



2007

ANNUAL REPORT 年 度 報 告

Stock code : 372.HK  
股份代號

**ITC**

**ITC CORPORATION LIMITED**  
**德祥企業集團有限公司**

(Incorporated in Bermuda with limited liability)  
(於百慕達註冊成立之有限公司)



## C O N T E N T S

<b>1</b>		FINANCIAL HIGHLIGHTS
<b>2</b>		CORPORATE INFORMATION
<b>3</b>		CORPORATE CHART
<b>5</b>		CHAIRMAN'S STATEMENT
<b>13</b>		BIOGRAPHIES OF DIRECTORS AND QUALIFIED ACCOUNTANT
<b>15</b>		CORPORATE GOVERNANCE REPORT
<b>20</b>		DIRECTORS' REPORT
<b>32</b>		INDEPENDENT AUDITOR'S REPORT
<b>33</b>		CONSOLIDATED INCOME STATEMENT
<b>34</b>		CONSOLIDATED BALANCE SHEET
<b>36</b>		CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
<b>38</b>		CONSOLIDATED CASH FLOW STATEMENT
<b>40</b>		NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
<b>93</b>		FINANCIAL SUMMARY

## FINANCIAL HIGHLIGHTS

Results (HK\$ million)	2007	2006	Change
Revenue	493	253	+95%
EBITDA	951	81	+1,074%
Profit attributable to equity holders	844	50	+1,588%
Equity attributable to equity holders	2,810	2,010	+40%
Return on equity	30.0%	2.5%	+1,100%

Dividend (HK\$ million)	2007	2006	Change
Interim dividend payment	28	16	+ 75%
Final dividend payment	43	31	+ 39%
	71*	47	+ 51%
Bonus issue of one new ordinary share for every five ordinary shares for 2007			
* represents a dividend payout of 66% on the Group's net operating cash flow of HK\$108 million			

Per Share Data	2007	2006	Change
Basic earnings (HK cents)	45.6	4.4	+936%
Diluted earnings (HK cents)	39.0	3.8	+926%
Basic NAV (HK\$)	1.50	1.09	+38%
Diluted NAV (HK\$)	1.44	1.09	+32%

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

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

#### Independent Non-Executive Directors

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

### AUDIT COMMITTEE

Lee Kit Wah (*Chairman*)  
 Chuck, Winston Calptor  
 Shek Lai Him, Abraham, *JP*

### REMUNERATION COMMITTEE

Chuck, Winston Calptor (*Chairman*)  
 Chau Mei Wah, Rosanna  
 Lee Kit Wah

### SECRETARY

Law Hon Wa, William

### AUDITORS

Deloitte Touche Tohmatsu

### LEGAL ADVISORS

Conyers Dill & Pearman (*Bermuda*)  
 Herbert Smith (*Hong Kong*)  
 Iu, Lai & Li (*Hong Kong*)  
 Richards Butler (*Hong Kong*)

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
 The Bank of East Asia, Limited  
 BNP Paribas  
 CITIC Ka Wah Bank Limited  
 The Hongkong and Shanghai Banking  
 Corporation Limited  
 HSBC Bank Canada  
 UBS AG  
 Wing Hang Bank, Limited  
 Wing Lung Bank Limited

### REGISTERED OFFICE

Clarendon House  
 2 Church Street  
 Hamilton HM 11  
 Bermuda

### PRINCIPAL PLACE OF BUSINESS

30/F, Bank of America Tower  
 12 Harcourt Road  
 Central  
 Hong Kong  
 Tel : (852) 2831 8118  
 Fax : (852) 2973 0939

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited  
 Rosebank Centre  
 11 Bermudiana Road  
 Pembroke  
 Bermuda

### BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Secretaries Limited  
 26/F, Tesbury Centre  
 28 Queen's Road East  
 Wanchai  
 Hong Kong

### WEBSITE

www.itc.com.hk

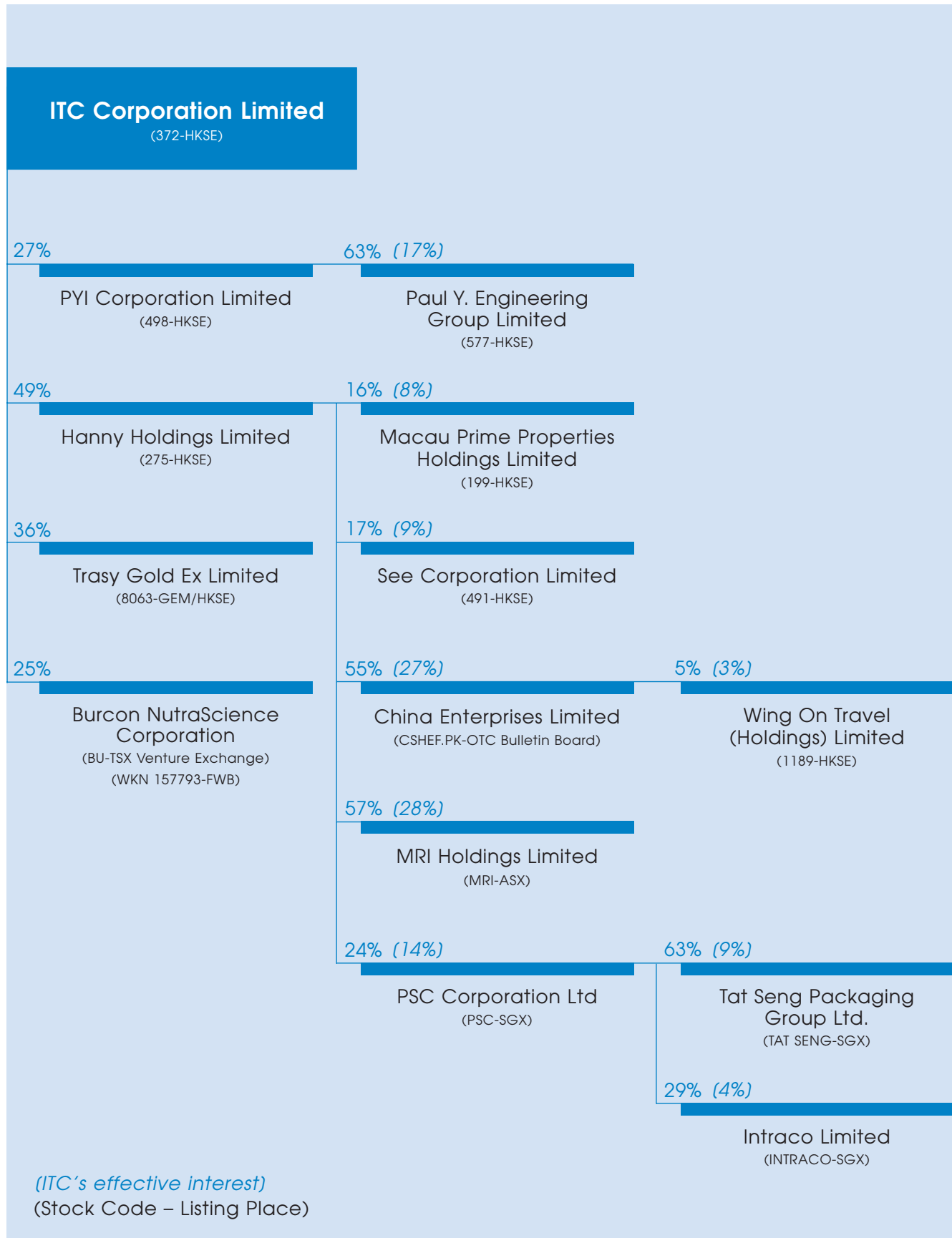
### STOCK CODE

Hong Kong Stock Exchange 372



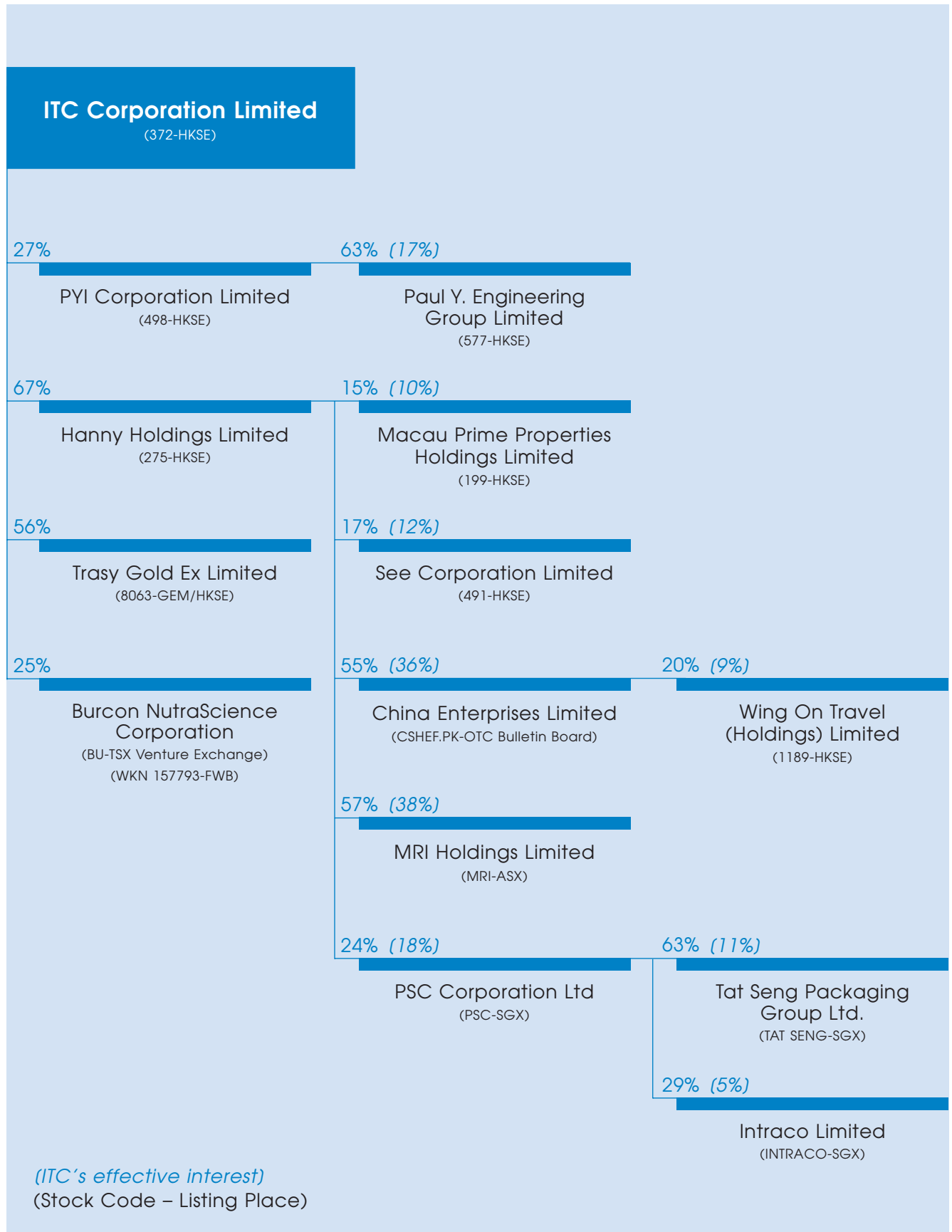
## CORPORATE CHART

AT 27TH JULY, 2007



## CORPORATE CHART

AT 31ST MARCH, 2007



## CHAIRMAN'S STATEMENT

*The year ended 31st March, 2007 was  
an extremely successful year.  
Profit attributable to equity holders  
increased by 1,588% to HK\$844 million.*

I am pleased to present to shareholders the annual report of ITC Corporation Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31st March, 2007.

### REVIEW OF FINANCIAL PERFORMANCE AND POSITIONS

The year ended 31st March, 2007 was an extremely successful year for the Group. Profit attributable to equity holders reached a record high of approximately HK\$844 million, representing an increase of approximately 1,588% as compared to approximately HK\$50 million for the last corresponding year. Basic earnings per ordinary share increased by approximately 936% to HK45.6 cents (2006: HK4.4 cents). Revenue increased to approximately HK\$493 million, representing an increase of approximately 95%. The shareholders' value had been substantially increased by 40% to HK\$2,810 million and the net asset value per share had been increased by approximately 38% to HK\$1.50.

It is the mission of the Group to become a leading diversified and balanced investment conglomerate that excels at investing in and maximising returns of companies with high growth potential. During the year, the principal activities of the Group comprised investment holding, the provision of finance, the provision of management services, property investment and trading, treasury investment, trading of building materials and machinery, holding of vessels for sand mining, and the provision and operation of an internet-based precious metals trading platform. The Group has stepped ahead towards its mission by seizing market opportunities and has achieved an outstanding result which proved its expertise in managing its strategic investments.

During the year, the Group had utilised approximately HK\$426 million to increase its controlling interest in Hanny Holdings Limited ("Hanny") including the making of cash offers for the shares and convertible bonds of Hanny in November 2006. The Group is delighted with the success in increasing its controlling interest in Hanny at a discount

to Hanny's underlying net asset value and that the diverse business coverage of Hanny enabled the Group to achieve a balanced investment portfolio in a more diversified manner. The acquisitions of controlling interest in Hanny had contributed to the Group a non-cash book gain arising from the discount on acquisition of approximately HK\$560 million which significantly enhanced the shareholders' value of the Group.

### REVIEW OF OPERATIONS

During the year ended 31st March, 2007, the Group continued to hold significant interests, directly or indirectly, in a number of companies listed in Hong Kong, Canada, Singapore, the United States, Australia and Germany and other high potential unlisted investments pursuant to its long-term strategy of exploring potential investments in an aggressive, but cautious, manner and enhancing a balanced and diversified investment portfolio.

#### Strategic Investments

As at 31st March, 2007, the Group had the following significant strategic investments:

#### Listed subsidiaries and strategic investments directly held

##### Hanny

Hanny is an investment holding company. The Hanny group is principally engaged in the trading of securities, property investment and trading, holding of vessels for sand mining and other strategic investments including investments in (i) subsidiaries whose shares are listed on the Australian Securities Exchange and traded on the OTC Bulletin Board in the United States; (ii) associated companies whose shares are listed on the The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and the Singapore Exchange Limited; and (iii) long term convertible notes issued by companies whose shares are listed on the Hong Kong Stock Exchange. For the year ended 31st March, 2007, Hanny reported a consolidated profit attributable to equity holders of approximately HK\$527.1 million and its overall after tax contribution to the Group was a profit of approximately HK\$164.5 million.

## CHAIRMAN'S STATEMENT *(continued)*

### **Trasy Gold Ex Limited ("Trasy")**

The trading in the shares of Trasy has been successfully resumed in May 2007 since its suspension in June 2003. Since the Company acquired a controlling interest in Trasy in March 2005, Trasy has conducted a thorough review of its business and with the assistance of the Company, corporate governance and internal controls were strengthened, new marketing initiatives on its internet-based precious metals trading platform, namely TRASY System, were launched, and its board of directors was reformed. All of these contributed to the significant improvements in business which are further evidenced by the return to a profitable position in its first quarterly results in 2007. Together with a viable business plan, the Hong Kong Stock Exchange has approved the resumption of trading of Trasy shares. Following the resumption, the Trasy group continues to principally engage in the provision and operation of the TRASY System to facilitate the trading of precious metals on existing international markets for the inter-bank traders, institutional and retail investors. TRASY System's present configuration offers users the ability to trade four precious metals – gold, silver, platinum and palladium. For the year ended 31st March, 2007, Trasy's loss attributable to the Group was approximately HK\$1.1 million.

### **PYI Corporation Limited ("PYI")**

Based in Hong Kong, the PYI group focuses on infrastructure investment in and the operation of bulk cargo ports and logistics facilities in the Yangtze River region in the People's Republic of China (the "PRC"). It also engages in land and property development in association with port facilities. In addition, PYI provides comprehensive engineering and construction services through Paul Y. Engineering Group Limited ("Paul Y. Engineering"). For the year ended 31st March, 2007, PYI reported a consolidated profit attributable to equity holders of approximately HK\$345.7 million and its overall after tax contribution to the Group was a profit of approximately HK\$95.1 million.

### **Burcon NutraScience Corporation ("Burcon")**

Burcon is a research and development company developing a portfolio of composition, application, and process patents around its plant protein extraction and purification technology. Burcon's patented process utilises inexpensive oilseed meals for the production of purified plant proteins that exhibit valuable nutritional, functional or nutraceutical profiles. Burcon, in conjunction with Archer Daniels Midland, is currently focusing its efforts on developing the world's first commercial canola proteins, namely Puratein® and Supertein™ (the "Products"). Canola, recognised for its nutritional qualities, is the second-largest oilseed crop in the world after soybeans. Burcon's goal is to develop the Products to participate with soy, dairy and

egg proteins in the expanding multi-billion-dollar protein ingredient market, with potential uses in prepared foods, nutritional supplements, and personal care products. In June 2007, Burcon was recognised as a TSX Venture 50™ company. TSX Venture 50™ is the first ever ranking of the top 50 emerging public companies listed on the TSX Venture Exchange in Canada. For the year ended 31st March, 2007, Burcon's loss attributable to the Group was approximately HK\$6.2 million.

