest in this principal associate at 31 March 2008 and 2007 is determined based on the net assets of the associate for the year ended and as at 31 December 2007 and 2006 respectively. No significant transaction or event is noted between the year end dates of the associate and of the Group.

Summarised financial information in respect of that associate is set out below:

	Year ended 31.12.2007 *HK$'000*	Period ended 31.12.2006 *HK$'000*
Post acquisition result:		
Turnover	723,306	129,383
Profit for the year/period	75,632	12,011
Group's share of profit	34,034	5,405
Discount on acquisition of associate	–	144,679
	34,034	150,084
Financial position:		
Total assets	3,196,920	2,668,100
Total liabilities	(1,632,973)	(1,333,452)
Minority interests	(479)	(364)
	1,563,468	1,334,284
Group's share of the associate's net assets	703,560	600,428

The combined summarised financial information in respect of the Group's other associates is set out below:

	2008 *HK$'000*	2007 *HK$'000*
Financial position		
Total assets	412,930	451,533
Total liabilities	(364,054)	(272,901)
Minority interests	(2,214)	(2,016)
Net assets	46,662	176,616
Group's share of associates' net assets	40,653	109,806
Post-acquisition results		
Turnover	890,943	26,513
Profit for the year	52,157	150,795
Group's share of post-acquisition results of associates for the year	22,296	73,465

The Group has discontinued recognition of its share of losses of one of the associates. The accumulated recognised share of losses and the amount of profit for the year attributable to the Group (based on unaudited management accounts) are as follows:

	2008 *HK$'000*	2007 *HK$'000*
Unrecognised share of profits of the associate for the year	368	1,591
Accumulated unrecognised share of losses of the associate	(50,632)	(51,000)

Particulars of the Group's principal associates at 31 March 2008 and 2007 are set out in note 56(b).

25. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2008	2007
	HK$'000	*HK$'000*
Cost of unlisted investments in jointly controlled entities	–	–
Share of post-acquisition profits, net of dividends received	1,987	1,928
	1,987	1,928

The combined summarised financial information in respect of the Group's jointly controlled entities is set out below:

	2008	2007
	HK$'000	*HK$'000*
Total assets	11,279	11,437
Total liabilities	(7,305)	(7,580)
Net assets	3,974	3,857
Group's share of net assets of jointly controlled entities	1,987	1,928
Turnover	–	7,798
Profit (loss) for the year	117	(1,283)
Group's share of profit (loss) of jointly controlled entities for the year	59	(642)

Particulars of the Group's principal jointly controlled entity at 31 March 2008 and 2007 are set out in note 56(c).

26. AVAILABLE-FOR-SALE INVESTMENTS

	2008	2007
	HK$'000	*HK$'000*
Listed equity securities		
in Hong Kong	343	732
in overseas	–	580
	343	1,312
Unlisted equity securities		
in Hong Kong	738	–
in overseas	56,635	–
	57,373	–
	57,716	1,312
Represented by:		
Non-current	1,081	1,312
Current	56,635	–
	57,716	1,312
Market value of listed securities	343	1,312

The carrying amount of the overseas unlisted equity securities as at 31 March 2008 of HK$56,635,000 (2007: Nil) is measured at cost less impairment at the balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

27. LOANS RECEIVABLE

	2008	**2007**
	HK$'000	*HK$'000*
The amounts bear interest at the following rates:		
2% per annum *(Note)*	32,222	30,956
15% per annum	18,000	150,000
20% per annum	–	30,000
Interest free	–	1,508
Total amount	50,222	212,464
Less: Amount due within one year shown under current assets	(18,000)	(181,508)
Amount due after one year	32,222	30,956
Analysed as:		
Secured	18,000	181,508
Unsecured	32,222	30,956
	50,222	212,464

Movement in the allowance for doubtful debts:

	2008	**2007**
	HK$'000	*HK$'000*
Balance at beginning of the year	4,773	8,586
Impairment losses recognised on loans receivable	15,113	–
Amounts recovered during the year	–	(3,813)
Balance at end of the year	19,886	4,773

Note: During the year ended 31 March 2007, the Group has subscribed for convertible bond with an aggregate face value of HK$36,858,000 issued by a company in which the substantial shareholder of the Company has significant influence. The coupon interest of the convertible bond is 2% per annum with maturity in June 2011. The amount recognised in loans receivable represent the debt element of the convertible bond and is determined using an effective interest rate of 6.47% per annum at initial recognition. The embedded derivative element of the convertible bond is separately accounted for as derivative financial instrument and stated in the consolidated balance sheet at fair value (see note 33).

28. AMOUNTS DUE FROM RELATED COMPANIES

	2008	**2007**
	HK$'000	*HK$'000*
Unsecured loans receivable:		
Associates of ITC Corporation Limited ("ITC") *(Note (a))*	290,267	–
Subsidiaries of ITC *(Note (a))*	–	141,401
	290,267	141,401
Other receivables:		
Associates of ITC *(Note (a))*	6,478	489
Subsidiaries of ITC *(Note (a))*	8	7,324
Other related companies *(Note (b))*	–	885
Total, amount due within one year shown under current assets	296,753	150,099

Notes:

(a) The companies are related companies of the Group as Dr Chan Kwok Keung, Charles ("Dr Chan"), a director of the Company, has significant influence over the companies. ITC is also the substantial shareholder of the Company.

The amounts are unsecured and interest free except for loans receivable of HK$102,261,000 (2007: HK$141,401,000) and HK$188,006,000 (2007: Nil) which bear variable interest rate at 2% over Hong Kong Best Lending Rate ("HKBLR") (i.e. 7.25% to 9.5%) and a fixed rate of 10.32% per annum, respectively.

(b) The balance as at 31 March 2007 represented loan and interest receivable of HK$885,000 from Parona Limited, a shareholder of an associate, in which certain close family members of a director of the Company, had an interest. The amount was secured by shares of the associate held by Parona Limited and interest free.

29. AMOUNTS DUE FROM ASSOCIATES

	2008	**2007**
	HK$'000	*HK$'000*
Unsecured other receivables, interest free	59,777	70,314
Promissory note with face value of HK$117,000,000 carrying interest at 0.75% over HIBOR, secured by the shares of certain subsidiaries of an associate and wholly repayable on or before January 2009 *(Note)*	–	117,000
	59,777	187,314

Note: The effective interest rate was 5.17% for the year ended 31 March 2007. During the year, that associate had disposed of its property interests through disposal of its subsidiaries and certain proceeds were used to fully repay the amount due to the Group.

30. DEFERRED CONSIDERATION RECEIVABLE

As part of the consideration for the disposal of certain subsidiaries in previous years, deferred consideration of HK$15,000,000 is to be settled in cash by the purchaser under four annual instalments commencing from 30 October 2006. The amount is unsecured and interest free. The fair value of the deferred consideration at date of initial recognition is determined based on the estimated future cash flows discounted at 3% per annum.

The carrying amounts are analysed for reporting purpose as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Non-current assets	2,863	6,597
Current assets (included in debtors, deposits and prepayments)	7,932	3,932
	10,795	10,529

31. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORKS

	2008	2007
	HK$'000	*HK$'000*
Contracts in progress at the balance sheet date:		
Contract costs incurred to date	47,493,394	43,566,229
Recognised profits less recognised losses	1,336,681	1,217,200
	48,830,075	44,783,429
Less: Progress billings	(49,432,928)	(45,598,340)
	(602,853)	(814,911)
Represented by:		
Amounts due from customers for contract works	201,589	223,637
Amounts due to customers for contract works	(804,442)	(1,038,548)
	(602,853)	(814,911)

32. DEBTORS, DEPOSITS AND PREPAYMENTS

	2008	2007
	HK$'000	*HK$'000*
Debtors *(Note a)*	882,254	813,035
Retentions held by customers for contract works *(Note b)*	511,560	477,403
Interest-bearing advance *(Note c)*	222,722	176,753
Other receivable *(Note d)*	133,038	–
Prepayment on tax in connection with a former investment	159,653	142,465
Deferred consideration receivables	7,932	3,932
Others	504,409	297,102
	2,421,568	1,910,690

The balance of debtors, deposits and prepayments is net of allowance for doubtful debts and the movement in the allowance for doubtful debts is as follows:

	2008	2007
	HK$'000	*HK$'000*
Balance at beginning of the year	37,686	34,135
Impairment losses recognised on receivables	234	18,628
Amounts written off as uncollectible	(1,818)	(12,042)
Amounts recovered during the year	(508)	(3,035)
Exchange realignment	38	–
Balance at end of the year	35,632	37,686

Notes:

(a) The Group's credit terms for its management contracting segment are negotiated at terms determined and agreed with its customers. Credit term for property leasing business is payable according to the agreements and the credit terms granted by the Group to other debtors normally range from 30 days to 90 days.

Included in debtors, deposits and prepayments are debtors of approximately HK$882,254,000 (2007: HK$813,035,000) and their aged analysis is as follows:

	2008	2007
	HK$'000	*HK$'000*
		(restated)
Within 90 days	807,265	744,690
More than 90 days and within 180 days	16,366	19,346
More than 180 days	58,623	48,999
	882,254	813,035

As at 31 March 2008, included in the Group's debtor balances are debtors with aggregate carrying amount of HK$60,546,000 (2007: HK$72,341,000) which were past due at the balance sheet date for which the Group has not provided for impairment loss. There has not been significant change in credit quality and the directors of the Company considered the amounts are still recoverable. The Group does not hold any collateral over these balances.

Ageing of debtors which are past due but not impaired

	2008	2007
	HK$'000	*HK$'000*
Within 90 days	1,834	7,911
More than 90 days and within 180 days	89	15,521
More than 180 days	58,623	48,999
	60,546	72,431

At the respective balance sheet dates, the directors considered the debts not impaired nor past due are of good credit quality.

(b) At 31 March 2008, an amount of approximately HK$249,651,000 (2007: HK$239,707,000) are expected to be recovered or settled after twelve months of the balance sheet date.

(c) This represents advances made to an independent third party in previous years. The amount carries floating-rate interest at the benchmark lending rate as announced by the People's Bank of China plus 8% per annum which is approximately of 15.5% (2007: 14.4%) per annum during the year and is secured by certain properties interest in the PRC. Fair value of the relevant properties interest as at 31 March 2008 is approximately RMB422,752,000 (2007: RMB326,672,000) according to a valuation report issued by an independent property valuer.

(d) The amount represented a receivable from a third party, which is also the convertible notes holder of the Company. The amount is non-interest bearing. During the year, the convertible notes holder has engaged the Company as an agent to look for any potential buyer to purchase the convertible notes of the Company from the convertible notes holder at a price not lower than RMB120,000,000. The receivable is secured by the convertible notes of the Company. The directors of the Company consider the Group will be able to identify a buyer to complete the transaction within twelve months of the balance sheet date and therefore the amount is classified as a current asset. As the Group currently has the custody of the convertible notes, the credit risk is considered as minimal.

33. CONVERSION OPTION EMBEDDED IN LOAN RECEIVABLE

The Group had subscribed a convertible bond and the conversion option is separated as derivative financial instrument and stated in the consolidated balance sheet at fair value. The fair value is calculated using option pricing model and the change in fair value had been recognised in the consolidated income statement.

34. INVESTMENTS HELD FOR TRADING

	2008	**2007**
	HK$'000	*HK$'000*
Listed equity securities, at quoted bid price		
in Hong Kong	35,080	129,496
in overseas	26,175	26,287
	61,255	155,783

35. DERIVATIVE FINANCIAL INSTRUMENTS

In May 2007, the Group has entered into a joint development agreement (the "Agreement") with an independent third party (the "joint venture partner") for a property development project in Shanghai (the "Property Interests"). Under the Agreement, the joint venture partner granted an unlisted equity call option to the Group at a consideration of RMB10,000,000 (equivalent to approximately HK$11,088,000). The Group has a right to acquire the Property Interests at a consideration of approximately RMB254,204,000 plus all development costs expended onto the Property Interests at any time from the date of the Agreement to the expiry of 10 working days upon issuance of report certifying 25% completion of the development of the Property Interests. The joint venture partner has a right to cancel the option by giving RMB20,000,000 (equivalent to HK$22,174,000) to the Group at anytime. The equity call option is measured at fair value at each balance sheet date, determined with reference to a valuation performed by independent valuer. In assessing the fair value of the option, the valuer use the comparison method to assess the underlying asset value of the Property Interests. The fair value of the option represented the lower of the compensation from the cancellation of option and the difference between fair value of the Property Interests and the exercise price of the option.

36. PLEDGED BANK DEPOSITS, SHORT TERM BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits represent deposits pledged to banks to secure general banking facilities granted to the Group. Deposits amounting to HK$34,269,000 (2007: HK$42,601,000) have been pledged to secure general banking facilities with maturity within one year of the balance sheet date and are therefore classified as current assets.

The pledged bank deposits and short term bank deposits with maturity date of less than three months carry prevailing market interest rates ranging from 0.75% to 2.15% (2007: 2.5% to 4.5%) per annum. The bank balances carry interest rates ranging from nil to 1.15% (2007: nil to 3.0%) per annum.

37. CREDITORS AND ACCRUED EXPENSES

The following is an analysis of creditors and accrued charges at the balance sheet date:

	2008	**2007**
	HK$'000	*HK$'000*
Creditors aged:		
Within 90 days	450,612	329,211
More than 90 days and within 180 days	7,379	8,230
More than 180 days	13,031	13,585
	471,022	351,026
Accrual of withholding tax on dividend income and interest charges	112,944	100,785
Retentions held by the Group for contract works *(Note)*	392,298	320,800
Other payables due to suppliers in respect of capital additions	404,886	165,258
Other accruals	3,137	3,394
Other payables	519,545	216,727
	1,903,832	1,157,990

Note: At 31 March 2008, an amount of approximately HK$124,995,000 (2007: HK$159,488,000) are expected to be paid or settled after more than twelve months from the balance sheet date.

38. AMOUNTS DUE TO ASSOCIATES

The amounts are unsecured, interest free and repayable on demand.

39. AMOUNTS DUE TO MINORITY SHAREHOLDERS

The amounts are unsecured, interest free and repayable on demand.

40. AMOUNTS DUE TO RELATED COMPANIES

	2008	**2007**
	HK$'000	*HK$'000*
Unsecured loans payable bears interest at 2% over HKBLR per annum:		
Subsidiary of ITC	70,000	–
Associate of ITC	50,000	–
	120,000	–
Other payables:		
Associates of ITC	9,571	–
Subsidiary of ITC	3,480	–
	133,051	–

Note: The above companies are related companies of the Group as ITC has significant influence over the companies and they are under common directorship. ITC is the substantial shareholder of the Company.

The amounts are unsecured, repayable on demand and interest free except for loans payable of HK$120,000,000 (2007: Nil) which bear variable interest rate at 2% over HKBLR (ie. 7.25% to 9.5%).

41. BANK AND OTHER BORROWINGS

	2008	2007
	HK$'000	*HK$'000*
Bank and other borrowings comprise:		
Bank loans	1,779,449	943,554
Other loans	26,159	60,151
Bank overdrafts	–	20,432
	1,805,608	1,024,137
Analysed as:		
Secured	1,225,901	644,968
Unsecured	579,707	379,169
	1,805,608	1,024,137
The bank and other borrowings are repayable as follows:		
Within one year or on demand	839,410	597,386
More than one year, but not exceeding two years	305,379	116,157
More than two years, but not exceeding three years	224,891	11,551
More than three years, but not exceeding four years	198,936	64,481
More than four years, but not exceeding five years	95,528	74,481
More than five years	141,464	160,081
	1,805,608	1,024,137
Less: Amount due within one year or on demand shown under current liabilities	(839,410)	(597,386)
Amount due after one year	966,198	426,751

The above bank borrowings include fixed-rate borrowings of approximately HK$209,534,000 (2007: HK$161,616,000) repayable within one year carrying interest ranging from 6.39% to 8.96% (2007: 6.12% to 7.344%) per annum.

The remaining bank borrowings carry floating-rate interest ranging from 2.25% to 7.94% (2007: 4.67% to 7.75%) per annum.

42. CONVERTIBLE NOTES PAYABLE

During the year, the Company issued zero coupon convertible notes with an aggregate principal amount of HK$121,521,000 for settlement of the consideration for the LPG assets acquired during the year ended 31 March 2007. The convertible notes are denominated in Hong Kong dollars. The notes entitled the holders to convert them into ordinary shares of the Company at any time between 15th day after the date of issue of the notes and 15 days prior to their respective maturity dates on 18 April 2010 and 31 May 2010 at a conversion price of HK$4.25 per share subject to anti-dilutive adjustment in accordance with the agreement. If the notes are not converted, they will be redeemed on maturity date at 114.167% of the principal amount of the notes outstanding. The Company may at any time and from time to time purchase the convertible notes at any price as agreed between the Company and the noteholder. The effective interest rate of the liability component of notes issued on 19 April 2007 and 1 June 2007 are 7.02% and 7.58%, respectively.

The movement of the liability component of the convertible notes for the year is set out below:

	2008
	HK$'000
Issued during the year	113,039
Interest charge	7,512
Carrying amount at the end of the year	120,551

43. DEFERRED TAXATION

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

	Accelerated tax depreciation	Tax losses	Recognition of contracting income	Fair value adjustment on investment properties	Fair value adjustment on project under development	Fair value adjustments on certain non-current assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2006	3,761	(1,905)	(1,856)	–	900,000	–	900,000
Exchange realignment	–	–	–	–	82,156	709	82,865
On acquisition of a business	–	–	–	–	–	28,212	28,212
Change in tax rate credited to income statement	–	–	–	–	(55,952)	(6,714)	(62,666)
Charge (credit) to income statement	1,484	(2,253)	769	–	–	(487)	(487)
At 31 March 2007	5,245	(4,158)	(1,087)	–	926,204	21,720	947,924
Exchange realignment	–	–	–	15,105	90,362	2,061	107,528
Transfer	–	–	–	132,715	(132,715)	–	–
(Credit) charge to income statement	(32)	(242)	274	274,934	–	(1,026)	273,908
At 31 March 2008	5,213	(4,400)	(813)	422,754	883,851	22,755	1,329,360

At 31 March 2008, the Group has unused tax losses of approximately HK$942,000,000 (2007: HK$1,001,000,000) available for offset against future taxable profits. A deferred tax asset has been recognised in respect of approximately HK$25,000,000 (2007: HK$24,000,000) of such losses. No deferred tax asset in respect of the remaining tax losses has been recognised due to the unpredictability of future profit streams on those subsidiaries. The unused tax losses may be carried forward indefinitely.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was approximately HK$21,000,000 (2007: Nil). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

44. SHARE CAPITAL

	Number of shares	Value
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 April 2006, 31 March 2007 and 31 March 2008	3,000,000,000	300,000
Issued and fully paid:		
At 1 April 2006	1,378,799,910	137,880
Issue of new shares	68,500,000	6,850
Issue of new shares pursuant to scrip dividend schemes	9,838,497	984
Issue of shares under share option scheme	36,575,000	3,657
Shares repurchased	(2,000,000)	(200)
At 31 March 2007	1,491,713,407	149,171
Issue of new shares pursuant to scrip dividend schemes	6,594,110	659
Issue of shares under share option scheme	10,620,000	1,062
Shares repurchased	(1,834,000)	(183)
At 31 March 2008	1,507,093,517	150,709

During the year, the following changes in the Company's share capital took place:

(a) Pursuant to the scrip dividend schemes which were announced by the Company on 11 October 2007 and 21 January 2008, the Company issued 5,647,266 (2007: 6,523,256) and 946,844 (2007: 3,315,241) new ordinary shares of HK$0.1 each in the Company to shareholders who elected to receive scrip dividends in respect of the final dividend for the year ended 31 March 2007 and the interim dividend for the six months ended 30 September 2007 respectively. These shares rank pari passu with the then existing shares in all respects.

(b) During the year, the Company issued 10,620,000 ordinary shares of HK$0.10 each at the subscription price ranging from HK$1.50 to HK$3.00 under the share option scheme of the Company.

(c) The Company repurchased a total of 1,834,000 ordinary shares through the Hong Kong Stock Exchange as follows:

Month of purchase	Ordinary shares of HK$0.1 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	*HK$*	*HK$'000*
July 2007	1,834,000	3.48	3.42	6,137

45. SHARE-BASED PAYMENT TRANSACTIONS

On 27 August 2002, the Company adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentive or reward to any employees, executives or officers, directors of the Group or any invested entity and any celebrity, consultant, adviser or agent of any member of the Group or any invested entity, who have contributed or will contribute to the growth and development of the Group or any invested entity ("Eligible Person"). The Share Option Scheme will remain in force for a period of ten years from that date.

Under the Share Option Scheme, the directors of the Company may at their discretion grant options to any Eligible Person to subscribe for shares in the Company without consideration. The directors may at their discretion determine the specific exercise period which should expire in any event no later than ten years from date of adoption of the Share Option Scheme. The exercise price is determined by the directors of the Company and will be at least the higher of: (i) the subscription price as is permissible under the Listing Rules from time to time; and (ii) the nominal value of the Company's shares.

The maximum number of shares which may initially be issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) adopted by the Company must not in aggregate exceed 10% of the total number of issued shares of the Company as at its adoption date, i.e. 103,674,492 shares. Subject to the approval of the shareholders of the Company in general meeting, the limit may be refreshed to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. 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 Share Option Scheme and any other share option scheme(s) of the Company must not in aggregate exceed 30% of the total number of shares in issue from time to time. Pursuant to an ordinary resolution passed at the annual general meetings of the Company in 2003, 2004, 2005 and 2006, the 10% scheme limit was refreshed to 10% of the total number of issued shares of the Company as at the respective date of such meetings. Pursuant to an ordinary resolution passed at the Company's annual general meeting held on 20 September 2007, the 10% scheme limit was further refreshed to 149,780,440 representing 10% of the total number of issued shares of the Company as at the date of such meeting.

The maximum number of shares of the Company in respect of which options may be granted to each Eligible Person under the Share Option Scheme and any other share option scheme(s) of the Company (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue from time to time unless such grant has been duly approved by shareholders of the Company at general meeting at which the Eligible Person and his associates (as defined in the Listing Rules) abstained from voting. Options granted to a substantial shareholder and/or an independent non-executive director or any of their respective associates (as defined in the Listing Rules) in any 12-month period in excess of 0.10% of total number of shares in issue and have an aggregate value exceeding HK$5,000,000 must be approved by the shareholders of the Company in general meeting in advance.

(a) Details of the share options granted on 28 December 2004 to certain directors and advisors of the Company under the Share Option Scheme and movements in such holdings during the year are as follows:

			Number of shares of the Company to be issued upon exercise of the share options				
Date of grant	**Exercise period**	**Exercise price per share**	**Outstanding at 1.4.2006**	**Exercised during the year**	**Outstanding at 31.3.2007**	**Exercised during the year**	**Outstanding at 31.3.2008**
		HK$					
28.12.2004	28.12.2004 to 26.8.2012	1.24*	22,100,000	(13,650,000)	8,450,000	–	8,450,000
28.12.2004	28.12.2004 to 26.8.2012	1.50*	22,100,000	(9,520,000)	12,580,000	(350,000)	12,230,000
			44,200,000	(23,170,000)	21,030,000	(350,000)	20,680,000

* Pursuant to the ordinary resolution passed by the Company's shareholders at the special general meeting held on 14 February 2006, the Company repriced the share options by a reduction of the exercise price by HK$0.70 per share to take into account of the payment of a special cash dividend of HK$0.70 per share during the year ended 31 March 2006.

(b) Details of the share options granted to certain directors, employees and advisors of the Group under the Share Option Scheme during the period from 1 April 2006 to 31 March 2008 and movements in such holdings are as follows:

					Number of shares of the Company to be issued upon exercise of the share options								
Type	Date of grant	Vesting date	Exercise period	Exercise price per share HK$	Outstanding at 1.4.2006	Granted during the year ended 31.3.2007	Exercised during the year ended 31.3.2007	Lapsed during the year ended 31.3.2007	Outstanding at 31.3.2007	Granted during the year ended 31.3.2008	Exercised during the year ended 31.3.2008	Lapsed during the year ended 31.3.2008	Outstanding at 31.3.2008
(i)	6.2.2006	6.2.2006	6.2.2006 to 5.2.2007	1.78	8,311,000	–	(8,286,000)	(25,000)	–	–	–	–	–
(ii)	6.2.2006	6.2.2007	6.2.2007 to 5.2.2008	2.50	8,325,000	–	(895,000)	(275,000)	7,155,000	–	(1,449,000)	(5,706,000)	–
(iii)	6.2.2006	6.2.2008	6.2.2008 to 5.2.2009	3.00	8,325,000	–	–	(650,000)	7,675,000	–	–	(75,000)	7,600,000
(iv)	6.2.2006	6.2.2009	6.2.2009 to 5.2.2010	3.50	8,325,000	–	–	(650,000)	7,675,000	–	–	(75,000)	7,600,000
(v)	24.3.2006	24.3.2006	24.3.2006 to 5.2.2007	2.325	3,000,000	–	(2,874,000)	(126,000)	–	–	–	–	–
(vi)	24.3.2006	6.2.2007	6.2.2007 to 5.2.2008	2.50	3,000,000	–	(50,000)	–	2,950,000	–	(1,421,000)	(1,529,000)	–
(vii)	24.3.2006	6.2.2008	6.2.2008 to 5.2.2009	3.00	3,000,000	–	–	–	3,000,000	–	–	(375,000)	2,625,000
(viii)	24.3.2006	6.2.2009	6.2.2009 to 5.2.2010	3.50	3,000,000	–	–	–	3,000,000	–	–	(375,000)	2,625,000
(ix)	8.9.2006	8.9.2006	8.9.2006 to 7.9.2007	2.48	–	4,600,000	–	–	4,600,000	–	(4,600,000)	–	–
(x)	8.9.2006	8.9.2007	8.9.2007 to 7.9.2008	2.48	–	4,600,000	–	–	4,600,000	–	–	–	4,600,000
(xi)	8.9.2006	8.9.2008	8.9.2008 to 7.9.2009	2.48	–	4,600,000	–	–	4,600,000	–	–	–	4,600,000
(xii)	8.9.2006	8.9.2006	8.9.2006 to 26.8.2012	2.43	–	1,300,000	–	–	1,300,000	–	–	–	1,300,000
(xiii)	8.9.2006	8.9.2006	8.9.2006 to 7.9.2007	2.43	–	4,750,000	(1,300,000)	–	3,450,000	–	(2,550,000)	(900,000)	–
(xiv)	8.9.2006	1.8.2007	1.8.2007 to 31.7.2008	2.43	–	1,500,000	–	–	1,500,000	–	–	–	1,500,000
(xv)	8.9.2006	1.8.2008	1.8.2008 to 31.7.2009	2.43	–	1,500,000	–	–	1,500,000	–	–	–	1,500,000
(xvi)	8.9.2006	1.8.2007	1.8.2007 to 31.7.2008	3.00	–	1,500,000	–	–	1,500,000	–	–	–	1,500,000
(xvii)	8.9.2006	1.8.2008	1.8.2008 to 31.7.2009	3.50	–	1,500,000	–	–	1,500,000	–	–	–	1,500,000
(xviii)	8.9.2006	8.9.2007	8.9.2007 to 7.9.2008	3.00	–	2,750,000	–	–	2,750,000	–	–	(900,000)	1,850,000
(xix)	8.9.2006	8.9.2008	8.9.2008 to 7.9.2009	3.50	–	2,000,000	–	–	2,000,000	–	–	(1,200,000)	800,000
(xx)	6.2.2007	6.2.2007	6.2.2007 to 26.8.2012	3.00	–	1,300,000	–	–	1,300,000	–	–	–	1,300,000
(xxi)	6.2.2007	6.2.2007	6.2.2007 to 5.2.2008	4.00	–	2,500,000	–	–	2,500,000	–	–	(2,500,000)	–
(xxii)	6.2.2007	6.2.2007	6.2.2007 to 5.2.2008	3.00	–	1,020,000	–	–	1,020,000	–	(250,000)	(770,000)	–
(xxiii)	6.2.2007	6.2.2008	6.2.2008 to 5.2.2009	3.00	–	1,190,000	–	–	1,190,000	–	–	–	1,190,000
(xxiv)	6.2.2007	6.2.2009	6.2.2009 to 5.2.2010	3.50	–	1,190,000	–	–	1,190,000	–	–	–	1,190,000
(xxv)	30.4.2007	1.8.2007	1.8.2007 to 30.4.2008	3.50	–	–	–	–	–	1,500,000	–	–	1,500,000
(xxvi)	15.5.2007	15.5.2007	15.5.2007 to 14.5.2008	3.50	–	–	–	–	–	9,000,000	–	–	9,000,000
(xxvii)	15.5.2007	15.5.2007	15.5.2007 to 14.5.2009	3.50	–	–	–	–	–	6,000,000	–	–	6,000,000
(xxviii)	1.8.2007	1.8.2007	1.8.2007 to 31.7.2008	3.50	–	–	–	–	–	550,000	–	–	550,000
(xxix)	1.8.2007	1.8.2008	1.8.2008 to 31.7.2009	4.00	–	–	–	–	–	450,000	–	–	450,000
(xxx)	1.8.2007	1.8.2009	1.8.2009 to 31.7.2010	4.50	–	–	–	–	–	450,000	–	–	450,000
(xxxi)	18.9.2007	18.9.2007	18.9.2007 to 17.9.2008	3.546	–	–	–	–	–	3,900,000	–	–	3,900,000
(xxxii)	18.9.2007	18.9.2008	18.9.2008 to 17.9.2009	3.546	–	–	–	–	–	3,900,000	–	–	3,900,000
(xxxiii)	18.9.2007	18.9.2009	18.9.2009 to 17.9.2010	3.546	–	–	–	–	–	3,900,000	–	–	3,900,000
(xxxiv)	11.10.2007	11.10.2007	11.10.2007 to 10.10.2008	3.00	–	–	–	–	–	250,000	–	–	250,000
(xxxv)	11.10.2007	11.4.2008	11.4.2008 to 10.10.2008	3.00	–	–	–	–	–	150,000	–	–	150,000
(xxxvi)	11.10.2007	11.10.2008	11.10.2008 to 10.10.2009	3.50	–	–	–	–	–	150,000	–	–	150,000
(xxxvii)	11.10.2007	11.10.2009	11.10.2009 to 10.10.2010	4.00	–	–	–	–	–	200,000	–	–	200,000
					45,286,000	37,800,000	(13,405,000)	(1,726,000)	67,955,000	30,400,000	(10,270,000)	(14,405,000)	73,680,000
Exercisable at the end of the year									25,275,000				44,665,000

During the year, the Company granted 30,400,000 share options to directors and employees at exercise prices ranging from HK$3.00 to HK$4.50. The fair value of the share options granted during the year is approximately HK$9,125,000. The share options granted are subject to vesting conditions from zero to two years.