### **Hong Kong listed strategic investments indirectly held**

#### **Paul Y. Engineering**

Paul Y. Engineering is an international engineering services group, serving Hong Kong, the PRC and the international market. It has three core areas of business: management contracting, project management and facilities management. With a vast pool of resources, Paul Y. Engineering has developed expertise in handling complex development and construction projects.

#### **Macau Prime Properties Holdings Limited ("MPP")**

The MPP group is principally engaged in property development and investment in Macau, the PRC and Hong Kong. The MPP group is also engaged in securities investment; and operations of golf resort and hotel.

#### **See Corporation Limited ("See Corp")**

The See Corp group is principally engaged in the entertainment and media business, which includes film and television programme productions; event productions; artiste and model management; music productions; and manufacturing and sale of multimedia electronic products, toys and games products. It also owns significant interest in TVB Pay Vision Holdings Limited, which operates a pay-television business in Hong Kong.

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

The Wing On Travel group is principally engaged in the business of providing package tours, travel and related services, and hotel and leisure business including a hotel chain with the "Rosedale" brand in Hong Kong and the PRC.

### **Overseas listed strategic investments indirectly held**

#### **PSC Corporation Ltd ("PSC")**

PSC focuses on three core business activities in consumer business, healthcare and packaging which involves in manufacturing of food and other products, distribution of food and other fast moving consumer goods, logistics, retail franchising, media education and entertainment, healthcare consultancy and hospital management services, and strategic investments in high growth sectors





## CHAIRMAN'S STATEMENT *(continued)*

including packaging through Tat Seng Packaging Group Ltd. ("Tat Seng Packaging").

### **China Enterprises Limited ("China Enterprises")**

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

### **MRI Holdings Limited ("MRI")**

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

### **Intraco Limited ("Intraco")**

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

### **Tat Seng Packaging**

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

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

<b>Listed subsidiaries and strategic investments directly held</b>					
Name of investee company	Place of listing	Stock code	Shareholding percentage		
			As at 31/3/2007	As at the date of this report	
Hanny	Hong Kong Stock Exchange	275	67.2%	49.9%	
Trasy	The Growth Enterprise Market of Hong Kong Stock Exchange	8063	56.5%	36.9%	
PYI	Hong Kong Stock Exchange	498	27.0%	27.0%	
Burcon	TSX Venture Exchange and Frankfurt Stock Exchange	BU WKN 157793	25.5%	25.3%	
<b>Hong Kong listed strategic investments indirectly held</b>					
Name of investee company	Place of listing	Stock code	Effective interest		
			As at 31/3/2007	As at the date of this report	
Paul Y. Engineering	Hong Kong Stock Exchange	577	17.2% (Note a)	17.2% (Note a)	
MPP	Hong Kong Stock Exchange	199	10.4% (Note b)	8.0% (Note b)	
See Corp	Hong Kong Stock Exchange	491	12.1% (Note b)	9.0% (Note b)	
Wing On Travel	Hong Kong Stock Exchange	1189	9.3% (Note c)	3.1% (Note c)	

## CHAIRMAN'S STATEMENT (continued)

**Overseas listed strategic investments indirectly held**

Name of investee company	Place of listing	Stock code	Effective interest	
			As at 31/3/2007	As at the date of this report
PSC	Singapore Exchange Limited	PSC	18.3% (Note d)	14.2% (Note d)
China Enterprises	OTC Bulletin Board, U.S.A.	CSHEF	36.7% (Note b)	27.6% (Note b)
MRI	Australian Securities Exchange	MRI	38.1% (Note b)	28.6% (Note b)
Tat Seng Packaging	Singapore Exchange Limited	TAT SENG	11.7% (Note e)	9.1% (Note e)
Intraco	Singapore Exchange Limited	INTRACO	5.5% (Note e)	4.2% (Note e)

*Notes:*

- (a) The Group's interest was/is held through its direct interest in PYI.
- (b) The Group's interest was/is held through its direct interests in Hanny.
- (c) Other than the Group's direct interest of approximately 1.9% as at 31st March, 2007 (1.0% as at the date of this report), the Group's interest was/is held through its direct and/or indirect interest in Hanny and/or China Enterprises.
- (d) Other than the Group's direct interest of approximately 2.0% as at 31st March, 2007 and the date of this report, the Group's interest was/is held through its direct interest in Hanny.
- (e) The Group's interest was/is held through its indirect interest in PSC.

**LIQUIDITY AND FINANCIAL RESOURCES**

The Group has adopted a prudent funding and treasury policy with regard to its overall business operations. Cash, bank balances and deposits as at 31st March, 2007 amounted to approximately HK\$282 million. As at 31st March, 2007, the Group had borrowings of approximately HK\$730 million of which approximately HK\$589 million is repayable within one year or on demand. The redeemable convertible preference shares with an aggregate redemption value of approximately HK\$282 million will be redeemed on 3rd November, 2007 (or the next following business day if it is not a business day) unless they are previously converted, redeemed or purchased and cancelled.

As at 31st March, 2007, all the Group's borrowings, except the redeemable convertible preference shares, convertible notes payable and other loans of HK\$510 million, are at floating interest rates and the Group's current ratio was 2.2.

**EXCHANGE RATE EXPOSURE**

As at 31st March, 2007, approximately 16.0% of the cash, bank balances and deposits were in other currencies and only approximately 1.0% and 1.3% of the Group's total borrowings of approximately HK\$1,573 million were denominated in Canadian dollars and Singaporean dollars, respectively. The borrowings in foreign currencies are directly tied in with the Group's business.



## CHAIRMAN'S STATEMENT *(continued)*

### GEARING RATIO

The Group's gearing ratio, which was calculated using the Group's net borrowings of approximately HK\$1,291 million and the equity attributable to equity holders of approximately HK\$2,810 million, was 45.9% as at 31st March, 2007, as compared to 7.5% as at 31st March, 2006. If the net borrowings of Hanny group were excluded, the Group's gearing ratio would be 9.8%.

### PLEDGE OF ASSETS

As at 31st March, 2007, certain of the Group's properties, margin accounts receivables, held for trading investments and derivative financial instruments with an aggregate carrying value of approximately HK\$478.6 million were pledged to banks and financial institutions to secure general facilities granted to the Group.

### CONTINGENT LIABILITIES

As at 31st March, 2007, the Group had contingent liabilities in respect of guarantees given to banks and financial institutions on general facilities granted to an associate and a third party of approximately HK\$56 million and HK\$23.3 million, respectively, and financial support given to the associate of approximately HK\$8.8 million.

### EMPLOYEE AND REMUNERATION POLICY

As at 31st March, 2007, the Group employed a total of 134 employees. It is the Group's remuneration policy that the employees' remuneration is based on the employees' skill, knowledge and involvement in the Company's affairs and is determined by reference to the Company's performance, as well as remuneration benchmark in the industry and the prevailing market conditions. The ultimate objective of the remuneration policy is to ensure that the Group is able to attract, retain and motivate a high-calibre team which is essential to the success of the Company. The Group also offers benefits to employees including discretionary bonus, training, provident funds and medical coverage. Share option schemes are established for the eligible employees but no share option was granted during the year and there was no outstanding share options granted by the Company as at 31st March, 2007.

### MAJOR EVENTS

**The major events of the Group during the year ended 31st March, 2007 are summarised below:**

#### *Hanny*

In August 2006, Famex Investment Limited ("Famex"), an indirect wholly-owned subsidiary of the Company, conditionally agreed to acquire 22,812,359 shares of Hanny at a price of HK\$3.8 per share amounted to approximately HK\$86.7 million. The acquisition was completed in November 2006. Upon completion, Famex was required to make a conditional mandatory cash offer to acquire all the issued shares of Hanny at HK\$3.8 per share and to make a comparable offer to the holders of the existing convertible bonds of Hanny under the Takeovers Code (the "Offers"). The Offers were closed on 13th December, 2006.

In January 2007, Hanny agreed to subscribe for a HK\$124.5 million convertible bond of China Star Entertainment Limited at a consideration of approximately HK\$118.3 million. The subscription was completed in May 2007.

In March 2007, Hanny entered into the underwriting agreement with See Corp in relation to the underwriting and certain other arrangements in respect of the rights issue to be implemented by See Corp. Pursuant to the underwriting agreement, Hanny agreed to fully underwrite up to 367,047,620 rights shares at a price of HK\$0.2 per rights share other than the rights shares for which Mr. Yu Kam Kee, Lawrence, Hanny and Dr. Chan Kwok Keung, Charles ("Dr. Chan") undertook to subscribe. In addition, an irrevocable undertaking was given by Hanny in favour of See Corp that, among other things, it would take up its entitlement in full under the rights issue. The rights issue was completed in May 2007.

#### *PYI*

In March 2007, the Company announced that the directors of the Company (the "Directors") intended to seek the approval of the holders of ordinary shares of the Company (the "Ordinary Shareholders") for the possible disposal of shares of PYI in one or more transactions within twelve months from the date of approval by the Ordinary Shareholders provided that the percentage ratios applicable to all such disposals taken in aggregate would not exceed the upper limit of the major transaction percentage ratios under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The minimum disposal price shall be equal to or exceed HK\$3 per share (subject to adjustment in the event of a share consolidation or share subdivision by PYI). The approval from the Ordinary Shareholders was obtained in April 2007.

## CHAIRMAN'S STATEMENT *(continued)*

### MAJOR SUBSEQUENT EVENTS

The major events of the Group subsequent to the year ended 31st March, 2007 are summarised below:

#### *The Company*

In June 2007, a placing and subscription agreement was entered into between the Company, Dr. Chan and a placing agent, pursuant to which the placing agent agreed to place 300,000,000 existing ordinary shares of the Company at the price of HK\$0.74 per share on behalf of Dr. Chan and Dr. Chan agreed to subscribe for 300,000,000 new ordinary shares of the Company at the price of HK\$0.74 per share. The placing and subscription were completed in June 2007.

#### *Hanny*

In April 2007, a placing and subscription agreement was entered into between the Company, Hanny and a placing agent, pursuant to which the placing agent agreed to place 43,500,000 existing shares of Hanny at the price of HK\$3.40 per share on behalf of the Company and the Company agreed to subscribe for 43,500,000 new shares of Hanny at the price of HK\$3.40 per share. The estimated loss for the placing and subscription of shares in Hanny as disclosed in the circular of the Company dated 2nd May, 2007 was approximately HK\$145 million.

In April 2007, Hanny conditionally agreed to subscribe for 125,000,000 new shares of Wonson International Holdings Limited ("Wonson") at the price of HK\$0.16 per share and HK\$40 million redeemable convertible notes of Wonson at face value. The subscriptions were completed in May 2007.

In May 2007, the Group disposed of 21,000,000 shares of Hanny at HK\$5 per share to independent third parties. The estimated loss for the disposal of shares of Hanny as disclosed in the circular of the Company dated 28th May, 2007 was approximately HK\$71 million. Upon the conversion of convertible bonds by independent third parties, Hanny ceased to be a subsidiary of the Company.

The Group's shareholding interest in Hanny is approximately 49.99% as at the date of this report.

#### *Trasy*

In May 2007, the Hong Kong Stock Exchange approved the resumption of trading in the shares of Trasy following the submission of a resumption proposal with updated information about Trasy in terms of its operation, financial position and performance, corporate governance, and the adequacy and effectiveness of its internal control system.

In June 2007, Trasy ceased to be a subsidiary of the Company upon the exercise of share options by an independent third party. Furthermore, a placing and subscription agreement was entered into between the Company, Trasy and a placing agent, pursuant to which the placing agent agreed to place 550,000,000 existing shares of Trasy at the price of HK\$0.20 per share on behalf of the Company and the Company agreed to subscribe for 550,000,000 new shares of Trasy at the price of HK\$0.20 per share. The estimated gain for the placing and subscription of shares in Trasy as disclosed in the circular of the Company dated 5th July, 2007 was approximately HK\$38 million.

In June 2007, the Company has conditionally agreed to subscribe for up to 340,000,000 new shares of Trasy at HK\$0.205 per share while Trasy has conditionally agreed to place up to 392,000,000 new shares of Trasy at HK\$0.205 per share through a placing agent. The number of shares of Trasy being subscribed and held by the Company and its concert parties will be of the minimum of 38.58% but not exceeding 40% of the issued share capital of Trasy as enlarged by the placement and subscription. In addition, the Company has conditionally agreed to subscribe for HK\$50 million convertible notes of Trasy and may elect to subscribe for an additional amount up to HK\$50 million (representing the principal amount out of HK\$100 million convertible notes of Trasy which have not been successfully placed by the placing agent who has conditionally agreed to place up to HK\$100 million convertible notes of Trasy).

The Group's shareholding interest in Trasy is approximately 36.87% as at the date of this report.



## CHAIRMAN'S STATEMENT *(continued)*

### SECURITIES IN ISSUE

As a result of the issue of new ordinary shares of the Company under scrip dividend scheme in February 2007 and the allotment of new ordinary shares pursuant to the placing and subscription in June 2007, the total number of issued ordinary shares and issued redeemable convertible preference shares of the Company as at the date of this report are 2,172,982,368 and 266,062,000, respectively of HK\$0.10 each.

### FINAL DIVIDEND AND BONUS ISSUE OF ORDINARY SHARES

The board of Directors (the "Board") has resolved to recommend the payment of a final dividend of HK2.0 cents per ordinary share for the year ended 31st March, 2007 (2006: HK1.7 cents) to Ordinary Shareholders whose names appear on the register of Ordinary Shareholders as at the close of business on 15th October, 2007. The proposed final dividend is expected to be paid to Ordinary Shareholders by post on or around 5th November, 2007 following approval at the annual general meeting. The Board has also proposed that the final dividend should be satisfied by cash, with an option to elect scrip dividend of ordinary shares, in respect of part or all of such dividend. The market value of the ordinary shares to be issued under scrip dividend proposal will be fixed by reference to the average of the closing prices of the ordinary shares of the Company for the three consecutive trading days ending 15th October, 2007 less a discount of five per cent. of such average price or the par value of ordinary shares, whichever is the higher. The proposed scrip dividend is conditional upon the Hong Kong Stock Exchange granting listing of, and permission to deal in, the new ordinary shares to be issued and the passing at the forthcoming annual general meeting of the Company of an ordinary resolution to approve the final dividend. A circular with full details of the scrip dividend proposal and a form of election will be sent to Ordinary Shareholders.

The Board has also recommended a bonus issue of new ordinary shares (the "Bonus Shares") to Ordinary Shareholders on the basis of one new ordinary share for every five ordinary shares held by them whose names appear on the register of Ordinary Shareholders as at the close of the business on 15th October, 2007 (the "Proposed Bonus Issue"). The Bonus Shares will be issued and credited as fully paid and will rank *pari passu* with the then issued ordinary shares in all respects with effect from the date of issue, except that they are not entitled to the Proposed Bonus Issue and the proposed final dividend for the year ended 31st March, 2007 as mentioned above.

Taking into account the proposed final dividend of HK2.0 cents per ordinary share and the interim dividend of HK1.5 cents per ordinary share, the total dividend payment is approximately HK\$71.4 million (2006: HK\$47.4 million) based on the issued ordinary share capital as at the date of this report. The total dividend payment represents a dividend payout of approximately 66% on the Group's net operating cash flow of approximately HK\$107.9 million for the year. Despite that a majority portion of the current year's profit was non-cash in nature (such as discount on acquisition and profit contribution from associates) and that substantial amount of cash was being utilised for the acquisition of Hanny, the Board believes that the Proposed Bonus Issue, in addition to the final dividend, is a return to the long-term support of the Ordinary Shareholders. The Proposed Bonus Issue will also allow the Ordinary Shareholders to participate in the business growth of the Group by way of capitalisation of a portion of the share premium account of the Company.

The Proposed Bonus Issue is conditional upon: (i) the passing of the relevant ordinary resolution to approve the Proposed Bonus Issue by the Ordinary Shareholders at the special general meeting of the Company; and (ii) the Listing Committee of the Hong Kong Stock Exchange granting or agreeing to grant the listing of and permission to deal in the Bonus Shares to be issued pursuant to the Proposed Bonus Issue.

A circular with further details of the Proposed Bonus Issue will be sent to the shareholders of the Company.

### DIVIDEND ON PREFERENCE SHARES

The Board has resolved to pay a dividend of HK4.0 cents per redeemable convertible preference share of the Company of HK\$0.1 each in respect of the twelve month period ending on but excluding 3rd November, 2007 to holders of redeemable convertible preference shares whose names appear on the register of holders of redeemable convertible preference shares of the Company as at the close of business on 15th October, 2007. The dividend on redeemable convertible preference shares is expected to be paid to holders of redeemable convertible preference shares by post on or around 5th November, 2007.

## CHAIRMAN'S STATEMENT *(continued)*

### CLOSE OF REGISTERS OF MEMBERS

The register of Ordinary Shareholders will be closed from 11th October, 2007 to 15th October, 2007, both days inclusive, during which period no ordinary share transfer shall be effected. In order to qualify for the proposed final dividend and the Proposed Bonus Issue, all transfers of ordinary shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:00 p.m. on 10th October, 2007.