The fair values determination at the grant date were carried out by RHL Appraisal Limited using the Black-Scholes Option Pricing Model (the "Model"). The key inputs into the Model were summarised as follows:

Options granted during the year

	Type (xxv)	Type (xxvi) *(Note)*	Type (xxvii) *(Note)*	Type (xxviii)	Type (xxix)	Type (xxx)	Type (xxxi)	Type (xxxii)	Type (xxxiii)	Type (xxxiv)	Type (xxxv)	Type (xxxvi)	Type (xxxvii)
Closing share price at date of grant *(HK$)*	3.47	3.39	3.39	3.30	3.30	3.30	2.98	2.98	2.98	3.00	3.00	3.00	3.00
Expected volatility	45%	45%	45%	41%	41%	41%	41%	41%	41%	41%	41%	41%	41%
Expected life *(year)*	1	1	2	1	2	3	1	2	3	1	1	2	3
Risk-free interest rate	3.942%	3.870%	3.880%	3.880%	3.959%	4,105%	3.840%	3.837%	3.898%	3.710%	3.710%	3.798%	3.881%
Expected annual dividend yield	0.86%	0.88%	0.88%	0.91%	0.91%	0.91%	1.01%	1.01%	1.01%	1.00%	1.00%	1.00%	1.00%
Fair value per share option *(HK$)*	0.703	0.590	–	0.497	0.591	0.667	0.323	0.548	0.725	0.522	0.522	0.571	0.616

Note: Included in type (xxvi) and type (xxvii) are 8,000,000 and 6,000,000 options, respectively, granted to advisors of the Group for which services are not yet received before the balance sheet date.

The expected volatility used in the Model was determined by using the annualised standard derivation 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 amount of cost of share options charged to the consolidated income statement during the year was HK$15,170,000 (2007: HK$21,995,000).

In respect of the share options granted during the year, the closing share price immediately before date of grant is ranged from HK$2.90 to HK$3.49.

In respect of the 10,620,000 share options exercised during the year, the weighted average share price at the date of exercise is HK$3.26 and the weighted average closing price at the date immediately before exercise date is HK$3.25.

There was no consideration received during the year from Eligible Persons for taking up the options granted.

Share option scheme of Paul Y. Engineering Group Limited ("PYE")

On 7 September 2005, PYE adopted a share option scheme (the "PYE Scheme") for the purpose of providing incentive or reward to any employees, executives or directors of PYE and its subsidiaries or any invested entity and any consultant, adviser or agent of any member of PYE and its subsidiaries or any invested entity, who have contributed or will contribute to the growth and development of PYE and its subsidiaries or any invested entity ("PYE Eligible Person"). The PYE Scheme will remain in force for a period of ten years from that date.

Under the PYE Scheme, the directors of PYE may at their discretion grant options to any PYE Eligible Person to subscribe for shares in PYE. Consideration to be paid on each grant of option is HK$1.00. The directors of PYE may at their discretion determine the specific exercise period which should expire in any event no later than ten years from date of adoption of the PYE Scheme. The exercise price is determined by the directors of PYE and will be at least the higher of: (i) the subscription price as is permissible under the Listing Rules from time to time; and (ii) the nominal value of the shares of PYE.

The maximum number of shares that may initially be issued upon the exercise of all options to be granted under the PYE Scheme and any other share option scheme(s) adopted by PYE must not in aggregate exceed 10% of the total number of issued shares of PYE, i.e. 57,669,939 shares of PYE, as at its adoption date. Subject to the approval of the shareholders of PYE in general meeting, the limit may be refreshed to 10% of the total number of shares of PYE in issue as at the date of approval by the shareholders of PYE in general meeting. Notwithstanding the forgoing, the maximum number of shares of PYE which may be issued upon exercise of all outstanding options granted and yet to be exercised under the PYE Scheme and any other share option scheme(s) of PYE must not in aggregate exceed 30% of the total number of shares of PYE in issue from time to time. Pursuant to an ordinary resolution passed at PYE's annual general meeting held on 4 September 2007, the 10% scheme limit was refreshed to 59,159,910, representing 10% of the total number of issued shares of PYE as at the date of such meeting.

The maximum number of shares of PYE in respect of which options may be granted to each PYE Eligible Person under the PYE Scheme and any other share option scheme(s) of PYE (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares of PYE in issue from time to time unless such grant has been duly approved by shareholders of PYE in general meeting at which the PYE Eligible Person and his associate (as defined in the Listing Rules) abstained from voting. Options granted to a substantial shareholder and/or an independent non-executive director of PYE or any of their respective associates (as defined in the Listing Rules) in any 12-month period in excess of 0.10% of the total number of shares of PYE in issue and have an aggregate value exceeding HK$5,000,000 must be approved by the shareholders of PYE in general meeting in advance.

Details of movements in share options of PYE granted under the PYE Scheme during the current and prior years are as follows:

					Number of shares of the Company to be issued upon exercise of the share options								
Type	Date of grant	Vesting date	Exercise period	Exercise price per share *HK$*	Outstanding at 1.4.2006	Granted during the year ended 31.3.2007	Exercised during the year ended 31.3.2007	Lapsed during the year 31.3.2007	Outstanding at 31.3.2007	Granted the year ended 31.3.2008	Exercised during the year ended 31.3.2008	Lapsed during the year ended 31.3.2008	Outstanding at 31.3.2008
I	3.2.2006	3.2.2006	3.2.2006 to 6.9.2015	0.70	1,500,000	–	–	–	1,500,000	–	(1,000,000)	–	500,000
II	3.2.2006	1.1.2007	1.1.2007 to 6.9.2015	0.85	1,500,000	–	–	–	1,500,000	–	(1,000,000)	–	500,000
III	3.2.2006	1.1.2008	1.1.2008 to 6.9.2015	1.00	1,500,000	–	–	–	1,500,000	–	–	(1,000,000)	500,000
IV	9.2.2006	9.2.2008	9.2.2008 to 8.2.2009	0.90	8,000,000	–	–	(2,400,000)	5,600,000	–	–	(2,800,000)	2,800,000
V	13.7.2006	13.7.2006	13.7.2006 to 12.7.2008	1.00	–	3,000,000	(1,500,000)	–	1,500,000	–	(1,286,000)	–	214,000
VI	13.7.2006	13.7.2007	13.7.2007 to 12.7.2009	1.00	–	3,000,000	–	–	3,000,000	–	–	(1,500,000)	1,500,000
VII	13.7.2006	13.7.2008	13.7.2008 to 12.7.2009	1.00	–	2,000,000	–	–	2,000,000	–	–	–	2,000,000
VIII	30.5.2007	1.7.2007	1.7.2007 to 30.6.2008	1.34	–	–	–	–	–	1,500,000	–	–	1,500,000
IX	30.5.2007	1.7.2008	1.7.2008 to 30.6.2009	1.34	–	–	–	–	–	1,500,000	–	–	1,500,000
X	30.5.2007	9.2.2008	9.2.2008 to 8.2.2009	1.34	–	–	–	–	–	13,000,000	–	(1,700,000)	11,300,000
XI	8.6.2007	1.7.2007	1.7.2007 to 30.6.2009	1.36	–	–	–	–	–	2,000,000	–	–	2,000,000
XII	28.12.2007	1.6.2008	1.6.2008 to 31.5.2009	1.40	–	–	–	–	–	1,000,000	–	–	1,000,000
XIII	28.12.2007	1.9.2008	1.9.2008 to 31.8.2009	1.40	–	–	–	–	–	600,000	–	–	600,000
					12,500,000	8,000,000	(1,500,000)	(2,400,000)	16,600,000	19,600,000	(3,286,000)	(7,000,000)	25,914,000
Exercisable at the end of the year									4,500,000				20,814,000

In respect of the 3,286,000 share options exercised during the year, the weighted average share price at the date of exercise is HK$1.30.

In respect of the share options granted during the year, the closing share price immediately before date of grant is ranged from HK$1.33 to HK$1.36.

The fair values of the share options granted were calculated using the Model carried out by Greater China Appraisal Limited and RHL Appraisal Limited. The inputs into the Model were summarised as follows:

	Granted during the year					
	Type VIII	**Type IX**	**Type X**	**Type XI**	**Type XII**	**Type XIII**
Closing share price at date of grant *(HK$)*	1.31	1.31	1.31	1.32	1.40	1.40
Expected volatility	52%	52%	52%	49%	51%	51%
Expected life *(year)*	0.6	1.5	1.2	1.1	1.0	1.0
Risk-free interest rate	4.06%	4.33%	4.32%	4.29%	2.54%	2.54%
Expected annual dividend yield	6.87%	6.87%	6.87%	6.82%	6.43%	6.43%
Fair value per share option *(HK$)*	0.180	0.272	0.255	0.217	0.244	0.244

The Model is one of the commonly used models to estimate the fair value of the option. The value of an 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 an 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 PYE. 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$4,697,000 (2007: HK$1,088,000) with respect to share options granted to directors and employees of PYE were charged to the consolidated income statement during the year.

46. ACQUISITION OF SUBSIDIARIES

(a) Pursuant to an agreement dated 12 May 2006 (the "Agreement"), the Group acquired from an independent third party assets and gas and oil logistics and distribution operations across Wuhan, the PRC, at a total consideration of approximately RMB470 million. This transaction had been completed in September 2006 and had been accounted for using the purchase method of accounting during the year ended 31 March 2007. The net assets acquired in the transaction was summarised as follows:

	Carrying amount before business combination *HK$'000*	Fair value adjustments *HK$'000*	Fair value *HK$'000*
Net assets acquired:			
Property, plant and equipment	419,317	38,327	457,644
Premium on leasehold land	–	9,210	9,210
Other intangible assets – rights of operation	–	35,923	35,923
Other intangible assets – customer base	–	2,032	2,032
Prepaid lease payments	45,522	–	45,522
Deferred tax liability	–	(28,212)	(28,212)
	464,839	57,280	522,119
Discount on acquisition of business			(3,755)
			518,364
Satisfied by:			
Cash consideration paid			344,828
Transaction costs paid			24,434
Deferred consideration payable *(Note)*			118,227
Unsettled transaction costs included in creditors and accrued expenses			30,875
			518,364
Net cash outflow arising on acquisition:			
Cash consideration and transaction costs paid			369,262

Note: Pursuant to the Agreement, part of the consideration (RMB120 million) will be settled by way of issue of the 3-year, zero coupon, HK$ denominated convertible notes by the Company at a conversion price of HK$4.25 per share. Upon maturity, the redemption amount is 114.167% of the par value. As at 31 March 2007, the convertible notes have not yet issued and the unpaid consideration of HK$121,213,000 is presented as deferred consideration payable in consolidated balance sheet. As the Group has no obligations to settle the unpaid consideration within twelve months of the balance sheet date, the amount is classified as non-current liabilities.

During the current year, an amount of approximately HK$121,521,000 (equivalent to RMB120 million) convertible notes have been issued and details of convertible notes are set out in note 42.

The business acquired during the year ended 31 March 2007 recorded a loss of HK$8,702,000 between the date of acquisition and 31 March 2007.

(b) On 11 June 2007, the Group acquired the entire interest in PY Property Consultants Limited (formerly known as Fexon Property Consultants Limited), PY (Asia Pacific) Limited (formerly known as China Land (Asia Pacific) Limited) and PY Investments (Samoa) Limited (formerly known as Fexon Investments Limited) (the "Acquirees"), which are engaged in the provision of property consultancy services, at a consideration of HK$1,793,000. The acquisition was accounted for using the purchase method of accounting. The amount of goodwill arising as a result of this acquisition is approximately HK$2,323,000.

	2008
	HK$'000
	(Note)
Net assets acquired:	
Debtors, deposits and prepayments	1,290
Bank balances and cash	1
Creditors and accrued expenses	(1,628)
Taxation payable	(193)
	(530)
Goodwill	2,323
Consideration	1,793
Net cash outflow arising on acquisition of subsidiaries:	
Bank balances and cash acquired	1
Cash consideration paid	(1,793)
	(1,792)

Note: Carrying amount of the Acquirees' net assets acquired before combination is the same as its fair value.

The goodwill on acquisition represents the value obtainable from synergies with the Group on the economy of scale on the property development management services of the Group.

The subsidiaries acquired did not have any significant impact on the Group's results and cash flows for the year ended 31 March 2008.

If the acquisition had been completed on 1 April 2007, total group revenue and profit for the period would approximate the amounts disclosed in the consolidated income statement.

47. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

During the year, the Group acquired two subsidiaries from certain independent third parties which are mainly holding an investment property for rental purpose for a consideration of approximately HK$47,109,000. The acquisition has been accounted for as an acquisition of assets and liabilities. The effect of the acquisition is summarised as follows:

	2008
	HK$'000
Net assets acquired:	
Investment properties	118,549
Debtors, deposits and prepayments	1,066
Bank balances and cash	990
Creditors and accrued expenses	(2,056)
Bank and other borrowings	(71,440)
Consideration	47,109
Net cash outflow arising on acquisition of assets through a subsidiary	
Bank balances and cash acquired	990
Cash consideration paid	(47,109)
Net cash outflow	(46,119)

48. MAJOR NON-CASH TRANSACTIONS

The Group had the following major non-cash transactions:

(a) New shares were issued as scrip dividends for the years ended 31 March 2008 and 2007 as set out in notes 15 and 44.

(b) During the year ended 31 March 2007, the Company issued and allotted 68,500,000 ordinary shares for the acquisition of additional interests in subsidiaries; and

(c) During the year ended 31 March 2007, the Company declared a special dividend by way of distribution of the value derived from the Group's divestment of an associate. The amount distributed was approximately HK$325,660,000.

49. RETIREMENT BENEFIT SCHEMES

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

The employees of the Group's PRC subsidiaries are members of the state-managed retirement benefit schemes operated by the PRC government. The subsidiaries in the PRC are required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

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 schemes. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

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

With effective from 1 December 2000, the Group has joined a mandatory provident fund scheme ("MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes 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 scheme at the rates specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the consolidated income statement represent contributions paid and payable to the funds by the Group at the rates specified in the rules of the scheme.

During the year, the total retirement benefit scheme contributions charged to consolidated income statement amounted to approximately HK$15,152,000 (2007: HK$10,582,000).

50. CONTINGENT LIABILITIES

	2008	**2007**
	HK$'000	*HK$'000*
Guarantee given to a bank in respect of banking facilities granted to an associate	10,481	9,454

At the initial date of providing this guarantee, the directors consider that the fair value of the financial guarantee is insignificant.

51. OPERATING LEASE COMMITMENTS

(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:

	2008	**2007**
	HK$'000	*HK$'000*
Within one year	30,785	29,766
In the second to fifth year inclusive	33,264	49,155
Over five years	4,397	4,449
	68,446	83,370

Leases are negotiated, and monthly rentals are fixed, for terms ranging from two to thirty years.

(b) The Group as a lessor

At the balance sheet date, the Group had contracted with tenants in respect of its investment properties for future minimum lease payments which fall due as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Within one year	2,693	–
In the second to fifth year inclusive	3,656	–
	6,349	–

Operating lease arrangements represent rentals receivable by the Group for certain of its premises. Leases are negotiated for terms ranging from 1 year to 6 years.

52. PLEDGE OF ASSETS

At the balance sheet date, the following assets were pledged to banks and financial institutions to secure the general credit facilities granted to the Group:

	2008	**2007**
	HK$'000	*HK$'000*
Investment properties	149,667	–
Property, plant and equipment	482,195	467,615
Prepaid lease payments	49,836	35,268
Bank deposits	34,269	42,601
Intangible assets	9,981	7,827
Project under development	17,007	24,137
Properties under development	172,863	66,834
	915,818	644,282

In addition, the Group's benefits under certain construction contracts were pledged to secure the facilities granted.

53. COMMITMENTS

	2008 *HK$'000*	2007 *HK$'000*
Expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:		
– Property, plant and equipment	279,066	274,986
– Project under development	449,536	1,146,837
– Properties under development	425,995	98,044
	1,154,597	1,519,867

54. RELATED PARTY DISCLOSURES

(a) The Group entered into the following significant transactions with certain related parties during the year:

Class of related party	Nature of transactions	2008 *HK$'000*	2007 *HK$'000*
Associates of the Group	Purchase of concrete products by the Group	–	35
	Interest income charged by the Group	1,170	8,400
	Rentals and related building management fee charged to the Group	5,974	24,958
	Rentals and consultancy fee charged by the Group	401	2,511
	Building manager remuneration fee charged by the Group	243	1,200
	Project management fees charged to the Group	–	8,445
	Project management fees charged by the Group	28,874	1,596
	Net rental guarantee income charged by the Group	713	1,438
Jointly controlled entities of the Group	Subcontracting fees charged to the Group	3,861	7,798
	Service fees charged by the Group	17	30
Subsidiaries of ITC	Purchase of building materials by the Group	–	40
	Carpark rental charged by the Group	32	48
	Interest income charged by the Group	1,922	5,339
	Interest charged to the Group	3,517	417
	Coupon interest of bonds entitled by the Group	95	582
	Rentals charged to the Group	360	360
	Face value of bonds subscribed by the Group	–	36,858
	Motor vehicles rental charged to the Group	190	219
Associates of ITC	Interest income charged by the Group	16,151	13,461
	Interest charged to the Group	1,691	981
	Service fees charged by the Group	166	109
	Service fees charged to the Group	1,439	736
	Carpark rental fee charged by the Group	61	–
	Coupon interest of bonds entitled by the Group	643	–
Other related companies *(Note)*	Rental and related building management fee charged by the Group	48	17
	Interest income charged by the Group	–	925
	Service fees charged to the Group	1,509	1,253
	Service fees charged by the Group	136	305
Company which a member of key management is a shareholder	Acquisition of additional interests in subsidiaries by the Group	–	199,551

Note: Dr Chan has significant influence over these related companies.

(b) The remuneration of directors and other members of key management, which is determined by the remuneration committee having regard to the performance of individuals and market trends, is as follows:

	2008	2007
	HK$'000	*HK$'000*
Short-term benefits	22,673	20,451
Post-employment benefits	562	557
Share-based payment expense	10,461	11,698
	33,696	32,706

Details of the share options granted to the directors during the year are set out below:

Name of director	Date of grant	Exercise period	Exercise price per share	Outstanding as at 1.4.2007	Granted during the year	Exercised during the year	Outstanding as at 31.3.2008
			HK$				
Lau Ko Yuen, Tom	28.12.2004	28.12.2004 to 26.08.2012	1.24	6,500,000	–	–	6,500,000
	28.12.2004	28.12.2004 to 26.08.2012	1.50	6,500,000	–	–	6,500,000
	08.09.2006	08.09.2006 to 07.09.2007	2.48	4,600,000	–	(4,600,000)	–
	08.09.2006	08.09.2007 to 07.09.2008	2.48	4,600,000	–	–	4,600,000
	08.09.2006	08.09.2008 to 07.09.2009	2.48	4,600,000	–	–	4,600,000
	18.09.2007	18.09.2007 to 17.09.2008	3.546	–	3,900,000	–	3,900,000
	18.09.2007	18.09.2008 to 17.09.2009	3.546	–	3,900,000	–	3,900,000
	18.09.2007	18.09.2009 to 17.09.2010	3.546	–	3,900,000	–	3,900,000
Kwok Shiu Keung, Ernest	28.12.2004	28.12.2004 to 26.08.2012	1.24	650,000	–	–	650,000
	28.12.2004	28.12.2004 to 26.08.2012	1.50	650,000	–	–	650,000
Chan Shu Kin	28.12.2004	28.12.2004 to 26.08.2012	1.24	650,000	–	–	650,000
	28.12.2004	28.12.2004 to 26.08.2012	1.50	650,000	–	–	650,000
Leung Po Wing, Bowen Joseph	08.09.2006	08.09.2006 to 26.08.2012	2.43	1,300,000	–	–	1,300,000
Li Chang An	06.02.2007	06.02.2007 to 26.08.2012	3.00	1,300,000	–	–	1,300,000
				32,000,000	11,700,000	(4,600,000)	39,100,000

Details of the balances with associates, jointly controlled entities, related companies and minority shareholders at the balance sheet date are set out in notes 27, 28, 29, 38, 39 and 40.

55. BALANCE SHEET OF THE COMPANY

	2008	2007
	HK$'000	*HK$'000*
Assets	3,027,107	2,721,326
Liabilities	(1,188,291)	(983,761)
	1,838,816	1,737,565
CAPITAL AND RESERVES		
Share capital	150,709	149,171
Reserves *(Note)*	1,688,107	1,588,394
SHAREHOLDERS' FUNDS	1,838,816	1,737,565

Note:

	Share premium *HK$'000*	**Convertible notes reserve** *HK$'000*	**Share-based payment reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*
At 1 April 2006	169,129	–	4,940	1,505,813	1,679,882
Share repurchased and cancelled	(4,181)	–	–	–	(4,181)
Issue of shares under scrip dividend schemes	(984)	–	–	–	(984)
Credit arising on scrip dividends	–	–	–	24,477	24,477
Share issue expenses	(635)	–	–	–	(635)
Recognition of equity-settled share-based payment expense	–	–	22,181	–	22,181
Issue of shares under share option scheme	59,597	–	(5,096)	–	54,501
Issue of shares upon acquisition of additional interests in subsidiaries	192,701	–	–	–	192,701
Release upon lapse of vested share options	–	–	(63)	63	–
Loss for the year	–	–	–	(9,880)	(9,880)
Distribution	–	–	–	(369,668)	(369,668)
At 31 March 2007	415,627	–	21,962	1,150,805	1,588,394
Share repurchased and cancelled	(5,954)	–	–	–	(5,954)
Issue of shares under scrip dividend schemes	(659)	–	–	–	(659)
Credit arising on scrip dividends	–	–	–	18,509	18,509
Share issue expenses	(388)	–	–	–	(388)
Recognition of equity-settled share-based payment expense	–	–	15,478	–	15,478
Issue of shares under share option scheme	30,088	–	(5,095)	–	24,993
Recognition of equity component of convertible notes	–	8,482	–	–	8,482
Release upon lapse of vested share options	–	–	(4,085)	4,085	–
Profit for the year	–	–	–	84,305	84,305
Distribution	–	–	–	(45,053)	(45,053)
At 31 March 2008	438,714	8,482	28,260	1,212,651	1,688,107

56. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

(a) Principal subsidiaries

Particulars of the Company's principal subsidiaries at 31 March 2008 are as follows:

Name	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/ registered capital held by the Subsidiaries 2007 %	held by the Subsidiaries 2008 %	attributable to the Group 2007 %	attributable to the Group 2008 %	Principal activities
China Earth Limited	Hong Kong	HK$1 ordinary share	–	100	–	62.92	Investment holding
Corless Limited	British Virgin Islands	US$2 ordinary shares	100	100	63.74	62.92	Investment holding
Glory Well Limited	Hong Kong	HK$10,000 ordinary shares	100	100	100	100	Investment holding
Jiangsu Wanhua Real Estate Development Co., Ltd.	PRC	US$8,800,000 registered capital *(Note (i))*	100	100	100	100	Property investment
Jiangsu YangKou Port Development and Investment Co., Ltd.	PRC	US$66,650,000 registered capital *(Notes (ii) and (vi))*	75	75	75	75	Port development
Jiangsu Yangtong Investment and Development Co., Ltd.	PRC	US$13,332,000 registered capital *(Note (ii))*	75	75	75	75	Port development
湖北民生環保能源技術發展有限公司	PRC	US$4,300,000 registered capital *(Notes (i) and (vi))*	–	100	–	100	LPG technical development
湖北民生石油液化氣有限公司	PRC	US$41,000,000 registered capital *(Notes (i) and (vi))*	100	100	100	100	LPG distribution and logistics
Nation Cheer Investment Limited	Hong Kong	HK$1,200,000 ordinary shares	100	100	100	100	Securities investment
Paul Y. Building Materials Company Limited	Hong Kong	HK$2 ordinary shares	100	100	63.74	62.92	Trading and installation of building materials
Paul Y. Corporation Limited	Hong Kong	HK$2 ordinary shares	100	100	100	100	Investment holding
Paul Y. - CREC (HK) Joint Venture	Hong Kong	– *(Note (iii))*	60	60	38.24	37.75	Civil engineering

Name	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/ registered capital held by the Subsidiaries 2007 %	held by the Subsidiaries 2008 %	attributable to the Group 2007 %	attributable to the Group 2008 %	Principal activities
Paul Y. (E & M) Contractors Limited	Hong Kong	HK$20,000,000 ordinary shares	99.9998	99.9998	63.74	62.92	Provision of electrical, mechanical and building services
Paul Y. Builders Group Limited	Hong Kong	HK$2 ordinary shares	100	100	63.74	62.92	Investment holding
		HK$1,000,000 non-voting deferred shares *(Note (iv))*	–	–	–	–	
Paul Y. Builders Limited	Hong Kong	HK$102,000,000 ordinary shares	100	100	63.74	62.92	Building construction
Paul Y. Construction & Engineering Co. Limited	Hong Kong	HK$42,000,000 ordinary shares	100	100	63.74	62.92	Building construction and specialist works
Paul Y. Engineering Group Limited	Bermuda	HK$298,649,000 ordinary shares	63.74	62.92	63.74	62.92	Investment holding
Paul Y. General Contractors Limited	Hong Kong	HK$36,000,000 ordinary shares	100	100	63.74	62.92	Civil engineering and building construction
Paul Y. Interior Contractors Limited	Hong Kong	HK$2 ordinary shares	100	100	63.74	62.92	Interior decoration works
Paul Y. Plant Hire Limited	Hong Kong	HK$2 ordinary shares	100	100	63.74	62.92	Hire of motor vehicles and plant and machinery
Paul Y. Construction Company, Limited	Hong Kong	HK$2 ordinary shares	100	100	63.74	62.92	Civil engineering, building construction and investment holding
		HK$50,000,000 non-voting preferred shares *(Note (v))*	–	–	–	–	

Name	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/ registered capital held by the Subsidiaries 2007 %	2008 %	attributable to the Group 2007 %	2008 %	Principal activities
Paul Y. Construction (China) Limited	PRC	RMB60,000,000 registered capital *(Note i)*	100	100	63.74	62.92	Civil engineering and building construction
Paul Y. Foundation Holdings Limited	British Virgin Islands	US$1 ordinary share	100	100	63.74	62.92	Investment holding
Paul Y. Foundation Limited	Hong Kong	HK$10,000,000 ordinary shares	100	100	63.74	62.92	Civil engineering and foundation works
Paul Y. Management Limited	Hong Kong	HK$2 ordinary shares	100	100	63.74	62.92	Management and secretarial services
Paul Y. Project Management International Limited	Hong Kong	HK$2 ordinary shares	100	100	63.74	62.92	Project management services and investment holding
Paul Y. Facilities Management Co., Limited	Hong Kong	HK$2 ordinary shares	100	100	63.74	62.92	Facilities management services
PYI Management Limited	Hong Kong	HK$2 ordinary shares	100	100	100	100	Management services
PYI Min Sheng Investment Limited	Hong Kong	HK$2 ordinary shares	100	100	100	100	Investment holding
PYI Xingdong Properties (Jiangsu) Limited	PRC	US$12,500,000 registered capital *(Note (i))*	100	100	100	100	Property investment
PY Properties Group (HK) Limited	Hong Kong	HK$1 ordinary share	–	100	–	100	Investment holding
浙江美聯置業有限公司	PRC	RMB10,000,000 registered capital *(Note (i))*	–	100	–	81.46	Investment holding
杭州先鋒科技開發有限公司	PRC	RMB10,000,000 registered capital *(Note (i))*	–	100	–	81.46	Property holding

All of the above subsidiaries operate in Hong Kong except Jiangsu Wanhua Real Estate Development Co., Ltd., 湖北民生環保能源技術發展有限公司, PYI Xingdong Properties (Jiangsu) Limited, 浙江美聯置業有限公司, 杭州先鋒科技開發有限公司, 湖北民生石油液化氣有限公司, Jiangsu Yangtong Investment and Development Co., Ltd., Jiangsu YangKou Port Development and Investment Co., Ltd. and Paul Y. Construction (China) Limited, all of which operate in the PRC.

All of the above subsidiaries are limited companies except Paul Y. - CREC (HK) Joint Venture which is an unincorporated business. Paul Y. Engineering Group Limited is listed in Hong Kong.

Notes:

(i) Being the wholly-foreign-owned-enterprises.

(ii) Being the sino-foreign equity joint ventures.

(iii) No capital has been contributed by the joint venture partners of the joint venture.

(iv) The holders of the non-voting deferred shares are not entitled to vote, are not entitled to any dividends for any financial year and are, on winding up or otherwise, only entitled out of the surplus assets of the company to a return of the capital after a total sum of HK$100,000,000,000,000 has been distributed to the holders of the ordinary shares of the company.

(v) The holders of the non-voting preferred shares are not entitled to vote, are not entitled to any dividends unless the net profits of the company available for dividend exceed HK$100,000,000,000 in which case they should be entitled to a fixed non-cumulative dividend at the rate of 5% per annum for any financial year and are, on winding up, only entitled out of the surplus assets of the company to a return of the capital after a total sum of HK$10,000,000,000 has been distributed to the holders of the ordinary shares of the company.

(vi) As at 31 March 2008, the registered capital of Jiangsu YangKou Port Development and Investment Co., Ltd.,湖北民生石油液化氣有限公司 and 湖北民生環保能源技術發展有限公司 are paid up to US$62,654,471, US$30,922,591 and US$3,200,000, respectively. The registered capital of all other subsidiaries registered in the PRC are fully paid up as at 31 March 2008.

(b) Principal associates

Particulars of the Company's principal associates indirectly held by the Company at 31 March 2008 are as follows:

Name	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/registered capital attributable to the Group 2007 %	2008 %	Principal activities
CSCEC - Paul Y. Construction Company Limited	PRC	US$10,000,000 registered capital *(Note)*	20.0	19.7	Civil engineering and building construction
Gain Resources Limited	British Virgin Islands	US$100 ordinary shares	15.9	15.7	Investment holding
Nantong Port Group Limited	PRC	RMB966,004,400 registered capital *(Note)*	45	45	Port operation
Yangtze Feeder Port Limited	Hong Kong	HK$1 ordinary share	–	50	Investment holding
Zhong Yu - Paul Y. Project Management Company Limited	PRC	US$500,000 registered capital *(Note)*	25.5	25.2	Project management and consultancy services

Note: The company is a sino-foreign equity joint venture.