The register of holders of redeemable convertible preference shares of the Company will be closed from 11th October, 2007 to 15th October, 2007, both dates inclusive, during which period no redeemable convertible preference share transfer shall be effected. In order to qualify for the dividend on redeemable convertible preference shares, all transfers of redeemable convertible preference shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Secretaries Limited, at the aforesaid address for registration by no later than 4:00 p.m on 10th October, 2007.

### OUTLOOK

The Hong Kong economy is booming and has continuously enjoyed above-trend growth in the past three years, with the Gross Domestic Product continued to grow solidly and the seasonally adjusted unemployment rate has fallen to a nine-year low. The PRC economy has remained buoyant and with the closer integration following the strengthening of Pan-Pearl River Delta cooperation and further liberalisation measures under the Closer Economic Partnership Arrangement framework, our country continues to provide strong support to Hong Kong. Looking ahead, the Group is cautiously optimistic about its investment and business operation.

To focus our mission of being a leading diversified and balanced investment conglomerate, the Group will continue to capture investment opportunities which can provide sustainable growth and returns with the ultimate goal to maximise its shareholders' value. In May 2007, the resumption of trading in Trasy shares has proved our ability in unlocking the potential of strategic investments. We will also continue to provide full support to our investee companies to strive for better performance and increase their value. This is demonstrated by a series of events that has taken place subsequent to the 2007 financial year end as mentioned in the section headed "Major Subsequent Events". Furthermore, the issue of 300,000,000 new ordinary shares of the Company in June 2007 provided the Company with additional resources to fund its acquisitions and investments when appropriate opportunities arise. Building on the existing assets base, barring unforeseen circumstances, the Group is confident in meeting its goal and overcoming the future challenges by seizing the opportunities ahead.

### APPRECIATION

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

**Dr. Chan Kwok Keung, Charles**  
*Chairman*

Hong Kong, 27th July, 2007



## BIOGRAPHIES OF DIRECTORS AND QUALIFIED ACCOUNTANT

### DIRECTORS

**Chan Kwok Keung, Charles**, aged 52, is the Chairman of the Company. Dr. Chan holds an honorary degree of Doctor of Laws and a bachelor's degree in civil engineering and has over 27 years' international corporate management experience in the construction and property sectors as well as in strategic investments. He joined the Group in February 1997 and is responsible for its strategic planning. Dr. Chan is the chairman of Hanny Holdings Limited and a non-executive director of PYI Corporation Limited. Dr. Chan is the sole director of Chinaview International Limited and Galaxyway Investments Limited which are substantial shareholders of the Company as disclosed in the section headed "Interests and short positions of substantial shareholders/other persons recorded in the register kept under section 336 of the SFO" in the directors' report. Dr. Chan is the elder brother of Mr. Chan Kwok Chuen, Augustine, an executive director of the Company.

**Chau Mei Wah, Rosanna**, aged 52, is the Deputy Chairman and Managing Director of the Company, a member of the Remuneration Committee of the Company and a director of various subsidiaries of the Group. Ms. Chau has over 27 years' experience in international corporate management and finance. She holds a bachelor's degree and a master's degree in commerce and is a fellow member of the Hong Kong Institute of Certified Public Accountants and the CPA Australia and a member of the Certified General Accountants' Association of Canada. She joined the Group in February 1997 and is responsible for its operations and business development. Ms. Chau is a director of Burcon NutraScience Corporation.

**Chan Kwok Chuen, Augustine**, aged 48, joined the Company as an executive director in November 1997 and is a director of various subsidiaries of the Group. Mr. Chan holds a diploma in arts and has over 24 years' experience in trading business in the PRC. Mr. Chan is the younger brother of Dr. Chan Kwok Keung, Charles, the Chairman of the Company.

**Chan Fut Yan**, aged 53, joined the Company as an executive director in December 1997 and is a director of various subsidiaries of the Group. Mr. Chan has over 34 years' experience in the local construction field specialising in site supervision, planning of works and progress monitoring. He is the managing director of Macau Prime Properties Holdings Limited.

**Cheung Hon Kit**, aged 53, joined the Company as an independent non-executive director in December 1999 and was appointed as an executive director in September 2001. He is also a director of a subsidiary of the Group. Mr. Cheung graduated from the University of London with a bachelor of arts degree. He has over 29 years' experience in real estate development, property investment and corporate finance. He has worked in key executive position in various leading property development companies in Hong Kong. He is the chairman of Macau Prime Properties Holdings Limited, the managing director of Wing On Travel (Holdings) Limited and an independent non-executive director of a number of publicly listed companies in Hong Kong.

**Chuck, Winston Calptor**, aged 51, joined the Company as an independent non-executive director in November 2001. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee of the Company. Mr. Chuck graduated from the University of Western Ontario, Canada with a bachelor of arts degree. He is a practising solicitor in Hong Kong and has over 25 years' experience in the legal fields. He is also an independent non-executive director of a publicly listed company in Hong Kong.

**Lee Kit Wah**, aged 51, joined the Company as an independent non-executive director in July 2004. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Lee graduated from University of Toronto with a bachelor's degree in commerce. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong. He has been practising as a certified public accountant in Hong Kong since 1988 and is the managing director of an accounting firm. Mr. Lee is also an independent non-executive director of a publicly listed company in Hong Kong.

## BIOGRAPHIES OF DIRECTORS AND QUALIFIED ACCOUNTANT *(continued)*

**Hon. Shek Lai Him, Abraham, JP**, aged 62, joined the Company as an independent non-executive director in June 2006 and is also a member of the Audit Committee of the Company. Mr. Shek graduated from the University of Sydney, Australia with a Bachelor of Arts. Mr. Shek is a member of the Legislative Council for the Hong Kong Special Administrative Region representing real estate and construction functional constituency since 2000. Currently, Mr. Shek is a member of the Council of The Hong Kong University of Science & Technology and member of the Court of The University of Hong Kong. He is also a member of the Managing Board of Kowloon-Canton Railway Corporation and a director of The Hong Kong Mortgage Corporation Limited. Mr. Shek was appointed as a Justice of the Peace in 1995. Mr. Shek is also an independent non-executive director of a number of publicly listed companies in Hong Kong.

### QUALIFIED ACCOUNTANT

**Law Hon Wa, William**, aged 42, is the Company Secretary and the Chief Accountant of the Company and is also a director of various subsidiaries of the Group. Mr. Law has over 18 years' experience in auditing, accounting and financial management. He holds a bachelor's degree in business administration and a master's degree in applied finance. He is a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and also a certified public accountant in Hong Kong. He joined the Group in 2000 and is responsible for its finance, accounting, and company secretarial functions.





## CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance practices and procedures. The Company believes that good corporate governance practices are essential for effective management to enhancing shareholders' value. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders.

### CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the year ended 31st March, 2007, complied with the code provisions of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") except that the Chairman of the Board could not attend the annual general meeting of the Company held on 13th September, 2006 due to a business trip abroad. Despite of that, representatives of the Board including executive directors and independent non-executive directors of the Company were present at the meeting to answer questions on the Group's businesses.

### DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the directors of the Company (the "Directors"). All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the year ended 31st March, 2007.

The Company has also adopted a code of conduct governing securities transactions by employees who may possess or have access to unpublished price sensitive information of the Company or its securities.

### BOARD OF DIRECTORS

#### The Board

The members of the Board are individually and collectively responsible for the leadership and control of, and for promoting the success of, the Company by directing and supervising the Company's affair. As at the date of this report, the Board comprises eight Directors, including the Chairman, the Deputy Chairman and Managing Director, three other executive Directors, and three independent non-executive Directors. The Board has a balanced composition of executive and independent non-executive Directors so that strong independent elements are included in the Board, enabling the Board to exercise judgment independently and make decision objectively in the interests of the Company and its shareholders as a whole. Biographical details of the Directors, showing a good balance of professional expertise and diverse range of experience among them, are set out on pages 13 and 14 of the annual report. The Board members have no financial, business, family or other material/relevant relationship with each other, except that Dr. Chan Kwok Keung, Charles is the elder brother of Mr. Chan Kwok Chuen, Augustine.

The Board has delegated the Executive Board with authority and responsibility for handling the management functions and operations of the day-to-day business of the Company, while reserving certain key matters for the approval by the Board. The types of decisions to be taken by the Board include annual and interim period financial reporting and control, equity fund raising, declaration of interim dividend and making recommendation of final dividend or other distributions, notifiable transactions under Chapters 14 and 14A of the Listing Rules and making recommendation for capital reorganisation or scheme of arrangement of the Company.

Four regular Board meetings were held with at least fourteen days' notices given to all Directors and additional Board meetings were held as and when necessary. Directors are provided with relevant information to make informed decisions. The Board and each Director have separate and independent access to the Company's senior management. A Director who considers a need for independent professional advice in order to perform his/her duties as a Director may convene, or request the secretary of the Company to convene, a meeting of the Board to approve the seeking of independent legal or other professional advice.

## CORPORATE GOVERNANCE REPORT *(continued)*

The attendance of each individual member of the Board, the Audit Committee and the Remuneration Committee at the respective meetings during the financial year is set out in the following table:

Name of Directors	Meetings Attended/ Eligible to attend		
	Board	Audit Committee	Remuneration Committee
<i>Executive Directors</i>			
Chan Kwok Keung, Charles ( <i>Chairman</i> )	10/12		
Chau Mei Wah, Rosanna ( <i>Deputy Chairman and Managing Director</i> )	12/12		4/4
Chan Kwok Chuen, Augustine ( <i>formerly known as Chan Kwok Hung</i> )	6/12		
Chan Fut Yan	10/12		
Cheung Hon Kit	10/12		
<i>Independent non-executive Directors</i>			
Chuck, Winston Calptor	11/12	1/2	4/4
Lee Kit Wah	12/12	2/2	4/4
Shek Lai Him, Abraham ( <i>appointed on 26th June, 2006</i> )	10/11	2/2	
Wong Kam Cheong, Stanley ( <i>retired on 13th September, 2006</i> )	5/5	1/1	

### Chairman and Managing Director

The roles of the Chairman and Managing Director are segregated and are held by different individuals. The Chairman is responsible for the Group's strategic planning and the management of the operations of the Board, while the Managing Director takes the lead in the Group's operations and business development. There is a clear division of responsibilities between the Chairman and Managing Director of the Company which provides a balance of power and authority.

### Independent non-executive Directors

The independent non-executive Directors are appointed for a specific term, subject to re-election, which will run until the conclusion of the third annual general meeting from the date of their last re-election and in accordance with the Company's Bye-laws. One of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules. The Company has received the annual confirmation of independence from each of the independent non-executive Directors as required under Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.



## CORPORATE GOVERNANCE REPORT *(continued)*

### **Nomination, appointment and re-election of directors**

The Board as a whole is responsible for the appointment of new Directors and Directors' nomination for re-election by holders of ordinary shares of the Company (the "Ordinary Shareholders") at the general meeting. Under the Company's Bye-laws, the Directors shall have the power to appoint any person as a Director at any time either to fill a casual vacancy on the Board or as an addition to the existing Board who is subject to retirement and re-election at the first general meeting or first annual general meeting respectively after his/her appointment. All Directors are subject to retirement and re-election by the Ordinary Shareholders on a rotation basis at least once every three years. Potential new Directors are identified and submitted to the Board for approval. The nomination of Directors should be taken into consideration of the candidate's qualification, ability and potential contribution to the Company. A candidate to be appointed as independent non-executive Director must also satisfy the independence criteria set out in Rule 3.13 of the Listing Rules. No Board meeting was convened during the year under review for the appointment of new Director but Board resolution was passed by circulation in relation to the appointment of Mr. Shek Lai Him, Abraham as an independent non-executive Director in June 2006.

### **REMUNERATION COMMITTEE**

The Board has set up a Remuneration Committee with a majority of the members being independent non-executive Directors. The existing Remuneration Committee comprises two independent non-executive Directors, namely, Mr. Chuck, Winston Calptor (Chairman of the Remuneration Committee) and Mr. Lee Kit Wah, and the Deputy Chairman and Managing Director, Ms. Chau Mei Wah, Rosanna.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration and reviewing and determining the remuneration packages of the executive Directors and senior management. The terms of reference of the Remuneration Committee, which follow closely the requirements of the code provisions of the Code, have been adopted by the Board, are posted on the Company's website. The Remuneration Committee is provided with sufficient resources to discharge its duties.

During the year, the Remuneration Committee held four meetings. In these meetings, the Remuneration Committee had principally performed the followings: making recommendation on directors' fees to the Board for the approval by the Ordinary Shareholders at the annual general meeting, approving the directors' fees of executive Directors and making recommendation for the approval by the Board on independent non-executive Directors' fees, reviewing and approving the discretionary bonus of the Chairman, the Deputy Chairman and Managing Director, an executive Director and senior management of the Company and making recommendation on the Director's fee of Mr. Shek Lai Him, Abraham, who was appointed as an independent non-executive Director during the year, to the Board for approval.

With the recommendation of the Remuneration Committee, the Board set the remuneration policy of directors and senior management of the Company. The Remuneration Committee shall consult the Chairman and/or the Managing Director of the Company about its proposals relating to remuneration packages of the directors and senior management of the Company. The emoluments of the directors and senior management of the Company are based on the skills, knowledge and involvement in the Company's affairs of each Director or senior management and are determined by reference to the Company's performance, as well as remuneration benchmark in the industry and the prevailing market conditions. The ultimate objective of the remuneration is to ensure that the Company is able to attract, retain and motivate a high-calibre team which is essential to the success of the Company.

The details of the remuneration of Directors are set out on note 8 to the consolidated financial statements. No Director is involved in deciding his/her own remuneration.



## CORPORATE GOVERNANCE REPORT *(continued)*

### AUDIT COMMITTEE

As at the date of this report, the Audit Committee of the Company consists of three independent non-executive Directors, namely Mr. Lee Kit Wah (Chairman of the Audit Committee), Mr. Chuck, Winston Calptor and Mr. Shek Lai Him, Abraham. The Audit Committee is chaired by Mr. Lee Kit Wah, who is a qualified accountant with extensive experience in financial reporting and controls.

The principal duties of the Audit Committee include reviewing the Company's financial reporting system and internal control procedures, reviewing the Group's financial information and reviewing the relationship with the external auditors of the Company. Terms of reference of the Audit Committee, which follow closely the requirements of code provisions of the Code, have been adopted by the Board and posted on the Company's website. The Audit Committee is provided with sufficient resources to discharge its duties.

During the year under review, the Audit Committee reviewed and made recommendation for the Board's approval of the draft audited financial statements of the Group for the year ended 31st March, 2006 and the draft unaudited interim financial statements of the Group for the six months ended 30th September, 2006, discussed the accounting policies and practices which may affect the Group with the management and the Company's auditors, made recommendation on the re-appointment of external auditors for the approval of the Ordinary Shareholders in the annual general meeting of the Company, reviewed the fees charged by the external auditors and reviewed the internal control system of the Group.

### AUDITOR'S REMUNERATION

Messrs. Deloitte Touche Tohmatsu ("Deloitte"), the Group's principal auditor, was re-appointed by the Ordinary Shareholders at the annual general meeting of the Company held on 13th September, 2006 as the Company's external auditor until the next annual general meeting. For the year ended 31st March, 2007, the total fee paid/payable in respect of statutory audit and non-audit services provided by Deloitte is set out in the following table:

Services rendered	Fee paid/payable	
	for the year ended 31st March	
	2007 HK\$'000	2006 HK\$'000
Audit service	6,600	870
Non-audit services		
Taxation	20	20
Ad hoc projects	1,550	200
Review of interim results	300	250
Review of annual results announcement	30	30
<b>Total fee paid/payable for the year</b>	<b>8,500</b>	<b>1,370</b>

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31st March, 2007, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The statement by the auditors of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 32 of the annual report.



## CORPORATE GOVERNANCE REPORT *(continued)*

### INTERNAL CONTROL

The Board has the overall responsibility for maintaining a sound and effective system of internal control and for reviewing its effectiveness, particularly in respect of the controls on financial, operational, compliance and risk management, to achieve the Company's business strategies and the Group's business operations. The Directors have adopted an internal control policy of the Group. The internal control policy is fundamental to the successful operation and day-to-day running of a business and it assists the Company in achieving its business objective. The policy has been developed with primary objective of providing general guidance and recommendations on a basic framework of internal control and risk management. The Company's internal control systems comprise a well established organisational structure and comprehensive policies and standards. Procedures have been designed to safeguard assets against unauthorised use or disposition, to ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and to ensure compliance with applicable laws and regulations. The purpose of the Company's internal control is to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Company's objective.

The Directors have conducted an annual review of the effectiveness of the system of internal control of the Group, covering all material controls, including financial, operational and compliance controls and risk management functions.

### COMMUNICATION WITH SHAREHOLDERS

The Board makes its endeavour to maintain an ongoing and transparent communication with all shareholders and, in particular, use general meetings to communicate with shareholders and encourage their participation. The Company also uses various other means of communication with its shareholders, such as publication of annual and interim reports, announcements, circulars and additional information on the Group's business activities and development on the Company's website: [www.itc.com.hk](http://www.itc.com.hk). Details of the poll vote procedures, which comply with the Listing Rules and the Bye-laws of the Company, have been included in the Company's circulars sent to shareholders of the Company and in the proceedings of the Company's general meetings. During the year under review, some resolutions put forward at the special general meetings had been conducted by way of poll and poll results were published in the newspapers and posted on the websites of the Company and the Hong Kong Stock Exchange in compliance with the requirements of the then Listing Rules.

By Order of the Board

**Law Hon Wa, William**  
*Company Secretary*

Hong Kong, 27th July, 2007

## DIRECTORS' REPORT

The directors have pleasure to present their report and the audited consolidated financial statements of the Group for the year ended 31st March, 2007.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities and particulars of the Company's principal subsidiaries and the Group's principal associates as at 31st March, 2007 are set out in notes 58 and 22, respectively, to the consolidated financial statements.

### SEGMENTAL INFORMATION

An analysis of the Group's revenue and contribution to operating results for the year ended 31st March, 2007 is set out in note 6 to the consolidated financial statements.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March, 2007 are set out in the consolidated income statement on page 33 of the annual report.

An interim dividend of HK1.5 cents per ordinary share satisfied in cash with an option to elect scrip dividend of ordinary shares, amounting to approximately HK\$27,954,000, was paid to the holders of ordinary shares during the year. The directors recommended the payment of a final dividend of HK2.0 cents per ordinary share in cash with an option to elect scrip dividend and a bonus issue of one new ordinary share credited as fully paid for every five ordinary shares held by holders of ordinary shares whose names appear on the register of holders of ordinary shares on 15th October, 2007.

The directors resolved to pay a dividend of HK4.0 cents per redeemable convertible preference share in respect of the twelve month period ending on but excluding 3rd November, 2007 to holders of redeemable convertible preference shares whose names appear on the register of redeemable convertible preference shares as at the close of business on 15th October, 2007.

### RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 36 and 37 of the annual report.

### MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover attributable to the Group's five largest customers during the year were less than 30% of the Group's total turnover.

The aggregate purchases attributes to the Group's five largest suppliers during the year were less than 30% of the Group's total purchases.

### FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 93 of the annual report.

### PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

### INVESTMENT PROPERTIES

Details of revaluation and movements of the investment properties of the Group during the year are set out in note 19 to the consolidated financial statements.



## DIRECTORS' REPORT *(continued)*

### SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 46 to the consolidated financial statements.

### DISTRIBUTABLE RESERVES OF THE COMPANY

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

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

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

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Contributed surplus	<b>1,134,686</b>	1,134,686
Accumulated profits	<b>70,114</b>	64,520
	<b><u>1,204,800</u></b>	<u>1,199,206</u>

### SHARE OPTIONS

Details of the movements in the share options of the Company and of its subsidiaries during the year are set out in note 47 to the consolidated financial statements.

### BORROWINGS

Bank borrowings and other loans repayable within one year or on demand are classified as current liabilities. Details of the repayment analysis of bank borrowings and other loans of the Group as at 31st March, 2007 are set out in note 42 to the consolidated financial statements.

## DIRECTORS' REPORT *(continued)*

### DIRECTORS

The directors of the Company during the year and up to the date of this report were:

#### Executive directors:

Chan Kwok Keung, Charles (*Chairman*)  
 Chau Mei Wah, Rosanna  
 (*Deputy Chairman and Managing Director*)  
 Chan Kwok Chuen, Augustine  
 (*formerly known as Chan Kwok Hung*)  
 Chan Fut Yan  
 Cheung Hon Kit

#### Independent non-executive directors:

Chuck, Winston Calptor  
 Lee Kit Wah  
 Shek Lai Him, Abraham (appointed on 26th June, 2006)  
 Wong Kam Cheong, Stanley (retired on 13th September, 2006)

In accordance with Bye-law 98(A) of the Company's Bye-laws, Mr. Chan Fut Yan, Mr. Chuck, Winston Calptor and Mr. Lee Kit Wah will retire by rotation at the forthcoming annual general meeting. All retiring directors, being eligible, offer themselves for re-election.

The independent non-executive directors are appointed for a specific term, subject to re-election, which will run until the conclusion of the third annual general meeting from the date of their last re-election and in accordance with the Company's bye-laws. No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st March, 2007, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") were as follows:

#### (a) *Interests and short positions in ordinary shares, underlying shares and debentures of the Company*

Name of director	Capacity	Long position/ Short position	Number of ordinary shares of the Company held	Approximate percentage of the issued ordinary share capital of the Company
Chan Kwok Keung, Charles	Interest of controlled corporation (Note)	Long position	642,939,242	34.33%

*Note:* Galaxyway Investments Limited ("Galaxyway") was a wholly-owned subsidiary of Chinaview International Limited ("Chinaview") which was, in turn, wholly owned by Dr. Chan Kwok Keung, Charles. Dr. Chan Kwok Keung, Charles was deemed to be interested in 642,939,242 ordinary shares of the Company held by Galaxyway.





## DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES  
(continued)

## (b) Interests and short positions in shares, underlying shares and debentures of Hanny Holdings Limited ("Hanny")

Name of director	Capacity	Long position/ Short position	Number of shares of Hanny held	Number of underlying shares (in respect of unlisted equity derivatives) of Hanny held	Approximate percentage of the issued share capital of Hanny
Chan Kwok Keung, Charles	Interest of controlled corporation (Note 1)	Long position	169,979,504 (Note 1)	–	67.23%
Chan Kwok Keung, Charles	Interest of controlled corporations (Note 1)	Long position	–	11,304,682 (Note 1)	4.47%
Chan Kwok Keung, Charles	Beneficial owner	Long position	1,627,697	–	0.64%
Chan Kwok Keung, Charles	Beneficial owner	Long position	–	315,756 (Note 2)	0.12%
Chan Kwok Chuen, Augustine	Beneficial owner	Long position	1,600,000	–	0.63%
Cheung Hon Kit	Beneficial owner	Long position	6	–	0.00%
Shek Lai Him, Abraham	Beneficial owner	Long position	32	–	0.00%

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

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

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

## DIRECTORS' REPORT *(continued)*

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

#### (c) *Interests and short positions in shares, underlying shares and debentures of Trasy Gold Ex Limited ("Trasy")*

Name of director	Capacity	Long position/ Short position	Number of shares of Trasy held	Approximate percentage of the issued share capital of Trasy
Chan Kwok Keung, Charles	Interest of controlled corporation <i>(Note)</i>	Long position	1,568,681,139	56.45%

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

#### (d) *Interests and short positions in shares, underlying shares and debentures of PYI Corporation Limited ("PYI")*

Name of director	Capacity	Long position/ Short position	Number of shares of PYI held	Number of underlying shares (in respect of the share options (unlisted equity derivatives)) of PYI held	Approximate percentage of the issued share capital of PYI
Chan Kwok Keung, Charles	Interest of controlled corporation <i>(Note 1)</i>	Long position	402,368,507	–	26.97%
Chan Kwok Keung, Charles	Beneficial owner	Long position	11,915,186	–	0.80%
Chau Mei Wah, Rosanna	Beneficial owner	Long position	–	1,630,000 <i>(Note 2)</i>	0.11%
Chan Fut Yan	Beneficial owner	Long position	–	2,500,000 <i>(Note 2)</i>	0.17%
Cheung Hon Kit	Beneficial owner	Long position	400	–	0.00%
Shek Lai Him, Abraham	Beneficial owner	Long position	2,000	–	0.00%

- Notes:*
- The shares of PYI were held by an indirect wholly-owned subsidiary of the Company. By virtue of his deemed interests in approximately 34.33% of the issued ordinary share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares of PYI.
  - Ms. Chau Mei Wah, Rosanna and Mr. Chan Fut Yan held share options (which were granted on 28th December, 2004) with rights to subscribe for 1,630,000 shares of PYI and 2,500,000 shares of PYI respectively at HK\$1.5 per share of PYI (subject to adjustments) during the period from 28th December, 2004 to 26th August, 2012.



## DIRECTORS' REPORT *(continued)*

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

*(continued)*

#### **(e) Interests and short positions in shares, underlying shares and debentures of Burcon NutraScience Corporation ("Burcon")**

Name of director	Capacity	Long position/ Short position	Number of shares of Burcon held	Number of underlying shares (in respect of the share options (unlisted equity derivatives)) of Burcon held	Approximate percentage of the issued share capital of Burcon
Chau Mei Wah, Rosanna	Beneficial owner	Long position	321,074	-	1.31%
Chau Mei Wah, Rosanna	Beneficial owner	Long position	-	61,000	0.25%

#### **(f) Interests and short positions in shares, underlying shares and debentures of Wing On Travel (Holdings) Limited ("Wing On Travel")**

Name of director	Capacity	Long position/ Short position	Number of shares of Wing On Travel held	Number of underlying shares (in respect of unlisted equity derivatives) of Wing On Travel held	Approximate percentage of the issued share capital of Wing On Travel
Chan Kwok Keung, Charles	Interest of controlled corporations (Note 1)	Long position	135,740,481	-	22.23%
Chan Kwok Keung, Charles	Interest of controlled corporation (Note 1)	Long position	-	379,746,835	62.19%
Chan Kwok Keung, Charles	Beneficial owner	Long position	4,529,800	-	0.74%
Cheung Hon Kit	Beneficial owner	Long position	-	4,000,000 (Note 2)	0.66%

- Notes:
- 11,406,000 shares of Wing On Travel were held by an indirect wholly-owned subsidiary of the Company. 124,334,481 shares of Wing On Travel were held by an indirect wholly-owned subsidiary of China Enterprises Limited ("CEL") of which Group Dragon Investments Limited ("GDI") indirectly owned approximately 55.22% of the effective equity interest. Hanny indirectly held approximately 98.92% of the issued share capital of GDI. The Company indirectly held approximately 67.23% of the issued share capital of Hanny. CEL held a convertible note in the principal amount of HK\$300,000,000. Upon full conversion of such convertible note at an initial conversion price of HK\$0.79 per share of Wing On Travel (subject to adjustments), 379,746,835 shares of Wing On Travel would be issued to CEL. By virtue of his deemed interests in approximately 34.33% of the issued ordinary share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares and underlying shares of Wing On Travel.
  - Mr. Cheung Hon Kit held share options (which were granted on 22nd June, 2006) with rights to subscribe for 4,000,000 shares of Wing On Travel at HK\$0.728 per share of Wing On Travel (subject to adjustments) during the period from 22nd June, 2006 to 21st June, 2008.



## DIRECTORS' REPORT *(continued)*

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

Hanny, Trasy, PYI, Burcon and Wing On Travel are associated corporations of the Company within the meaning of Part XV of the SFO.

Dr. Chan Kwok Keung, Charles was, by virtue of his deemed interest in approximately 34.33% of the issued ordinary share capital of the Company, 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 the Company held by the Group under Part XV of the SFO.

Save as disclosed above, as at 31st March, 2007, none of the directors and chief executives of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

#### (a) *Share Option Scheme of the Company adopted on 16th January, 2002*

As at 31st March, 2007, there were no outstanding share options granted by the Company pursuant to the share option scheme of the Company. No share options were granted, exercised, cancelled or lapsed during the year. Details of the share option scheme of the Company are set out in note 47 to the consolidated financial statements.

#### (b) *Pre-IPO Share Option Plan of Trasy adopted on 6th November, 2000 and Share Option Scheme of Trasy adopted on 30th April, 2002*

As at 31st March, 2007, there were no share options granted by Trasy to the directors of the Company pursuant to the pre-IPO share option plan and share option scheme of Trasy. Details of the pre-IPO share option plan and share option scheme of Trasy are set out in note 47 to the consolidated financial statements.

#### (c) *Share Option Schemes of Hanny adopted on 21st August, 2001 and 17th March, 2003*

Details of the share option schemes of Hanny were set out in note 47 to the consolidated financial statements and the movements in share options granted by Hanny to the directors of the Company during the year are as follows:

Name of director	Date of grant	Exercisable period	Exercise price per share HK\$	Number of shares of Hanny to be issued upon exercise of the share options		
				Balance as at 1.4.2006	Lapsed during the year	Balance as at 31.3.2007
Chan Kwok Keung, Charles	31.8.2001	31.8.2001 to 30.8.2006	2.9888	4,000,000	(4,000,000)	-
Chan Kwok Chuen, Augustine	31.8.2001	31.8.2001 to 30.8.2006	2.9888	1,750,000	(1,750,000)	-

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 56 to the consolidated financial statements, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.



**DIRECTORS' REPORT** (continued)**DIRECTORS' INTERESTS IN COMPETING BUSINESSES**

Interests of the directors of the Company in competing businesses as at 31st March, 2007 which are required to be disclosed pursuant to Rule 8.10 of the Listing Rules were as follows:

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

## DIRECTORS' REPORT *(continued)*

### DIRECTORS' INTERESTS IN COMPETING BUSINESSES *(continued)*

The changes in details of the directors' interests in competing businesses previously disclosed in the annual report of the Company for the year ended 31st March 2006 were due to Hanny, which has the businesses of property investment in Hong Kong and property development and trading in the PRC (excluding Hong Kong and Macau), became a subsidiary of the Company in December 2006.

Having considered the nature, size and scope of the above business, the directors of the Company believe that there was unlikely to be any significant competition with the businesses of the Group as at 31st March, 2007.

Save as disclosed above, none of the directors of the Company was interested in any business apart from the Group's businesses which competed or is likely to compete, either directly or indirectly, with the businesses of the Group as at 31st March, 2007.

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS/OTHER PERSONS RECORDED IN THE REGISTER KEPT UNDER SECTION 336 OF THE SFO

As at 31st March, 2007, so far as is known to the directors and the chief executives of the Company, the interests or short positions of substantial shareholders/other persons in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

#### (a) *Interests and short positions of substantial shareholders in shares and underlying shares of the Company*

Name	Capacity	Long position/ Short position	Number of ordinary shares of the Company held	Approximate percentage of the issued ordinary share capital of the Company
Chan Kwok Keung, Charles	Interest of controlled corporation <i>(Note 1)</i>	Long position	642,939,242	34.33%
Chinaview	Interest of controlled corporation <i>(Note 1)</i>	Long position	642,939,242	34.33%
Galaxyway	Beneficial owner	Long position	642,939,242	34.33%
Ng Yuen Lan, Macy	Interest of spouse <i>(Note 1)</i>	Long position	642,939,242	34.33%
PMA Capital Management Limited	Investment Manager	Long position	223,358,500 <i>(Note 2)</i>	11.93%

- Notes:
- Galaxyway was a wholly-owned subsidiary of Chinaview which was, in turn, wholly owned by Dr. Chan Kwok Keung, Charles. Ms. Ng Yuen Lan, Macy is the spouse of Dr. Chan Kwok Keung, Charles. Chinaview, Dr. Chan Kwok Keung, Charles and Ms. Ng Yuen Lan, Macy were deemed to be interested in the ordinary shares of the Company held by Galaxyway.
  - So far as known to the directors of the Company, Diversified Asian Strategies Fund is managed by PMA Capital Management Limited and the interests in the ordinary shares of the Company held by PMA Capital Management Limited include the ordinary shares of the Company held by Diversified Asian Strategies Fund as mentioned in the section headed "Interests and short positions of other persons in ordinary shares and underlying shares of the Company" in this report.



## DIRECTORS' REPORT (continued)

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS/OTHER PERSONS RECORDED IN THE REGISTER KEPT UNDER SECTION 336 OF THE SFO (continued)

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

Name	Capacity	Long position/ Short position	Number of ordinary shares of the Company held	Number of underlying shares (in respect of the listed equity derivatives) of the Company held	Approximate percentage of the issued share capital of the Company
CEF Holdings Limited ("CEF Holdings")	Interest of controlled corporations (Note)	Long position	2,773,046	-	0.15%
CEF Holdings	Interest of controlled corporations (Note)	Long position	-	213,015,153	11.37%
Canadian Imperial Bank of Commerce	Interest of controlled corporations (Note)	Long position	2,773,046	-	0.15%
Canadian Imperial Bank of Commerce	Interest of controlled corporations (Note)	Long position	-	213,015,153	11.37%
Cheung Kong (Holdings) Limited ("CKH")	Interest of controlled corporations (Note)	Long position	2,773,046	-	0.15%
CKH	Interest of controlled corporations (Note)	Long position	-	213,015,153	11.37%
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee (Note)	Long position	2,773,046	-	0.15%
TUT1	Trustee (Note)	Long position	-	213,015,153	11.37%
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee & beneficiary of a trust (Note)	Long position	2,773,046	-	0.15%
TDT1	Trustee & beneficiary of a trust (Note)	Long position	-	213,015,153	11.37%
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee & beneficiary of a trust (Note)	Long position	2,773,046	-	0.15%
TDT2	Trustee & beneficiary of a trust (Note)	Long position	-	213,015,153	11.37%
Li Ka-shing	Interest of controlled corporations & founder of discretionary trusts (Note)	Long position	2,773,046	-	0.15%
Li Ka-shing	Interest of controlled corporations & founder of discretionary trusts (Note)	Long position	-	213,015,153	11.37%
Deutsche Bank Aktiengesellschaft	Security interest	Long position	201,438,795	-	10.75%
Diversified Asian Strategies Fund	Beneficial owner	Long position	104,156,194	-	5.56%

## DIRECTORS' REPORT *(continued)*

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS/OTHER PERSONS RECORDED IN THE REGISTER KEPT UNDER SECTION 336 OF THE SFO *(continued)*

#### **(b) Interests and short positions of other persons in ordinary shares and underlying shares of the Company *(continued)***

*Note:* So far as known to the directors of the Company, the number of ordinary shares and underlying shares (in respect of listed equity derivatives) of the Company held by Asialand Investment Limited ("Asialand") and CEF (Capital Markets) Limited ("CEF Capital Markets") were 50,849,968 and 164,938,231 respectively. CEF Capital Markets was wholly owned by CEF Holdings. Asialand was wholly owned by CEF M B Investments Limited which was in turn wholly owned by CEF Holdings.