(c) Principal jointly controlled entity

Particulars of the Company's principal jointly controlled entity at 31 March 2008 are as follows:

Name	Place of incorporation	Issued and fully paid share capital	Percentage of interest attributable to the Group 2007 %	2008 %	Principal activities
Paul Y. - Penta-Ocean Joint Venture	Hong Kong	– *(Note)*	31.9	31.5	Civil engineering

Note: No capital has been contributed by the joint venture partners.

The above tables list the subsidiaries, associates and jointly-controlled entity of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries, associates and jointly-controlled entities would, in the opinion of the directors, result in particulars of excessive length.

57. COMPARATIVE INFORMATION

In the current year, revenue excludes sale of securities, which are included in other expenses as decrease in fair value of investments held for trading. In prior years, revenue included gross proceeds from disposal of trading of securities of approximately HK$137,966,000 for 2007. Comparative figures in respect of consolidated income statement and consolidated cash flow statement are restated to conform with current year presentation.

4. MANAGEMENT DISCUSSION AND ANALYSIS OF THE PYI GROUP FOR THE YEAR ENDED 31 MARCH 2008

Set out below is the management discussion and analysis of PYI Group for the financial years ended 31 March 2007 and 31 March 2008 as extracted from the annual report of PYI for the year ended 31 March 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL PERFORMANCE AND POSITION

For the year ended 31 March 2008, the Group recorded a consolidated turnover of about $5,503 million (2007: $4,644 million), representing an increase of about 18% when compared with that of last corresponding year. The increase was mainly attributable to the increase in the Group's business in management contracting.

The Group's gross profit increased by 56% to about $427 million (2007: $274 million) as compared with last year. Such gross profit represented a gross margin of 8% (2007: 6%) of the consolidated turnover. Profit before taxation of about $833 million was achieved as compared with about $327 million for the last year. The Group's profit before taxation was composed of:

(i) net gain of about $129 million in management contracting and property development management businesses (2007: $59 million);

(ii) net gain of about $66 million in port and infrastructure development and logistics business (2007: net loss of $14 million);

(iii) net loss of about $8 million in LPG distribution (2007: net gain of $7 million, including discount on acquisition of LPG business of about $4 million);

(iv) net gain of about $42 million in treasury investment (2007: $84 million);

(v) net gain of about $670 million in property investment (2007: $14 million), including increase in fair value of investment properties of about $669 million (2007: Nil);

(vi) interest income of about $47 million (2006: $42 million);

(vii) gain on disposal of interests in associates of about $4 million (2007: 5 million);

(viii) increase in fair value of derivative financial instruments of about $11 million (2007: Nil);

(ix) net gain of about $56 million (2007: $223 million) from share of results of associates and jointly controlled entities;

(x) net loss in investments held for trading and available-for-sale investments of about $11 million (2007: net gain of about $89 million);

(xi) net corporate and other expenses of about $120 million (2007: $158 million); and

(xii) finance costs of about $53 million (2007: $24 million).

Net profit for the year attributable to the shareholders of PYI was about $360 million (2007: $346 million) and basic earnings per share was 24.0 cents (2007: 23.6 cents). Such improvement was mainly due to the commencement of profit contribution from the port and infrastructure development business in Yangkou Port during the year.

When compared with the Group's financial position as at last year end, total assets increased by 36% to about $10,361 million (2007: $7,621 million) and net current assets decreased by 83% to about $137 million (2007: $824 million). These changes were mainly attributable to the Group's further capital expenditure in Yangkou Port. Consequently, current assets decreased from 1.29 times to 1.04 times of current liabilities. After accounting for the net profit of about $360 million net of dividends declared of about $45 million as well as surplus arising from RMB exchange translation of about $221 million, equity attributable to shareholders of PYI increased by 22% to about $3,377 million (2007: $2,772 million), representing $2.24 per share as at 31 March 2008 (2007: $1.86 per share).

Net cash inflow from operating activities was about $263 million and that from financing activities was about $749 million, and net cash outflow from investing activities was about $1,131 million, resulting in a net decrease in available cash and cash equivalents of about $119 million for the year.

REVIEW OF OPERATIONS

Port and Infrastructure Development and Logistics

It has been more than four years since PYI embarked on the Yangtze Strategy. During this fiscal year, PYI has strengthened its foothold on the Yangtze with promising results.

Yangkou Port

Yangkou Port contributed about $97 million (2007: Nil) to the Group's operating profit for the period under review. The income was derived from project management and non-exclusive access rights of infrastructure in Yangkou Port.

The 1.4km^2 man-made island was partially completed with 0.3km^2 of land handed over to PetroChina in November 2007 for the building of its LNG facility. The entire man-made island is scheduled for completion at the end of 2008.

The building of the Yellow Sea Crossing progressed well during the period and the last section of the bridge decking was successfully completed in middle of July 2008. It is scheduled for opening to traffic by the end of 2008 and will therefore contribute income from access rights of infrastructure. Other development plans in Yangkou Port were also in good progress. Yangkou Port is expected to commence operations by the end of 2008 as scheduled.

In addition, about 4.16km^2 of our 42km^2 land bank, having reached the formed and serviced stage, obtained the certificate of completion of land reclamation. As a result, this parcel of land has been reclassified as investment properties and revalued and recognised at fair value. As at 31 March 2008, fair value of this 4.16km^2 land parcel was about $1 billion. Net of relevant deferred tax charge of $267 million, a revaluation gain of $638 million was recognised in the income statement.

Reclamation for the final 20km^2 industrial land bank has commenced, with 10km^2 scheduled for completion before the end of 2009.

Highways, railway, canal and other connecting infrastructural and utility associated with Yangkou Port are being developed by others. With the materialization of all the above facilities and plans, Yangkou Port is poised to become a major deep-sea hub port in Eastern China specializing in raw materials, coal, petroleum and chemicals storage and trans-shipment as well as a large scale petrochemical industrial and logistic zone.

In July 2007, our 75% owned Jiangsu YangKou Port Development & Investment Co., Ltd. successfully closed a 7-year project loan facility of RMB960 million with a syndicate of eight domestic banks led by the Industrial and Commercial Bank of China in Nanjing. The successful closure of the syndicated financing not only testified the commercial viability of the project but also cast a vote of confidence in the future prospects of Yangkou Port.

Nantong Port

Nantong Port contributed about $34 million (2007: $5 million) to the Group's net profit for this year. It recorded a net profit of about $76 million (2006: $54 million) for the year ended 31 December 2007. Improvement in profitability was due to revenue growth as well as successful cost control measures.

Nantong Port recorded an annual cargo throughput of 58 million tons in 2007, representing an increase of 32% year-on-year. The Langshan Phase 3 iron ore terminal also went into commercial operation to become the most modernized trans-shipment hub terminal with the highest throughput capacity and the most modern iron ore terminal on the Yangtze River. Modernization and upgrading programs are underway in other terminals with a view to increase capacity and enhance profitability.

In January 2008, at the special general meeting shareholders granted a mandate for PYI to participate in the public tendering process and/or exercise its pre-emption right for the 12.32% equity interest held by SDIC Communications Co. in Nantong Port Group Limited. This sale process is expected to be conducted in the second half of 2008. If materialized, the acquisition will increase PYI's stake in Nantong Port Group to over 50%, thus making Nantong Port Group a PYI subsidiary.

Investment Opportunities in Other Ports on the Yangtze

During the year, PYI has signed various memoranda of understanding for port and logistics investment opportunities along the Yangtze in Chongqing, Yichang, Jiangying, Changzhou, Huzhou and Jiaxing. These opportunities progressed into different stage of negotiations in each respective location. It is expected that some of these major opportunities will be secured in the financial year ending March 2009.

Engineering Business – Paul Y. Engineering

Paul Y. Engineering and its subsidiaries (the "Paul Y. Engineering Group") achieved turnover of $4,913 million during the year, up 13% compared with last year (2007: $4,359 million). It contributed about $129 million (2007: $59 million) to the Group's operating profit during the year and proposed a final dividend of 5.5 cents per share, or a pay-out ratio of 45%.

During the year, Paul Y. Engineering Group secured new contracts totalling $1,565 million in aggregate value. Subsequent to the year end, the engineering business secured additional contracts worth $2,313 million.

Paul Y. Engineering Group has moved up the value chain of engineering services for enhanced returns with more in-depth participation in property development and investment in the property market. With the comprehensive skill base from its two business arms namely management contracting and property development management, Paul Y. Engineering Group is now ready to tap opportunities in the property sector. As PYI continues to capture opportunities from port-related property development, the wealth of experience and expertise in large-scale infrastructure projects possessed by Paul Y. Engineering Group will continue to be a solid partner of PYI.

LPG Distribution

Based in Wuhan, PYI's wholly-owned Minsheng Gas owns and operates the largest LPG terminal and storage facility in Central China. Through its mature wholesale and retail network, Minsheng Gas has captured a 40% share of the Wuhan LPG market for automotive consumption. The LPG distribution business recorded an operating loss of about $8 million (2007: gain of $3 million) for the year. Profitability was affected by the suppressed domestic oil price regime during the year. As a responsible corporate citizen, Minsheng Gas switched to the lower cost domestic LPG in order to mitigate cost. Throughput at the river terminal and the storage tank facilities declined due to decrease in import LPG. At times of negative margin, losses were partly offset by Government subsidy. The situation has recovered and returned to positive margin since the uplift of nation-wide price regime approved by the Central Government in June 2008.

Property Development and Investment

Property investment contributed about $670 million (2007: $14 million) to operating profit for the year, as a result of the gain in fair value of investment properties of $669 million (2007: Nil). The investment properties comprised the 4.16km^2 formed land in Yangkou Port, and a newly acquired industrial investment property in Hangzhou, which gave rise to a revaluation gain of $31 million net of relevant deferred tax charge of $7 million.

Little Yangkou is situated about 35km west of Yangkou Port. Preliminary advance works was underway with a view to develop it as resort and amenity for the Yangkou industrial zone.

"Wanhua Zijin Garden", a residential property development near Yangkou Port with a gross floor area of 65,000m^2 is approaching partial completion and handover stage.

In Nantong, the Group is developing the Nantong World Trade Centre, a commercial and office complex tower covering a gross floor area of some 65,000m^2. Development of this property is expected to be completed in late of 2009.

Treasury Investment

The Treasury investment business contributed about $42 million (2007: $84 million) towards operating profit for the year.

Portfolio of high-yield loans receivable amounted to about $340 million (2007: $469 million), equivalent to about 3% (2007: 6%) of the total assets of the Group.

MATERIAL ACQUISITION AND DISPOSAL

During the year, the Group did not have material acquisition and disposal of subsidiaries and associates.

OUTLOOK

China's short-term economic trend is clouded by a number of uncertainties including international trade and financial market conditions, domestic austerity program and monetary policy, inflation, high oil and base metal prices as well as impact caused by natural disasters. It is quite pleasing to see that government policies are still strongly in favor of infrastructural investments, particularly in the port and logistics sector.

After five years of dedicated development works, Yangkou Port will be brought from a conceptual stage in 2003 to reality. The official opening of Yangkou Port is scheduled for the end of 2008. That will mark the commencement of operations of the newest deep sea port in Eastern China serving the petrochemical industry as well as acting as a bulk cargo trans-shipment hub for the Yangtze River Region. Having secured PetroChina's LNG importation facilities at Yangkou Port, the 30km^2 industrial land bank will provide a viable base for sustainable development for many industrial companies in short and medium term. As the anchor of our Yangtze Strategy, Yangkou Port has finally reached a key development stage that it will continue to be a major value driver for PYI for many years to come.

Nantong Port Group is moving on to the third successful year in terms of throughput as well as profitability, with double digit growth year on year. Furthermore, it will serve as a solid base for PYI to embark on the consolidation strategy along the Yangtze River. PYI is determined to capture the investment opportunities built up in recent years and evolve to be a major integrated regional port owner and operator along the Yangtze.

Barring any unforeseen conditions, PYI is optimistic in building critical mass and long-term value with our Yangtze Strategy in the coming year.

MAJOR SUBSEQUENT EVENT

Since the balance sheet date and up to the date of this announcement, there is no major subsequent event.

LIQUIDITY AND CAPITAL RESOURCES

The Group continues to adopt a prudent funding and treasury policy with regard to its overall business operations. A variety of credit facilities are maintained to meet its working capital requirements and committed capital expenditures. The loans of the Group bear interest at market rates and are with terms of repayment ranging from one year to six years. In an effort to minimize the adverse impact of exchange rate and interest rate fluctuations on the Group's earnings, assets and liabilities, the Group continues to manage the fluctuation exposures on specific transactions.

As at 31 March 2008, the Group's total borrowings amounted to about $2,046 million (2007: $1,024 million) with $959 million (2007: $597 million) repayable within one year and $1,087 million (2007: $427 million) repayable after one year. Out of the Group's total borrowings of about $2,046 million, about $204 million was non-recourse to the Group (excluding the Paul Y. Engineering Group).

As at 31 March 2008, $337 million (2007: $262 million) of the Group's borrowings bore interest at floating rates and were denominated in Hong Kong dollars, $121 million (2007: Nil) bore interest at fixed rates and were denominated in Hong Kong dollars, $1,362 million (2007: $600 million) bore interest at floating rates and were denominated in Renminbi, and $226 million (2007: $162 million) bore interest at a fixed rate and were denominated in Renminbi. The Group's gearing ratio was 0.61 (2007: 0.37), which is calculated based on the total borrowings of $2,046 million (2007: $1,024 million) and the Group's shareholders' fund of $3,377 million (2007: $2,772 million).

Cash balances at 31 March 2008 amounted to about $636 million (2007: $779 million), of which about $34 million (2007: $43 million) has been pledged to banks to secure general credit facilities granted to the Group. As at 31 March 2008, the Group has a net debt position (being cash balances net of bank borrowings) of $1,143 million (2007: $185 million).

During the year, the Group issued a zero coupon, 3-year convertible note of $122 million at a conversion price of $4.25 per share. Redemption amount will be 114.167% of par value at maturity.

In July 2007, the Group, through its 75% owned subsidiary Jiangsu YangKou Port Development and Investment Co., Ltd., entered into a 7-year project loan facility agreement for RMB960 million with a syndicate of eight domestic banks in Nanjing, the PRC. This syndicated loan, bearing the current Renminbi long-term loan benchmark interest rate as announced by the People's Bank of China, will be used to fund construction of the 13km Yellow Sea Crossing and the 1.4km^2 man-made island at Yangkou Port. As at 31 March 2008, the Group utilised the syndicated loan in an aggregate amount of RMB600 million.

CONTINGENT LIABILITIES

As at 31 March 2008, the Group has contingent liabilities in respect of guarantee given to a bank for banking facilities given to an associate of about $10 million (2007: $9 million) which was non-recourse to the Group (excluding the Paul Y. Engineering Group).

PLEDGE OF ASSETS

As at 31 March 2008, certain property, plant and equipment, land and sea use rights, investment property, properties under development and bank deposits of the Group with an aggregate value of about $916 million (2007: $644 million) and benefits under certain construction contracts have been pledged to banks and financial institutions to secure general credit facilities granted to the Group. As at 31 March 2008, about $43 million (2007: $53 million) of these pledged assets were used to secure credit facilities which were non-recourse to the Group (excluding the Paul Y. Engineering Group).

COMMITMENTS

As at 31 March 2008, the Group has expenditure contracted for but not provided for in the consolidated financial statements in respect of acquisition of certain property, plant and equipment, project under development and properties under development in the amount of about $1,155 million (2007: $1,520 million).

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

Including the directors of the Group, as at 31 March 2008, the Group employed 2,054 full time employees (2007: 1,927). Remuneration packages consisted of salary as well as performance-based and equity-based bonuses.

Further, PYI has implemented three share-related incentive schemes to provide alternative means to motivate employees and promote their loyalty in line with the Group's strategy. Such schemes aim at providing incentives to motivate the Group's staff in both Hong Kong and the Mainland.

5. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE PYI GROUP FOR THE YEAR ENDED 31 MARCH 2007

Set out below is the audited consolidated financial statements of PYI Group for the financial years ended 31 March 2006 and 31 March 2007 together with the relevant notes to the accounts, as extracted from the annual report of PYI for the year ended 31 March 2007.

Consolidated Income Statement
For the year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000 (restated)
Turnover	7	4,781,678	3,540,484
Cost of sales		(4,502,108)	(3,185,938)
Gross profit		279,570	354,546
Other income	9	165,368	226,532
Administrative expenses		(238,936)	(188,890)
Distribution costs		(18,471)	–
Other expenses	10	(69,068)	(78,862)
Finance costs	11	(23,597)	(16,710)
Gain on disposal of interest in an associate		5,067	–
Discount on acquisition of business	45	3,755	–
Gain on disposal of subsidiaries		–	60,756
Reversal of impairment loss on interest in an associate		–	26,914
Share of results of associates		223,549	(17,184)
Share of results of jointly controlled entities		(642)	26
Profit before taxation	14	326,595	367,128
Taxation credit (charge)	15	50,552	(52,804)
Profit for the year		377,147	314,324
Attributable to:			
Equity holders of the Company as originally stated		345,665	310,487
Prior year adjustment	2(a)	–	(31,626)
Equity holders of the Company as restated		345,665	278,861
Minority interests		31,482	35,463
		377,147	314,324
Distribution	16	369,668	998,070
		HK$	HK$
Earnings per share	17		
Basic		0.236	0.204
Diluted		0.233	0.203

Consolidated Balance Sheet
At 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment	18	528,203	35,800
Project under development	20	2,411,680	1,958,869
Properties under development	21	44,458	–
Prepaid lease payments	22	67,968	23,136
Goodwill	23	61,646	61,646
Other intangible assets	24	55,775	8,035
Interests in associates	25	710,234	411,457
Deposit for acquisition of an associate	25(b)	–	160,211
Interests in jointly controlled entities	26	1,928	2,570
Available-for-sale investments	27	1,312	1,653
Loans receivable – due after one year	28	30,956	–
Amount due from an associate – due after one year	30	–	117,000
Deferred consideration receivable	31	6,597	10,223
		3,920,757	2,790,600
CURRENT ASSETS			
Properties under development	21	82,732	–
Properties held for sale		–	78,245
Prepaid lease payments	22	1,766	575
Inventories		23,425	–
Loans receivable – due within one year	28	181,508	105,886
Amounts due from related companies – due within one year	29	150,099	251,852
Amounts due from associates – due within one year	30	187,314	227,776
Amounts due from customers for contract works	32	223,637	163,379
Debtors, deposits and prepayments	33	1,910,690	1,415,407
Conversion option embedded in loan receivable	34	1,427	–
Investments held for trading	35	155,783	161,693
Taxation recoverable		2,942	1,605
Pledged bank deposits	36	42,601	118,622
Short term bank deposits	36	441,769	526,504
Bank balances and cash	36	294,997	139,534
		3,700,690	3,191,078
CURRENT LIABILITIES			
Amounts due to customers for contract works	32	1,038,548	429,615
Creditors and accrued expenses	37	1,157,990	899,829
Amounts due to associates	38	17,429	3,678
Amounts due to minority shareholders	39	4,071	4,638
Loans from minority shareholders	40	–	123,439
Taxation payable		61,286	45,759
Bank and other borrowings – due within one year	41	597,386	400,158
		2,876,710	1,907,116
NET CURRENT ASSETS		823,980	1,283,962
TOTAL ASSETS LESS CURRENT LIABILITIES		4,744,737	4,074,562

	Notes	2007 HK$'000	2006 HK$'000 (restated)
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year	41	426,751	164,625
Deferred consideration payable	45	121,213	–
Deferred tax liabilities	42	947,924	900,000
		1,495,888	1,064,625
		3,248,849	3,009,937
CAPITAL AND RESERVES			
Share capital	43	149,171	137,880
Reserves		2,622,681	2,432,752
Equity attributable to equity holders of the Company		2,771,852	2,570,632
Share-based payment reserve of a subsidiary		981	137
Minority interests		476,016	439,168
TOTAL EQUITY		3,248,849	3,009,937

Consolidated Statement of Changes in Equity
For the year ended 31 March 2007

	Attributable to the equity holders of the Company												
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Capital reserve HK$'000	Investment revaluation reserve HK$'000	Other reserve HK$'000	Translation reserve HK$'000	Share-based payment reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Share-based payment reserve of a subsidiary HK$'000	Minority interests HK$'000	Total HK$'000
At 31 March 2005, as originally stated	136,920	184,811	124,695	2,480,000	991	–	(561)	–	301,116	3,227,972	–	536,425	3,764,397
Effect of change in accounting policy *(note 2)*	–	–	–	–	–	–	–	–	232,917	232,917	–	–	232,917
At 1 April 2005, as restated	136,920	184,811	124,695	2,480,000	991	–	(561)	–	534,033	3,460,889	–	536,425	3,997,314
Exchange difference arising from translation of foreign operations	–	–	–	–	–	–	5,928	–	–	5,928	–	2,412	8,340
Decrease in fair value of available-for-sale investments	–	–	–	–	(1,343)	–	–	–	–	(1,343)	–	(303)	(1,646)
Share of other reserve of an associate	–	–	–	–	–	5,733	–	–	–	5,733	–	–	5,733
Share of translation reserve of an associate	–	–	–	–	–	–	(224)	–	–	(224)	–	–	(224)
Net (expense) income recognised directly in equity	–	–	–	–	(1,343)	5,733	5,704	–	–	10,094	–	2,109	12,203
Profit for the year (restated)	–	–	–	–	–	–	–	–	278,861	278,861	–	35,463	314,324
Total recognised (expense) income for the year	–	–	–	–	(1,343)	5,733	5,704	–	278,861	288,955	–	37,572	326,527
Transferred from capital reserve	–	–	–	(2,480,000)	–	–	–	–	2,480,000	–	–	–	–
Share repurchased and cancelled	(1,052)	(13,426)	–	–	–	–	–	–	–	(14,478)	–	–	(14,478)
Recognition of equity-settled share-based payment expense	–	–	–	–	–	–	–	4,945	–	4,945	137	–	5,082
Issue of shares under share option scheme	1	29	–	–	–	–	–	(5)	–	25	–	–	25
Issue of shares under scrip dividend schemes	2,011	(2,011)	–	–	–	–	–	–	–	–	–	–	–
Credit arising on scrip dividends	–	–	–	–	–	–	–	–	29,931	29,931	–	–	29,931
Share issue expenses	–	(274)	–	–	–	–	–	–	–	(274)	–	–	(274)
Distribution	–	–	–	–	–	–	–	–	(998,070)	(998,070)	–	–	(998,070)
Dividend distributed by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(18,169)	(18,169)
Contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	–	10,525	10,525
Scrip dividends distributed by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	3,313	3,313
Acquisition of additional interests in subsidiaries	–	–	–	(201,291)	–	–	–	–	–	(201,291)	–	(130,498)	(331,789)
At 31 March 2006, as restated	137,880	169,129	124,695	(201,291)	(352)	5,733	5,143	4,940	2,324,755	2,570,632	137	439,168	3,009,937

	Attributable to the equity holders of the Company												
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Capital reserve HK$'000	Investment revaluation reserve HK$'000	Other reserve HK$'000	Translation reserve HK$'000	Share-based payment reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Share-based payment reserve of a subsidiary HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2006, as restated	137,880	169,129	124,695	(201,291)	(352)	5,733	5,143	4,940	2,324,755	2,570,632	137	439,168	3,009,937
Exchange difference arising from translation of foreign operations	–	–	–	–	–	–	54,168	–	–	54,168	–	27,800	81,968
Decrease in fair value of available-for-sale investments	–	–	–	–	(238)	–	–	–	–	(238)	–	(103)	(341)
Share of translation reserve of associates	–	–	–	–	–	–	15,167	–	–	15,167	–	–	15,167
Share of other reserve of associates	–	–	–	–	–	2,019	–	–	–	2,019	–	–	2,019
Net (expense) income recognised directly in equity	–	–	–	–	(238)	2,019	69,335	–	–	71,116	–	27,697	98,813
Profit for the year	–	–	–	–	–	–	–	–	345,665	345,665	–	31,482	377,147
Release upon disposal of interest in associates	–	–	–	–	–	(2,991)	(218)	–	–	(3,209)	–	–	(3,209)
Total recognised (expense) income for the year	–	–	–	–	(238)	(972)	69,117	–	345,665	413,572	–	59,179	472,751
Transfer of reserve of an associate	–	–	–	–	–	33	–	–	(33)	–	–	–	–
Shares repurchased and cancelled	(200)	(4,181)	–	–	–	–	–	–	–	(4,381)	–	–	(4,381)
Recognition of equity-settled share-based payment expense	–	–	–	–	–	–	–	22,181	–	22,181	1,088	–	23,269
Issue of shares under share option scheme	3,657	59,597	–	–	–	–	–	(5,096)	–	58,158	–	–	58,158
Release upon lapse of vested share options	–	–	–	–	–	–	–	(63)	63	–	–	–	–
Issue of shares under share option scheme by a subsidiary	–	–	–	–	–	–	–	–	–	–	(244)	1,744	1,500
Issue of shares under scrip dividend schemes	984	(984)	–	–	–	–	–	–	–	–	–	–	–
Issue of shares upon acquisition of additional interests in subsidiaries	6,850	192,701	–	–	–	–	–	–	–	199,551	–	–	199,551
Credit arising on scrip dividends	–	–	–	–	–	–	–	–	24,477	24,477	–	–	24,477
Share issue expenses	–	(635)	–	–	–	–	–	–	–	(635)	–	–	(635)
Distribution	–	–	–	–	–	–	–	–	(369,668)	(369,668)	–	–	(369,668)
Dividend distributed by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(17,547)	(17,547)
Contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	–	48,761	48,761
Scrip dividends distributed by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	5,472	5,472
Acquisition of additional interests in subsidiaries	–	–	–	(142,035)	–	–	–	–	–	(142,035)	–	(60,761)	(202,796)
At 31 March 2007	149,171	415,627	124,695	(343,326)	(590)	4,794	74,260	21,962	2,325,259	2,771,852	981	476,016	3,248,849

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

The capital reserve represents the fair value in the underlying assets and liabilities that attributable to the additional interests in subsidiaries acquired by the Group.

Consolidated Cash Flow Statement
For the year ended 31 March 2007

	2007	2006
	HK$'000	*HK$'000* (restated)
OPERATING ACTIVITIES		
Profit before taxation	326,595	367,128
Adjustments for:		
Finance costs	23,597	16,710
Gain on disposal of subsidiaries	–	(60,756)
Loss (gain) on disposal of property, plant and equipment	977	(19,927)
Gain on disposal of interest in an associate	(5,067)	–
Reversal of impairment loss on interest in an associate	–	(26,914)
Share of results of associates	(223,549)	17,184
Share of results of jointly controlled entities	642	(26)
Release of prepaid lease payments	1,031	2,677
Amortisation of intangible assets	490	–
Depreciation of property, plant and equipment	21,779	29,180
Increase in fair value of listed investments held for trading	(83,444)	(636)
Decrease in fair value of conversion option embedded in loan receivable	1,650	–
Increase in fair value of derivative financial instruments	–	(17,895)
Increase in fair value of investment properties	–	(85,400)
Share-based payment expense	23,083	5,082
Interest income	(42,444)	(26,096)
Impairment loss on receivables	18,628	15,000
Reversal of impairment loss on receivables	(30,324)	(14,173)
Discount on acquisition of business	(3,755)	–
Operating cash flows before movements in working capital	29,889	201,138
Increase in project under development	(290,888)	(136,179)
Decrease in amounts due from (to) customers for contract works, net of attributable interest expenses and depreciation	553,472	23,017
Decrease (increase) in properties held for sale	78,245	(73,295)
(Increase) decrease in loans receivable	(72,759)	85,196
Increase in inventories	(23,425)	–
(Increase) decrease in debtors, deposits and prepayments	(511,224)	145,421
Decrease in amounts from related companies	115,017	95,029
Decrease (increase) in amounts from associates	167,848	(59,093)
Decrease in investments held for trading	82,605	12,227
Increase (decrease) in creditors and accrued expenses	237,139	(130,435)
Decrease in amounts due to jointly controlled entities	–	(20,766)
Increase in amounts due to associates	13,751	874
Cash generated from operations	379,670	143,134
Hong Kong Profits Tax paid	(3,296)	(2,296)
Hong Kong Profits Tax refunded	–	4,175
Overseas tax paid	(892)	(192)
NET CASH FROM OPERATING ACTIVITIES	375,482	144,821

	Notes	2007 HK$'000	2006 HK$'000 (restated)
INVESTING ACTIVITIES			
Acquisition of business	45	(369,262)	–
Acquisition of interests in associates		(278,520)	–
Increase in properties under development		(125,996)	–
Additions to property, plant and equipment		(50,077)	(14,580)
Acquisition of additional interests in subsidiaries		(7,800)	(60,185)
Additions to prepaid lease payments		(383)	–
Decrease (increase) in pledged bank deposits		76,021	(118,622)
Interest received		42,070	25,921
Proceeds from disposal of interest in an associate		26,055	–
Dividend received from associates		4,790	12,573
Repayment of deferred consideration receivable		4,000	–
Proceeds from disposal of property, plant and equipment		1,973	49,192
Proceeds from disposal of other intangible assets		115	–
Acquisition of subsidiaries, net of cash and cash equivalents acquired	46	–	(200)
Deposit paid for acquisition of an associate		–	(160,211)
Disposal of subsidiaries, net of cash and cash equivalents disposed of	47	–	782,240
Dividend received from a jointly controlled entity		–	7,000
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(677,014)	523,128
FINANCING ACTIVITIES			
New bank and other borrowings raised		1,198,106	557,183
Proceeds from issue of shares		58,158	25
Contribution from minority shareholders		50,261	10,525
Repayment of bank and other borrowings		(850,715)	(575,376)
Interest paid		(39,808)	(27,787)
Loan repaid to a minority shareholder		(31,821)	(217,756)
Dividends paid to equity holders of the Company		(19,531)	(968,139)
Dividends paid to minority shareholders of a subsidiary		(12,075)	(14,856)
Share repurchase		(4,381)	(14,478)
Repayment of amounts due to minority shareholders		(3,597)	–
Share issue expenses		(635)	(274)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		343,962	(1,250,933)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		42,430	(582,984)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		7,866	1,450
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		666,038	1,247,572
CASH AND CASH EQUIVALENTS CARRIED FORWARD		716,334	666,038
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Short term bank deposits		441,769	526,504
Bank balances and cash		294,997	139,534
Bank overdrafts		(20,432)	–
		716,334	666,038

Notes to the Consolidated Financial Statements
For the year ended 31 March 2007

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 its principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

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

The Company is an investment holding company. The activities of its principal subsidiaries, associates and jointly controlled entities are set out in note 57.