Each of CKH and CIBC Holdings (Cayman) Limited was entitled to exercise or control the exercise of one-third or more of the voting power at the general meetings of CEF Holdings. CIBC Holdings (Cayman) Limited was wholly owned by Canadian Imperial Bank of Commerce. CEF M B Investments Limited was deemed to be interested in the ordinary shares and/or underlying shares (in respect of listed equity derivatives) of the Company held by Asialand. CEF Holdings, CIBC Holdings (Cayman) Limited and Canadian Imperial Bank of Commerce were all deemed to be interested in the ordinary shares and underlying shares (in respect of listed equity derivatives) of the Company held by Asialand and CEF Capital Markets.

Li Ka-Shing Unity Holdings Limited, of which each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard was interested in one-third of the entire issued share capital, owned the entire issued share capital of TUT1. TUT1 as trustee of The Li Ka-Shing Unity Trust, together with certain companies which TUT1 as trustee of The Li Ka-Shing Unity Trust was entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, held more than one-third of the issued share capital of CKH.

In addition, Li Ka-Shing Unity Holdings Limited also owned the entire issued share capital of TDT1 as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and TDT2 as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 held units in The Li Ka-Shing Unity Trust.

By virtue of the SFO, each of Mr. Li Ka-shing being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, CKH, TUT1, TDT1 and TDT2 was deemed to be interested in the ordinary shares and underlying shares (in respect of listed equity derivatives) of the Company held by Asialand and CEF Capital Markets.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under Section 336 of the SFO as having interests or short positions in the ordinary shares or underlying shares of the Company as at 31st March, 2007.

### RETIREMENT BENEFIT SCHEMES

Information on the Group's retirement benefit schemes is set out in note 50 to the consolidated financial statements.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the applicable laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed minimum public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the directors.





## DIRECTORS' REPORT *(continued)*

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

During the year ended 31st March, 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of Company's listed securities.

### POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 55 to the consolidated financial statements.

### AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as the external auditor of the Company.

On behalf of the Board

**Dr. Chan Kwok Keung, Charles**  
*Chairman*

Hong Kong, 27th July, 2007

## INDEPENDENT AUDITOR'S REPORT

# Deloitte.

## 德勤

## TO THE MEMBERS OF ITC CORPORATION LIMITED

*(Incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of ITC Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 92, which comprise the consolidated balance sheet as at 31st March, 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st March, 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong, 27th July, 2007



**CONSOLIDATED INCOME STATEMENT**

FOR THE YEAR ENDED 31ST MARCH, 2007

	<i>Notes</i>	<b>2007</b> <b>HK\$'000</b>	2006 <i>HK\$'000</i> (Restated)
Revenue	6	<b>493,298</b>	252,959
Cost of sales		<b>(366,676)</b>	(205,884)
Gross profit		<b>126,622</b>	47,075
Other income	7	<b>22,714</b>	2,331
Administrative expenses		<b>(96,198)</b>	(59,199)
Impairment losses	9	<b>(10,014)</b>	–
Gain on disposal of available-for-sale investments		<b>8,209</b>	–
Other gains (losses), net	10	<b>79,733</b>	(1,071)
Finance costs	11	<b>(39,450)</b>	(28,012)
Discount on acquisitions	12	<b>560,055</b>	2,578
Allowance for amounts due from associates and a related company		<b>(2,731)</b>	(3,064)
Net gain (loss) on disposal and dilution of interests in associates	13	<b>1,893</b>	(79,530)
Share of results of associates		<b>248,742</b>	165,328
Profit before taxation	14	<b>899,575</b>	46,436
Taxation	15	<b>(8,695)</b>	–
Profit for the year		<b>890,880</b>	46,436
Attributable to:			
Equity holders of the Company		<b>843,929</b>	50,289
Minority interests		<b>46,951</b>	(3,853)
		<b>890,880</b>	46,436
Distributions	16	<b>59,191</b>	32,201
		<b>HK cents</b>	<i>HK cents</i>
Earnings per share	17		
Basic		<b>45.6</b>	4.4
Diluted		<b>39.0</b>	3.8

**CONSOLIDATED BALANCE SHEET**

AT 31ST MARCH, 2007

	Notes	2007 HK\$'000	2006 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	18	179,765	50,835
Investment properties	19	150,421	4,016
Prepaid lease payments	20	87,437	89,651
Intangible assets	21	4,580	1,080
Interests in associates	22	1,594,047	1,179,749
Debt portion of convertible notes	23	274,304	–
Conversion options embedded in convertible notes	23	98,466	–
Deposits paid for acquisition of subsidiaries	24	50,000	–
Deposits for acquisition of long-term investments	25	145,000	–
Payments for acquisition of interest in properties	26	58,830	–
Available-for-sale investments	27	1,033,823	83,730
Deferred tax assets	45	1,464	–
		<u>3,678,137</u>	<u>1,409,061</u>
<b>Current assets</b>			
Inventories		239	137
Prepaid lease payments	20	2,214	2,214
Other assets	28	229,288	–
Debtors, deposits and prepayments	29	404,029	14,370
Margin account receivables	30	17,523	10,791
Deposits paid for acquisition of investments held for trading	31	73,289	–
Amounts due from associates	32	500,050	205,083
Amounts due from related companies	33	7,262	247,362
Loans receivable	34	340,549	205,400
Financial assets designated at fair value through profit or loss	35	147,238	82,744
Investments held for trading	36	626,649	55,730
Tax recoverable		1,438	–
Short term bank deposits, bank balances and cash	37	282,304	227,808
		<u>2,632,072</u>	<u>1,051,639</u>
<b>Current liabilities</b>			
Margin account payables	30	6,794	25,048
Creditors and accrued expenses	38	91,884	25,383
Amounts due to associates	39	163,015	123
Derivative financial instruments	40	222	460
Redeemable convertible preference shares	41	286,137	–
Tax payable		63,977	–
Borrowings - due within one year	42	517,100	2,450
Bank overdrafts	43	71,599	28,217
		<u>1,200,728</u>	<u>81,681</u>
<b>Net current assets</b>		<u>1,431,344</u>	<u>969,958</u>
<b>Total assets less current liabilities</b>		<u>5,109,481</u>	<u>2,379,019</u>



**CONSOLIDATED BALANCE SHEET** *(continued)*

AT 31ST MARCH, 2007

	<i>Notes</i>	<b>2007</b> <b>HK\$'000</b>	2006 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Redeemable convertible preference shares	41	–	286,811
Borrowings - due after one year	42	<b>141,350</b>	60,100
Convertible notes payable	44	<b>556,980</b>	–
Deferred tax liabilities	45	<b>39,091</b>	99
		<u><b>737,421</b></u>	<u>347,010</u>
<b>Net assets</b>		<u><b>4,372,060</b></u>	<u>2,032,009</u>
<b>Capital and reserves</b>			
Share capital	46	<b>187,298</b>	183,750
Reserves		<u><b>2,623,128</b></u>	<u>1,826,195</u>
<b>Equity attributable to equity holders of the Company</b>		<b>2,810,426</b>	2,009,945
Convertible notes reserve of a subsidiary		<b>55,279</b>	–
Minority interests		<u><b>1,506,355</b></u>	<u>22,064</u>
<b>Total equity</b>		<u><b>4,372,060</b></u>	<u>2,032,009</u>

The consolidated financial statements on pages 33 to 92 were approved and authorised for issue by the Board of Directors on 27th July, 2007 and are signed on its behalf by:

**Chan Kwok Keung, Charles**  
*Chairman*

**Chau Mei Wah, Rosanna**  
*Deputy Chairman and Managing Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH, 2007

	Attributable to equity holders of the Company													Convertible notes reserve of a subsidiary HK\$'000	Minority interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000 (Note (a))	Reserve on acquisition HK\$'000 (Note (b))	Capital redemption reserve HK\$'000	Other reserve HK\$'000 (Note (c))	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Convertible notes reserve HK\$'000	Preference share reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000			
At 1st April, 2005	107,201	39,510	1,108,927	-	908	726	224	491	34,613	5,337	871	311,181	1,609,989	-	29,659	1,639,648
- as originally stated	-	-	-	-	-	-	-	-	-	-	-	115,479	115,479	-	-	115,479
- effect of change in accounting policy (Note 3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- as restated	107,201	39,510	1,108,927	-	908	726	224	491	34,613	5,337	871	426,660	1,725,468	-	29,659	1,755,127
Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	-	-	3,122	-	-	-	3,122	-	-	3,122
Share of post-acquisition reserve movements of associates	-	-	-	(58,374)	-	4,090	-	(9,175)	264	-	-	-	(63,195)	-	-	(63,195)
Surplus arising from revaluation of:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- land and buildings	-	-	-	-	-	-	294	-	-	-	-	-	294	-	-	294
- available-for-sale investments	-	-	-	-	-	-	-	23,224	-	-	-	-	23,224	-	-	23,224
Deferred tax liability arising on revaluation of land and buildings	-	-	-	-	-	-	(51)	-	-	-	-	-	(51)	-	-	(51)
Net (expense) income recognised directly in equity	-	-	-	(58,374)	-	4,090	243	14,049	3,386	-	-	-	(36,606)	-	-	(36,606)
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	50,289	50,289	-	(3,853)	46,436
Released on disposal and dilution of interests in associates	-	-	-	-	-	(1,346)	-	719	(12,308)	-	-	-	(12,935)	-	-	(12,935)
Total recognised income and expenses for the year	-	-	-	(58,374)	-	2,744	243	14,768	(8,922)	-	-	50,289	748	-	(3,853)	(3,105)
Issue of shares:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- on conversion of convertible notes	54,834	114,984	-	-	-	-	-	-	-	(5,337)	-	-	164,481	-	-	164,481
- under scrip dividend scheme	275	(275)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- for raising fund	21,440	128,563	-	-	-	-	-	-	-	-	-	150,003	-	-	150,003	
Distributions paid	-	-	-	-	-	-	-	-	-	-	-	(32,201)	(32,201)	-	-	(32,201)
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,742)	(3,742)
Credit arising on scrip dividends	-	-	-	-	-	-	-	-	-	-	-	1,446	1,446	-	-	1,446
At 31st March, 2006 as restated	163,750	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	-	-	-	(32,134)	-	127	-	(10,306)	26,857	-	-	-	(15,456)	-	5,914	(9,542)
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	-	-	-	(32,134)	-	127	6,197	(6,857)	29,022	-	-	-	(3,645)	-	959	(2,686)
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	843,929	843,929	-	46,951	890,880
Released on disposal and dilution of interests in 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	-	-	-	(27,147)	-	55	6,197	(15,166)	27,405	-	-	843,929	835,273	-	47,910	883,183
Issue of shares:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- on conversion of redeemable convertible preference shares	90	855	-	-	-	-	-	-	-	-	(3)	-	942	-	-	942
- under scrip dividend scheme	3,458	(3,458)	-	-	-	-	-	-	-	-	-	(59,191)	(59,191)	-	-	(59,191)
Distributions paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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)
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



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY** *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2007

## 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 fair value changes arising from the acquisition of a subsidiary by the Company.
- (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, 2007

	2007 HK\$'000	2006 HK\$'000 (Restated)
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	899,575	46,436
Adjustments for:		
Allowance recognised (reversed) for:		
– amounts due from associates and related companies	2,731	3,064
– debtors, deposits and prepayments	2,612	773
– loans receivable	(8,993)	3,475
Depreciation of property, plant and equipment	10,235	4,440
Release of prepaid lease payments	2,214	2,214
Discount on acquisition of:		
– interests in subsidiaries	(370,923)	–
– additional interests in subsidiaries	(189,132)	(2,578)
Net (gain) loss on disposal and dilution of interests in associates	(1,893)	79,530
Net other (gain) loss arising from changes in fair values of:		
– conversion options embedded in convertible notes	32,239	–
– derivative financial instruments	222	460
– financial assets designated at fair value through profit or loss	(12,673)	289
– investments held for trading	(106,842)	940
– investment properties	7,018	(335)
Gain on disposal of:		
– gold bullion	–	(7,075)
– available-for-sale investments	(8,209)	–
– property, plant and equipment	(960)	(295)
Impairment loss on:		
– intangible assets	–	1,085
– available-for-sale investments	4,859	–
– goodwill of associates	5,155	–
Surplus arising from revaluation of land and buildings	–	(2,582)
Interest expenses	39,450	28,012
Share of results of associates	(248,742)	(165,328)
Operating cash flows before movements in working capital	57,943	(7,475)
Increase in inventories	(70)	(22)
Increase in debtors, deposits and prepayments	(83,683)	(10,556)
Increase in margin account receivables	(4,231)	(10,766)
Deposits paid for acquisition of investments held for trading	(73,289)	–
Increase in amounts due from associates	(292,708)	(196,662)
Decrease (increase) in amounts due from related companies	131,946	(248,677)
Decrease (increase) in loans receivable	316,509	(185,644)
Decrease (increase) in financial assets designated at fair value through profit or loss	58,206	(82,744)
Decrease (increase) in investments held for trading	2,254	(51,934)
(Decrease) increase in margin account payables	(24,678)	25,048
(Decrease) increase in creditors and accrued expenses	(46,545)	5,077
Increase in amounts due to associates	162,754	30
Decrease in amounts due to a related company	(190,969)	–
Increase in derivative financial instruments	(460)	–
Cash from (used in) operations	12,979	(764,325)
Dividends received from associates	94,963	498,555
Hong Kong Profits Tax paid	(17)	–
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>107,925</b>	<b>(265,770)</b>





**CONSOLIDATED CASH FLOW STATEMENT** *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2007

	Note	2007 HK\$'000	2006 HK\$'000 (Restated)
<b>INVESTING ACTIVITIES</b>			
Acquisition of subsidiaries, net of cash and cash equivalents acquired	48	(231,355)	–
Acquisition of additional interests in subsidiaries		(135,974)	(1,164)
Acquisition of convertible notes		(121,322)	–
Acquisition of additional interests in associates		(25,582)	(55,335)
Additions to investment properties		(10,358)	–
Additions to available-for-sale investments		(11,823)	(60,506)
Additions to property, plant and equipment		(7,472)	(10,967)
Refund of deposits paid for acquisition of long-term investments		45,175	–
Proceeds from disposal of available-for-sale investments		29,968	–
Proceeds from disposal of property, plant and equipment		2,560	484
Acquisition of other intangible assets		–	(325)
Proceeds from disposal of interests in associates		–	448,214
Proceeds from disposal of gold bullion		–	71,757
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>		<b>(466,183)</b>	<b>392,158</b>
<b>FINANCING ACTIVITIES</b>			
Other loans raised		500,000	–
Dividends paid		(41,411)	(30,755)
Repayments of other loans		(40,000)	(18,774)
Interest paid		(27,501)	(25,885)
Repayments of bank borrowings		(4,775)	(2,450)
Dividend paid to minority shareholders of a listed subsidiary		(4,159)	–
Repayment of obligation under a finance lease		(111)	–
Net proceeds from issue of shares		–	150,003
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>382,043</b>	<b>72,139</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>23,785</b>	<b>198,527</b>
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>		<b>199,591</b>	<b>1,110</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		<b>(12,671)</b>	<b>(46)</b>
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>		<b>210,705</b>	<b>199,591</b>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Short term bank deposits, bank balances and cash		282,304	227,808
Less: bank overdrafts		(71,599)	(28,217)
		<b>210,705</b>	<b>199,591</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST 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 the 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 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 58 and 22 respectively.

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

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for accounting periods beginning on or after 1st December, 2005, 1st January, 2006 or 1st March, 2006. The adoption of the new HKFRSs has 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 or 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 and interpretations will have no material impact on the results and the financial position of the Group.

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

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007

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

<sup>3</sup> Effective for annual periods beginning on or after 1st May, 2006

<sup>4</sup> Effective for annual periods beginning on or after 1st June, 2006

<sup>5</sup> Effective for annual periods beginning on or after 1st November, 2006

<sup>6</sup> Effective for annual periods beginning on or after 1st March, 2007

<sup>7</sup> Effective for annual periods beginning on or after 1st January, 2008



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

FOR THE YEAR ENDED 31ST MARCH, 2007

**3. CHANGE IN ACCOUNTING POLICY**

In the current year, the Group and its associates have changed their accounting policy for recognising the purchase of additional interest in a subsidiary. Prior to 1st April, 2006, such acquisition was recognised by calculating the goodwill or discount as the difference between the consideration paid for the additional interest and the carrying amount of the net assets of the subsidiary attributable to the additional interest acquired. Under the new accounting policy, the Group and its associates revalue all of the identifiable assets and liabilities of the subsidiary to fair value. Goodwill or discount arising on the purchase of the additional interest is calculated as the difference between the cost of the additional interest acquired and the increase in the Group's or the associate's interest, based on the fair value of all identifiable assets and liabilities of the subsidiary. The directors consider that by adoption of this revised policy, the Group financial statements presents more meaningful information based on the nature of the underlying operations of the subsidiaries and associates. The fair value attributable to the additional interest acquired is not recognised in the relevant assets or liabilities of the subsidiary and is recognised by debiting to the reserve on acquisition.

This change in accounting policy has been applied retrospectively and has had no material impact on the profit for the current year.

Accordingly, prior year adjustments were made to account for the effect of the purchase of additional interest in certain subsidiaries of the Group's associate for the year ended 31st March, 2006. Comparative figures were restated accordingly.

The financial effects of the change in the accounting policy are that the increase in fair value of net assets attributable to the additional interest acquired by the Group's associate of approximately HK\$58,374,000 has debited to the Group's reserve on acquisition for the year ended 31st March, 2006, and the Group's retained profits at 1st April, 2005 has increased by approximately HK\$115,479,000.

The effects on the profit for the year ended 31st March, 2006 and the respective financial statement line items are summarised as follows:

	2006 HK\$'000
Profit for the year, as originally stated	103,541
Increase in net loss on disposal and dilution of interests in associates	(47,934)
Decrease in share of results of associates	(9,171)
Decrease in profit for the year	(57,105)
As restated	46,436
Attributable to:	
Equity holders of the Company, as originally stated	107,394
Adjustments arising from decrease in profit for the year	(57,105)
As restated	50,289

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2007

**4. 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 ("the HKFRSs") issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance.

**Basis of consolidation**

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2007

### 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **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.

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

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

No depreciation is provided in respect of freehold land.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2007

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Property, plant and equipment** *(continued)*

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

**Investment properties**

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

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

On initial recognition, intangible assets acquired separately other than from business combinations are recognised at cost. The cost of such intangible assets is their fair value at the acquisition date. After initial recognition, intangible assets with indefinite useful lives are carried at cost less any identified impairment loss.

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2007

### 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Intangible assets** *(continued)*

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 intangible assets is estimated to be less than its carrying amount, the carrying amount of the 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 the 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 intangible assets in prior years. A reversal of an impairment loss is recognised as income immediately.

#### **Financial instruments**

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

#### **Financial assets**

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

#### *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 and 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. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2007

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Financial instruments** *(continued)***Financial assets** *(continued)**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.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- 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 fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other debtors, margin account receivables, loans receivable, bank deposits, bank balances, 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. 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.

Convertible notes held by the Group are separately disclosed 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.

**Financial liabilities and equity**

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

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





**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2007

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Financial instruments** *(continued)***Financial liabilities and equity** *(continued)**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 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 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 convertible notes/preference shares into equity, is included in equity (convertible notes reserve/preference share reserve).

In subsequent periods, the liability component of the convertible notes payable and redeemable convertible preference shares is carried at amortised cost using the effective interest method. The equity component, represented by 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 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 payable/redeemable convertible preference shares are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes 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/related companies) 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. Changes in fair values of such derivatives are recognised directly in profit or loss.

*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 combined contracts are not measured at fair value through profit or loss. In all other circumstances, derivatives embedded are not separated and are accounted for together with the host contracts in accordance with appropriate standards. Where the Group needs to separate an embedded derivative but is unable to measure the embedded derivative, the entire contracts are treated as held for trading.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2007

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Financial instruments** *(continued)***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 intangible assets with indefinite useful 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 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.

**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.

Sales of goods are recognised when 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 designated 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.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2007

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Revenue recognition** *(continued)*

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.

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

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in 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**

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2007

### 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Taxation** *(continued)*

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/the Mandatory Provident Fund Scheme 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, leasehold land which title is not expected to pass to the lessee by the end of the lease term is classified as an operating lease 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.

### 5. FINANCIAL INSTRUMENTS

#### **(a) Financial risk management objectives and policies**

The risks associated with the Group's principal financial instruments and the policies on how to mitigate the Group's principal risks are set out below.

#### **Credit risk**

The Group's maximum exposure to credit risk in the event of the counterparties'/debtors' failure to perform/discharge their obligations as at 31st March, 2007 in relation to each class of recognised financial assets/financial guarantee given is the carrying amount of those assets as stated in the consolidated balance sheet and the amount of contingent liabilities disclosed in note 51. 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2007

### 5. FINANCIAL INSTRUMENTS *(continued)*

#### (a) Financial risk management objectives and policies *(continued)*

##### **Credit risk** *(continued)*

The Group has significant concentration of credit risk on loans receivable and amount due from related companies/associates, amounting to approximately HK\$341 million, HK\$7 million and HK\$500 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 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.

##### **Market risk**

###### *Currency risk*

Certain investments held for trading and other receivables are denominated in United States dollars. Since United States dollars is linked to Hong Kong dollars, the Group does not expect any significant movements in USD/HKD exchange rate. Management has closely monitored foreign exchange exposure to mitigate the foreign currency risk.

###### *Interest rate risk*

###### Fair value interest rate risk

The Group's fair value interest rate risks relate primarily to fixed rate convertible notes, fixed rate redeemable convertible preference shares and fixed rate borrowings.

###### Cash flow interest rate risk

All bank deposits, amounts due from related companies, loans receivable and borrowings of the Group are arranged at floating rates (except preference shares, convertible notes payable and other loans). 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, the management closely monitor interest rate change exposure and will consider hedging significant interest rate change exposure should the need arise.

###### *Price risk*

The Group is exposed to equity security price risk through the Group's available-for-sale investments, investments held for trading, conversion options embedded in convertible notes and financial assets designated at fair value through profit or loss. The management manages this exposure by reviewing the investment portfolio regularly.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

FOR THE YEAR ENDED 31ST MARCH, 2007

**5. FINANCIAL INSTRUMENTS** (continued)**(b) 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 with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask 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 or 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 an option-based derivative 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 and is analysed as follows:

	2007 HK\$'000	2006 HK\$'000
Trading of listed securities	378,643	207,682
Interest income	97,741	35,492
Property investment	738	674
Trading of building materials and machinery	5,177	4,234
Others	10,999	4,877
	<u>493,298</u>	<u>252,959</u>

**Business segments**

For management purposes, the Group's operations are currently organised into five operating divisions, namely finance, securities investment (investments held for trading), 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.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

FOR THE YEAR ENDED 31ST MARCH, 2007

**6. REVENUE AND SEGMENTAL INFORMATION** (continued)**Business segments** (continued)

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

	Finance	Securities	Other	Property	Trading of building materials and machinery	Unallocated	Eliminations	Consolidated
	HK\$'000	investment HK\$'000	investment HK\$'000	investment HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>REVENUE</b>								
External sales	53,248	378,643	44,493	738	5,177	10,999	-	493,298
Inter-segment sales	15,772	-	15,804	5,113	-	49	(36,738)	-
Total	<u>69,020</u>	<u>378,643</u>	<u>60,297</u>	<u>5,851</u>	<u>5,177</u>	<u>11,048</u>	<u>(36,738)</u>	<u>493,298</u>
<b>RESULT</b>								
Segment result	<u>24,277</u>	<u>123,724</u>	<u>22,146</u>	<u>(8,511)</u>	<u>418</u>	<u>3,504</u>	<u>-</u>	<u>165,558</u>
Unallocated corporate expenses								(37,223)
Discount on acquisitions								560,055
Finance costs								(39,450)
Net gain on disposal and dilution of interests in associates								1,893
Share of results of associates								<u>248,742</u>
Profit before taxation								899,575
Taxation								<u>(8,695)</u>
Profit for the year								<u>890,880</u>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

FOR THE YEAR ENDED 31ST MARCH, 2007

**6. REVENUE AND SEGMENTAL INFORMATION** (continued)**Business segments** (continued)

	Finance HK\$'000	Securities investment HK\$'000	Other investment HK\$'000	Property investment HK\$'000	Trading of building materials and machinery HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>BALANCE SHEET</b>							
<b>ASSETS</b>							
Segment assets	358,809	717,461	1,837,036	150,421	846	371,065	3,435,638
Interests in associates							1,594,047
Unallocated corporate assets							1,280,524
Total assets							<u>6,310,209</u>
<b>LIABILITIES</b>							
Segment liabilities	-	7,016	10,966	-	-	18,074	36,056
Unallocated corporate liabilities							1,902,093
Total liabilities							<u>1,938,149</u>
<b>OTHER INFORMATION</b>							
Capital additions	-	-	-	143,000	6	129,203	272,209
Depreciation of property, plant and equipment	-	-	-	-	3	10,232	10,235
Release of prepaid lease payments	-	-	-	-	-	2,214	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)
Impairment loss on available-for-sale investments	-	-	4,859	-	-	-	4,859





**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

FOR THE YEAR ENDED 31ST MARCH, 2007

**6. REVENUE AND SEGMENTAL INFORMATION** (continued)**Business segments** (continued)

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

	Finance	Securities	Other	Property	Trading of building materials and machinery	Unallocated	Eliminations	Consolidated
	HK\$'000	investment HK\$'000	investment HK\$'000	investment HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>REVENUE</b>								
External sales	32,409	207,682	3,083	674	4,234	4,877	-	252,959
Inter-segment sales	4,233	-	-	5,075	-	-	(9,308)	-
Total	<u>36,642</u>	<u>207,682</u>	<u>3,083</u>	<u>5,749</u>	<u>4,234</u>	<u>4,877</u>	<u>(9,308)</u>	<u>252,959</u>
<b>RESULT</b>								
Segment result	<u>5,822</u>	<u>4,601</u>	<u>1,070</u>	<u>1,967</u>	<u>163</u>	<u>(513)</u>	<u>-</u>	<u>13,110</u>
Unallocated corporate expenses								(27,038)
Discount on acquisitions								2,578
Finance costs								(28,012)
Net loss on disposal and dilution of interests in associates								(79,530)
Share of results of associates								<u>165,328</u>
Profit before taxation								46,436
Taxation								<u>-</u>
Profit for the year								<u>46,436</u>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

FOR THE YEAR ENDED 31ST MARCH, 2007

**6. REVENUE AND SEGMENTAL INFORMATION** (continued)**Business segments** (continued)

	Finance HK\$'000	Securities investment HK\$'000	Other investment HK\$'000	Property investment HK\$'000	Trading of building materials and machinery HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>BALANCE SHEET</b>							
<b>ASSETS</b>							
Segment assets	657,838	66,521	389,464	31,595	825	715	1,146,958
Interests in associates							1,179,749
Unallocated corporate assets							133,993
Total assets							<u>2,460,700</u>
<b>LIABILITIES</b>							
Segment liabilities	-	25,508	16,896	48	477	870	43,799
Unallocated corporate liabilities							384,892
Total liabilities							<u>428,691</u>
<b>OTHER INFORMATION</b>							
Capital additions	-	-	-	-	3	10,964	10,967
Depreciation of property, plant and equipment	-	-	-	-	-	4,440	4,440
Release of prepaid lease payments	-	-	-	-	-	2,214	2,214
Gain (loss) arising from changes in fair value of:							
- financial assets designated at fair value through profit or loss	-	-	(289)	-	-	-	(289)
- investments held for trading	-	(940)	-	-	-	-	(940)
- investment properties	-	-	-	335	-	-	335

Borrowings and finance costs were classified as unallocated as they could not be reliably allocated into the above operating divisions.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

FOR THE YEAR ENDED 31ST MARCH, 2007

**6. REVENUE AND SEGMENTAL INFORMATION** (continued)**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	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Hong Kong	3,011,193	1,118,253	147,396	10,874
The PRC	346,013	2	124,704	–
Others	78,432	28,703	109	93
	<b>3,435,638</b>	<b>1,146,958</b>	<b>272,209</b>	<b>10,967</b>

**7. OTHER INCOME (EXPENSES)**

	2007 HK\$'000	2006 HK\$'000
Reversal of allowance for loans receivable	7,084	–
Surplus arising from revaluation of land and buildings	–	2,582
Gain on disposal of gold bullion	–	7,075
Loss on gold trading contract	–	(7,326)
Net foreign exchange gain	15,630	–
	<b>22,714</b>	<b>2,331</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

FOR THE YEAR ENDED 31ST MARCH, 2007

**8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS**

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

**(a) Directors' emoluments**

	Fees	Other emoluments	Discretionary bonus	Total emoluments
	HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit schemes contributions HK\$'000	HK\$'000
<b>2007</b>				
Chan Kwok Keung, Charles	10	3,000	300	2,000
Chau Mei Wah, Rosanna	10	3,000	300	1,500
Chan Kwok Chuen, Augustine	10	1,838	63	1,000
Chan Fut Yan	10	600	60	–
Cheung Hon Kit	10	–	–	–
Chuck, Winston Calptor	200	–	–	–
Lee Kit Wah	200	–	–	–
Shek Lai Him, Abraham	153	–	–	–
Wong Kam Cheong, Stanley	91	–	–	–
Total	<u>694</u>	<u>8,438</u>	<u>723</u>	<u>4,500</u>
<b>2006</b>				
Chan Kwok Keung, Charles	10	2,200	220	–
Chau Mei Wah, Rosanna	10	1,400	140	–
Chan Kwok Chuen, Augustine	10	1,838	64	–
Chan Fut Yan	10	600	60	–
Cheung Hon Kit	10	–	–	–
Lau Ko Yuen, Tom	5	270	27	–
Chuck, Winston Calptor	120	–	–	–
Lee Kit Wah	120	–	–	–
Wong Kam Cheong, Stanley	120	–	–	–
Total	<u>415</u>	<u>6,308</u>	<u>511</u>	<u>–</u>

**(b) Employees' emoluments**

The five highest paid individuals in the Group for the year ended 31st March, 2007 included three directors and two employees (2006: three directors and two employees). The emoluments of the remaining two (2006: two) individuals were as follows:

	2007 HK\$'000	2006 HK\$'000
Salaries and other benefits	1,903	3,410
Discretionary bonus	800	200
Retirement benefit scheme contributions	57	22
	<u>2,760</u>	<u>3,632</u>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

FOR THE YEAR ENDED 31ST MARCH, 2007

**8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS** (continued)**(b) Employees' emoluments** (continued)

Their emoluments were within the following bands:

	2007 Number of employees	2006 Number of employees
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$2,000,001 to HK\$2,500,000	–	1
	<u>2</u>	<u>2</u>

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

**9. IMPAIRMENT LOSSES**

	2007 HK\$'000	2006 HK\$'000
Impairment losses recognised in respect of:		
Available-for-sale investments	4,859	–
Goodwill of associates	5,155	–
	<u>10,014</u>	<u>–</u>

**10. OTHER GAINS (LOSSES), NET**

	2007 HK\$'000	2006 HK\$'000
Net other gains (losses) arising from changes in fair value of:		
Conversion options embedded in convertible notes	(32,239)	–
Derivative financial instruments	(222)	(460)
Financial assets designated at fair value through profit or loss	12,673	(289)
Investments held for trading (Note)	106,842	(940)
Gold trading contracts	(303)	283
Investment properties	(7,018)	335
	<u>79,733</u>	<u>(1,071)</u>

Note: Amount represents unrealised gain (loss) on investments held for trading.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2007

**11. FINANCE COSTS**

	2007 HK\$'000	2006 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	2,929	834
Bank borrowings not wholly repayable within five years	3,105	2,482
Convertible notes payable	11,681	11,938
Redeemable convertible preference shares	10,947	10,952
Other borrowings wholly repayable within five years	8,990	1,406
Margin account payables	1,798	400
	<u>39,450</u>	<u>28,012</u>

**12. DISCOUNT ON ACQUISITIONS**

	2007 HK\$'000	2006 HK\$'000
Discount on acquisitions of:		
Interests in subsidiaries	370,923	–
Additional interests in subsidiaries	189,132	2,578
	<u>560,055</u>	<u>2,578</u>

**13. NET GAIN (LOSS) ON DISPOSAL AND DILUTION OF INTERESTS IN ASSOCIATES**

	2007 HK\$'000	2006 HK\$'000 (Restated)
Gain on dilution of interests in associates	20,145	76
Loss on dilution of interests in associates	(18,252)	(11,599)
Loss on disposal of interests in associates	–	(68,007)
	<u>1,893</u>	<u>(79,530)</u>

For the year 2007, the gain was due to the deemed disposal of interest in associates arose from the dilution effect of exercise of share options, issuance of scrip dividend, issuance of new shares and conversion of convertible notes by outsiders. Whereas, the loss was due to the deemed disposal of interest in associates arose from the dilution effect of exercise of share options and issuance of new shares to outsiders.