2. CHANGE IN ACCOUNTING POLICY

Prior to 1 April 2006, purchase of additional interest in a subsidiary was recognised by calculating the goodwill or discount as the difference between the consideration paid for the additional interest acquired and the carrying amount of the net assets of the subsidiary attributable to the acquired interest. In the current year, management reassessed the Group's accounting policy on purchase of additional interest in a subsidiary. The Company has changed its accounting policy for recognising such acquisition. Under the new accounting policy, the Group revalues, at the date of acquisition, all of the identifiable assets and liabilities of the subsidiary to fair value and recognises the fair value change attributable to the acquired interest by charging such amount to the capital reserve. 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 relevant interest, based on the fair value of all identifiable assets and liabilities of the subsidiary. The directors consider that this policy (fair value for all transactions under business combinations and acquisitions of additional interests in subsidiaries) presents a more meaningful information based on the nature of the underlying operations of the subsidiary.

This change in accounting policy had no impact on the profit for the current year.

Prior year adjustments were made to account for the change in accounting policy for the year ended 31 March 2006 in respect of the acquisition of an additional 15% interest in subsidiaries investing in Yangkou Port. The financial effects of the change in accounting policy are summarised as follows:

(a) Effects on the result for the prior year:

	2006
	HK$'000
Profit attributable to equity holders of the Company, originally stated	310,487
Decrease in recognition of discount on acquisition of additional interest in subsidiaries	(8,461)
Decrease in fair value of derivative financial instruments	(23,165)
Decrease in profit for the year	(31,626)
Profit attributable to equity holders of the Company, as restated	278,861

(b) Effects on the consolidated balance sheet as at 1 April 2005:

	As at 1.4.2005 (originally stated)	Effect of change in accounting policy	As at 1.4.2005 (restated)
	HK$'000	*HK$'000*	*HK$'000*
Effects on asset:			
Derivative financial instruments	20,792	232,917	253,709
Effects on equity:			
Retained profits	301,116	232,917	534,033

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for the Group's financial year from 1 April 2006 to 31 March 2007. The adoption of the new HKFRSs has no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 8	Scope of HKFRS 2[3]
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions[6]
HK(IFRIC) – Int 12	Service Concession Arrangements[7]

1 *Effective for annual periods beginning on or after 1 January 2007*
2 *Effective for annual periods beginning on or after 1 January 2009*
3 *Effective for annual periods beginning on or after 1 May 2006*
4 *Effective for annual periods beginning on or after 1 June 2006*
5 *Effective for annual periods beginning on or after 1 November 2006*
6 *Effective for annual periods beginning on or after 1 March 2007*
7 *Effective for annual periods beginning on or after 1 January 2008*

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries 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 subsidiaries/business 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 are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. 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 charged to capital reserve. 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.

Goodwill

Goodwill arising on acquisitions of a subsidiary or an associate represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary or associate at the date of acquisition. Such goodwill is carried at cost less any identified impairment loss.

For the purposes of impairment testing, goodwill arising from an acquisition of a subsidiary is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

Capitalised goodwill arising on acquisition of a subsidiary/business is presented separately in the consolidated balance sheet. Capitalised goodwill arising on acquisition of an associate which is accounted for using the equity method is included in the cost of the investment of the associate and is assessed for impairment as part of the investment.

On subsequent disposal of a subsidiary/business, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Discount on acquisition

A discount on acquisition arising on an acquisition of a subsidiary/business/additional interest in a subsidiary represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the acquisition. Discount on acquisition is recognised immediately in profit or loss.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost 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.

Project under development/properties under development under current asset

Project under development and properties under development under current asset which are held for future sale are stated at the lower of cost and net realisable value. Cost includes the cost of land/sea use rights, development expenditure, borrowing costs capitalised and other direct attributable expenses.

Properties under development under non-current asset

Properties under development for purpose not yet determined are carried in the consolidated financial statements at cost less any identified impairment loss. Cost of properties under development includes, where appropriate, interest capitalised. No depreciation has been provided for properties under development.

Prepaid lease payments

The up-front payments to acquire leasehold interest in land or sea are accounted for as operating leases and are stated at cost and released over the lease term on a straight-line basis.

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 the 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 net assets of the associates, 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 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, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Interests in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interest that, in substance, form part of the Group's net investment in the jointly controlled entity), 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 jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of other intangible assets below).

Other intangible assets

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

Other intangible assets with finite useful lives are carried at cost less accumulated amortisation and identified impairment loss.

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

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

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

Inventories

Inventories, including gas for sales and consumables, are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value is based on estimated selling prices in the ordinary course of business less the estimated costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated 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 as loans and receivables, financial assets at fair value through profit or loss 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 market price. The accounting policies adopted are set out below:

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 bank deposits, bank balances, loans receivable, deferred consideration receivable, debtors and amounts due from related companies/associates) are carried at amortised cost using the effective interest method, less any identified impairment loss. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets at fair value through profit or loss

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, 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. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods.

Financial liabilities and equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

The Group's financial liabilities (including creditors, amounts due to associates/minority shareholders, loans from minority shareholders, deferred consideration payable and bank and other borrowings) are measured at amortised cost, using the effective interest method, subsequent to initial recognition.

Derivative financial instruments

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are deemed as financial assets/liabilities held for trading and are recognised in profit or loss as they arise.

Derivative embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with change 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 or payable is recognised in profit or loss.

Impairment (other than goodwill and intangible asset with indefinite lives)

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

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

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the balance sheet date on the same basis as contract revenue. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as expenses in the period in which they are incurred. Variations in contract work and claims are included to the extent that they have been agreed with the customer. Provision is made for expected losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profit less recognised loss exceed progress billings, the excess is shown as amount due from a customer for contract work. Where progress billings exceed contract costs incurred to date plus recognised profit less recognised loss, the excess is shown as amount due to a customer for contract work.

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.

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

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

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 a construction contract is recognised on the percentage of completion method, measured by reference to the value of work certified during the year.

Project management service income and facilities management service income is recognised when services are provided.

Revenue from distribution of liquefied petroleum gas (“LPG”) is recognised when goods are delivered and title has passed.

Revenue from sale of properties is recognised upon the execution of a binding sales agreement.

Revenue from sale of securities is recognised when the sale contract becomes unconditional.

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

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

Service income is recognised at the time when services are rendered.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense or capitalised in contracts in progress, where appropriate, when employees have rendered service entitling them to the contributions.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the 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 amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally 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.

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.

Foreign currencies

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

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

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

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

Share-based payment transactions

In relation to share options granted and vested before 1 April 2005, the Group did not recognise the financial effect of those share options until they were exercised.

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

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss with a corresponding adjustment to share-based payment reserve. At the time when the share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options are forfeited after vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to retained profits.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management has made various estimates based on past experiences, expectations of the future and other information. The key sources of estimation uncertainty that may significantly affect the amounts recognised in the consolidated financial statements are disclosed below.

Deferred tax asset

At 31 March 2007, a deferred tax asset in relation to unused tax losses of HK$734,000,000 has not been recognised in the Group's consolidated balance sheet due to unpredictability of future profit streams on those subsidiaries. In cases where the actual future profits generated by those subsidiaries are more than expected, a material deferred tax credit would be recognised in the consolidated income statement in the period in which the tax losses are utilised.

6. FINANCIAL INSTRUMENTS

6a. Financial risk management objectives and policies

The Group's major financial instruments include bank deposits, bank balances, debtors, loans receivable, available-for-sale investments, investments held for trading, conversion option, creditors, amounts due from (to) associates/related companies/minority shareholders, loans from minority shareholders and bank and other borrowings. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below:

(a) Market risk

(i) Interest rate risk

The Group's exposure to fair value interest rate risk relates primarily to the fixed-rate debt obligations, including bank and other borrowings. For the variable-rate borrowings, it is exposed to cash flow interest rate risk. The Group's interest-bearing financial assets (including loans receivable, amounts due from associates/related companies and bank balances) have exposure to cash flow interest rate due to the fluctuation of the prevailing market interest.

The Group has not entered into interest rate hedging contracts. However, management monitors closely the interest rate exposure and will consider using interest rate swap should the need arise.

(ii) Currency risk

Foreign currency risk is the risk that the value of a monetary item will fluctuate because of changes in foreign exchange rates. Certain receivables of the Group are denominated in foreign currencies such as Australian dollars ("A$") which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

(iii) Other price risk

The Group is exposed to equity security price risk on its available-for-sale and held for trading investments. Management manages this exposure by maintaining a portfolio of investments with different risk profiles.

(b) *Credit risk*

The Group's principal financial assets are bank deposits and bank balances, loans receivable, debtors and amounts due from related companies/associates.

The credit risk on bank deposits and bank balances is limited because the counterparties are banks with good reputation.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge obligations by the counterparties is:

– the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and

– the amount of contingent liabilities as disclosed in note 50.

In order to minimise the credit risk, management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual debtor 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.

Due to the fact that there are only a few major property developers in Hong Kong, the Group has significant concentration of credit risk in a few customers and significant concentration of credit risk by geographic location in Hong Kong. In view of their credit standings, good payment record in the past and long term relationships with the Group, the directors of the Company consider that the Group's credit risk is minimal. At the balance sheet date, the outstanding balances from the five largest customers amounted to approximately HK$541,617,000.

With respect to credit risk arising from amounts due from related companies and associates, the Group's exposure to credit risk arising from default of counterparties is limited as the counterparties have a good credit standing and the Company does not expect any significant loss for uncollected advances from these entities.

(c) *Liquidity risk*

The objective of the Group is to maintain a balance between the continuity of funding and the flexibility through the use of bank and other borrowings. In addition, banking facilities have been put in place for general funding purposes.

6b. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and

- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, the fair value of a non-option derivative is estimated using discounted cash flow analysis and the applicable yield curve. For option-based derivatives, option pricing models are adopted.

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

7. TURNOVER

Turnover represents the total value of contract work certified and the gross proceeds received and receivable from project management services in connection with contract work rendered by the Group, service income from facilities management, revenue from LPG distribution, property rental and related income, income from loans receivable, dividend income from investments and gross proceeds from sale of securities/properties during the year and is analysed as follows:

	2007 *HK$'000*	2006 *HK$'000*
Revenue from construction contracts	4,325,799	3,075,871
Sale of securities	137,966	297,678
Revenue from LPG distribution	110,414	–
Income from loans receivable	77,466	86,129
Sale of properties	98,000	8,759
Facilities management service income	17,204	5,516
Project management service income	9,375	26,776
Dividend income from listed investments held for trading	2,819	3,024
Property rental and related income	2,635	36,731
	4,781,678	3,540,484

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group's operations are currently organised into seven operating divisions, namely management contracting, project management, facilities management, port and infrastructure development and logistics, LPG distribution, treasury investment and property investment. These divisions form the basis on which the Group reports its primary segment information.

In the previous year, the Group's operations were organised into seven segments, namely building construction, civil engineering, project management, facilities management, port and infrastructure development, treasury investment and property investment. During the year, management has reorganised the operating segments by grouping the building construction and civil engineering segments into the management contracting segment. Comparative segment information has been restated accordingly.

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

	Management contracting HK$'000	Project management HK$'000	Facilities management HK$'000	Port and infrastructure development and logistics HK$'000	LPG distribution HK$'000	Treasury investment HK$'000	Property investment HK$'000	Eliminations HK$'000	Consolidated HK$'000
TURNOVER									
External sales	4,325,799	9,375	17,204	–	110,414	218,251	100,635	–	4,781,678
Inter-segment sales	1,596	12,215	7,423	1,264	–	–	–	(22,498)	–
	4,327,395	21,590	24,627	1,264	110,414	218,251	100,635	(22,498)	4,781,678
RESULTS									
Segment results	58,733	2,797	(3,008)	(14,472)	3,304	173,680	13,863	–	234,897
Unallocated expenses									(158,878)
Interest income									42,444
Finance costs									(23,597)
Discount on acquisition of business	–	–	–	–	3,755	–	–	–	3,755
Gain on disposal of interest in an associate	–	–	–	–	–	5,067	–	–	5,067
Share of results of associates	1,299	681	–	149,717	–	–	71,852	–	223,549
Share of results of jointly controlled entities	(642)	–	–	–	–	–	–	–	(642)
Profit before taxation									326,595
Taxation credit									50,552
Profit for the year									377,147

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

At 31 March 2007

	Management contracting *HK$'000*	Project management *HK$'000*	Facilities management *HK$'000*	Port and infrastructure development and logistics *HK$'000*	LPG distribution *HK$'000*	Treasury investment *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
ASSETS								
Segment assets	1,966,433	23,329	4,246	3,161,018	308,674	678,049	51,729	6,193,478
Interests in associates	29,038	3,376	–	605,179	–	–	72,641	710,234
Interests in jointly controlled entities	1,928	–	–	–	–	–	–	1,928
Unallocated assets								715,807
Total assets								7,621,447
LIABILITIES								
Segment liabilities	1,844,278	1,845	2,265	665,139	33,712	2,769	346	2,550,354
Unallocated liabilities								1,822,244
Total liabilities								4,372,598
OTHER INFORMATION								
Capital additions attributable to segment	19,418	46	1,300	401,552	128,491	–	336	551,143
Unallocated capital additions								3,743
								554,886
Depreciation and amortisation attributable to segment	5,853	4	169	10,085	3,529	44	1	19,685
Unallocated depreciation and amortisation								2,584
								22,269
Impairment loss on receivables	615	–	–	–	–	18,000	–	18,615
Unallocated amount								13
								18,628
Loss on disposal of property, plant and equipment	979	–	–	–	–	–	–	979
Unallocated amount								(2)
								977
Reversal of impairment loss on receivables	–	–	–	–	–	30,324	–	30,324

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

	Management contracting HK$'000	Project management HK$'000	Facilities management HK$'000	Port and infrastructure development HK$'000	Treasury investment HK$'000	Property investment HK$'000	Eliminations HK$'000	Consolidated HK$'000 (restated)
TURNOVER								
External sales	3,075,871	26,776	5,516	–	386,831	45,490	–	3,540,484
Inter-segment sales	283	–	1,471	–	3,481	15,515	(20,750)	–
	3,076,154	26,776	6,987	–	390,312	61,005	(20,750)	3,540,484
RESULTS								
Segment results	120,209	16,049	1,593	–	79,922	12,161	–	229,934
Unallocated other income								82,289
Unallocated expenses								(128,288)
Interest income								26,096
Finance costs								(16,710)
Increase in fair value of derivative financial instruments	–	–	–	17,895	–	–	–	17,895
Increase in fair value of investment properties	–	–	–	–	–	85,400	–	85,400
(Loss) gain on disposal of subsidiaries	(4,456)	–	–	–	–	58,462	–	54,006
Gain on disposal of subsidiaries not attributable to segment								6,750
Reversal of impairment loss on interest in an associate	–	–	–	–	26,914	–	–	26,914
Share of results of associates	1,043	1,106	–	–	(27,949)	629	–	(25,171)
Share of results of associates not attributable to segment								7,987
Share of results of jointly controlled entities	26	–	–	–	–	–	–	26
Profit before taxation								367,128
Taxation charge								(52,804)
Profit for the year								314,324

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

At 31 March 2006

	Management contracting HK$'000	Project management HK$'000	Facilities management HK$'000	Port and infrastructure development HK$'000	Treasury investment HK$'000	Property investment HK$'000	Consolidated HK$'000
ASSETS							
Segment assets	1,414,854	45,980	3,639	2,254,969	960,849	78,494	4,758,785
Interests in associates	32,366	2,564	–	–	375,899	628	411,457
Interests in jointly controlled entities	2,570	–	–	–	–	–	2,570
Unallocated assets							808,866
Total assets							5,981,678
LIABILITIES							
Segment liabilities	1,210,817	5,283	1,895	263,278	96,136	43,674	1,621,083
Unallocated liabilities							1,350,658
Total liabilities							2,971,741
OTHER INFORMATION							
Capital additions attributable to segment	5,175	204	63	3,782	2,595	1,008	12,827
Unallocated capital additions							2,726
							15,553
Depreciation and amortisation attributable to segment	13,680	75	34	–	1,329	7,693	22,811
Unallocated depreciation and amortisation							6,369
							29,180
Impairment loss on receivables	–	–	–	–	15,000	–	15,000
Gain on disposal of property, plant and equipment	19,953	–	–	–	–	–	19,953
Unallocated amount							(26)
							19,927
Reversal of impairment loss on receivables	–	–	–	–	14,173	–	14,173

Geographical segments

The Group's operations are located in the People's Republic of China other than Hong Kong and Macau (the "PRC"), Hong Kong and Macau.

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

	2007	2006
	HK$'000	*HK$'000*
Hong Kong	3,086,507	3,113,854
Macau	1,561,006	389,050
The PRC	134,165	37,580
	4,781,678	3,540,484

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	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	1,734,243	2,134,102	16,952	8,841
Macau	709,855	142,293	–	–
The PRC	3,749,380	2,482,390	534,191	3,986
	6,193,478	4,758,785	551,143	12,827

9. OTHER INCOME

	2007	2006
	HK$'000	*HK$'000* (restated)
Interest income	42,070	25,921
Imputed interest income on deferred consideration receivable	374	175
Recovery of interest and legal expenses in connection with a court action against the vendor of a former associate	–	82,289
Reversal of impairment loss on receivables	30,324	14,173
Increase in fair value of listed investments held for trading	83,444	636
Increase in fair value of derivative financial instruments	–	17,895
Increase in fair value of investment properties	–	85,400
Net exchange gain	5,712	–
Others	3,444	43
	165,368	226,532

10. OTHER EXPENSES

	2007	2006
	HK$'000	*HK$'000*
Impairment loss on receivables	18,628	15,000
Decrease in fair value of conversion option embedded in loan receivable	1,650	–
Penalty of interest charged on capital gain tax in connection with disposal of a former associate	–	46,500
Accruals of withholding tax on dividend income in connection with a former investment	45,415	–
Net exchange loss	–	16,428
Others	3,375	934
	69,068	78,862

11. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Borrowing costs on:		
Bank borrowings wholly repayable within five years	23,349	17,763
Bank borrowings not wholly repayable within five years	8,706	–
Loan from a minority shareholder	155	8,392
Others	7,598	1,632
	39,808	27,787
Less: Amount capitalised in respect of contracts in progress	(3,307)	(2,685)
Amount capitalised in respect of project under development	(11,710)	(8,392)
Amount capitalised in respect of properties under development	(1,194)	–
	23,597	16,710

The capitalised borrowing costs represent the actual borrowing costs incurred by the entities invested in the project and properties during the year.

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the seven (2006: nine) directors are as follows:

Name of directors	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus HK$'000	Retirement benefit scheme contributions HK$'000	Share-based payment HK$'000	Total HK$'000
2007						
Lau Ko Yuen, Tom	360	4,300	–	319	5,402	10,381
Chan Kwok Keung, Charles	320	–	–	–	–	320
Chow Ming Kuen, Joseph	787	–	–	–	–	787
Kwok Shiu Keung, Ernest	380	–	–	–	–	380
Chan Shu Kin	439	–	–	–	–	439
Leung Po Wing, Bowen Joseph	227	–	–	–	1,174	1,401
Li Chang An	68	–	–	–	1,274	1,342
	2,581	4,300	–	319	7,850	15,050
2006						
Lau Ko Yuen, Tom	200	2,700	836	180	–	3,916
Chan Fut Yan	4	1,053	–	105	–	1,162
Chau Mei Wah, Rosanna	4	1,053	–	105	–	1,162
Cheung Hon Kit	4	–	–	–	–	4
Chan Kwok Keung, Charles	180	368	–	37	–	585
Chow Ming Kuen, Joseph	488	–	–	–	–	488
Kwok Shiu Keung, Ernest	312	–	–	–	–	312
Chan Shu Kin	308	–	–	–	–	308
Cheung Ting Kau, Vincent	4	–	–	–	–	4
	1,504	5,174	836	427	–	7,941

The above discretionary bonus is performance related incentive payment determined by reference to the results of the Group.

None of the directors has waived any emoluments during the year.

13. EMPLOYEES' EMOLUMENTS

The five highest paid individuals in the Group for the year included one director (2006: one director) of the Company, details of whose emoluments are set out in note 12 above.

The aggregate emoluments of the remaining four (2006: four) highest paid individuals, who are employees of the Group, are as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Salaries and other benefits	8,120	6,141
Discretionary bonus	1,102	2,996
Retirement benefit scheme contributions	154	159
Share-based payment expense	3,645	926
	13,021	10,222

Their emoluments were within the following bands:

	Number of employees	
	2007	**2006**
HK$2,000,001 to HK$2,500,000	2	2
HK$2,500,001 to HK$3,000,000	–	2
HK$3,000,001 to HK$3,500,000	1	–
HK$5,000,001 to HK$5,500,000	1	–
	4	4

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.

14. PROFIT BEFORE TAXATION

	2007	2006
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets (included in distribution costs)	490	–
Auditor's remuneration	6,340	3,914
Cost of inventories recognised as an expense	174,652	5,149
Cost of construction works recognised as an expense	4,192,824	2,879,762
Depreciation of property, plant and equipment *(note (a) below)*	21,779	29,180
Impairment loss on debtors (included in administrative expenses)	–	12,161
Loss on disposal of property, plant and equipment	977	–
Operating lease rentals in respect of:		
Premises	16,925	2,423
Plant and machinery	1,134	1,252
Release of prepaid lease payments	1,031	2,677
Share of taxation of associates (included in share of results of associates)	16,206	193
Staff costs *(note (b) below)*	151,386	118,589
and after crediting:		
Gain on disposal of investments held for trading	6,028	13,818
Gain on disposal of property, plant and equipment	–	19,927
Rental income under operating leases in respect of:		
Premises, net of outgoings of HK$1,924,000 (2006: HK$14,557,000)	–	22,174
Plant and machinery	17	539
Total interest income	100,714	107,482

Notes:

	2007	2006
	HK$'000	*HK$'000*
(a) Depreciation of property, plant and equipment:		
Amount provided for the year	24,255	34,591
Less: Amount capitalised in respect of contracts in progress	(1,491)	(4,106)
Amount capitalised in respect of project under development	(973)	(1,305)
Amount capitalised in respect of properties under development	(12)	–
	21,779	29,180

	2007	2006
	HK$'000	*HK$'000*
(b) Staff costs:		
Directors' emoluments *(Note 12)*	15,050	7,941
Other staff costs:		
Salaries and other benefits	321,167	252,361
Retirement benefit scheme contributions, net of forfeited contributions of HK$1,808,000 (2006: HK$2,854,000)	10,263	7,288
Share-based payment expense	15,233	5,082
	361,713	272,672
Less: Amount capitalised in respect of contracts in progress	(202,805)	(150,856)
Amount capitalised in respect of project under development	(6,495)	(3,227)
Amount capitalised in respect of properties under development	(1,027)	–
	151,386	118,589

15. TAXATION (CREDIT) CHARGE

	2007	2006
	HK$'000	*HK$'000*
The (credit) charge comprises:		
Hong Kong Profits Tax:		
Current year	4,325	4,101
(Over)underprovision in prior years	(268)	1,877
	4,057	5,978
Overseas taxation:		
Current year	9,109	3,332
(Over)underprovision in prior years	(565)	40,000
	8,544	43,332
Deferred taxation *(Note 42)*	(63,153)	3,494
Taxation attributable to the Company and its subsidiaries	(50,552)	52,804

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the year.

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

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

	2007 HK$'000	2006 HK$'000 (restated)
Profit before taxation	326,595	367,128
Tax at Hong Kong Profits Tax rate of 17.5% (2006: 17.5%)	57,154	64,247
Tax effect of share of results of associates/jointly controlled entities	(39,008)	3,003
Tax effect of expenses not deductible for tax purpose	24,305	23,666
Tax effect of income not taxable for tax purpose	(22,174)	(64,823)
Tax effect of tax losses not recognised	19,170	12,572
Tax effect of other deductible temporary difference not recognised	3,053	2,087
Tax effect of utilisation of tax losses previously not recognised	(22,747)	(23,225)
Tax effect of utilisation of other deductible temporary difference previously not recognised	(1,158)	(9,207)
Decrease in deferred tax liability resulting from change in tax rate enacted in March 2007 of certain subsidiaries	(62,666)	–
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	(5,648)	2,607
(Over)underprovision in prior years	(833)	41,877
Taxation (credit) charge for the year	(50,552)	52,804

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25% effective from 1 January 2008. Foreign enterprises which are entitled to special incentives will be given concessions throughout a 5-year transition period, if applicable. Management has assessed this change in tax law on the Group's results of operations and financial position and the impact on deferred taxation has set out in note 42.

Details of the deferred taxation are set out in note 42.

16. DISTRIBUTION

	2007 HK$'000	2006 HK$'000
Dividends recognised as distributions to equity holders of the Company during the year:		
Interim dividend paid for 2007 – HK1.5 cents (2006: HK1.5 cents) per share	22,069	20,513
Special cash dividend paid for 2006 – HK70.0 cents per share	–	957,177
Special dividend by way of distribution of the value derived from the Group's divestment of China Strategic Holdings Limited – HK22.2 cents (2006: Nil) per share	325,660	–
Final dividend paid for 2006 – HK1.5 cents (2005: HK1.5 cents) per share	21,939	20,380
	369,668	998,070
Dividends proposed in respect of current year: Final dividend proposed for 2007 – HK1.5 cents (2006: HK1.5 cents) per share	22,393	21,969

Of the distribution made during the year, approximately HK$15,595,000 (2006: HK$13,194,000) and HK$8,882,000 (2006: HK$16,737,000) were settled in shares under the Company's scrip dividend schemes announced by the directors of the Company on 18 September 2006 and 11 January 2007 in respect of the final dividend for the year ended 31 March 2006 and the interim dividend for the six months ended 30 September 2006, respectively, and were credited to the retained profits of the Company during the year.

On 4 May 2006, the directors of the Company resolved to declare a special dividend by way of distribution ("PYI Distribution Scheme") of the value derived from the Group's divestment of China Strategic Holdings Limited ("China Strategic", an associate of the Group as at 31 March 2006) to the Company's shareholders whose names appeared on the register of members of the Company on 26 May 2006 upon the completion of the group restructuring of China Strategic ("Group Restructuring").

On 19 May 2006, China Strategic completed the Group Restructuring which involved (i) the transfer of all its subsidiaries carrying on property development and investment holding business and investing in vessels for sand mining and all associates carrying on manufacturing and marketing of tires and providing package tour, travel and other related services to Group Dragon Investments Limited ("GDI"); and (ii) the distribution in specie of shares in GDI ("GDI Shares") to its shareholders, including the Group, on the basis of one GDI Share for every China Strategic consolidated share held.

Upon completion of the Group Restructuring, the Group was entitled to receive 129,409,897 GDI Shares and Hanny Holdings Limited ("Hanny", a then substantial shareholder of China Strategic and a related company of the Group) made a voluntary offer ("GDI Offer") to the shareholders of GDI to acquire all the GDI Shares on the basis of either (a) 1 share in Hanny ("Hanny Share") plus HK$1.8 in cash for every 5 GDI Shares; or (b) a 2% 5-year convertible bond issued by Hanny with face value of HK$15 each ("Hanny Bonds") for every 5 GDI Shares.

Under the PYI Distribution Scheme, for every 500 shares held, the Company's shareholders were entitled to receive the value derived from 40 GDI Shares in the form of either (a) 8 Hanny Shares plus HK$14.4 in cash; or (b) 8 Hanny Bonds.

Based on the election of the Company's shareholders on 16 June 2006, the Company announced that holders of approximately 311,232,201 shares and 1,153,100,543 shares in the Company elected for Hanny Shares plus cash and for Hanny Bonds, respectively. Consequently, the Company accepted the GDI Offer in respect of the entire 129,409,897 GDI Shares held by it and distributed to its shareholders special dividend in respect of 117,143,920 GDI Shares. These GDI shares entitled the shareholders to receive in total the following:

(a) an aggregate of 4,979,616 Hanny Shares plus HK$8,963,000 in cash; and

(b) an aggregate face value of HK$276,737,000 Hanny Bonds.

The directors consider that the fair value of a GDI Share, when liquidated in the form of Hanny Bond, is HK$2.78 by reference to the valuation report dated 19 May 2006 prepared by RHL Appraisal Limited, an independent valuer not connected with the Group. As such, the special dividend is equivalent to about HK22.2 cents per share of the Company.

Details of the above transactions were set out in the Company's circular and announcement dated 29 May 2006 and 16 June 2006, respectively.

The amount of the final dividend proposed for the year ended 31 March 2007, which will be in the form of scrip with a cash option, has been calculated by reference to the 1,492,848,407 issued shares as at the date of this report.

17. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year is based on the following data:

	2007 *HK$'000*	**2006** *HK$'000* (restated)
Earnings attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	345,665	278,861

	2007 *Number of shares*	**2006** *Number of shares*
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,462,372,940	1,367,759,328
Effect of dilutive potential ordinary shares:		
Share options	19,042,143	2,861,857
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,481,415,083	1,370,621,185

The following table summarised the impact on basic and diluted earnings per share for the year ended 31 March 2006 as a result of change in accounting policy:

	Basic *HK$*	**Diluted** *HK$*
Reported figures before adjustments	0.227	0.227
Adjustments arising from the change in accounting policy	(0.023)	(0.024)
Restated	0.204	0.203

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	LPG equipment	Motor vehicles and vessels	Furniture, fixtures and computer equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
At 1 April 2005	90,558	387,160	–	89,179	140,766	707,663
Exchange realignment	20	–	–	82	59	161
On disposal of subsidiaries	(89,678)	(23,667)	–	(62,584)	(70,413)	(246,342)
Additions	–	4,447	–	4,650	5,483	14,580
Disposals	–	(309,615)	–	(5,880)	(3,885)	(319,380)
At 31 March 2006	900	58,325	–	25,447	72,010	156,682
Exchange realignment	1,192	–	9,940	699	156	11,987
On acquisition of business	45,891	–	393,626	18,127	–	457,644
Additions	18,895	13,062	194	9,286	8,640	50,077
Disposals	(792)	(9,106)	–	(1,562)	(2,035)	(13,495)
At 31 March 2007	66,086	62,281	403,760	51,997	78,771	662,895
DEPRECIATION						
At 1 April 2005	15,192	325,786	–	32,825	96,582	470,385
Exchange realignment	2	–	–	8	7	17
Provided for the year	1,445	13,833	–	7,922	11,391	34,591
Eliminated on disposal of subsidiaries	(16,438)	(15,500)	–	(17,837)	(44,221)	(93,996)
Eliminated on disposals	–	(280,813)	–	(5,655)	(3,647)	(290,115)
At 31 March 2006	201	43,306	–	17,263	60,112	120,882
Exchange realignment	9	–	–	54	37	100
Provided for the year	1,414	5,076	10,828	2,959	3,978	24,255
Eliminated on disposals	(223)	(8,051)	–	(1,206)	(1,065)	(10,545)
At 31 March 2007	1,401	40,331	10,828	19,070	63,062	134,692
CARRYING AMOUNT						
At 31 March 2007	64,685	21,950	392,932	32,927	15,709	528,203
At 31 March 2006	699	15,019	–	8,184	11,898	35,800

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

Buildings	Over the remaining period of the relevant leases or fifty years, whichever is shorter
Plant and machinery	10%
LPG equipment	5% – 10%
Motor vehicles and vessels	5% – 20%
Furniture and fixtures	8% – 20%
Computer equipment	20% – 33⅓%

The carrying amount of buildings are analysed as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Buildings erected on long-term leasehold land in the PRC	91	135
Buildings erected on medium-term leasehold land in the PRC	64,594	564
	64,685	699

19. INVESTMENT PROPERTIES

	2007	**2006**
	HK$'000	*HK$'000*
FAIR VALUE		
Balance brought forward	–	455,000
Increase in fair value during the year	–	85,400
Disposals	–	(540,400)
Balance carried forward	–	–

20. PROJECT UNDER DEVELOPMENT

	2007	**2006**
	HK$'000	*HK$'000*
Land and sea use rights	1,747,484	1,649,337
Development costs	664,196	309,532
	2,411,680	1,958,869

The amount relates to a development project located in Jiangsu Province, the PRC. The Group is undergoing the reclamation of certain parcels of land from the sea for development for future sale. According to the land/sea use certificates, the land/sea use rights are granted for a term of not less than 50 years commencing 2004.

21. PROPERTIES UNDER DEVELOPMENT

	2007	**2006**
	HK$'000	*HK$'000*
At 1 April, at cost	–	–
Expenditure incurred during the year *(Note)*	127,190	–
At 31 March, at cost	127,190	–
Represented by:		
Amount shown under non-current assets	44,458	–
Amount shown under current assets	82,732	–
	127,190	–

The amount relates to certain property development projects located in Jiangsu Province, the PRC.

Note: The expenditure included a payment of HK$107,176,000 for lease of land in Jiangsu Province.

22. PREPAID LEASE PAYMENTS

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

	2007 *HK$'000*	2006 *HK$'000*
Non-current assets	67,968	23,136
Current assets	1,766	575
	69,734	23,711

23. GOODWILL

For the purpose of impairment testing, the carrying amount of goodwill at 31 March 2007 has been allocated to building construction unit as a cash generating unit ("CGU").

The recoverable amount of the above CGU has been determined based on value in use calculations. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next two years and extrapolates cash flows for the following five years with a steady growth rate of 5%. The rate used to discount the forecast cash flows is 8%. The value in use calculations is calculated based on the budgeted gross margin, which is determined using the CGU's past performance and management's expectations for the market development.

24. OTHER INTANGIBLE ASSETS

	Motor vehicles registration marks *HK$'000* *(Note a)*	Club membership in Hong Kong *HK$'000* *(Note a)*	Fair value adjustment on leasehold land *HK$'000* *(Note b)*	Rights of operation *HK$'000* *(Note c)*	Customer base *HK$'000* *(Note d)*	Total *HK$'000*
COST						
At 1 April 2005	3,059	12,422	–	–	–	15,481
Arising on acquisition of subsidiaries	973	–	–	–	–	973
Disposal of subsidiaries	(3,059)	(5,360)	–	–	–	(8,419)
At 31 March 2006	973	7,062	–	–	–	8,035
Disposal	(115)	–	–	–	–	(115)
Arising on acquisition of business	–	–	9,210	35,923	2,032	47,165
Exchange realignment	–	–	233	907	51	1,191
At 31 March 2007	858	7,062	9,443	36,830	2,083	56,276
AMORTISATION						
Provided for the year	–	–	112	358	20	490
Exchange realignment	–	–	–	10	1	11
At 31 March 2007	–	–	112	368	21	501
CARRYING VALUE						
At 31 March 2007	858	7,062	9,331	36,462	2,062	55,775
At 31 March 2006	973	7,062	–	–	–	8,035

Notes:

(a) The assets have indefinite useful life. The directors are of the opinion that the club membership and motor vehicles registration marks are at least their carrying amounts.

(b) The amount represents the fair value adjustment on leasehold land in Wuhan, the PRC and the amount is to be amortised on the same basis as the related prepaid lease payments.

(c) Rights of operation represent the fair value of rights to operate LPG business in Wuhan, the PRC. The rights of operation are amortised on a straight-line basis over the operation period of 50 years.

(d) Customer base represents the fair value of customers relationship acquired for LPG business through acquisition of business. The amortisation is on a straight-line basis over 10 years.

25. INTERESTS IN ASSOCIATES

	2007	**2006**
	HK$'000	*HK$'000*
		(restated)
Cost of investments in associates, less impairment:		
Listed shares in Hong Kong *(note (a))*	–	513,192
Unlisted investments *(note (b))*	503,716	64,985
	503,716	578,177
Share of post-acquisition profits (losses), net of dividends received	206,518	(166,720)
	710,234	411,457
Market value of listed shares in Hong Kong	–	258,820

Notes:

(a) The listed shares in Hong Kong represented the Group's 29.36% equity interest in China Strategic as at 31 March 2006. The Group's share of net assets in China Strategic at 31 March 2006 was calculated based on the net assets of China Strategic at 31 December 2005 as shown in its latest published annual report.

On 14 March 2006, China Strategic, Hanny and certain other parties announced the Group Restructuring (see Note 16), and the Company and Hanny entered into a conditional sale and purchase agreement with an independent third party for the disposal of a 15.32% equity interest in China Strategic (the "Disposal") by each of the Company and Hanny for a consideration of HK$26,055,000 each. Details of the Group Restructuring of China Strategic and the declaration by the Company of an in specie distribution of the value derived from the Group's divestment of China Strategic to the Company's shareholders are set out in note 16.

Upon the completion of the Disposal, the Group's interest in China Strategic decreased from 29.36% to 14.04%. Accordingly, the Group's interest in the shares of China Strategic was classified as investments held for trading.

(b) The unlisted investment includes the Group's 45% equity interest in Nantong Port Group Limited ("Nantong Port Group"), which is a sino-foreign joint venture enterprise registered in the PRC as at 31 March 2007. Nantong Port Group is principally engaged in providing cargo loading and off loading, storage, shipping agent, cargo agent, ship anchoring, ship repairing, port machinery, shipping logistics and ship piloting services in Nantong Port, Jiangsu Province, the PRC. According to an agreement entered into by the Group on 12 August 2005 to participate into the assets reorganisation of Nantong Port Group (the "Assets Reorganisation Agreement"), the Group would inject approximately RMB435 million (approximately HK$433,569,000) in cash into Nantong Port Group in return for a 45% interest in its registered capital.

At 31 March 2006, Nantong Port Group had not accomplished certain major conditions prescribed in the Assets Reorganisation Agreement, including the assets reorganisation and net assets value due diligence review of Nantong Port Group. As stipulated in the Assets Reorganisation Agreement and certain supplementary agreements entered into with the Nantong Port Group, the Group was not entitled to appropriation of results and voting power of Nantong Port Group until injection of all committed capital contribution into Nantong Port Group. In this regard, the amount incurred and paid to Nantong Port Group of approximately HK$160,211,000 as at 31 March 2006 should be reclassified from interests in associates to deposit for acquisition of an associate. Comparative figures have been restated accordingly and had no material impact on the profit for the year 31 March 2006. Such amount represented an earnest money deposit paid by the Group to Nantong Port Group at 31 March 2006.

In September 2006, upon fulfilment of certain conditions as stated in the Assets Recognisation Agreement, the Group had completed the capital contribution and recognised Nantong Port Group as an associate. Discount arising on the acquisition of approximately HK$144,679,000, being the excess in the Group's share of the fair value of Nantong Port Group's net identifiable assets over the cost of acquisition, has been recognised in the consolidated income statement in the determination of the Group's share of results of Nantong Port Group during the current year.

The financial year end date of one of the principal associates is 31 December and it is the latest financial information that available to the Group. Accordingly, the Group's share of interest in this principal associate at 31 March 2007 is calculated based on the net assets of it at 31 December 2006 and the post-acquisition results.

Summarised financial information in respect of that associate is set out below:

	HK$'000
Post-acquisition results:	
Turnover	129,383
Profit for the year	12,011
Group's share of profit	5,405

	31.12.2006 *HK$'000*
Financial position:	
Total assets	2,668,100
Total liabilities	(1,333,452)
Minority interests	(364)
Net assets	1,334,284
Group's share of the associate's net assets	600,428

The combined summarised financial information in respect of the Group's other associates is set out below:

	2007 *HK$'000*	2006 *HK$'000* (restated)
Financial position:		
Total assets	451,533	2,171,338
Total liabilities	(272,901)	(476,899)
Minority interests	(2,016)	(330,255)
Net assets	176,616	1,364,184
Group's share of associates' net assets	109,806	411,457
Post-acquisition results:		
Turnover	26,513	73,894
Profit (loss) for the year	150,795	(93,006)
Group's share of profit (loss) of associates for the year	73,465	(17,184)

The Group has discontinued recognition of its share of loss of one of the associates. The amounts of unrecognised share of loss of that associate, extracted from the relevant management accounts of the associate, both for the year and cumulatively, are as follows:

	2007 *HK$'000*	2006 *HK$'000*
Unrecognised share of profit (loss) of the associate for the year	1,591	(8,955)
Accumulated unrecognised share of losses of the associate	(51,000)	(52,591)

Particulars of the Group's principal associates at 31 March 2007 are set out in note 57(b).

26. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2007 *HK$'000*	2006 *HK$'000*
Cost of unlisted investments in jointly controlled entities	–	–
Share of post-acquisition profits, net of dividends received	1,928	2,570
	1,928	2,570

The combined summarised financial information in respect of the Group's jointly controlled entities is set out below:

	2007 *HK$'000*	2006 *HK$'000*
Total assets	11,437	9,607
Total liabilities	(7,580)	(4,466)
Net assets	3,857	5,141
Group's share of net assets of jointly controlled entities	1,928	2,570
Turnover	7,798	5,481
(Loss) profit for the year	(1,283)	62
Group's share of (loss) profit of jointly controlled entities for the year	(642)	26

Particulars of the Group's principal jointly controlled entity at 31 March 2007 are set out in note 57(c).

27. AVAILABLE-FOR-SALE INVESTMENTS

	2007 *HK$'000*	2006 *HK$'000*
Listed equity securities		
in Hong Kong	732	1,064
in overseas	580	589
	1,312	1,653
Market value of listed securities	1,312	1,653

28. LOANS RECEIVABLE

	2007	2006
	HK$'000	*HK$'000*
The amounts bear interest at the following rates:		
Interest free	1,508	1,508
2% per annum *(Note)*	30,956	–
15% per annum	150,000	–
20% per annum	30,000	–
0.25% over HKBLR	–	100,000
2% over HKBLR	–	4,378
Total amount	212,464	105,886
Less: Amount due within one year shown under current assets	(181,508)	(105,886)
Amount due after one year	30,956	–
Analysed as:		
Secured	181,508	1,508
Unsecured	30,956	104,378
	212,464	105,886

* Hong Kong Best Lending Rate ("HKBLR") represents Hong Kong Dollar Best Lending Rate as quoted by a designated bank.

Note: During the year, the Group subscribed a convertible bond with an aggregate face value of HK$36,858,000 as a result of the Group Restructuring in note 16. The coupon interest of the convertible bond is 2% per annum with maturity in June 2011. The carrying amount represents the debt element of the convertible bond. The amount recognised is based on the valuation performed by Greater China Appraisal Limited ("GCA"), an independent professional valuer not connected with the Group, using an effective interest rate of 6.47% per annum.

29. AMOUNTS DUE FROM RELATED COMPANIES

	2007	2006
	HK$'000	*HK$'000*
Unsecured loans receivable:		
Subsidiaries of ITC Corporation Limited ("ITC") *(note (a) below)*	141,401	–
Associate of ITC *(note (a) below)*	–	183,046
Associates of China Strategic *(note (a) below)*	–	47,270
Other related companies *(note (b) below)*	–	854
	141,401	231,170
Other receivables:		
Associate of ITC *(note (a) below)*	489	15,807
Associates of China Strategic *(note (a) below)*	–	2,779
Other related companies *(notes (a) and (b) below)*	885	2,096
Subsidiaries of ITC *(note (a) below)*	7,324	–
Total, amount due within one year shown under current assets	150,099	251,852

Notes:

(a) The companies are related companies of the Group as ITC has significant influence over the companies and they are under common directorship. ITC is the substantial shareholder of the Company.

The amounts are unsecured, repayable on demand and interest free except for loans receivable of HK$141,401,000 (2006: HK$230,316,000) which bear interest at 2% over HKBLR.

(b) The balance includes loan and interest receivable of HK$885,000 (2006: HK$854,000) from Parona Limited, a shareholder of an associate, in which certain close family members of a director of the Company, have an interest. The amount is secured by shares of the associate held by Parona Limited, interest free (2006: bore interest at 7% per annum) and repayable on demand.

30. AMOUNTS DUE FROM ASSOCIATES

	2007	2006
	HK$'000	*HK$'000*
Promissory note with face value of HK$117,000,000 carrying interest at 0.75% over Hong Kong Interbank Offered Rate, secured by the shares of certain subsidiaries of an associate and wholly repayable on or before January 2009 *(Note)*	117,000	117,000
Unsecured other receivables, interest free and repayable within one year	70,314	64,804
Unsecured loans receivable carrying interest at 2% over HKBLR on loan principal and repayable within one year	–	162,972
	187,314	344,776
Less: Amount due within one year shown under current assets	(187,314)	(227,776)
Amount due after one year	–	117,000

Note: The effective interest rate is 5.17% for the year ended 31 March 2007. Subsequent to balance sheet date, that associate had disposed of its property interests through disposal of an associate and certain proceeds were used to fully repay the amount due to the Group.

31. DEFERRED CONSIDERATION RECEIVABLE

As part of the consideration for the disposal of the subsidiaries as set out in note 47, a deferred consideration of HK$15,000,000 will be settled in cash by the purchaser under four annual instalments commencing from 30 October 2006. The fair value of the deferred consideration at date of initial recognition is determined based on the estimated future cash flows discounted at 3% per annum. The amount is unsecured and interest free. The carrying amounts are analysed for reporting purpose as follows:

	2007	2006
	HK$'000	*HK$'000*
Non-current assets	6,597	10,223
Current assets (included in debtors, deposits and prepayments)	3,932	3,932
	10,529	14,155

32. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORKS

	2007	**2006**
	HK$'000	*HK$'000*
Contracts in progress at the balance sheet date:		
Contract costs incurred to date	43,566,229	42,500,091
Recognised profits less recognised losses	1,217,200	1,052,894
	44,783,429	43,552,985
Less: Progress billings	(45,598,340)	(43,819,221)
	(814,911)	(266,236)
Represented by:		
Amounts due from customers for contract works	223,637	163,379
Amounts due to customers for contract works	(1,038,548)	(429,615)
	(814,911)	(266,236)

33. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group's credit terms for its management contracting segment are negotiated at terms determined and agreed with its customers. Credit term for property leasing business is payable monthly in advance and the credit terms granted by the Group to other debtors normally range from 30 days to 90 days.

Included in debtors, deposits and prepayments are debtors of approximately HK$1,003,440,000 (2006: HK$572,798,000) and their aged analysis is as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Within 90 days	935,095	504,584
More than 90 days and within 180 days	19,346	13,704
More than 180 days	48,999	54,510
	1,003,440	572,798

At 31 March 2007, retentions held by customers for contract works amounting to approximately HK$477,403,000 (2006: HK$396,066,000) were included in debtors, deposits and prepayments, of which approximately HK$239,707,000 (2006: HK$151,168,000) are expected to be recovered or settled after more than twelve months from the balance sheet date.

Included in deposits and prepayments is an amount of approximately HK$176,753,000 (2006: HK$148,699,000) which carries interest at 14.4% per annum (2006: 13.6%) and is secured by properties interest in the PRC.

At 31 March 2007, an amount of A$22,743,000 (2006: A$24,988,173) is denominated in currencies other than the functional currency of the relevant group entity.

34. CONVERSION OPTION EMBEDDED IN LOAN RECEIVABLE

The Group had classified the debt element of the convertible bond as loans receivable and the conversion option element separately. The fair value of the convertible bond is determined by the directors of the Company with reference to the valuation performed by GCA. GCA applied net present value and Black-Scholes model for the valuation of the debt element and conversion option element, respectively, at the date of inception. The conversion option is separated as derivative financial instrument and stated in the consolidated balance sheet at fair value. The change in fair value had been recognised in the consolidated income statement.

35. INVESTMENTS HELD FOR TRADING

	2007	**2006**
	HK$'000	*HK$'000*
Listed equity securities, at quoted bid price		
in Hong Kong	129,496	161,693
in overseas	26,287	–
	155,783	161,693

36. PLEDGED BANK DEPOSITS, SHORT TERM BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits represent deposits pledged to banks to secure general banking facilities granted to the Group. Deposits amounting to HK$42,601,000 (2006: HK$118,622,000) have been pledged to secure general banking facilities with maturity within one year of the balance sheet date and are therefore classified as current assets.

The pledged bank deposits and short term bank deposits with maturity date of less than three months carry floating interest rates ranging from 2.5% to 4.5% (2006: 3.1% to 4.4%) per annum. The bank balances carry interest rates ranging nil to 3.0% (2006: 3.1%) per annum.

37. CREDITORS AND ACCRUED EXPENSES

Included in creditors and accrued expenses are trade creditors of approximately HK$351,026,000 (2006: HK$347,160,000) and their aged analysis is as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Within 90 days	329,211	312,038
More than 90 days and within 180 days	8,230	22,037
More than 180 days	13,585	13,085
	351,026	347,160

As at 31 March 2007, included in the creditors and accrued expenses is an amount of A$15,874,000 (approximately HK$100,785,000) that is denominated in currencies other than functional currency of the relevant group entity.

At 31 March 2007, retentions held by the Group for contract works amounting to approximately HK$319,098,000 (2006: HK$297,869,000) were included in creditors and accrued expenses, of which approximately HK$102,719,000 (2006: HK$80,174,000) are expected to be paid or settled after more than twelve months from the balance sheet date.

38. AMOUNTS DUE TO ASSOCIATES

The amounts are unsecured, interest free and repayable on demand.

39. AMOUNTS DUE TO MINORITY SHAREHOLDERS

The amounts are unsecured, interest free and repayable on demand.

40. LOANS FROM MINORITY SHAREHOLDERS

The amount is unsecured and carries interest at the following rates:

	2007 *HK$'000*	**2006** *HK$'000*
2% below Hong Kong Prime rate *(Note)*	–	88,588
Interest-free	–	34,851
Total, under current liabilities	–	123,439

Note: During the year 31 March 2007, upon the acquisition of additional interests in subsidiaries, the amount had been reclassified to other loans.

41. BANK AND OTHER BORROWINGS

	2007 *HK$'000*	**2006** *HK$'000*
Bank and other borrowings comprise:		
Bank loans	943,554	471,383
Other loans	60,151	93,400
Bank overdrafts	20,432	–
	1,024,137	564,783
Analysed as:		
Secured	644,968	397,319
Unsecured	379,169	167,464
	1,024,137	564,783
The bank and other borrowings are repayable as follows:		
Within one year or on demand	597,386	400,158
More than one year, but not exceeding two years	116,157	26,500
More than two years, but not exceeding three years	11,551	132,500
More than three years, but not exceeding four years	64,481	4,500
More than four years, but not exceeding five years	74,481	1,125
More than five years	160,081	–
	1,024,137	564,783
Less: Amount due within one year or on demand shown under current liabilities	(597,386)	(400,158)
Amount due after one year	426,751	164,625

The above bank borrowings include fixed-rate borrowings of approximately HK$161,616,000 (2006: HK$107,454,000) repayable within one year carrying interest ranging from 6.12% to 7.344% (2006: 5.22% to 6.138%) per annum.

The remaining bank borrowings carry floating-rate interest, ranging from 4.67% to 7.75% (2006: 4.71% to 6.56%) per annum.

42. DEFERRED TAXATION

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

	Accelerated tax depreciation	Tax losses	Recognition of contracting income	Fair value adjustment on project under development	Fair value adjustments on certain non-current assets	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2005	32,138	(6,488)	(4,323)	900,000	–	13	921,340
(Credit) charge to income statement	(562)	1,711	2,461	–	–	(116)	3,494
On disposal of subsidiaries	(27,815)	2,872	6	–	–	103	(24,834)
At 31 March 2006	3,761	(1,905)	(1,856)	900,000	–	–	900,000
Exchange realignment	–	–	–	82,156	709	–	82,865
On acquisition of a business	–	–	–	–	28,212	–	28,212
Change in tax rate credited to income statement	–	–	–	(55,952)	(6,714)	–	(62,666)
(Credit) charge to income statement	1,484	(2,253)	769	–	(487)	–	(487)
At 31 March 2007	5,245	(4,158)	(1,087)	926,204	21,720	–	947,924

At 31 March 2007, the Group has unused tax losses of approximately HK$1,001,000,000 (2006: HK$1,153,000,000) available for offset against future taxable profits. A deferred tax asset has been recognised in respect of approximately HK$24,000,000 (2006: HK$11,000,000) of such losses. No deferred tax asset in respect of the remaining tax losses has been recognised due to the unpredictability of future profit streams on those subsidiaries. The unused tax losses may be carried forward indefinitely.

43. SHARE CAPITAL

	Number of shares	Value HK$'000
Ordinary shares of HK$0.10 each:		
Authorised:		
At 1 April 2005, 31 March 2006 and 31 March 2007	3,000,000,000	300,000
Issued and fully paid:		
At 1 April 2005	1,369,195,436	136,920
Issue of new shares pursuant to scrip dividend schemes	20,110,474	2,011
Issued of shares under share option scheme	14,000	1
Shares repurchased	(10,520,000)	(1,052)
At 31 March 2006	1,378,799,910	137,880
Issue of new shares	68,500,000	6,850
Issue of new shares pursuant to scrip dividend schemes	9,838,497	984
Issued of shares under share option scheme	36,575,000	3,657
Shares repurchased	(2,000,000)	(200)
At 31 March 2007	1,491,713,407	149,171

During the year, the following changes in the Company's share capital took place:

(a) Pursuant to the scrip dividend schemes which were announced by the Company on 18 September 2006 and 11 January 2007, the Company issued 6,523,256 (2006: 8,865,284) and 3,315,241 (2006: 11,245,190) new ordinary shares of HK$0.1 each in the Company to shareholders who elected to receive scrip dividends in respect of the final dividend for the year ended 31 March 2006 and the interim dividend for the six months ended 30 September 2006, respectively. These shares rank pari passu with the then existing shares in all respects.

(b) During the year, the Company issued 36,575,000 ordinary shares of HK$0.10 each at the subscription price ranging from HK$1.24 to HK$2.50 (2006: HK$1.78) under the share option scheme of the Company.

(c) The Company repurchased a total of 2,000,000 ordinary shares through the Hong Kong Stock Exchange as follows:

Month of repurchase	Ordinary shares of HK$0.1 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$'000
August 2006	1,000,000	2.18	2.16	2,178
September 2006	1,000,000	2.27	2.18	2,203
	2,000,000			4,381

(d) On 8 May 2006, the Company issued and allotted 68,500,000 ordinary shares at a fair price of HK$2.91315 per share to a then minority shareholder of a 90.1% owned subsidiary of the Company, which is holding the investment in the Yangkou Port project. The allotted shares represent the consideration paid by the Group to acquire the remaining 9.9% interest in that subsidiary from the minority shareholder. Details of the above transaction are set out in the Company's announcement dated 11 April 2006.

44. SHARE-BASED PAYMENT TRANSACTIONS

On 27 August 2002, the Company adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentive or reward to any employees, executives or officers, directors of the Group or any invested entity and any celebrity, consultant, adviser or agent of any member of the Group or any invested entity, who have contributed or will contribute to the growth and development of the Group or any invested entity ("Eligible Person"). The Share Option Scheme will remain in force for a period of ten years from that date.

Under the Share Option Scheme, the directors of the Company may at their discretion grant options to any Eligible Person to subscribe for shares in the Company without consideration. The directors may at their discretion determine the specific exercise period which should expire in any event no later than ten years from date of adoption of the Share Option Scheme. The exercise price is determined by the directors of the Company and will be at least the higher of: (i) the subscription price as is permissible under the Listing Rules from time to time; and (ii) the nominal value of the Company's shares.

The maximum number of shares which may initially be issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) adopted by the Company must not in aggregate exceed 10% of the total number of issued shares of the Company as at its adoption date, i.e. 103,674,492 shares. Subject to the approval of the shareholders of the Company in general meeting, the limit may be refreshed to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. 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 Share Option Scheme and any other share option scheme(s) of the Company must not in aggregate exceed 30% of the total number of shares in issue from time to time. Pursuant to an ordinary resolution passed at the annual general meetings of the Company in 2003, 2004 and 2005, the 10% scheme limit was refreshed to 10% of the total number of issued shares of the Company as at the respective dates of such meetings. Pursuant to an ordinary resolution passed at the Company's annual general meeting held on 8 September 2006, the 10% scheme limit was further refreshed to 146,260,991, representing 10% of the total number of issued shares of the Company as at the date of such meeting.

The maximum number of shares of the Company in respect of which options may be granted to each Eligible Person under the Share Option Scheme and any other share option scheme(s) of the Company (including those exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue from time to time unless such grant has been duly approved by shareholders of the Company at general meeting at which the Eligible Person and his associates (as defined in the Listing Rules) abstain from voting. Options granted to a substantial shareholder and/or an independent non-executive director or any of their respective associates (as defined in the Listing Rules) in any 12-month period in excess of 0.10% of total number of shares in issue and have an aggregate value exceeding HK$5,000,000 must be approved by the shareholders of the Company in general meeting in advance.

(a) Details of the share options granted on 28 December 2004 to certain directors and advisers of the Company under the Share Option Scheme and movements in such holdings during the year are as follows:

			Number of shares of the Company to be issued upon exercise of the share options		
Date of grant	Exercisable period	Exercise price	Outstanding at 1.4.2005 and 31.3.2006	Exercised during the year	Outstanding at 31.3.2007
		HK$			
28.12.2004	28.12.2004 to 26.8.2012	1.24*	22,100,000	(13,650,000)	8,450,000
28.12.2004	28.12.2004 to 26.8.2012	1.50*	22,100,000	(9,520,000)	12,580,000
			44,200,000	(23,170,000)	21,030,000

* Pursuant to the ordinary resolution passed by the Company's shareholders at the special general meeting held on 14 February 2006, the Company repriced the share options by a reduction of the exercise price by HK$0.70 per share to take into account the payment of a special cash dividend of HK$0.70 per share during the year ended 31 March 2006. The fair values of the outstanding share options immediately before and after the modification of their exercise price were calculated by RHL Appraisal Limited, a valuer not connected with the Group, using the Black-Scholes Option Pricing Model (the "Model"). The directors, by reference to the valuation report and after taking other professional advice, considered that the modification did not result in an increase in fair values of the share options. Accordingly, no adjustment on fair values of the share options was required.

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

(b) Details of the share options granted to certain directors and employees of the Group under the Share Option Scheme during the period from 1 April 2005 to 31 March 2007 and movements in such holdings are as follows:

					Number of shares of the Company to be issued upon exercise of the share options						
Type	Date of grant	Vesting date	Exercise period	Exercise price per share *HK$*	Granted during the year ended 31.3.2006	Exercised during the year ended 31.3.2006	Outstanding at 31.3.2006	Granted during the year ended 31.3.2007	Exercised during the year ended 31.3.2007	Lapsed during the year ended 31.3.2007	Outstanding at 31.3.2007
(i)	6.2.2006	6.2.2006	6.2.2006 to 5.2.2007	1.78	8,325,000	(14,000)	8,311,000	–	(8,286,000)	(25,000)	–
(ii)	6.2.2006	6.2.2007	6.2.2007 to 5.2.2008	2.50	8,325,000	–	8,325,000	–	(895,000)	(275,000)	7,155,000
(iii)	6.2.2006	6.2.2008	6.2.2008 to 5.2.2009	3.00	8,325,000	–	8,325,000	–	–	(650,000)	7,675,000
(iv)	6.2.2006	6.2.2009	6.2.2009 to 5.2.2010	3.50	8,325,000	–	8,325,000	–	–	(650,000)	7,675,000
(v)	24.3.2006	24.3.2006	24.3.2006 to 5.2.2007	2.325	3,000,000	–	3,000,000	–	(2,874,000)	(126,000)	–
(vi)	24.3.2006	6.2.2007	6.2.2007 to 5.2.2008	2.50	3,000,000	–	3,000,000	–	(50,000)	–	2,950,000
(vii)	24.3.2006	6.2.2008	6.2.2008 to 5.2.2009	3.00	3,000,000	–	3,000,000	–	–	–	3,000,000
(viii)	24.3.2006	6.2.2009	6.2.2009 to 5.2.2010	3.50	3,000,000	–	3,000,000	–	–	–	3,000,000
(ix)	8.9.2006	8.9.2006	8.9.2006 to 7.9.2007	2.48	–	–	–	4,600,000	–	–	4,600,000
(x)	8.9.2006	8.9.2007	8.9.2007 to 7.9.2008	2.48	–	–	–	4,600,000	–	–	4,600,000
(xi)	8.9.2006	8.9.2008	8.9.2008 to 7.9.2009	2.48	–	–	–	4,600,000	–	–	4,600,000
(xii)	8.9.2006	8.9.2006	8.9.2006 to 26.8.2012	2.43	–	–	–	1,300,000	–	–	1,300,000
(xiii)	8.9.2006	8.9.2006	8.9.2006 to 7.9.2007	2.43	–	–	–	4,750,000	(1,300,000)	–	3,450,000
(xiv)	8.9.2006	1.8.2007	1.8.2007 to 31.7.2008	2.43	–	–	–	1,500,000	–	–	1,500,000
(xv)	8.9.2006	1.8.2008	1.8.2008 to 31.7.2009	2.43	–	–	–	1,500,000	–	–	1,500,000
(xvi)	8.9.2006	1.8.2007	1.8.2007 to 31.7.2008	3.00	–	–	–	1,500,000	–	–	1,500,000
(xvii)	8.9.2006	1.8.2008	1.8.2008 to 31.7.2009	3.50	–	–	–	1,500,000	–	–	1,500,000
(xviii)	8.9.2006	8.9.2007	8.9.2007 to 7.9.2008	3.00	–	–	–	2,750,000	–	–	2,750,000
(xix)	8.9.2006	8.9.2008	8.9.2008 to 7.9.2009	3.50	–	–	–	2,000,000	–	–	2,000,000
(xx)	6.2.2007	6.2.2007	6.2.2007 to 26.8.2012	3.00	–	–	–	1,300,000	–	–	1,300,000
(xxi)	6.2.2007	6.2.2007	6.2.2007 to 5.2.2008	4.00	–	–	–	2,500,000	–	–	2,500,000
(xxii)	6.2.2007	6.2.2007	6.2.2007 to 5.2.2008	3.00	–	–	–	1,020,000	–	–	1,020,000
(xxiii)	6.2.2007	6.2.2008	6.2.2008 to 5.2.2009	3.00	–	–	–	1,190,000	–	–	1,190,000
(xxiv)	6.2.2007	6.2.2009	6.2.2009 to 5.2.2010	3.50	–	–	–	1,190,000	–	–	1,190,000
					45,300,000	(14,000)	45,286,000	37,800,000	(13,405,000)	(1,726,000)	67,955,000
Exercisable at the end of the year											24,275,000

(b) During the year, the Company granted 37,800,000 share options to directors and employees at exercise prices ranging from HK$2.43 to HK$4.00. The fair value of the share options granted during the year is approximately HK$25,031,000. The share options granted are subject to vesting conditions from zero to two years.