For the year 2006, both the gain and loss were due to the deemed disposal of interest in associates arose from the dilution effect of exercise of share options by outsiders.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2007

## 14. PROFIT BEFORE TAXATION

	2007 HK\$'000	2006 HK\$'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	7,324	1,665
Cost of inventories recognised as an expense	3,014	2,497
Release of prepaid lease payments	2,214	2,214
Depreciation of property, plant and equipment	10,235	4,440
Impairment loss on intangible assets	-	1,085
Minimum lease payments under operating leases in respect of premises	1,697	1,416
Staff costs, including directors' emoluments (Note (a) below)	43,645	27,890
Share of tax of associates (included in share of results of associates)	(14,137)	36,020
Net foreign exchange losses	-	203
Allowance for bad and doubtful debts	2,612	773
and after crediting:		
Dividend income received from listed securities	6,797	1,504
Gain on disposal of property, plant and equipment	960	295
Net realised gain on investments held for trading (Note (b) below)	12,254	1,989
Rental income under operating leases in respect of premises, net of negligible outgoings	<u>738</u>	<u>674</u>

Notes:

	2007 HK\$'000	2006 HK\$'000
(a) Staff costs, including directors' emoluments:		
Salaries and other benefits	36,181	25,935
Discretionary bonus	6,627	1,139
Retirement benefit scheme contributions, no forfeited contributions for the year (2006: HK\$68,000)	<u>837</u>	<u>816</u>
	<u>43,645</u>	<u>27,890</u>
(b) Proceeds on sale of investments held for trading (included in revenue)		
	373,490	205,070
Less: Cost of sales (included in cost of sales)	<u>(361,236)</u>	<u>(203,081)</u>
Net realised gain on investments held for trading	<u>12,254</u>	<u>1,989</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2007

**15. TAXATION**

	2007 HK\$'000	2006 HK\$'000
Current tax:		
Hong Kong Profits Tax	9,920	–
Overseas tax	342	–
	<u>10,262</u>	–
Overprovision of overseas tax in previous year	(5)	–
Deferred tax ( <i>note 45</i> )	(1,562)	–
	<u>(1,562)</u>	–
Taxation attributable to the Group	<u>8,695</u>	–

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

Hong Kong Profits Tax was calculated at the rate of 17.5% (2006: 17.5%) of the estimated assessable profit for the year.

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

The taxation 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	<u>899,575</u>	<u>46,436</u>
Tax at Hong Kong Profits Tax rate of 17.5% (2006: 17.5%)	157,426	8,126
Tax effect of expenses not deductible for tax purposes	5,836	20,279
Tax effect of income not taxable for tax purposes	(106,590)	(2,153)
Tax effect of utilisation of deductible temporary differences previously not recognised	(5,122)	(40)
Tax effect of tax losses not recognised	7,238	2,720
Tax effect of share of results of associates	(43,530)	(28,932)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(6,558)	–
Overprovision of taxation in previous years	(5)	–
	<u>(5)</u>	–
Taxation for the year	<u>8,695</u>	–

Details of the deferred tax are set out in note 45.





**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2007

**16. DISTRIBUTIONS**

	<b>2007</b> <b>HK\$'000</b>	2006 HK\$'000
Dividends recognised as distributions to equity holders of the Company during the year:		
Ordinary shares:		
Final dividend paid for 2006 - HK1.7 cents (2005: HK1.5 cents) per share	<b>31,237</b>	16,080
Interim dividend paid for 2007 - HK1.5 cents (2006: HK1.5 cents) per share	<b>27,954</b>	16,121
	<b>59,191</b>	32,201
Dividend proposed in respect of the current year:		
Final dividend proposed for 2007 - HK2.0 cents (2006: HK1.7 cents) per ordinary share	<b>43,460</b>	31,237

Of the dividend paid during the year, approximately HK\$17,780,000 (2006: HK\$1,446,000) was settled in ordinary shares under the Company's scrip dividend schemes announced by the Company on 6th October, 2006 and 25th January, 2007 in respect of the 2006 final and 2007 interim dividend.

The amount of the final dividend proposed for the year ended 31st March, 2007, which will be payable in cash with an option to elect scrip dividend of ordinary shares, has been calculated by reference to 2,172,982,368 issued ordinary shares as at the date of this report.

In addition, the Board has also recommended a bonus issue of new ordinary shares to the holders of ordinary shares of the Company on the basis of one new ordinary share for every five ordinary shares held by them.

**17. EARNINGS PER SHARE**

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

	<b>2007</b> <b>HK\$'000</b>	2006 HK\$'000 (Restated)
Profit for the year attributable to equity holders of the Company for the purposes of basic earnings per share	<b>843,929</b>	50,289
Effect of dilutive potential ordinary shares:		
Adjustment of finance cost on convertible notes payable	-	11,938
Adjustment of finance cost on redeemable convertible preference shares	<b>10,947</b>	10,952
Adjustment to the share of results of associates and subsidiaries based on dilution of their earnings per share	<b>(28,587)</b>	-
Earnings for the purposes of diluted earnings per share	<b>826,289</b>	73,179

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

FOR THE YEAR ENDED 31ST MARCH, 2007

**17. EARNINGS PER SHARE** (continued)

	Number of shares	
	2007	2006
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,848,921,433	1,142,341,794
Effect of dilutive potential ordinary shares:		
Redeemable convertible preference shares	271,797,404	272,085,692
Convertible notes payable	—	500,270,320
	<u>2,120,718,837</u>	<u>1,914,697,806</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>2,120,718,837</u>	<u>1,914,697,806</u>

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

	Basic HK\$	Diluted HK\$
Reported figures before adjustments	0.094	0.068
Adjustments arising from the change in accounting policy	(0.050)	(0.030)
	<u>0.044</u>	<u>0.038</u>
Restated	<u>0.044</u>	<u>0.038</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2007

## 18. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Plant, machinery and office equipment HK\$'000	Motor vehicles HK\$'000	Furniture and fixtures HK\$'000	Sand mining vessel HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>COST OR VALUATION</b>							
At 1st April, 2005	32,051	1,317	14,293	1,433	–	3,804	52,898
Translation adjustments	859	17	37	53	–	–	966
Additions	–	1,926	5,318	3,723	–	–	10,967
Disposals	–	(65)	(1,948)	(654)	–	–	(2,667)
Transfer	–	221	–	3,583	–	(3,804)	–
Revaluation increase	2,351	–	–	–	–	–	2,351
At 31st March, 2006	35,261	3,416	17,700	8,138	–	–	64,515
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
Comprising:							
At cost	–	3,662	18,592	10,054	121,478	–	153,786
At valuation – 2007	44,024	–	–	–	–	–	44,024
	44,024	3,662	18,592	10,054	121,478	–	197,810
<b>DEPRECIATION</b>							
At 1st April, 2005	–	973	9,908	1,257	–	–	12,138
Translation adjustments	–	16	35	54	–	–	105
Provided for the year	525	566	1,887	1,462	–	–	4,440
Eliminated on disposals	–	(63)	(1,820)	(595)	–	–	(2,478)
Reversal on revaluation	(525)	–	–	–	–	–	(525)
At 31st March, 2006	–	1,492	10,010	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
<b>CARRYING VALUES</b>							
At 31st March, 2007	44,024	1,581	10,942	6,493	116,725	–	179,765
At 31st March, 2006	35,261	1,924	7,690	5,960	–	–	50,835

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

FOR THE YEAR ENDED 31ST MARCH, 2007

**18. PROPERTY, PLANT AND EQUIPMENT** (continued)

The above items of property, plant and equipment, other than construction in progress 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 <sup>1</sup> / <sub>3</sub> %
Motor vehicles	20% – 33 <sup>1</sup> / <sub>3</sub> %
Furniture and fixtures	10% – 33 <sup>1</sup> / <sub>3</sub> %
Sand mining vessel	10%

At 31st March, 2007, land and buildings of the Group were revalued by RHL Appraisal Ltd., an independent qualified professional property valuer, either on an open market value basis or on an existing use basis. RHL Appraisal Ltd. is not connected with the Group. This revaluation gave rise to a surplus on revaluation of approximately HK\$8,943,000 and had 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:

	2007 HK\$'000	2006 HK\$'000
Freehold properties in Canada	31,624	22,761
Buildings in Hong Kong	12,400	12,500
	<u>44,024</u>	<u>35,261</u>

At 31st March, 2007, had the Group's land and buildings been carried at cost less accumulated depreciation and amortisation, the carrying value would have been approximately HK\$35,213,000 (2006: HK\$35,376,000).

**19. INVESTMENT PROPERTIES**

	HK\$'000
FAIR VALUE	
At 1st April, 2005	3,525
Translation adjustments	156
Increase in fair value recognised in the consolidated income statement	<u>335</u>
At 31st March, 2006	4,016
Translation adjustments	65
Acquired on an acquisition of subsidiaries	143,000
Additions	10,358
Net decrease in fair value recognised in the consolidated income statement	<u>(7,018)</u>
At 31st March, 2007	<u>150,421</u>

The fair value of the Group's investment properties at 31st March, 2007 have been arrived at on the basis of a valuation carried out on that date by RHL Appraisal Ltd. and B.I. Appraisals Limited, who are members of the Hong Kong Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to the Hong Kong Institute of Surveyors Valuation Standards on Properties, was arrived at 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.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2007

**20. 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:

	2007 HK\$'000	2006 HK\$'000
Non-current assets	87,437	89,651
Current assets	<u>2,214</u>	<u>2,214</u>
	<u><b>89,651</b></u>	<u><b>91,865</b></u>

**21. 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 (2006: impairment loss of HK\$1,085,000) in the consolidated income statement.

**22. INTERESTS IN ASSOCIATES**

	2007 HK\$'000	2006 HK\$'000
Share of net assets of associates:		
Listed in Hong Kong	997,900	1,172,442
Listed overseas	271,506	4,042
Unlisted	324,641	–
Goodwill ( <i>Note (a) below</i> )	<u>–</u>	<u>3,265</u>
	<u><b>1,594,047</b></u>	<u><b>1,179,749</b></u>
Market value of listed securities:		
Hong Kong	1,477,663	1,359,053
Overseas	<u>362,788</u>	<u>93,771</u>
	<u><b>1,840,451</b></u>	<u><b>1,452,824</b></u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

FOR THE YEAR ENDED 31ST MARCH, 2007

**22. INTERESTS IN ASSOCIATES** (continued)

Notes:

- (a) Included in the cost of interests in associates is goodwill of HK\$5,155,000 (2006: HK\$3,265,000) arising on acquisitions and deemed acquisitions.

	HK\$'000
Cost	
At 1st April, 2005	528
Arising on acquisition of additional interest of an associate	2,738
Dilution of interest in an associate	(1)
	<hr/>
At 31st March, 2006	3,265
Arising on acquisition or deemed acquisition of interests in associates	1,890
	<hr/>
At 31st March, 2007	5,155
	<hr/>
Impairment	
At 1st April, 2005 and 31st March, 2006	-
Recognised for the year	5,155
	<hr/>
At 31st March, 2007	5,155
	<hr/>
Carrying value	
At 31st March, 2007	-
	<hr/> <hr/>
At 31st March, 2006	3,265
	<hr/> <hr/>

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

Name of associate	Place of incorporation/ registration	Principal place of operation	Percentage of issued share capital/registered capital attributable to the Group %	Principal activities
Burcon NutraScience Corporation	Canada	Canada	25.46	Investment holding in company engaged in the development of commercial canola protein
Central Town Limited	Hong Kong	Hong Kong	50.00	Property investment
PYI Corporation Limited	Bermuda	Hong Kong	26.97	Investment holding in companies engaged in development and investment in ports and infrastructure project, property development and investment, treasury investment, construction, engineering and specialist works
PSC Corporation Ltd	Singapore	Singapore	18.35	Supply of household consumer products
Wing On Travel (Holdings) Limited ("Wing On Travel")	Bermuda	Hong Kong	9.35	Business of providing package tours, travel and other related services
Hangzhou Zhongce Rubber Company Limited	PRC	PRC	9.65	Manufacturing of tires



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2007

**22. INTERESTS IN ASSOCIATES** *(continued)*Notes: *(continued)*(b) Particulars of the Group's principal associates as at 31st March, 2007 are as follows: *(continued)*

All of the above associates are held by the Company indirectly. Hangzhou Zhongce Rubber Company Limited is a sino-foreign equity joint venture.

The Group held approximately 24.28% of the issued share capital of Hanny Holdings Limited ("Hanny") at 31st March, 2006. During the year, the Group acquired additional equity interest in Hanny through acquisition of shares from an independent third party which triggered a conditional mandatory cash offer (the "Offer"). In December 2006, pursuant to the Offer, the Group's interest in Hanny has increased to more than 50% and obtain control on Hanny. Accordingly, Hanny became a subsidiary of the Group.

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

	2007 HK\$'000	2006 HK\$'000 (Restated)
Total assets	18,638,321	10,369,691
Total liabilities	<u>(11,429,865)</u>	<u>(5,128,224)</u>
Net assets	<u>7,208,456</u>	<u>5,241,467</u>
Group's share of net assets of associates	<u>1,594,047</u>	<u>1,176,484</u>
Revenue	<u>9,827,896</u>	<u>9,246,233</u>
Profit for the year	<u>819,856</u>	<u>268,695</u>
Group's share of results of associates for the year	<u>207,221</u>	<u>118,036</u>

**23. DEBT PORTION OF CONVERTIBLE NOTES AND CONVERSION OPTIONS EMBEDDED IN CONVERTIBLE NOTES**

	Debt portion HK\$'000	Embedded conversion option HK\$'000
Convertible notes issued by:		
Macau Prime Properties Holdings Limited ("MPP") <i>(Note (a) below)</i>	23,848	1,754
Wing On Travel <i>(Note (b) below)</i>	<u>250,456</u>	<u>44,642</u>
	<u>274,304</u>	46,396
Convertible options embedded in other convertible notes <i>(note 27)</i>		<u>52,070</u>
		<u>98,466</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2007

**23. DEBT PORTION OF CONVERTIBLE NOTES AND CONVERSION OPTION EMBEDDED IN CONVERTIBLE NOTES** *(continued)*

Notes:

- (a) In June 2006, the Group subscribed at face value for 1% convertible notes issued by MPP (the "MPP Notes") with a principal amount of HK\$30,000,000 (the "MPP Notes") entitling the holder of the MPP Notes to convert into shares in MPP at an initial conversion price of HK\$0.7 per share. Unless previously converted, MPP shall redeem the MPP Notes at the redemption amount which is 110% of their principal amount of plus the outstanding interest on 14th June, 2011.
- (b) The convertible note is held by a subsidiary of Hanny with an aggregate principal amount of HK\$300,000,000 which was issued by Wing On Travel ("Wing On Travel CN"), an associate of the Group, and carries interest at 2% per annum with 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 CN on 7th June, 2011 at 110% of their principal amount.

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 convertible notes 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. The effective interest rates of the debt portion of convertible notes ranged from 8.9% to 9.16% per annum.

**24. DEPOSITS PAID FOR ACQUISITION OF SUBSIDIARIES**

The deposits 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. Subsequent to the balance sheet date, 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 was refunded in full.

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

The deposits which were paid by certain subsidiaries of Hanny include an amount of HK\$35,000,000 paid in 2006 pursuant to a conditional agreement for the acquisition of equity interest in an unlisted investment established, and principally engaged in port business, (the "Port Investment") in the PRC. The acquisition has not been completed at the date of this report as the conditions have not been fulfilled. The vendor has pledged the shares of the Port Investment to the Group as security to the deposit paid. In the opinion of the directors, the land use right will be obtained in due course and the directors have assessed the recoverable amount of the deposit with reference to the business valuation report of the Port Investment and assets valuation report of the land held by the Port Investment, and considered no impairment loss is identified.

The deposits also include an aggregate amount of approximately HK\$110,000,000 paid as tender deposits pursuant to certain conditional agreements for the acquisition of certain interests in water supply business, sand vessel business and the exploitation right for river sand business. These payments would be refundable from the counterparties if the terms and conditions could not be concluded within one year from date of the payments. Subsequent to the balance sheet date, the agreements relating to the acquisition of water supply business and sand vessel business were completed. The directors of Hanny are of the view that is impracticable to disclose the financial information of the water supply and sand vessel business as at the date of this report since the assessment of the financial information is still in progress.

Subsequent to the balance sheet date, Hanny entered into conditional agreement to acquire the exploitation right for river sand business. The acquisition has not been completed as at the date of this report.

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

The amount represents 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, comprising a parcel of land situated in Shanghai, the 24-storey building erected thereon and two levels of underground car parks, for an aggregate consideration of RMB450,000,000 (equivalent to HK\$424,528,000).





**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

FOR THE YEAR ENDED 31ST MARCH, 2007

**26. PAYMENTS FOR ACQUISITION OF INTEREST IN PROPERTIES** (continued)

As the conditions stated in the agreement cannot be fulfilled by the vendor, the subsidiaries of Hanny commenced legal proceedings against the vendor. On 22nd June, 2006, the People's High Court of Shanghai City ruled the case in favour of the subsidiaries of Hanny and demanded the vendor to continue fulfilling its obligations under the agreement.