The fair values determination at the grant date were carried out by RHL Appraisal Limited using the Model. The inputs into the Model were summarised as follows:

	Type (i)	**Type (ii)**	**Type (iii)**	**Type (iv)**	**Type (v)**	**Type (vi)**	**Type (vii)**	**Type (viii)**
Date of grant	6.2.2006	6.2.2006	6.2.2006	6.2.2006	24.3.2006	24.3.2006	24.3.2006	24.3.2006
Closing share price at date of grant *(HK$)*	1.78	1.78	1.78	1.78	2.325	2.325	2.325	2.325
Exercise price *(HK$)*	1.78	2.50	3.00	3.50	2.325	2.50	3.00	3.50
Expected volatility	48%	48%	48%	48%	48%	48%	48%	48%
Expected life *(year)*	1	2	3	4	0.87	1.87	2.87	3.87
Risk-free interest rate	3.85%	3.88%	3.97%	4.05%	4.215%	4.252%	4.310%	4.390%
Expected annual dividend yield	1.69%	1.69%	1.69%	1.69%	1.3%	1.3%	1.3%	1.3%
Fair value per share option *(HK$)*	0.347	0.287	0.311	0.336	0.432	0.570	0.583	0.608
Total fair value *(HK$'000)*	2,889	2,391	2,587	2,794	1,296	1,709	1,749	1,823

	Type (ix)	**Type (x)**	**Type (xi)**	**Type (xii)**	**Type (xiii)**	**Type (xiv)**	**Type (xv)**	**Type (xvi)**
Date of grant	8.9.2006	8.9.2006	8.9.2006	8.9.2006	8.9.2006	8.9.2006	8.9.2006	8.9.2006
Closing share price at date of grant *(HK$)*	2.43	2.43	2.43	2.43	2.43	2.43	2.43	2.43
Exercise price *(HK$)*	2.48	2.48	2.48	2.43	2.43	2.43	2.43	3.00
Expected volatility	54%	54%	54%	54%	54%	54%	54%	54%
Expected life *(year)*	1	2	3	3	1	1.90	2.90	1.90
Risk-free interest rate	3.740%	3.821%	3.907%	3.907%	3.740%	3.821%	3.907%	3.821%
Expected annual dividend yield	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Fair value per share option *(HK$)*	0.515	0.731	0.888	0.903	0.534	0.730	0.889	0.557
Total fair value *(HK$'000)*	2,367	3,364	4,085	1,174	2,537	1,095	1,334	836

	Type (xvii)	**Type (xviii)**	**Type (xix)**	**Type (xx)**	**Type (xxi)**	**Type (xxii)**	**Type (xxiii)**	**Type (xxiv)**
Date of grant	8.9.2006	8.9.2006	8.9.2006	6.2.2007	6.2.2007	6.2.2007	6.2.2007	6.2.2007
Closing share price at date of grant *(HK$)*	2.43	2.43	2.43	3.00	3.00	3.00	3.00	3.00
Exercise price *(HK$)*	3.50	3.00	3.50	3.00	4.00	3.00	3.00	3.50
Expected volatility	54%	54%	54%	45%	45%	45%	45%	45%
Expected life *(year)*	2.90	2	3	3	1	1	2	3
Risk-free interest rate	3.907%	3.821%	3.907%	4.148%	4.050%	3.900%	4.086%	4.135%
Expected annual dividend yield	1.2%	1.2%	1.2%	1%	1%	1%	1%	1%
Fair value per share option *(HK$)*	0.621	0.577	0.638	0.980	0.264	0.564	0.803	0.823
Total fair value *(HK$'000)*	932	1,588	1,275	1,274	660	575	956	979

The expected volatility used in the Model was determined by using the annualised standard derivation 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 amount of cost of share options charged to the consolidated income statement during the year was HK$21,995,000 (2006: HK$4,945,000).

In respect of the share options granted during the year, the closing share price immediately before date of grant is ranged from HK$2.43 to HK$3.00.

In respect of the 36,575,000 share options exercised during the year, the weighted average share price at the date of exercise is HK$3.04 and the weighted average share price at the date immediately before exercise date is HK$2.99.

There was no consideration received during the year from Eligible Persons for taking up the options granted.

Share option scheme of Paul Y. Engineering Group Limited ("PYE")

On 7 September 2005, PYE adopted a share option scheme (the "PYE Scheme") for the purpose of providing incentive or reward to any employees, executives or directors of PYE and its subsidiaries or any invested entity and any consultant, adviser or agent of any member of PYE and its subsidiaries or any invested entity, who have contributed or will contribute to the growth and development of PYE and its subsidiaries or any invested entity ("PYE Eligible Person"). The PYE Scheme will remain in force for a period of ten years from that date.

Under the PYE Scheme, the directors of PYE may at their discretion grant options to any PYE Eligible Person to subscribe for shares in PYE. Consideration to be paid on each grant of option is HK$1.00. The directors of PYE may at their discretion determine the specific exercise period which should expire in any event no later than ten years from date of adoption of the PYE Scheme. The exercise price is determined by the directors of PYE and will be at least the higher of: (i) the subscription price as is permissible under the Listing Rules from time to time; and (ii) the nominal value of the shares of PYE.

The maximum number of shares that may initially be issued upon the exercise of all options to be granted under the PYE Scheme and any other share option scheme(s) adopted by PYE must not in aggregate exceed 10% of the total number of issued shares of PYE, i.e. 57,669,939 shares of PYE, as at its adoption date. Subject to the approval of the shareholders of PYE in general meeting, the limit may be refreshed to 10% of the total number of shares of PYE in issue as at the date of approval by the shareholders of PYE in general meeting. Notwithstanding the forgoing, the maximum number of shares of PYE which may be issued upon exercise of all outstanding options granted and yet to be exercised under the PYE Scheme and any other share option scheme(s) of PYE must not in aggregate exceed 30% of the total number of shares of PYE in issue from time to time. Pursuant to an ordinary resolution passed at PYE's annual general meeting held on 6 September 2006, the 10% scheme limit was refreshed to 58,195,877, representing 10% of the total number of issued shares of PYE as at the date of such meeting.

The maximum number of shares of PYE in respect of which options may be granted to each PYE Eligible Person under the PYE Scheme and any other share option scheme(s) of PYE (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares of PYE in issue from time to time unless such grant has been duly approved by shareholders of PYE in general meeting at which the PYE Eligible Person and his associate (as defined in the Listing Rules) abstained from voting. Options granted to a substantial shareholder and/or an independent non-executive director of PYE or any of their respective associates (as defined in the Listing Rules) in any 12-month period in excess of 0.10% of the total number of PYE in issue and have an aggregate value exceeding HK$5,000,000 must be approved by the shareholders of PYE in general meeting in advance.

Details of movements in share options of PYE granted under the PYE Scheme during the current and prior years are as follows:

Type	Date of grant	Vesting date	Exercise period	Exercise price per share *HK$*	Number of shares of the Company to be issued upon exercise of the share options: Granted during the year ended 31.3.2006	Outstanding at 31.3.2006	Granted during the year ended 31.3.2007	Exercised during the year ended 31.3.2007	Lapsed during the year ended 31.3.2007	Outstanding at 31.3.2007
I	3.2.2006	3.2.2006	3.2.2006 – 6.9.2015	0.70	1,500,000	1,500,000	–	–	–	1,500,000
II	3.2.2006	1.1.2007	1.1.2007 – 6.9.2015	0.85	1,500,000	1,500,000	–	–	–	1,500,000
III	3.2.2006	1.1.2008	1.1.2008 – 6.9.2015	1.00	1,500,000	1,500,000	–	–	–	1,500,000
IV	9.2.2006	9.2.2008	9.2.2008 – 8.2.2009	0.90	8,000,000	8,000,000	–	–	(2,400,000)	5,600,000
V	13.7.2006	13.7.2006	13.7.2006 – 12.7.2008	1.00	–	–	3,000,000	(1,500,000)	–	1,500,000
VI	13.7.2006	13.7.2007	13.7.2007 – 12.7.2009	1.00	–	–	3,000,000	–	–	3,000,000
VII	13.7.2006	13.7.2008	13.7.2008 – 12.7.2009	1.00	–	–	2,000,000	–	–	2,000,000
					12,500,000	12,500,000	8,000,000	(1,500,000)	(2,400,000)	16,600,000
Exercisable at the end of the year										4,500,000

In respect of the 1,500,000 share options exercised during the year, the weighted average share price at the date of exercise is HK$1.17.

In respect of the share options granted during the year, the closing share price immediately before date of grant is HK$0.99.

The fair values of the share options granted were calculated using the Model carried out by RHL Appraisal Limited. The inputs into the Model were summarised as follows:

	Type I	Type II	Type III	Type IV	Type V	Type VI	Type VII
Date of grant	3.2.2006	3.2.2006	3.2.2006	9.2.2006	13.7.2006	13.7.2006	13.7.2006
Closing share price at date of grant *(HK$)*	0.70	0.70	0.70	0.87	0.98	0.98	0.98
Exercise price *(HK$)*	0.70	0.85	1.00	0.90	1.00	1.00	1.00
Expected volatility	38%	38%	38%	38%	52%	52%	52%
Expected life (year)	2.5	2.9	4	2.5	0.8	2.0	2.5
Risk-free interest rate	3.93%	3.92%	4.06%	4.06%	4.32%	4.49%	4.53%
Expected annual dividend yield	8.57%	8.57%	8.57%	8.57%	8.16%	8.16%	8.16%
Fair value per share option *(HK$)*	0.109	0.079	0.067	0.129	0.163	0.226	0.239

The Model is one of the commonly used models to estimate the fair value of the option. The value of an 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 an 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 PYE. 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$1,088,000 (2006: HK$137,000) with respect to share options granted to directors and employees of PYE were charged to the consolidated income statement during the year.

45. ACQUISITION OF BUSINESS

Pursuant to an agreement dated 12 May 2006 (the "Agreement"), the Group acquired from an independent third party assets and gas and oil logistics and distribution operations across Wuhan, the PRC, at a total consideration of approximately RMB470 million. This transaction has been accounted for using the purchase method of accounting and has been completed in September 2006. The net assets acquired in the transaction is summarised as follows:

	Carrying amount before business combination	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Property, plant and equipment	419,317	38,327	457,644
Fair value adjustment on leasehold land	–	9,210	9,210
Other intangible assets – rights of operation	–	35,923	35,923
Other intangible assets – customer base	–	2,032	2,032
Prepaid lease payments	45,522	–	45,522
Deferred tax liability	–	(28,212)	(28,212)
	464,839	57,280	522,119
Discount on acquisition of business			(3,755)
			518,364
Satisfied by:			
Cash consideration paid			344,828
Transaction costs paid			24,434
Deferred consideration payable *(Note)*			118,227
Unsettled transaction costs included in creditors and accrued expenses			30,875
			518,364
Net cash outflow arising on acquisition:			
Cash consideration and transaction costs paid			369,262

Note: Pursuant to the Agreement, part of the consideration (RMB120 million) will be settled by way of issue of the 3-year, zero coupon, HK$ denominated convertible notes by the Company at a conversion price of HK$4.25 per share. Upon maturity, the redemption amount is 114.167% of the par value. As at 31 March 2007, the convertible notes have not yet issued and the unpaid consideration of HK$121,213,000 is presented as deferred consideration payable in consolidated balance sheet.

As the Group has no obligations to settle the unpaid consideration within twelve months of the balance sheet date, the amount is classified as non-current liabilities.

Subsequent to the balance sheet date, an amount of approximately HK$121,522,000 (equivalent to RMB120 million) convertible notes have been issued.

The business acquired during the year recorded a loss of HK$8,702,000 between the date of acquisition and the balance sheet date.

46. ACQUISITION OF SUBSIDIARIES

During the year ended 31 March 2006, the Group acquired certain wholly-owned subsidiaries which are engaged in holding of motor vehicles registration marks. The acquisition has been accounted for by the purchase method of accounting. The effect of the acquisition is summarised as follows:

	2006
	HK$'000
Net assets acquired:	
Debtors, deposits and prepayments	202
Other intangible assets	973
Creditors and accrued expenses	(975)
Total consideration, representing cash consideration and net cash outflow	200

The subsidiaries acquired did not make any significant impact on the Group's results and cash flows for the prior year.

47. DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2006, the Group disposed of the following subsidiaries:

(a) On 8 June 2005, the Group disposed of its entire equity interest in Technico Investments Limited ("Technico") at a consideration of approximately HK$13.2 million, with HK$9.3 million in cash and HK$3.9 million as a deferred consideration. Technico owned a property in Taishan, the PRC.

(b) On 20 July 2005, the Group disposed of its entire equity interest in Time First Investments Limited and its wholly-owned subsidiary ("Time First group") at a cash consideration of HK$26.3 million. Time First group was engaged in the property development and sale in Taishan, the PRC.

(c) On 12 September 2005, the Group disposed of its entire equity interest in Skylink Enterprises Limited ("Skylink") at a consideration of HK$25 million, with HK$22 million in cash and HK$3 million as deferred consideration. Skylink owned a property in Taishan, the PRC.

(d) On 26 September 2005, the Group disposed of its entire equity interest in Redcliff Property Corp. ("Redcliff") at a cash consideration of HK$17.7 million. Redcliff was engaged in the property development and sale of a property in Taishan, the PRC.

(e) On 4 October 2005, the Group disposed of its entire interest in Well Cycle Limited ("Well Cycle") at a cash consideration of approximately HK$1.3 million. Well Cycle owned certain second hand motor vehicles and vehicle registration numbers as its sole business and assets.

(f) On 20 January 2006, the Group disposed of its 100% interest in Linkport Holdings Limited and its two wholly-owned subsidiaries ("Linkport group") to an associate of the Group at an agreed value of the property of HK$780 million, with adjustments of HK$14 million being deducted on completion according to agreement, with HK$649 million in cash and HK$117 million as a deferred consideration which will in turn be settled in cash on or before 20 January 2009. Linkport group owned an investment property located in Hong Kong as its sole business and asset.

(g) On 27 January 2006, the Group disposed of its 100% interest in Darierian Limited and its two wholly-owned subsidiaries ("Darierian group") to a wholly-owned subsidiary of ITC at a cash consideration of HK$3.5 million. Darierian group owned certain second hand motor vehicles, vehicle registration numbers and a golf club corporate membership as its sole business and assets.

(h) On 31 March 2006, the Group disposed of its 100% interest in Bakersfield Trading Limited and its two wholly-owned subsidiaries ("Bakersfield group") at a cash consideration of HK$55 million. Bakersfield group owned a motor vessel and wet berth as its sole business and asset.

(i) On 30 October 2005, the Group disposed of certain subsidiaries which were engaged in manufacturing and trading of concrete products. The consideration for the disposal is HK$19 million which will be settled in cash of HK$4 million and a deferred consideration of HK$15 million by the purchaser on or before October 2009.

	2006
	HK$'000
Net assets disposed of:	
Property, plant and equipment	152,346
Investment properties	540,400
Prepaid lease payments	108,378
Other intangible assets	8,419
Debtors, deposits and prepayments	25,052
Properties held for sale	93,828
Bank balances and cash	5,891
Creditors and accrued expenses	(56,661)
Taxation payable	(1,219)
Deferred tax liabilities	(24,834)
	851,600
Expenses incurred on disposal	9,755
Gain on disposal	60,756
Total consideration	922,111
Satisfied by:	
Cash	788,131
Consideration receivable (included in debtors, deposit and prepayments)	3,000
Promissory note	117,000
Deferred consideration	13,980
	922,111
Net cash inflow arising on disposals:	
Cash received	788,131
Cash and cash equivalents disposed of	(5,891)
	782,240

As part of the consideration of the disposal of the subsidiaries, a deferred consideration of HK$15,000,000 is to be settled in cash by the purchaser under four annual instalments commencing from 30 October 2006. The fair value of the deferred consideration at date of initial recognition is determined based on estimated future cash flows discounted at 3% per annum.

The subsidiaries disposed of during the prior year contributed approximately HK$37,182,000 to the Group's turnover and a gain of approximately HK$74,997,000 to the Group's results for that year.

48. MAJOR NON-CASH TRANSACTIONS

The Group had the following major non-cash transactions:

(a) New shares were issued as scrip dividends during the year as set out in notes 16 and 43;

(b) During the year, the Company issued and allotted 68,500,000 ordinary shares for the acquisition of additional interests in subsidiaries; and

(c) During the year, the Company declared a special dividend by way of distribution of the value derived from the Group's divestment of an associate. The amount distributed was approximately HK$325,660,000.

49. RETIREMENT BENEFIT SCHEMES

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

The employees of the Group's PRC subsidiaries are members of the state-managed retirement benefit schemes operated by the PRC government. The subsidiaries in the PRC are required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

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

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

With effective from 1 December 2000, the Group has joined a mandatory provident fund scheme ("MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes 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 scheme at the rates specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the consolidated income statement represent contributions paid and payable to the funds by the Group at the rates specified in the rules of the scheme.

50. CONTINGENT LIABILITIES

	2007	**2006**
	HK$'000	*HK$'000*
Guarantee given to a bank in respect of banking facilities granted to an associate	9,454	9,454

51. OPERATING LEASE COMMITMENTS

(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 and prepaid lease payments which fall due as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Within one year	29,766	21,232
In the second to fifth year inclusive	49,155	60,513
Over five years	4,449	–
	83,370	81,745

Leases are negotiated, and monthly rentals are fixed, for terms ranging from two to thirty 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:

	2007	2006
	HK$'000	*HK$'000*
Within one year	–	971
In the second to fifth year inclusive	–	500
	–	1,471

52. PLEDGE OF ASSETS

At the balance sheet date, the following assets were pledged to banks and financial institutions to secure the general credit facilities granted to the Group:

	2007	2006
	HK$'000	*HK$'000*
Property, plant and equipment	467,615	–
Prepaid lease payments	35,268	–
Intangible assets	7,827	–
Bank deposits	42,601	118,622
Properties held for sale	–	78,245
Project under development	24,137	–
Properties under development	66,834	–
	644,282	196,867

In addition, the Group's benefits under certain construction contracts were pledged to secure the facilities granted.

53. COMMITMENTS

	2007	2006
	HK$'000	*HK$'000*
Expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:		
– Property, plant and equipment	274,986	65
– Project under development	1,146,837	91,893
– Properties under development	98,044	–
	1,519,867	91,958

54. RELATED PARTY TRANSACTIONS AND BALANCES

(a) The Group entered into the following transactions with certain related parties during the year:

Class of related party	**Nature of transactions**	**2007** *HK$'000*	**2006** *HK$'000*
Associates of the Group	Purchase of concrete products by the Group	35	112
	Interest income charged by the Group	8,400	16,437
	Rentals and related building management fee charged to the Group	24,958	3,689
	Rentals and consultancy fee charged by the Group	2,511	–
	Building manager remuneration fee charged by the Group	1,200	248
	Project management fees charged to the Group	8,445	–
	Project management fees charged by the Group	1,596	6,044
	Net rental guarantee income charged by the Group	1,438	–
	Construction works charged by the Group	–	383
	Subcontracting fees charged to the Group	–	15
Jointly controlled entities of the Group	Subcontracting fees charged to the Group	7,798	1,015
	Service fees charged by the Group	30	65
	Project management fees charged by the Group	–	825

Class of related party	Nature of transactions	2007 *HK$'000*	2006 *HK$'000*
Subsidiaries of ITC	Purchase of building materials by the Group	40	–
	Rental income charged by the Group	48	345
	Service fee charged by the Group	–	25
	Interest income charged by the Group	5,339	–
	Interest charged to the Group	417	–
	Coupon interest of Hanny Bonds entitled by the Group	582	–
	Rentals charged to the Group	360	90
	Face value of Hanny Bonds subscribed by the Group	36,858	–
	Rentals and related building management fee charged by the Group	–	62
	Motor vehicles rental charged to the Group	219	–
Associates of ITC	Interest income charged by the Group	13,461	16,709
	Interest charged to the Group	981	–
	Service fees charged by the Group	109	7
	Service fees charged to the Group	736	–
	Rentals and related building management fee charged by the Group	–	1,707
Other related companies *(Note)*	Rental and related building management fee charged by the Group	17	3,501
	Interest income charged by the Group	925	7,160
	Service fees charged to the Group	1,253	1,920
	Service fees charged by the Group	305	112
	Sales of property, plant and equipment by the Group	–	6
Minority shareholder of a subsidiary	Interest charged to the Group	155	8,392
Company which a member of key management is a shareholder	Acquisition of additional interests in subsidiaries by the Group	199,551	–

Note: ITC has significant influence over these related companies.

(b) The remuneration of directors and other members of key management, which is determined by the remuneration committee having regard to the performance of individuals and market trends, is as follows:

	2007	2006
	HK$'000	*HK$'000*
Short-term benefits	20,451	18,525
Post-employment benefits	557	769
Share-based payment expense	11,698	939
	32,706	20,233

Details of the share options granted to the directors during the year are set out below:

Name of director	Date of grant	Exercisable period	Exercise price per share	Outstanding as at 1.4.2006	Granted during the year	Exercised during the year	Outstanding as at 31.3.2007
			HK$				
Chow Ming Kuen, Joseph	28.12.2004	28.12.2004 to 26.08.2012	1.24	650,000	–	(650,000)	–
	28.12.2004	28.12.2004 to 26.08.2012	1.50	650,000	–	(650,000)	–
Lau Ko Yuen, Tom	28.12.2004	28.12.2004 to 26.08.2012	1.24	6,500,000		–	6,500,000
	28.12.2004	28.12.2004 to 26.08.2012	1.50	6,500,000	–	–	6,500,000
	08.09.2006	08.09.2006 to 07.09.2007	2.48	–	4,600,000	–	4,600,000
	08.09.2006	08.09.2007 to 07.09.2008	2.48	–	4,600,000	–	4,600,000
	08.09.2006	08.09.2008 to 07.09.2009	2.48	–	4,600,000	–	4,600,000
Kwok Shiu Keung, Ernest	28.12.2004	28.12.2004 to 26.08.2012	1.24	650,000	–	–	650,000
	28.12.2004	28.12.2004 to 26.08.2012	1.50	650,000	–	–	650,000
Chan Shu Kin	28.12.2004	28.12.2004 to 26.08.2012	1.24	650,000	–	–	650,000
	28.12.2004	28.12.2004 to 26.08.2012	1.50	650,000	–	–	650,000
Leung Po Wing, Bowen Joseph	08.09.2006	08.09.2006 to 26.08.2012	2.43	–	1,300,000	–	1,300,000
Li Chang An	06.02.2007	06.02.2007 to 26.08.2012	3.00	–	1,300,000	–	1,300,000
				16,900,000	16,400,000	(1,300,000)	32,000,000

(c) During the year ended 31 March 2006, the Group has acquired certain subsidiaries from the directors of the Company which are engaged in holding of motor vehicles registration marks.

(d) During the year ended 31 March 2006, the Group disposed of certain subsidiaries to an associate of the Group and a wholly-owned subsidiary of ITC. Details of transactions are set out in note 47(f) and (g).

Details of the balances with associates, jointly controlled entities, related companies and minority shareholders at the balance sheet date are set out in notes 29, 30, 38, 39 and 40.

55. BALANCE SHEET OF THE COMPANY

	2007	2006
	HK$'000	*HK$'000*
NON-CURRENT ASSET		
Investment in subsidiaries	5	5
CURRENT ASSETS		
Deposits and prepayments	332	2,829
Amounts due from subsidiaries	2,603,118	2,560,441
Short term bank deposits	105,516	177,751
Bank balances	12,355	31,125
	2,721,321	2,772,146
CURRENT LIABILITIES		
Creditors and accrued expenses	3,215	4,086
Amount due to a subsidiary	900,546	920,303
Bank borrowings	80,000	30,000
	983,761	954,389
NET CURRENT ASSETS	1,737,560	1,817,757
NET ASSETS	1,737,565	1,817,762
CAPITAL AND RESERVES		
Share capital	149,171	137,880
Reserves *(Note)*	1,588,394	1,679,882
SHAREHOLDERS' FUNDS	1,737,565	1,817,762

Note:

	Share premium HK$'000	Capital reserve HK$'000	Share-based payment reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2005	184,811	2,480,000	–	290,182	2,954,993
Share repurchased and cancelled	(13,426)	–	–	–	(13,426)
Issue of shares under scrip dividend schemes	(2,011)	–	–	–	(2,011)
Credit arising on scrip dividends	–	–	–	29,931	29,931
Share issue expenses	(274)	–	–	–	(274)
Recognition of equity-settled share-based payment expense	–	–	4,945	–	4,945
Issue of shares under share option scheme	29	–	(5)	–	24
Transfer from capital reserve	–	(2,480,000)	–	2,480,000	–
Loss for the year	–	–	–	(296,230)	(296,230)
Distribution	–	–	–	(998,070)	(998,070)
At 31 March 2006	169,129	–	4,940	1,505,813	1,679,882
Share repurchased and cancelled	(4,181)	–	–	–	(4,181)
Issue of shares under scrip dividend schemes	(984)	–	–	–	(984)
Credit arising on scrip dividends	–	–	–	24,477	24,477
Share issue expenses	(635)	–	–	–	(635)
Recognition of equity-settled share-based payment expense	–	–	22,181	–	22,181
Issue of shares under share option scheme	59,597	–	(5,096)	–	54,501
Issue of shares upon acquisition of additional interests in subsidiaries	192,701	–	–	–	192,701
Release upon lapse of vested share options	–	–	(63)	63	–
Loss for the year	–	–	–	(9,880)	(9,880)
Distribution	–	–	–	(369,668)	(369,668)
At 31 March 2007	415,627	–	21,962	1,150,805	1,588,394

56. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the Group entered into the following major transactions:

(a) On 13 March 2007, an associate of the Group entered into a conditional agreement regarding the disposal of the associate's property interest in Paul Y. Centre at a consideration of approximately HK$1,150 million. The transaction was completed in June 2007.

The resultant gain on disposal of the associate's property interest is insignificant.

(b) In July 2007, a subsidiary of the Group signed a 7- year project loan facility agreement for RMB960 million. The loan bears the current RMB long-term loan benchmark interest rate announced by the People's Bank of China. The loan is to finance the development of infrastructure projects in Jiangsu Province, the PRC. The loan will be repaid by 24 installments and the final repayment date for the loan is in 2014.

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

(a) Particulars of the Company's principal subsidiaries at 31 March 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 held by the Subsidiaries %	Percentage of issued share capital/ registered capital attributable to the Group %	Principal activities
Corless Limited	British Virgin Islands	US$2 ordinary shares	100	63.74	Investment holding
Glory Well Limited	Hong Kong	HK$10,000 ordinary shares	100	100	Investment holding
Jiangsu Wanhua Real Estate Development Co., Ltd.	PRC	US$8,800,000 registered capital *(notes (i) and (vi) below)*	100	100	Property investment
Jiangsu YangKou Port Development and Investment Co., Ltd.	PRC	US$66,650,000 registered capital *(notes (ii) and (vi) below)*	75	75	Port development
Jiangsu Yangtong Investment and Development Co., Ltd.	PRC	US$13,332,000 registered capital *(note (ii) below)*	75	75	Port development
湖北民生石油液化氣有限公司	PRC	US$25,000,000 registered capital *(note (i) below)*	100	100	LPG distribution and logistics
Nation Cheer Investment Limited	Hong Kong	HK$1,200,000 ordinary shares	100	100	Securities investment and trading
Paul Y. Building Materials Company Limited	Hong Kong	HK$2 ordinary shares	100	63.74	Trading and installation of building materials
Paul Y. Corporation Limited	Hong Kong	HK$2 ordinary shares	100	100	Investment holding
Paul Y. - CREC(HK) Joint Venture	Hong Kong	– *(note (iii) below)*	60	38.24	Civil engineering
Paul Y. (E & M) Contractors Limited	Hong Kong	HK$20,000,000 ordinary shares	99.9998	63.74	Provision of electrical, mechanical and building services
Paul Y. Builders Group Limited	Hong Kong	HK$2 ordinary shares	100	63.74	Investment holding
		HK$1,000,000 non-voting deferred shares *(note (iv) below)*	–	–	
Paul Y. Builders Limited	Hong Kong	HK$102,000,000 ordinary shares	100	63.74	Building construction
Paul Y. Construction & Engineering Co. Limited	Hong Kong	HK$42,000,000 ordinary shares	100	63.74	Building construction and civil engineering

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/ registered capital held by the Subsidiaries	attributable to the Group	Principal activities
			%	%	
Paul Y. Engineering Group Limited	Bermuda	HK$294,800,000 ordinary shares	63.74	63.74	Investment holding
Paul Y. General Contractors Limited	Hong Kong	HK$36,000,000 ordinary shares	100	63.74	Building construction and civil engineering
Paul Y. Interior Contractors Limited	Hong Kong	HK$2 ordinary shares	100	63.74	Interior decoration works
Paul Y. Plant Hire Limited	Hong Kong	HK$2 ordinary shares	100	63.74	Hire of motor vehicles and plant and machinery
Paul Y. Construction Company, Limited	Hong Kong	HK$2 ordinary shares	100	63.74	Civil engineering, building construction and investment holding
		HK$50,000,000 non-voting preferred shares *(note (v) below)*	–	–	
Paul Y. Construction (China) Limited	PRC	RMB60,000,000 registered capital	100	63.74	Civil engineering and building construction
Paul Y. Foundation Holdings Limited	British Virgin Islands	US$1 ordinary share	100	63.74	Investment holding
Paul Y. Foundation Limited	Hong Kong	HK$10,000,000 ordinary shares	100	63.74	Civil engineering and foundation works
Paul Y. Management Limited	Hong Kong	HK$2 ordinary shares	100	63.74	Management and secretarial services
Paul Y. Project Management International Limited	Hong Kong	HK$2 ordinary shares	100	63.74	Project management services and investment holding
Paul Y. Facilities Management Co., Limited	Hong Kong	HK$2 ordinary shares	100	63.74	Facilities management services
PYI Management Limited	Hong Kong	HK$2 ordinary shares	100	100	Management services
PYI Min Sheng Investment Limited	Hong Kong	HK$2 ordinary shares	100	100	Investment holding
PYI Xingdong Properties (Jiangsu) Limited	PRC	US$12,500,000 registered capital *(notes (i) and (vi) below)*	100	100	Property investment

All of the above subsidiaries operate in Hong Kong except Jiangsu Wanhua Real Estate Development Co., Ltd., PYI Xingdong Properties (Jiangsu) Limited, 湖北民生石油液化氣有限公司, Jiangsu Yangtong Investment and Development Co., Ltd., Jiangsu YangKou Port Development and Investment Co., Ltd. and Paul Y. Construction (China) Limited, all of which operate in the PRC.

All of the above subsidiaries are limited companies except Paul Y. - CREC(HK) Joint Venture which is an unincorporated business. Paul Y. Engineering Group Limited is listed in Hong Kong.

Notes:

(i) Being the wholly-foreign-owned-enterprises.

(ii) Being the sino-foreign equity joint ventures.

(iii) No capital has been contributed by the joint venture partners of the joint venture.

(iv) The holders of the non-voting deferred shares are not entitled to vote, are not entitled to any dividends for any financial year and are, on winding up or otherwise, only entitled out of the surplus assets of the company to a return of the capital after a total sum of HK$100,000,000,000,000 has been distributed to the holders of the ordinary shares of the company.

(v) The holders of the non-voting preferred shares are not entitled to vote, are not entitled to any dividends unless the net profits of the company available for dividend exceed HK$100,000,000,000 in which case they should be entitled to a fixed non-cumulative dividend at the rate of 5% per annum for any financial year and are, on winding up, only entitled out of the surplus assets of the company to a return of the capital after a total sum of HK$10,000,000,000 has been distributed to the holders of the ordinary shares of the company.

(vi) As at 31 March 2007, the registered capital of Jiangsu Wanhua Real Estate Development Co., Ltd., Jiangsu YangKou Port Development and Investment Co., Ltd. and PYI Xingdong Properties (Jiangsu) Limited are paid up to US$7,225,000, US$40,650,000 and US$6,432,000, respectively. The registered capital of all other subsidiaries registered in the PRC are fully paid up as at 31 March 2007.

(b) Particulars of the Company's principal associates indirectly held by the Company at 31 March 2007 are as follows:

Name of associate	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/registered capital attributable to the Group %	Principal activities
CSCEC-Paul Y. Construction Company Limited	PRC	US$10,000,000 registered capital *(note below)*	20.0	Civil engineering and building construction
Gain Resources Limited	British Virgin Islands	US$100 ordinary shares	15.9	Investment holding
Nantong Port Group Limited	PRC	RMB966,004,400 registered capital *(note below)*	45	Port operation
Yangtze Feeder Port Limited	British Virgin Islands	US$1 ordinary share	50	Investment holding
Zhong Yu - Paul Y. Project Management Company Limited	PRC	US$500,000 registered capital *(note below)*	25.5	Project management and consultancy services

Note: The company is a sino-foreign equity joint venture company.

(c) Particulars of the Company's principal jointly controlled entity at 31 March 2007 are as follows:

Name of jointly controlled entity	Place of incorporation/ registration	Issued and fully paid share capital	Percentage of issued share capital attributable to the Group %	Principal activities
Paul Y. - Penta-Ocean Joint Venture	Hong Kong	– *(Note)*	31.9	Civil engineering

Note: No capital has been contributed by the joint venture partners.

The above tables list the subsidiaries, associates and jointly controlled entity of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries, associates and jointly controlled entities would, in the opinion of the directors, result in particulars of excessive length.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE PYI GROUP FOR THE YEAR ENEDED 31 MARCH 2007

Set out below is the management discussion and analysis of PYI Group for the financial years ended 31 March 2006 and 31 March 2007 as extracted from the annual report of PYI for the year ended 31 March 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL PERFORMANCE AND POSITIONS

For the year ended 31 March 2007, the Group recorded a consolidated turnover of about $4,782 million (2006: 3,540 million), representing an increase of about 35% when compared with that of last corresponding year. The increase was mainly attributable to the increase in the Group's business in management contracting.

Profit before taxation of some $327 million was achieved as compared with some $367 million for last year. The Group's profit before taxation was composed of:

(i) net gain of about $59 million in management contracting, project management and facilities management businesses (2006: $138 million);

(ii) net gain of about $3 million in LPG distribution (2006: Nil);

(iii) net gain of about $174 million in treasury investment (2006: $80 million);

(iv) net gain of about $14 million in property investment (2006: $12 million);

(v) interest income and other income of about $42 million (2006: $108 million);

(vi) discount on acquisition of LPG business of about $4 million (2006: Nil);

(vii) gain on disposal of interest in an associate of about $5 million (2006: Nil);

(viii) net gain of about $223 million (2006: $10 million) from associates and jointly controlled entities;

(ix) development costs of about $14 million in port and infrastructure development and logistics business (2006: Nil);

(x) net corporate and other expenses of about $159 million (2006: $128 million), of which $23 million (2006: $3 million) was attributed to share-based payment expense for share options granted to directors and employees. Higher corporate costs were employed to support the business expansion and the growing turnover during the year; and

(xi) finance costs of about $24 million (2006: $17 million).

The amount of profit before taxation in last year included increase in fair value of derivative financial instruments of about $18 million, increase in fair value of investment properties of about $85 million and gain on disposal of subsidiaries of about $61 million. None of these items occurred in the current year.

Net profit for the year attributable to the shareholders of PYI was about $346 million (2006: $279 million) and basic earnings per share was 23.6 cents (2006: 20.4 cents). Such improvement was mainly due to deferred tax credit of $63 million arising from a reduction of the PRC enterprise income tax rate from 33% to 25% as promulgated in March 2007.

When compared with the Group's financial position as at last year end, total assets increased by 27% to about $7,621 million (2006: $5,982 million) and net current assets decreased by 36% to about $824 million (2006: $1,284 million). These changes were mainly attributed to the Group's further capital injection into developing projects relating to its port and infrastructure development and logistics business, as well as its fund contribution to the acquisition of LPG distribution business which started to operate during the current year. Consequently, current assets decreased from 1.7 times to 1.3 times of current liabilities. After accounting for the net profit of about $346 million net of dividends paid/declared of about $370 million, equity attributable to shareholders of PYI increased by 8% to about $2,772 million (2006: $2,571 million), representing $1.86 per share as at 31 March 2007 (2006: $1.86 per share).

Net cash inflow from operating activities was about $375 million, and net cash outflow in respect of investing and financing activities was about $333 million, resulting in a net increase in available cash and cash equivalents of about $42 million for the year.

Total shareholder return for the year ended 31 March 2007, representing the increase in share price of PYI during the year plus dividends paid during the year, is about 38% (2006: 37%).

REVIEW OF OPERATIONS

Port & Infrastructure Development & Logistics

The Group has developed a clear strategy to become a regional port player in China, focusing on bulk cargo, infrastructure and logistics in the Yangtze River region. Concentrating on this area of rapid growth, the Group expects its investments in ports and related facilities to drive future business development.

Rapid economic growth in China, combined with booming international trade, has resulted in increasing demand for raw materials, fertilizers, construction materials, foodstuffs and fuel. This demand is in turn creating strong growth in the country's ports and logistics sector, especially in the Yangtze River region.

Development of Yangkou Port, the Group's flagship deep sea port project located at the mouth of the Yangtze River, continues to progress well. In April 2006, PYI raised its stake in Yangkou Port project to 75%, underscoring its commitment in developing the port into a trans-shipment hub in the Yangtze River region. In May 2006, the Group entered into collaboration with PetroChina for conducting preliminary engineering works for the development of a liquefied natural gas (LNG) receiving facility at the man-made island. In December 2006, PetroChina further entrusted the Group to manage, build and transfer a portion of the island planned for its proposed LNG receiving facility. These milestone developments virtually testified the project's technical viability.

Nantong Port Group, in which the Group owns a 45% stake following completion of the acquisition, has recorded significant growth. Expansion of the Langshan Terminal effectively increases throughput capacity by an impressive 54% to nearly 50 million tonnes.

In September 2006, the Group completed acquisition of the assets and business of Minsheng Gas, a mature liquefied petroleum gas (LPG) operator located in Wuhan with proven logistics and operational capabilities. With LPG storage facilities, LPG terminal and jetty, the acquisition provided the Group with an initial foothold in the fast growing oil and gas logistics sectors in Central China and facilitated its development of an integrated transshipment network along the Yangtze River. Further details of this acquisition are described in the paragraph headed "Acquisition of assets and business of Minsheng Gas" under the section headed "MATERIAL ACQUISITION AND DISPOSAL".

The acquisitions of Nantong Port and Minsheng Gas have equipped the Group with professional expertise and on-the-ground operational experience in both dry and liquid bulk cargo operations, which in turn complement its spearheading development in Yangkou Port. The strategic locations of these investments as well as the synergy generated from their operations will form key ingredients for the Group to realize its vision to become a regional port player.

Armed with a continued organic growth strategy supplemented by future strategic acquisitions, the Group is well positioned to benefit from the booming demand for distribution, transportation and logistics services in the Yangtze River region.

Engineering business – Paul Y Engineering

With over 60 years of experience and top quality people, Paul Y Engineering leads the local industry in terms of professionalism and a thorough understanding of its chosen markets. Paul Y Engineering provides integrated solutions to its clients via its three core business, management contracting, project management and facilities management. By participating to develop cities throughout China, it is fully equipped for the provision of property related services to investors from inception, implementation and delivery of property development.

Paul Y Engineering and its subsidiaries (the "Paul Y Engineering Group") achieved gross profit of $167 million during the year (2006: $230 million). Net profit attributable to shareholders rose by 12% to $113 million (2006: $101 million).

The management contracting division remains the major contributor of operating profit to the Paul Y Engineering Group. During the year, new construction contracts worth over $5 billion were secured. As at 31 March 2007, the value of contracts on hand was $12,078 million and the value of work remaining was $6,872 million. Since 1 April 2007, Paul Y Engineering has secured additional contracts worth approximately $500 million.

LPG Distribution

The LPG distribution business, acquired by the Group in September 2006, contributed about $3 million (2006: Nil) to operating profit for the year ended 31 March 2007.

Having occupied a market share of about 40% in Wuhan's LPG market, this newly acquired LPG distribution business provided the Group with not only a new operating skill base but also access to the oil and gas distribution sector in Central China. With a large business stream in converting motor vehicles to LPG users, Minsheng Gas is effectively creating its own market and driving demand, while simultaneously supporting national environmental protection policies that encourage the use of LPG as energy.

Property Development & Investment

Property investment contributed about $14 million (2006: $12 million) to operating profit for the year ended 31 March 2007.

After completion of the disposal of Paul Y. Centre in January 2006, the Group sold another property, M. Bux Tower, an industrial building located in Kwai Chung, Hong Kong at a cash consideration of $98 million in December 2006. The sale price represented a premium of about $20 million over this property's book value. The disposal of M. Bux Tower marked the completion of the Group's divestment programme, allowing it to focus its future business on developing its regional port strategy in the Yangtze River Delta.

Treasury Investment

The Treasury investment business contributed about $174 million (2006: $80 million) towards operating profit during the year ended 31 March 2007.

Total value of the Group's investment securities portfolio amounted to about $156 million as at 31 March 2007 (2006: $162 million), equivalent to about 2% of the Group's total assets (2006: 3%). Portfolio of high-yield loans receivable amounted to about $469 million (2006: $616 million) as at 31 March 2007, equivalent to about 6% (2006: 10%) of the total assets of the Group.

MATERIAL ACQUISITION AND DISPOSAL

Acquisition of 45% equity interest in Nantong Port Group

During the current year, the Group completed its RMB435 million capital contribution in Nantong Port Group for a 45% equity interest. Nantong Port Group is a core port enterprise owning four major terminals at Nantong Port. Being a major port located at the mouth of the Yangtze River, Nantong Port is a category one national port open to foreign trade and a hub port of the China and the second largest bulk cargo distribution centre down-stream of the Yangtze River.

Acquisition of a further 7.4% indirect interest in Yangkou Port project

During the current year, the Group further increased its indirect interest in the Yangkou Port project from 67.6% to 75% by acquiring the remaining 9.9% interest of Global Achiever Limited, an intermediate holding company of the Yangkou Port project subsidiaries, as held by a minority shareholder at a consideration wholly satisfied by the issue of 68.5 million new shares of PYI at a fair price of about $2.913 each.

Acquisition of assets and business of Minsheng Gas

On 12 May 2006, the Group entered into an asset acquisition agreement to acquire assets of a liquid bulk logistics and LPG distribution business in Wuhan at a consideration of RMB470 million, payable as to RMB350 million in cash and RMB120 million by way of the issue of certain 3-year, zero coupon, HK$ denominated convertible notes of PYI at a conversion price of $4.25 per share (the "Convertible Notes"). The acquisition was completed in September 2006.

Divestment in China Strategic

During the current year, the Group completed disposal of its 15.32% interest in China Strategic Holdings Limited at a cash consideration of $26 million. The remaining 62 million consolidated shares of China Strategic were classified as investment held for trading as at 31 March 2007.

Disposal of M. Bux Tower

As described in the paragraph headed "Property Development & Investment" under the section headed "REVIEW OF OPERATIONS", in December 2006, the Group sold M. Bux Tower for a cash consideration of $98 million.

MAJOR SUBSEQUENT EVENTS

New syndicated loan

Subsequent to the year end, in July 2007, the Group, through a 75% owned subsidiary Jiangsu YangKou Port Development and Investment Co., Ltd., entered into a 7-year, RMB960 million project loan facility agreement with eight banks led by the Industrial and Commercial Bank of China. This syndicated loan, bearing the current Renminbi long-term loan benchmark interest rate as announced by the People's Bank of China, will be used to fund construction of the 13-kilometer Yellow Sea Crossing and the 1.4 square kilometers man-made island at Yangkou Port.

Issue of convertible notes

Pursuant to the asset acquisition agreement described in the paragraph headed "Acquisition of assets and business of Minsheng Gas" under the section headed "MATERIAL ACQUISITION AND DISPOSAL", subsequent to the year end, PYI issued the Convertible Notes. At maturity, the redemption amount payable is 114.167% of par value.

Disposal of 25% interest in Paul Y. Centre

In March 2007, a 25% owned associate of Paul Y Engineering entered into a conditional agreement for the disposal of Paul Y. Centre located at No. 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong at a consideration of $1,150 million. The disposal was completed in June 2007.

OUTLOOK

China's track record of strong economic growth looks set to remain steady for the coming financial year ending 31 March 2008. This organic growth, coupled with increasing levels of international trade, has spiked demand for essential raw materials, construction materials and energy resources.

PYI's business in bulk cargo and ports infrastructure is directly benefiting from this booming demand as China increases its appetite for the resources necessary to support its continued growth.

With our strategic position in the Yangtze River Delta, PYI is focusing on the ongoing development of its flagship project at Yangkou Port, as well as leveraging its operations at Nantong Port and Minsheng Gas for maximum synergies, cross-business opportunities and economies of scale.

Having acquired operational expertise in both dry and liquid bulk cargo, PYI is exploring opportunities for further acquisitions that support its key business operations in the Yangtze River Delta.

The Group is fully committed to deploying its professional capabilities and operational resources to transform China's ports and logistics sector and to achieve our vision of becoming the major bulk cargo port investor and operator in the Yangtze River region.

LIQUIDITY AND CAPITAL RESOURCES

The Group continues to adopt a prudent funding and treasury policy with regard to its overall business operations. A variety of credit facilities are maintained to meet its working capital requirements and committed capital expenditures. The loans of the Group bear interest at market rates and are with terms of repayment ranging from one year to seven years. In an effort to minimize the adverse impact of exchange rate and interest rate fluctuations on the Group's earnings, assets and liabilities, the Group continues to manage these fluctuation exposures on specific transactions.

As at 31 March 2007, the Group's total borrowings amounted to about $1,024 million (2006: $688 million) with $597 million (2006: $523 million) repayable within one year and $427 million (2006: $165 million) repayable after one year. Out of the Group's total borrowings of about $1,024 million as at 31 March 2007, about $226 million was non-recourse to the Group (excluding the Paul Y Engineering Group).

As at 31 March 2007, $262 million (2006: $404 million) of the Group's borrowings bore interest at floating rates and were denominated in Hong Kong dollars, $600 million (2006: $142 million) bore interest at floating rates and were denominated in Renminbi, and $162 million (2006: $142 million) bore interest at a fixed rate and were denominated in Renminbi. The Group's gearing ratio was 0.37 (2006: 0.27), which is calculated based on the total borrowings of $1,024 million (2006: $688 million) and the Group's shareholders' fund of $2,772 million (2006: $2,571 million).

Cash balances as at 31 March 2007 amounted to about $779 million (2006: $785 million), of which about $43 million (2006: $119 million) has been pledged to banks to secure general credit facilities granted to the Group. As at the year end, the Group has a net debt position (being cash balances net of bank borrowings) of $185 million (2006: net cash of $313 million).

During the current year, PYI issued and allotted 68,500,000 ordinary shares as consideration for acquiring a further 7.4% indirect interest in the Yangkou Port project.

In addition, the Group contracted to pay for the consideration of acquiring the LPG assets and business in Wuhan, as to RMB350 million in cash and RMB120 million by way of the Convertible Notes, which were issued subsequent to the year end. The Group also obtained a 7-year bank term loan in principal amount of RMB300 million as the primary facility to finance this acquisition. As at 31 March 2007, the Group utilised the said bank term loan in an aggregate amount of RMB262 million.

CONTINGENT LIABILITIES

As at 31 March 2007, the Group has contingent liabilities in respect of guarantee given to a bank for banking facilities to an associate of about $9 million (2006: $9 million), which was non-recourse to the Group (excluding the Paul Y Engineering Group).

PLEDGE OF ASSETS

As at 31 March 2007, certain property, plant and equipment, land and sea use rights and bank deposits of the Group with an aggregate value of about $644 million (2006: $197 million) and benefits under certain construction contracts have been pledged to banks and financial institutions to secure general credit facilities granted to the Group. As at 31 March 2007, about $53 million (2006: $76 million) of these pledged assets used to secure credit facilities which were non-recourse to the Group (excluding the Paul Y Engineering Group).

COMMITMENTS

As at 31 March 2007, the Group had expenditure contracted for but not provided for in the consolidated financial statements in respect of acquisition of certain property, plant and equipment, project under development and properties under development in the amount of about $1,520 million (2006: $92 million).

HUMAN RESOURCES

At the end of the year under review, the Group employed a total of about 1,927 full-time employees (2006: 1,294 employees). Remuneration packages consisted of salary as well as performance-based and equity-based bonuses. PYI has implemented three share-related incentive schemes to provide alternative means to motivate employees and promote their loyalty in line with the Group's business strategy. Such schemes benefited PYI staff both in Hong Kong and the Mainland.

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

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

ASSETS AND LIABILITIES

	Audited As at 31st March		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	3,705,532	6,310,209	2,460,700
Total liabilities	(309,101)	(1,938,149)	(428,691)
Shareholders' funds	3,396,431	4,372,060	2,032,009
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	–	1,506,355	22,064
	3,396,431	4,372,060	2,032,009

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

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

	Notes	**2008** *HK$'000*	**2007** *HK$'000* (Restated)
Continuing operations			
Revenue	6	155,634	244,060
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		200,975	41,521
Profit before taxation	14	324,501	899,546
Taxation	15	(10,669)	(8,695)
Profit for the year from continuing operations		313,832	890,851
Discontinued operation			
Profit for the year from discontinued operation	16	2	29
Profit for the year		313,834	890,880
Attributable to:			
Equity holders of the Company		252,051	843,929
Minority interests		61,783	46,951
		313,834	890,880
Distributions	17	78,043	59,191
Earnings per share	18		
		HK cents	*HK cents*
From continuing and discontinued operations			
Basic		9.9	38.0
Diluted		9.0	32.5
From continuing operations			
Basic		9.9	38.0
Diluted		9.0	32.5

CONSOLIDATED BALANCE SHEET
AT 31ST MARCH, 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
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
		3,229,808	3,678,137
Current assets			
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
		416,242	2,632,072
Non-current assets classified as held for sale	39	59,482	–
		475,724	2,632,072
Current liabilities			
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
		55,098	1,200,728
Net current assets		420,626	1,431,344
Total assets less current liabilities		3,650,434	5,109,481

	Notes	2008 HK$'000	2007 HK$'000
Non-current liabilities			
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
		254,003	737,421
Net assets		3,396,431	4,372,060
Capital and reserves			
Share capital	48	269,460	187,298
Share premium and reserves		3,126,971	2,623,128
Equity attributable to equity holders of the Company		3,396,431	2,810,426
Convertible notes reserve of a subsidiary		–	55,279
Minority interests		–	1,506,355
Total equity		3,396,431	4,372,060

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH, 2008

	Attributable to equity holders of the Company																	
	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*	Convertible notes reserve of a subsidiary *HK$'000*	Share option reserve of a subsidiary *HK$'000*	Minority interests *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:																		
– 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	–	–	–	–	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:																		
– 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

	2008 *HK$'000*	2007 *HK$'000*
OPERATING ACTIVITIES		
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)
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)
Cash generated from operations	94,138	12,979
Dividends received from associates	35,263	94,963
Hong Kong Profits Tax paid	–	(17)
NET CASH FROM OPERATING ACTIVITIES	129,401	107,925

	Notes	2008 HK$'000	2007 HK$'000
INVESTING ACTIVITIES			
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
NET CASH USED IN INVESTING ACTIVITIES		(492,297)	(466,183)
FINANCING ACTIVITIES			
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)
NET CASH FROM FINANCING ACTIVITIES		190,318	382,043
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(172,578)	23,785
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		210,705	199,591
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		2,713	(12,671)
CASH AND CASH EQUIVALENTS CARRIED FORWARD		40,840	210,705
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Short-term bank deposits, bank balances and cash		70,297	282,304
Bank overdrafts		(29,457)	(71,599)
		40,840	210,705

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

[1] Effective for annual periods beginning on or after 1st January, 2009
[2] Effective for annual periods beginning on or after 1st July, 2009
[3] Effective for annual periods beginning on or after 1st January, 2008
[4] 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/preferable 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	2007
	HK$'000	*HK$'000*
Financial assets		
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
Financial liabilities		
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	2007
	HK$'000	*HK$'000*
Loans or receivables designated at FVTPL		
Carrying amount of loans or receivables designated at FVTPL	5,390	147,238

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	3 months to 1 year	1-5 years	5+ years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008							
Non-derivative financial liabilities							
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
		47,507	11,454	228,882	38,513	326,356	294,979
2007							
Non-derivative financial liabilities							
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
		773,468	317,212	664,810	101,506	1,856,996	1,761,370
Derivatives – net settlement							
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*
Continuing operations		
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
	155,634	244,060
Discontinued operation		
Trading of building materials and machinery	2,547	5,177
	158,181	249,237

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).

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

	Continuing operations							Discontinued operation	
	Finance	**Securities investment**	**Other investment**	**Property investment**	**Unallocated**	**Eliminations**	**Total**	**Trading of building materials and machinery**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*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

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
BALANCE SHEET							
ASSETS							
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							3,705,532
LIABILITIES							
Segment liabilities	–	1,835	–	–	–	–	1,835
Unallocated corporate liabilities							307,266
Total liabilities							309,101
OTHER INFORMATION							
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

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

	Continuing operations							Discontinued operation	
	Finance	Securities investment	Other investment	Property investment	Unallocated	Eliminations	Total	Trading of building materials and machinery	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*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
BALANCE SHEET							
ASSETS							
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							6,310,209
LIABILITIES							
Segment liabilities	–	7,016	10,966	–	–	1,543	19,525
Unallocated corporate liabilities							1,918,624
Total liabilities							1,938,149
OTHER INFORMATION							
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	–	–
	719,019	3,181,298	3	143,006

7. NET GAIN ON FINANCIAL INSTRUMENTS

	Continuing operations		Discontinued operation		Consolidated	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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)
	159,441	117,271	–	–	159,441	117,271

Note:

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

8. OTHER INCOME

	Continuing operations		Discontinued operation		Consolidated	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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
	9,831	27,735	–	–	9,831	27,735

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	Salaries and other benefits	Retirement benefit scheme contributions	Discretionary bonus	Equity-settled share-based payments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008						
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	650	8,438	723	6,250	9,110	25,171
2007						
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	694	8,438	723	4,500	–	14,355

(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:

	2007
	HK$'000
Salaries and other benefits	1,903
Retirement benefit scheme contributions	57
Discretionary bonus	800
	2,760

Their emoluments were within the following bands:

	2007 Number of employees
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	1
	2

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
	20,960	10,014	–	–	20,960	10,014

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
	57,040	39,450	–	–	57,040	39,450

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
	–	560,055	–	–	–	560,055

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	–
	(88,638)	1,893	(22)	–	(88,660)	1,893

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 issurance 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:

	2008 *HK$'000*	2007 *HK$'000*
Profit before taxation		
Continuing operations	324,501	899,546
Discontinued operation	2	29
	324,503	899,575
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	10,669	8,695

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:

	2008 *HK$'000*	2007 *HK$'000*
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 *(note 50)*	(22)	–
	2	29

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

	1.4.2007 to 26.10.2007 *HK$'000*	1.4.2006 to 31.3.2007 *HK$'000*
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	24	29
Attributable to:		
Equity holders of the Company	24	29
Minority interests	–	–
	24	29

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

	1.4.2007 to 26.10.2007	**1.4.2006 to 31.3.2007**
	HK$'000	*HK$'000*
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	133	318

17. DISTRIBUTIONS

	2008	**2007**
	HK$'000	*HK$'000*
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	34,563	27,954
	78,043	59,191
Dividend proposed in respect of current year:		
Final dividend proposed for 2008: HK0.3 cent (2007: HK2.0 cents for 2007) per ordinary share	8,084	43,460

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:

	2008	**2007**
	HK$'000	*HK$'000*
Profit for the year attributable to equity holders of the Company for the purposes of basic earnings per share	252,051	843,929
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)
Earnings for the purposes of diluted earnings per share	257,356	826,289

	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	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	2,865,539,097	2,544,862,605

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)
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)
Earnings for the purposes of diluted earnings per share from continuing operations	257,354	826,260

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
COST OR VALUATION						
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
DEPRECIATION						
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
CARRYING VALUES						
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% – $33^1/_3$%
Yacht and motor vehicles	20% – $33^1/_3$%
Furniture and fixtures	10% – $33^1/_3$%
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:

	2008	2007
	HK$'000	*HK$'000*
Freehold properties in Canada	48,164	31,624
Buildings in Hong Kong	12,000	12,400
	60,164	44,024

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

	HK$'000
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	(7,018)
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	4,566
At 31st March, 2008	9,511

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:

	2008	2007
	HK$'000	*HK$'000*
Non-current assets	85,223	87,437
Current assets	2,214	2,214
	87,437	89,651

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 *(note (a) below)*	1,177	–
	2,745,768	1,594,047
Market value of listed securities:		
Hong Kong	1,166,454	1,477,663
Overseas	378,927	362,788
	1,545,381	1,840,451

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
At 31st March, 2007	5,155
Arising on acquisition of interests in associates	1,177
At 31st March, 2008	6,332
Impairment	
At 1st April, 2006	–
Recognised for the year	5,155
At 31st March, 2007	5,155
Recognised for the year	–
At 31st March, 2008	5,155
Carrying value	
At 31st March, 2008	1,177
At 31st March, 2007	–

(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 2008 %	2007 %	Principal activities
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 *(note (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 *(note (ii))*	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") *(note (iii))*	Hong Kong	Bermuda	Hong Kong	14.22 *(note (iv))*	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 *(note (iv))*	–	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 *(note (v))*	26.30	Supply of household consumer products
Hangzhou Zhongce Rubber Company Limited	N/A	PRC	PRC	N/A *(note (v))*	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	12,395,302	7,208,456
The Group's share of net assets of associates	2,744,591	1,594,047
Revenue	5,689,205	9,827,896
Profit for the year	551,619	819,856
The Group's share of results of associates for the year	160,939	207,221

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 *(note (a) below)*	154,821	–	489	–
ITC Properties *(note (b) below)*	25,734	23,848	1,434	1,754
Wing On Travel *(note (c) below)*	–	250,456	–	44,642
	180,555	274,304	1,923	46,396
Convertible options embedded in other convertible notes, in which the debt elements are designated as available for sale investment *(note 28)*			–	52,070
			1,923	98,466

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	2.56 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	2007
	HK$'000	*HK$'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 *(note (a) below)*	23,482	–
Unlisted debt securities *(note (b) below)*	–	704,067
	117,377	989,934
At cost less impairment:		
Unlisted equity securities, *(note (c) below)*	–	43,889
	117,377	1,033,823

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	Maturity date	Coupon rate	Redemption amount	Effective interest rate at 31st March, 2007
	HK$'000		*%*		*%*
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	HKS$0.69
Conversion price	HKS4.06
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	**2007**
	HK$'000	*HK$'000*
Trade debtors	7,346	16,115
Less: Allowance for doubtful debts	–	(2,223)
	7,346	13,892
Other debtors, deposits and prepayments	2,487	391,419
Less: Allowance for doubtful debts	(935)	(1,282)
	1,552	390,137
	8,898	404,029

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	**2007**
	HK$'000	*HK$'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
	7,346	13,892

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	**2007**
	HK$'000	*HK$'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	–	2,223

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	**2007**
	HK$'000	*HK$'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	935	1,282

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:

	2008	**2007**
	HK$'000	*HK$'000*
Balance at beginning of the year	2,456	2,255
Impairment losses recognised	122	201
Balance at end of the year	2,578	2,456

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

	2008	**2007**
	HK$'000	*HK$'000*
ITC Properties	–	1,055
See Corp	6,753	6,207
	6,753	7,262

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:

	2008	**2007**
	HK$'000	*HK$'000*
Balance at beginning of the year	24,294	21,764
Impairment losses recognised	2,389	2,530
Balance at end of the year	26,683	24,294

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
	26,898	342,447
Less: Impairment loss recognised	(1,898)	(1,898)
	25,000	340,549

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)
Balance at end of the year	1,898	1,898

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
	5,390	147,238

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

	2008 *HK$'000*	2007 *HK$'000*
Listed equity securities, at fair value:		
– in Hong Kong	32,138	594,645
– elsewhere	1,295	32,004
	33,433	626,649

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:

	2008 *HK$'000*	2007 *HK$'000*
Trade creditors		
0 - 30 days	138	18,320
31 - 60 days	4,161	47
Over 90 days	–	29
	4,299	18,396

41. AMOUNTS DUE TO ASSOCIATES

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

42. DERIVATIVE FINANCIAL INSTRUMENTS

	2008	2007
	HK$'000	*HK$'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

	2008 HK$'000	2007 HK$'000
The entire borrowings is secured and comprise:		
Bank loans	57,650	148,450
Other loans	–	510,000
	57,650	658,450
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
	57,650	658,450
Less: Amount due within one year or on demand shown under current liabilities	(2,450)	(517,100)
Amount due after one year	55,200	141,350

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

	2008 HK$'000	2007 HK$'000
Fixed-rate borrowings due within one year carrying interest at 15% per annum	–	510,000

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

	2008 HK$'000	2007 HK$'000
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	(565,714)	–
At the end of the year	192,952	556,980

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:

	Accelerated tax depreciation *HK$'000*	**Revaluation of properties** *HK$'000*	**Tax losses** *HK$'000*	**Total** *HK$'000*
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	3,262	4,765	(2,176)	5,851

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

	2008 *HK$'000*	**2007** *HK$'000*
Deferred tax assets	–	1,464
Deferred tax liabilities	(5,851)	(39,091)
	(5,851)	(37,627)

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 *(note (a) below)*	7,000,000,000	700,000
At 31st March, 2008	10,000,000,000	1,000,000
Issued and fully paid:		
At 1st April, 2006	1,837,495,145	183,750
Conversion of redeemable convertible preference shares *(note (b) below)*	907,115	90
Issue of shares *(note (c) below)*	34,580,108	3,458
At 31st March, 2007	1,872,982,368	187,298
Conversion of redeemable convertible preference shares *(note (d) below)*	1,019,230	102
Placement of shares *(note (e) below)*	300,000,000	30,000
Issue of bonus shares *(note (f) below)*	434,800,319	43,480
Issue of shares *(note (g) below)*	85,803,352	8,580
At 31st March, 2008	2,694,605,269	269,460

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	Trasy	Dreyer	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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	(265)	(11)	22	(254)
Cash and cash equivalent of subsidiaries disposed of	65,024	17,096	631	82,751

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	Adjustments	Fair value
	HK$'000	*HK$'000*	*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)
	3,051,808	9,684	3,061,492
Minority interests			(1,765,646)
Convertible notes reserve *(Note)*			(59,530)
Less: Interests acquired in previous acquisition			
– interests in an associate			(554,332)
– revaluation increase on net assets shared by the Group in interest in an associate			(4,215)
– available-for-sale investments			(18,681)
– investment revaluation reserve reversed			1,681
Discount on acquisition			(370,923)
Share of results recognised in retained profits			(3,143)
			286,703
SATISFIED BY:			
Cash consideration paid			286,703
Net cash outflow arising on acquisitions:			
Cash consideration paid			(286,703)
Cash and cash equivalents acquired			55,348
			(231,355)

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

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

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:

	2008	**2007**
	HK$'000	*HK$'000*
Within one year	384	363
In the second to fifth year inclusive	108	327
	492	690

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:

	2008	**2007**
	HK$'000	*HK$'000*
Within one year	596	1,050
In the second to fifth year inclusive	307	745
	903	1,795

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:

	2008	**2007**
	HK$'000	*HK$'000*
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
	265,970	478,594

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:

Class of related party	Nature of transactions/balances	2008 *HK$'000*	2007 *HK$'000*
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 *(note)*	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

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

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

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 held by the Company*/ subsidiaries 2008 %	2007 %	attributable to the Group 2008 %	2007 %	Principal activities
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 held by the Company*/ subsidiaries 2008 %	2007 %	attributable to the Group 2008 %	2007 %	Principal activities
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. INDEBTEDNESS

(a) Borrowings

As at the close of business on 31 March 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$88.0 million comprising (i) secured bank borrowings of approximately HK$71.0 million; (ii) unsecured bank borrowings of approximately HK$12.8 million; and (iii) secured margin financing loans of approximately HK$4.2 million.

The secured bank borrowings and secured margin financing loans were secured by listed securities of associate, buildings, prepaid lease payments and investment properties. The carrying value of pledged assets as at 30 September 2008 is set out in the paragraph headed "Pledge of assets" in the "Business Review" section below.

(b) Debt securities

As at the close of business on 31 March 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 as at 31 March 2009 was approximately HK$197.3 million.

(c) Contingent liabilities

As at the close of business on 31 March 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 31 March 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.

4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present financial resources and the banking facilities presently available, 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.

5. 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.

6. 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, 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; and (iv) long-term convertible notes issued by companies whose issued shares are listed on the Stock Exchange.

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.

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.

Pledge of assets

As at 30 September 2008, certain of the Group's properties, certain shares of associates, margin account receivables, held for trading investments and derivative financial instruments with an aggregate carrying value of approximately HK$263.8 million were pledged to banks and financial institutions to secure general facilities granted to the Group.

7. 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 NET ASSETS STATEMENT OF THE GROUP

The unaudited pro forma net assets statement of the Group (the "Unaudited Pro Forma Net Assets Statement") has been prepared to demonstrate the effect of the full acceptance by the Group of the provisional allotment of the PYI Rights Shares under the PYI Rights Issue (the "Proposed Transaction").

The Unaudited Pro Forma Net Assets Statement has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules for the purpose of illustrating the effect of the Proposed Transaction as if the Proposed Transaction had been taken place on 30 September 2008.

The preparation of the Unaudited Pro Forma Net Assets Statement is based on the unaudited consolidated balance sheet of the Group as at 30 September 2008 which has been extracted from the published interim report of the Group for the six months ended 30 September 2008 and adjusted only to reflect the pro forma adjustment described in the notes thereto. Narrative description of the unaudited pro forma adjustment that is directly attributable to the Proposed Transaction, and is factually supportable, is summarised in the accompanying notes.

The Unaudited Pro Forma Net Assets Statement is based on a number of assumptions, estimates and uncertainties. The accompanying Unaudited Pro Forma Net Assets Statement does not purport to describe the actual financial position of the Group that would have been attained had the Proposed Transaction been completed on 30 September 2008. The Unaudited Pro Forma Net Assets Statement does not purport to predict the future financial position of the Group.

The Unaudited Pro Forma Net Assets Statement should be read in conjunction with the historical financial information of the Group as set out in the published interim report of the Group for the six months ended 30 September 2008 and other financial information included elsewhere in this circular.

	The Group as at 30 September 2008 HK$'000 (Unaudited)	Pro forma adjustments for subscription of PYI Rights Shares HK$'000 (Note 1)	Pro forma total for the Group HK$'000
Non-current assets			
Property, plant and equipment	77,948	–	77,948
Investment properties	61,523	–	61,523
Prepaid lease payments	58,664	–	58,664
Intangible assets	830	–	830
Interests in associates	2,654,071	97,083	2,751,154
Debt portion of convertible notes	186,367	–	186,367
Conversion options embedded in convertible notes	377	–	377
Available-for-sale investments	111,227	–	111,227
	3,151,007	97,083	3,248,090
Current assets			
Inventories	27	–	27
Prepaid lease payments	1,544	–	1,544
Debtors, deposits and prepayments	10,261	–	10,261
Margin account receivables	125	–	125
Amounts due from associates	262,163	–	262,163
Amounts due from related companies	6,961	–	6,961
Loans receivable	25,000	–	25,000
Investments held for trading	8,962	–	8,962
Derivative financial instruments	3,438	–	3,438
Short-term bank deposits, bank balances and cash *(Note 2)*	25,860	(25,860)	–
	344,341	(25,860)	318,481
Current liabilities			
Creditors and accrued expenses	14,763	–	14,763
Dividend payable	8,596	–	8,596
Amounts due to associates	2,508	–	2,508
Borrowings – due within one year	2,450	–	2,450
Bank overdrafts *(Note 2)*	36,910	71,223	108,133
	65,227	71,223	136,450
Net current assets	279,114	(97,083)	182,031
Total assets less current liabilities	3,430,121	–	3,430,121
Non-current liabilities			
Borrowings – due after one year	55,200	–	55,200
Convertible notes payable	195,092	–	195,092
Deferred tax liabilities	9,002	–	9,002
	259,294	–	259,294
Net assets	3,170,827	–	3,170,827

Note 1: The adjustment represents the consideration to be paid by the Group for full acceptance of provisional allotment under the PYI Rights Issue. The transaction cost for the Proposed Transaction is considered immaterial.

Note 2: Since the pro forma bank balance of the Group immediately after the subscription of PYI Rights Shares is prepared as if the Proposed Transaction had been taken place on 30 September 2008, there would be a cash shortfall of approximately HK$71.2 million on 30 September 2008. The pro forma bank balance of the Group does not take into account the estimated net proceeds of approximately HK$103.8 million to be received from the rights issue of the Company as set out in the Company's prospectus dated 29 April 2009.

2. LETTER ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION 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.

Deloitte.
德勤

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 III of the circular issued by the Company dated 21 May 2009 (the "Circular") to provide information about how the proposed possible major transaction in respect of the subscription of the rights shares in PYI Corporation Limited, an associate of the Company, might have affected the financial information presented. The basis of preparation of the unaudited pro forma financial information is set out on pages 234 and 235 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

21 May 2009

This is an explanatory statement given to the Shareholders relating to the proposed ordinary resolution authorising the Directors to repurchase Shares to be passed by the Shareholders at the SGM.

This explanatory statement contains a summary of the information required pursuant to Rule 10.06 of the Listing Rules which is set out as follows:

Share capital

- As at the Latest Practicable Date, the authorised share capital of the Shares was 102,800,000,000 Shares, of which a total of 134,747,906 Shares were issued and fully paid.

- Assuming that the Rights Issue is completed and no further Shares are issued or repurchased after the Latest Practicable Date and before the date of the SGM, there will be 673,689,530 Shares in issue, and exercise in full of the New Repurchase Mandate would result in up to a maximum of 67,368,953 Shares being repurchased by the Company during the relevant period referred to in the ordinary resolution numbered (D) of the notice of the SGM.

Reasons for repurchases

- The Directors believe that it is in the best interests of the Company and the Shareholders as a whole for the Directors to have a general authority from the Shareholders to enable the Directors to purchase Shares on the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share and will benefit the Company and the Shareholders.

Funding of repurchases

- The repurchase of Shares shall be made with funds legally available for such purpose in accordance with the Company's memorandum of association and bye-laws and the applicable laws of Bermuda. Under Bermuda law, repurchases may only be effected out of the capital paid up on the purchased Shares or out of 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 before the Shares are repurchased. It is envisaged that the funds required for any repurchase would be derived from such sources.

- As compared to the financial position of the Company as at 31 March 2008 (being the date of the Company's latest audited accounts), the Directors consider that the repurchases of Shares will have no material adverse impact on the working capital and the gearing position of the Company in the event that the New Repurchase Mandate were to be exercised in full at any time during the proposed repurchase period. The Directors do not propose to exercise the New Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

Directors, their associates and connected persons

- None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates, has any present intention, in the event that the New Repurchase Mandate is approved by the Shareholders, to sell Shares to the Company.

- No connected person, as defined in the Listing Rules, has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, in the event that the New Repurchase Mandate is approved by the Shareholders.

Undertaking of the Directors

- The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the New Repurchase Mandate in accordance with the Listing Rules, the bye-laws of the Company and the applicable laws of Bermuda.

Share repurchase made by the Company

- The Company had not purchased any Shares, whether on the Stock Exchange or otherwise, in the six months preceding the Latest Practicable Date.

GENERAL

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition of voting rights for the purpose of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase in Shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. If the Company were to repurchase Shares up to the permitted maximum of 10% of its issued share capital, such parties may together with any other parties acting in concert with them become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, assuming the Rights Issue was completed, Galaxyway Investments Limited, which is ultimately and beneficially owned by Dr. Chan, held 202,678,125 Shares, representing approximately 30.08% interest in the enlarged issued share capital after completion of the Rights Issue. Dr. Chan also personally held 31,588,330 Shares, representing approximately 4.69% of the enlarged issued share capital after completion of the Rights Issue. On the basis that no further Shares (except the issue of Rights Shares under the Rights Issue) are issued or repurchased and that there is no change in shareholding in the Company owned by Galaxyway Investments Limited and Dr. Chan and in the event that the New Repurchase Mandate is exercised in full, the shareholding of Galaxyway Investments Limited and Dr. Chan would, in aggregate, be increased to approximately 38.64% of the enlarged issued share capital after completion of the Rights Issue. Should such increase arise, Galaxyway Investments Limited and Dr. Chan would become obliged to make a mandatory offer for all issued Shares not already owned by them or their concert parties under Rule 26 of the Takeovers Code. The Directors have no present intention to exercise the New Repurchase Mandate to an extent which will result in the number of Shares held by the public being reduced to less than 25%.

PRICES OF THE SHARES

The highest and lowest prices at which the Shares were traded on the Stock Exchange during each of the twelve months preceding the Latest Practicable Date were as follows:

	Shares	
	Highest *HK$*	**Lowest** *HK$*
2008		
May	1.800*	1.600*
June	1.640*	1.380*
July	1.400*	1.144*
August	1.128*	0.880*
September	0.904*	0.560*
October	0.580*	0.396*
November	0.488*	0.416*
December	0.524*	0.432*
2009		
January	0.572*	0.484*
February	0.556*	0.460*
March	0.460*	0.320*
April	0.540*	0.316*
May (up to the Latest Practicable Date)	0.600	0.500

* *The prices of the Shares have been adjusted for the effect of the Capital Reorganisation.*

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. 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 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, 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 Shares held	No. of underlying Shares held	Approximate % of the issued share capital of ITC *(Note 3)*
Dr. Chan	Beneficial owner	Long position	31,588,330 *(Note 1)*	–	4.69%
Dr. Chan	Interest of controlled corporation *(Note 1)*	Long position	202,678,125 *(Note 1)*	–	30.08%
Dr. Chan	Interest of controlled corporation	Long position	–	8,107,125 *(Note 1)*	1.20%
Dr. Chan	Beneficial owner	Long position	–	1,263,533 *(Note 1)*	0.18%
Chau Mei Wah, Rosanna	Beneficial owner	Long position	–	1,345,000 *(Note 2)*	0.19%
Chan Kwok Chuen, Augustine	Beneficial owner	Long position	–	600,000 *(Note 2)*	0.08%
Chan Fut Yan	Beneficial owner	Long position	–	1,250,000 *(Note 2)*	0.18%
Cheung Hon Kit	Beneficial owner	Long position	–	1,250,000 *(Note 2)*	0.18%
Chuck, Winston Calptor	Beneficial owner	Long position	–	125,000 *(Note 2)*	0.01%
Lee Kit Wah	Beneficial owner	Long position	–	125,000 *(Note 2)*	0.01%
Shek Lai Him, Abraham	Beneficial owner	Long position	–	125,000 *(Note 2)*	0.01%

Notes:

1. 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 Shares and Warrants (listed equity derivatives) with rights to subscribe for 8,107,125 Shares at the current subscription price of HK$4.4 per Share (subject to adjustments) held by Galaxyway Investments Limited. Dr. Chan held 6,317,666 Shares and Warrants (listed equity derivatives) with rights to subscribe for 1,263,533 Shares at the current subscription price of HK$4.4 per Share (subject to adjustments).

   Pursuant to an undertaking given by Dr. Chan dated 16 March 2009 (the "CC Undertaking Letter"), Dr. Chan had irrevocably undertaken to accept, or procure the acceptance of, the provisional allotment of 187,413,164 Rights Shares under the Rights Issue in full.

2. Details of outstanding share options (unlisted equity derivatives) granted to the Directors by ITC pursuant to the Share Option Scheme 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 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 share options were vested on the date of grant.

3. The percentage of shareholding in the Company is calculated on the assumption that the Rights Issue is completed.

(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:

1. 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).

2. Hon. 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

Name of Director	Capacity	Long position/ Short position	No. of PYI Shares held	No. of underlying PYI Shares held	Approximate % of the issued share capital of PYI
Dr. Chan	Interest of controlled corporation *(Note 1)*	Long position	404,512,565	–	8.93% *(Note 5)*
Dr. Chan	Interest of controlled corporation *(Note 1)*	Long position	–	67,418,760 *(Note 2)*	1.48% *(Note 5)*
Dr. Chan	Beneficial owner	Long position	944,961,161 *(Note 4)*	–	20.88% *(Note 5)*
Dr. Chan	Beneficial owner	Long position	–	1,996,446 *(Note 2)*	0.64% *(Note 5)*
Chau Mei Wah, Rosanna	Beneficial owner	Long position	–	1,493,333 *(Note 3)*	0.09%
Chan Fut Yan	Beneficial owner	Long position	–	2,916,667 *(Note 3)*	0.19%
Cheung Hon Kit	Beneficial owner	Long position	400	–	0.00%
Cheung Hon Kit	Beneficial owner	Long position	–	66 *(Note 2)*	0.00%
Shek Lai Him, Abraham	Beneficial owner	Long position	2,000	–	0.00%
Shek Lai Him, Abraham	Beneficial owner	Long position	–	333 *(Note 2)*	0.00%

Notes:

1. The PYI Shares and underlying PYI Shares 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 PYI Shares and underlying PYI Shares held by an indirect wholly-owned subsidiary of ITC.

2. An indirect wholly-owned subsidiary of ITC, Dr. Chan, Mr. Cheung Hon Kit and Hon. Shek Lai Him, Abraham held PYI Warrants (listed equity derivatives) with rights to subscribe for 67,418,760 PYI Shares, 1,996,446 PYI Shares, 66 PYI Shares and 333 PYI Shares respectively at an initial subscription price of HK$1.0 per PYI Share (subject to adjustments).

3. 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 PYI Shares and 2,916,667 PYI Shares respectively at HK$1.2857 per PYI Share (subject to adjustments) during the period from 28 December 2004 to 26 August 2012. These share options were vested on the date of grant.

4. Dr. Chan has irrevocably agreed and undertaken to PYI and the Underwriter, to accept, or procure the acceptance of, the provisional allotment of the 23,957,354 PYI Rights Shares to be allotted to him or entitles controlled by him under the PYI Rights Issue by reason of his holding of 11,978,677 PYI Shares.

   Dr. Chan has entered into a sub-underwriting agreement with the Underwriter on 29 April 2009. Under the sub-underwriting agreement, Dr. Chan has agreed, inter alia, to subscribe or procure subscribers to subscribe for up to 909,025,130 PYI Rights Shares (which include 809,025,130 PYI Rights Shares under the Participation if the Company chooses not to take up).

5. The percentage of shareholding in PYI is calculated on the assumption that the PYI Rights Issue is completed on the basis that no conversion or subscription rights attaching to the outstanding convertible notes, warrants and options of PYI are exercised before the Record Date.

(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	9,666,000	–	2.05%
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 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 to be notified to the Company and the Stock Exchange.

3. 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 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.

(a) Interests and short positions of substantial Shareholders in the Shares and underlying Shares

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

Name	Capacity	Long position/ Short position	No. of Shares held	No. of underlying Shares (listed equity derivatives) held	Approximate % of the issued share capital of ITC *(Note 2)*
Ng Yuen Lan, Macy	Interest of spouse *(Note 1)*	Long position	234,266,455	–	34.78%
Ng Yuen Lan, Macy	Interest of spouse *(Note 1)*	Long position	–	9,370,658 *(Note 1)*	1.39%
Get Nice Holdings Limited	Interest of controlled corporation *(Note 3)*	Long position	351,538,460 *(Note 3)*	–	52.18%
Get Nice Incorporated	Interest of controlled corporation *(Note 3)*	Long position	351,538,460 *(Note 3)*	–	52.18%
Get Nice Securities Limited	Beneficial owner	Long position	351,538,460 *(Note 3)*	–	52.18%

Notes:

1. 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 Shares and Warrants (listed equity derivatives) with rights to subscribe for 8,107,125 Shares at the current subscription price of HK$4.4 per Share (subject to adjustments) interested by Galaxyway Investments Limited. Dr. Chan personally interested in 31,588,330 Shares and Warrants (listed equity derivatives) with rights to subscribe for 1,263,533 Shares at the current subscription price of HK$4.4 per Share (subject to adjustments). Ms. Ng Yuen Lan, Macy was deemed to be interested in the Shares and the Warrants held by Dr. Chan. The above interests in Shares have taken into account the interests of Dr. Chan under the CC Undertaking Letter.

2. The percentage of shareholding in the Company is calculated on the assumption that the Rights Issue is completed.

3. These are the Rights Shares, based on the number of Shares in issue as at the record date of the Rights Issue, which Get Nice Securities Limited has underwritten pursuant to the underwriting agreement made between ITC and Get Nice Securities Limited dated 16 March 2009 in relation to the Rights Issue. Get Nice Securities Limited is wholly-owned by Get Nice Incorporated which in turn is wholly-owned by Get Nice Holdings Limited.

(b) Interests and short positions of other persons in the Shares and underlying Shares

Name	Capacity	Long position/ Short position	No. of 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:

1. So far as known to the Directors, Mackenzie Cundill Investment Mgmt. (Bermuda) Ltd. was interested in 51,228,086 shares of the Company (before Capital Reorganisation). 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 of the Company (before Capital Reorganisation) 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 were fully accepted by these corporations.

2. The percentage of shareholding in the Company is calculated on the assumption that the Rights Issue is completed.

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 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.

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

(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.

(iii) As at the Latest Practicable Date, none of the Directors and their respective associates were interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the Group's businesses pursuant to Rule 8.10 of the Listing Rules.

5. EXPERT

The following is the qualification of the expert who has given opinion contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu ("DTT")	Certified Public Accountants

As at the Latest Practicable Date, DTT did not have 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.

DTT 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.

6. 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)).

7. 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.

8. 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 Latest Practicable Date and which are or may be material:

(i) the placing and subscription agreement dated 12 June 2007 entered into between ITC, Trasy Gold Ex Limited ("Trasy") 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, 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;

(ii) 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 (before the Capital Reorganisation) at the price of HK$0.74 per Share and Dr. Chan agreed to subscribe for 300,000,000 new Shares (before the Capital Reorganisation) at the price of HK$0.74 per Share;

(iii) 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;

(iv) 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;

(v) 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;

(vi) 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;

(vii) 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;

(viii) 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 Share as a result of the Capital Reorganisation;

(ix) 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;

(x) 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;

(xi) 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;

(xii) the contract notes for acquisitions by Asia Will Limited ("Asia Will"), 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;

(xiii) 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;

(xiv) 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;

(xv) 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;

(xvi) 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;

(xvii) an underwriting agreement dated 16 March 2009 entered into between the Company and Get Nice Securities Limited in relation to the underwriting arrangement in respect of the Rights Issue;

(xviii) the Undertaking;

(xix) a sale and purchase agreement dated 18 May 2009 entered into between Asia Will and Citystar Limited in relation to the acquisition of convertible exchangeable notes of Wing On Travel in the principal amount of HK$34,000,000 by Asia Will at the consideration of HK$26,520,000; and

(xx) a sale and purchase agreement dated 18 May 2009 entered into between Asia Will and Eversun Limited in relation to the acquisition of convertible exchangeable notes of Wing On Travel in the principal amount of HK$24,200,000 by Asia Will at the consideration of HK$18,876,000.

9. GENERAL

(i) The secretary of ITC is Mr. Lee Hon Chiu, *CPA, FCCA*.

(ii) The registered office of ITC is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the head office and principal place of business of ITC in Hong Kong is at 30th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

(iii) The principal share registrar and transfer office of ITC is Butterfield Fulcrum Group (Bermuda) Limited of Rosebank Centre, 11 Bermudiana Road, Pembroke HM 08, Bermuda and the branch share registrar and transfer office and the warrant registrar of ITC in Hong Kong is Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(iv) The English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts for the purpose of interpretation.

10. 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 and the bye-laws of the Company;

(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, 29 September 2008 and 9 April 2009 respectively;

(d) the letter on the unaudited pro forma financial information of the Group issued by DTT as set out in appendix III to this circular;

(e) the material contracts disclosed in the paragraph headed "Material contracts" in this appendix; and

(f) the written consent referred to in the paragraph headed "Expert" in this appendix.

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 B27, Basement, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong on Monday, 8 June 2009 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

(A) "**THAT** the proposed acceptance by the Company, through its subsidiary(ies), of the provisional allotment from PYI Corporation Limited ("**PYI**") of not less than 809,025,130 new shares of PYI (the "**PYI Shares**") in full pursuant to the proposed issue by PYI by way of rights of new PYI Shares at a subscription price of HK$0.12 per PYI Share on the basis of two new PYI Shares for every PYI Share held as more particularly set out in the announcement of PYI dated 30 April 2009, a copy of which has been produced to this meeting and marked "A" and initialled by the chairman of the meeting for the purpose of identification, be and is hereby approved and the directors of the Company be and are hereby authorised to sign and execute all such documents and to do all acts, deeds and things as they may in their absolute discretion consider necessary, appropriate, desirable, or expedient to give effect to or in connection with all transactions contemplated in this resolution."

(B) "**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the ordinary shares in the share capital of the Company as representing 10% of the ordinary shares of the Company in issue as at the date of the passing of this resolution, which may fall to be issued pursuant to the exercise of options granted under the Company's share option scheme adopted on 16 January 2002 (as amended on 19 September 2007) (the "**Share Option Scheme**") and any other scheme(s) of the Company:

(i) approval be and is hereby granted for refreshing the 10% scheme mandate under the Share Option Scheme (the "**Refreshed Scheme Mandate**") such that the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme and any other scheme(s) of the Company under the limit as refreshed hereby shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company in issue as at the date of the passing of this resolution (options previously granted under the Share Option Scheme and any other scheme(s) of the Company (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other scheme(s) of the Company shall not be counted for the purpose of calculating the Refreshed Scheme Mandate)); and

(ii) the directors of the Company be and are hereby authorised, in their absolute discretion (a) to grant options to subscribe for shares of the Company within the Refreshed Scheme Mandate in accordance with the rules of the Share Option Scheme and any other scheme(s) of the Company; and (b) to allot, issue and deal with shares of the Company pursuant to the exercise of options granted under the Share Option Scheme and any other scheme(s) of the Company within the Refreshed Scheme Mandate."

(C) "**THAT**:

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

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

(iii) the aggregate nominal amount of the share capital of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approvals in paragraphs (i) and (ii) above, otherwise than pursuant to (a) a Rights Issue (as hereinafter defined); (b) an issue of shares as scrip dividends pursuant to the bye-laws of the Company from time to time; (c) an issue of shares of the Company upon the exercise of rights of subscription or conversion under the terms of any securities which are convertible into shares of the Company; or (d) an issue of shares of the Company under any share option scheme of the Company or similar arrangement for the time being adopted for the grant or issue of shares or rights to acquire shares of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution and the said approval shall be limited accordingly;

(iv) for the purpose of this resolution,

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

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

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

(c) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.

"**Rights Issue**" means an offer of shares of the Company open for a period fixed by the directors of the Company to the holders of shares of the Company whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in, any territory applicable to the Company); and

(v) the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and deal with the shares of the Company at the annual general meeting of the Company held on 30 September 2008 be and is hereby revoked (without prejudice to any valid exercise of such general mandate prior to the date on which this resolution becomes effective)."

(D) "**THAT**:

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

(ii) the approval in paragraph (i) above shall be in addition to any other authorisation given to the directors of the Company and shall authorise the directors of the Company on behalf of the Company during the Relevant Period to procure the Company to repurchase its shares at a price determined by the directors of the Company;

(iii) the aggregate nominal amount of shares of the Company which the directors of the Company are authorised to repurchase pursuant to the approval in paragraphs (i) and (ii) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution and the said approval shall be limited accordingly;

(iv) for the purpose of this resolution:

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

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

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

(c) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting; and

(v) the general mandate granted to the directors of the Company to exercise the powers of the Company to repurchase issued shares of the Company at the annual general meeting of the Company held on 30 September 2008 be and is hereby revoked (without prejudice to any valid exercise of such general mandate prior to the date on which this resolution becomes effective)."

(E) "**THAT** conditional upon the resolutions numbered (C) and (D) as set out in the notice convening this meeting (the "**Notice**") being passed, the general mandate granted to the directors of the Company to allot, issue and deal with additional shares in the share capital of the Company pursuant to the resolution numbered (C) as set out in the Notice be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the share capital of the Company repurchased by the Company under the authority granted pursuant to the resolution numbered (D) as set out in the Notice."

By order of the Board of
ITC Corporation Limited
Lee Hon Chiu
Company Secretary

Hong Kong, 21 May 2009

Notes:

1. Any shareholder of the Company 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 of the Company may appoint more than one proxy to represent him and vote on his behalf at the meeting. A proxy need not be a shareholder of the Company.

2. 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.

3. 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 of the Company may require under the bye-laws of the Company, shall be deposited at the Company's principal place of business in Hong Kong at 30th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong, as soon as possible but in any event not less than 48 hours before the time for holding the meeting or the adjournment thereof (as the case may be) at which the person named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.

4. Completion and return of an instrument appointing a proxy shall not preclude a shareholder of the Company 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. Where there are joint registered holders of any share, 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 directors of the Company are as follows:

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*