On 12th July, 2007, an independent third party made an letter of offer to acquire the project from Hanny and made a deposit of RMB70,000,000 (equivalent to HK\$70,000,000) into an escrow account held under the People's High Court of Shanghai City as protection to Hanny. The directors of Hanny consulted with Hanny's legal counsel and were of the view that the carrying amount of deposit was not less than its recoverable amount and considered no impairment loss is identified.

**27. AVAILABLE-FOR-SALE INVESTMENTS**

	2007 HK\$'000	2006 HK\$'000
Available-for-sale investments:		
Listed investments, at fair value:		
– Equity securities listed in Hong Kong	257,552	69,990
– Equity securities listed elsewhere	28,315	13,740
Unlisted debt securities, at fair value (Note (a) below)	<u>704,067</u>	–
	<b>989,934</b>	83,730
Unlisted equity securities, at cost less impairment (Note (b) below)	<u>43,889</u>	–
	<u><b>1,033,823</b></u>	<u>83,730</u>

During the year, an impairment loss of HK\$4,859,000 in respect of available-for-sale investments was directly recognised in the consolidated income statement.

Notes:

- (a) At 31st March, 2007, the debt securities which were held by certain subsidiaries of Hanny include the debt portion of five convertible notes with the following terms:

Issuer	Principal amount HK\$'000	Maturity date	Coupon rate %	Redemption amount
MPP	330,000	10th August, 2010	–	110% of the principal amount
MPP	270,000	14th June, 2011	1.00	110% of the principal amount
See Corporation Limited ("See Corp")	170,000	9th August, 2010	–	110% of the principal amount
Wo Kee Hong (Holdings) Limited	30,000	5th September, 2008	7.25	100% of the principal amount
Asia Standard International Limited	19,000	14th May, 2009	4.00	100% of the principal amount

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2007

**27. AVAILABLE-FOR-SALE INVESTMENTS** *(continued)**Notes: (continued)*

- (a) At 31st March, 2007, the debt securities which were held by certain subsidiaries of Hanny include the debt portion of five convertible notes with the following terms: *(continued)*

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

The fair values of the corresponding conversion option element were approximately HK\$52,070,000 (note 23).

The effective interest rate for the unlisted debt securities is ranging from 8.3% to 10% per annum.

- (b) Amount mainly represents 9.67% interests in Apex Quality Group Limited ("Apex"). Apex is incorporated in the British Virgin Islands and engaged in hotel and leisure related business. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

**28. OTHER ASSETS**

The other assets represent 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 are also entitled to sell the rights to other investors at a consideration to be agreed among themselves. The management has assessed the carrying value of the other assets with reference to the valuation performed by an independent valuer on an open market value basis and considers that no impairment is identified.

**29. DEBTORS, DEPOSITS AND PREPAYMENTS**

Included in debtors, deposits and prepayments are trade debtors of approximately HK\$13,892,000 (2006: HK\$11,747,000) and their aged analysis at the balance sheet date is as follows:

	2007 HK\$'000	2006 HK\$'000
Trade debtors		
0-30 days	7,018	11,587
31-60 days	28	129
61-90 days	1	28
Over 90 days	6,845	3
	<u>13,892</u>	<u>11,747</u>

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

FOR THE YEAR ENDED 31ST MARCH, 2007

**29. DEBTORS, DEPOSITS AND PREPAYMENTS** (continued)

Included in other receivables is 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. On 29th March, 2007, Hanny received a notice of claim (the "Claim") from Imation Corp. ("Imation") in connection with the alleged breaches of warranties as set out in the disposal agreement entered into between Hanny and Imation on 19th January, 2006 (the "Disposal Agreement"). The Claim demanded the withhold of the amount of HK\$256,047,000 (US\$33,000,000) in the escrow account pending the resolution of the Claim. Hanny has objected to the Claim on the grounds that the allegations in the Claim are not supported and that Imation failed to indicate what investigation Imation had made of the allegations. Hanny asserted that based upon the generality of the Claim, it appears to have been disclosed in the disclosure schedules to the Disposal Agreement, and therefore, not properly the subject of an indemnification claim.

Hanny is now in discussions with Imation concerning the Claim and possible resolution of the dispute. The directors of Hanny are of the opinion, after seeking legal advice that the Claim is ill-founded and there were no breach of any warranties made by Hanny in the Disposal Agreement. No impairment is considered necessary to make against the receivables.

**30. MARGIN ACCOUNT RECEIVABLES/PAYABLES**

The margin account receivables/payables carry variable interest rates ranging from 0.5% to 5.138% (2006: 0.01% to 4%) per annum.

**31. DEPOSITS PAID FOR ACQUISITION OF INVESTMENTS HELD FOR TRADING**

In March 2007, Hanny entered into conditional agreements to acquire 10,563,715 shares of Guangzhou Global Telecom Inc., a company whose shares were subsequently listed on the Over-The-Counter Bulletin Board of United States of America on 17th May, 2007, for a consideration of HK\$146,000,000 which is based on the subscription price under the initial public offer of Guangzhou Global Telecom Inc.. An amount of HK\$73,289,000 was paid as deposit upon entering the agreements. The transactions were completed subsequent to 31st March, 2007.

**32. AMOUNTS DUE FROM ASSOCIATES**

The amounts are unsecured, repayable on demand and non-interest bearing, except for an amount of approximately HK\$88,000,000 (2006: HK\$169,000,000) which bears interest at the best lending rate of Hong Kong dollars quoted by The Hongkong and Shanghai Banking Corporation Limited (the "Best Lending Rate") plus 2% per annum which range from 9.75% to 10% per annum.

**33. AMOUNTS DUE FROM RELATED COMPANIES**

	2007 HK\$'000	2006 HK\$'000
Associates of China Strategic Holdings Limited	-	135,548
Associates of Hanny	-	111,244
MPP	1,055	570
See Corp	6,207	-
	<u>7,262</u>	<u>247,362</u>

The Group and the above related companies have common directors who have significant influence in the above companies. MPP and See Corp are the investees 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 (2006: HK\$239,000,000) which bears interest at 9.75% to 10% per annum.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2007

**34. LOANS RECEIVABLE**

	2007 HK\$'000	2006 HK\$'000
Secured <i>(Note (a) below)</i>	308,549	21,400
Unsecured <i>(Note (b) below)</i>	33,898	189,373
	<u>342,447</u>	<u>210,773</u>
Less: Impairment loss recognised	(1,898)	(5,373)
	<u><u>340,549</u></u>	<u><u>205,400</u></u>

Notes:

- (a) As 31st March, 2007, the amount were secured by the (i) shares in land/property holding companies; (ii) shares in certain subsidiaries engaged in garment manufacturing; and (iii) listed securities.

At 31st March, 2006, the amount were secured by the motor vehicle and interest in certain private companies with aggregate net asset value of HK\$173,900,000 and the amounts were fully repaid during the year.

The loans receivables carry interest at Best Lending Rate plus 2% to 3% per annum (2006: Best Lending Rate plus 2% to 3% per annum) which range from 9.75% to 11% per annum and repayable within one year (2006: Within one year).

- (b) The amounts are unsecured, carries interest at Best Lending Rate plus 2% to 3% per annum (2006: Best Lending Rate to 3% per annum) which range from 9.75% to 11% per annum and repayable within one year from the balance sheet date (2006: Within one year).

**35. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2007 HK\$'000	2006 HK\$'000
Equity linked notes <i>(Note (a) below)</i>	24,689	82,744
Convertible notes <i>(Note (b) below)</i>	122,549	-
	<u>147,238</u>	<u>82,744</u>

Notes:

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

- (b) The amounts represent two convertible notes with principal amount of HK\$50,000,000 from Mei Ah Enterprises Group Limited and HK\$50,000,000 from Golden Harvest Entertainment (Holdings) Limited. The Group designated them as financial assets at fair value through profit or loss. During the year, a gain of HK\$12,521,000 arising from changes in fair value was recognised in the consolidated income statement.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

FOR THE YEAR ENDED 31ST MARCH, 2007

**36. INVESTMENTS HELD FOR TRADING (OTHER THAN DERIVATIVES)**

	2007 HK\$'000	2006 HK\$'000
Listed equity securities, at fair value:		
– in Hong Kong	594,645	42,254
– elsewhere	32,004	13,476
	<u>626,649</u>	<u>55,730</u>

**37. SHORT TERM BANK DEPOSITS AND BANK BALANCES**

The short term bank deposits and bank balances carry variable interest rates ranging from 2.75% to 5.1% (2006: 0.95% to 4.6%) per annum.

**38. CREDITORS AND ACCRUED EXPENSES**

Included in creditors and accrued expenses are trade payables of approximately HK\$18,396,000 (2006: HK\$758,000) and their aged analysis at the balance sheet date is as follows:

	2007 HK\$'000	2006 HK\$'000
Trade creditors		
0 – 30 days	18,320	730
31 – 60 days	47	22
61 – 90 days	–	4
Over 90 days	29	2
	<u>18,396</u>	<u>758</u>

**39. AMOUNTS DUE TO ASSOCIATES**

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

**40. DERIVATIVE FINANCIAL INSTRUMENTS**

	2007 HK\$'000	2006 HK\$'000
<b>Derivative financial liabilities</b>		
Equity accumulator	–	285
Futures	222	175
	<u>222</u>	<u>460</u>

The equity accumulator had original maturity on 20th March, 2007 but was knocked out on 26th June, 2006 pursuant to its terms. The futures represent the Group's investment in an overseas stock market index with maturity on 7th June, 2007 (2006: 30th June, 2006).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

FOR THE YEAR ENDED 31ST MARCH, 2007

**41. 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, 2005	286,537
Finance cost	10,952
Interest paid in the form of a dividend	(10,678)
	<hr/>
At 31st March, 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)
	<hr/>
At 31st March, 2007 shown under current liabilities	<u>286,137</u>

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

	Number of shares
At 1st April, 2005 and 2006	266,952,000
Conversion on 6th December, 2006	(890,000)
	<hr/>
At 31st March, 2007	<u>266,062,000</u>

The redeemable convertible preference shares are listed and will be redeemed on 3rd November, 2007 (on the next following business day if it is not a business day), with a redemption value of HK\$1.06 per preference share, unless they are previously converted, redeemed or purchased and cancelled. The redeemable convertible preference shares rank in priority to the ordinary shares in the Company as to dividends and return of capital and are convertible into ordinary shares of the Company at the option of the holders at any time in accordance with the rights and restrictions as set out in the special resolution of the Company pass on 13th October, 2004 for the redeemable convertible preference shares. However, redeemable convertible preference shares are subject to compulsory conversion at the option of the Company in any of the following cases:

- the closing price of the ordinary shares in the Company on the Hong Kong Stock Exchange is 125% or more of the conversion price of HK\$1.04, subject to adjustments, for twenty consecutive trading days; or
- there are less than 50,000,000 redeemable convertible preference shares in issue.

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

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

FOR THE YEAR ENDED 31ST MARCH, 2007

**42. BORROWINGS**

	2007 HK\$'000	2006 HK\$'000
Borrowings comprise:		
Bank loans	148,450	62,550
Other loans	510,000	–
	<u>658,450</u>	<u>62,550</u>
Analysed as:		
Secured	658,450	62,550
Unsecured	–	–
	<u>658,450</u>	<u>62,550</u>
The borrowings are repayable as follows:		
Within one year or on demand	517,100	2,450
From one to two years	9,890	2,450
From two to three years	9,890	2,450
From three to four years	9,890	2,450
From four to five years	12,690	5,250
More than five years	98,990	47,500
	<u>658,450</u>	<u>62,550</u>
Less: Amount due within one year or on demand shown under current liabilities	<u>(517,100)</u>	<u>(2,450)</u>
Amount due after one year	<u>141,350</u>	<u>60,100</u>

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

	2007 HK\$'000	2006 HK\$'000
Fixed-rate borrowings which due within one year	<u>510,000</u>	<u>–</u>

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

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's variable rate borrowings are 4.715% to 10% (2006: 1.184% to 4.965%) per annum. The interest rate of the Group's fixed-rate borrowings are 15% (2006: nil) per annum.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

FOR THE YEAR ENDED 31ST MARCH, 2007

**43. BANK OVERDRAFTS**

Bank overdrafts carry interest at market rates which range from 6% to 8% (2006: 8%).

**44. CONVERTIBLE NOTES PAYABLE**

	2007 HK\$'000	2006 HK\$'000
Liability component:		
At the beginning of the year	-	162,628
On acquisition of subsidiaries	545,299	-
Interest charge	11,681	11,938
Interest paid	-	(10,085)
Conversion	-	(164,481)
	<u>556,980</u>	<u>-</u>
At the end of the year	<u>556,980</u>	<u>-</u>

At 31st March, 2007, the amount represents the convertible notes issued by Hanny (the "Hanny Bonds") which carry interest at 2% per annum and will be matured in June 2011. The Hanny Bonds are denominated in Hong Kong dollars, 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 Bonds, the Hanny Bonds will be redeemed on the date of maturity at the principal amount of the Hanny Bonds then outstanding. The above amount of HK\$545,299,000 as acquired through acquisition of subsidiaries is after elimination of the portion of Hanny Bonds held by the Group (Note 48).

The amount in 2006 represented convertible notes issued by the Company on 3rd March, 2003 and they were fully converted during the year ended 31st March, 2006.

**45. 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, 2005	865	48	(865)	48
Charge (credit) to the consolidated income statement	298	-	(298)	-
Charge to equity	-	51	-	51
	<u>1,163</u>	<u>99</u>	<u>(1,163)</u>	<u>99</u>
At 31st March, 2006	1,163	99	(1,163)	99
Charge (credit) to the 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
	<u>23,058</u>	<u>17,105</u>	<u>(2,536)</u>	<u>37,627</u>
At 31st March, 2007	<u>23,058</u>	<u>17,105</u>	<u>(2,536)</u>	<u>37,627</u>





**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2007

**45. DEFERRED TAX ASSETS (LIABILITIES)** *(continued)*

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

	<b>2007</b> <b>HK\$'000</b>	2006 HK\$'000
Deferred tax assets	1,464	–
Deferred tax liabilities	<b>(39,091)</b>	(99)
	<b><u>(37,627)</u></b>	<b><u>(99)</u></b>

For the purpose of presentation in the consolidated balance sheet, the above deferred tax assets and liabilities have been offset.

At the balance sheet date, the Group has unused tax losses of approximately HK\$495,251,000 (2006: HK\$475,314,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$14,491,000 (2006: HK\$6,645,000) of such losses. No deferred tax asset in respect of the remaining tax losses of approximately HK\$480,760,000 (2006: HK\$468,669,000) has been recognised due to the unpredictability of future profit streams. Tax losses can be carried forward indefinitely.

**46. SHARE CAPITAL**

	<b>Number of shares</b>	<b>Value HK\$'000</b>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1st April, 2005, 31st March, 2006 and 31st March, 2007	<u>3,000,000,000</u>	<u>300,000</u>
Issued and fully paid:		
At 1st April, 2005	1,072,008,541	107,201
Conversion of convertible notes <i>(Note (a) below)</i>	548,333,330	54,834
Issue of shares <i>(Notes (b) &amp; (c) below)</i>	<u>217,153,274</u>	<u>21,715</u>
At 31st March, 2006	1,837,495,145	183,750
Conversion of redeemable convertible preference shares <i>(Note (d) below)</i>	907,115	90
Issue of shares <i>(Note (e) below)</i>	<u>34,580,108</u>	<u>3,458</u>
At 31st March, 2007	<u>1,872,982,368</u>	<u>187,298</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2007

**46. SHARE CAPITAL** *(continued)*

Notes:

- (a) During the year ended 31st March, 2006, 548,333,330 ordinary shares of the Company of HK\$0.10 each were issued upon conversion of the convertible notes at the conversion price of HK\$0.30 per ordinary share. Details are as follows:

Date of conversion	Amount of convertible notes being converted <i>HK\$'000</i>	No. of ordinary shares issued upon conversion
24th February, 2006	39,900	133,000,000
27th February, 2006	6,900	23,000,000
28th February, 2006	33,900	112,999,998
2nd March, 2006	83,800	279,333,332
	164,500	548,333,330

- (b) On 3rd November, 2005, 2,753,274 ordinary shares of the Company of HK\$0.10 each were issued in the form of a scrip dividend.
- (c) On 24th February, 2006, 214,400,000 ordinary shares of the Company of HK\$0.10 each were issued at an issuance price of HK\$0.72 ordinary share.
- (d) 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.
- (e) 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.

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

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

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

At the time of adoption by the Company of the ITC Scheme, the aggregate number of ordinary shares which may be issued upon the exercise of all options to be granted under the ITC Scheme and any other share option scheme(s) adopted by the Company must not exceed 10% of the total number of issued ordinary shares of the Company as at the date of shareholders' approval of the ITC Scheme. By ordinary resolution passed on 15th May, 2006 relating to the refreshing of the scheme limit on grant of options under the ITC Scheme and any other share option scheme(s) of the Company, the scheme limit on grant of options was refreshed. As a result, the total number of ordinary shares available for issue under the ITC Scheme is 183,749,514, representing approximately 8.46% of the aggregate number of issued ordinary shares of the Company as at the date of this report. Notwithstanding the foregoing, the maximum number of ordinary shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the ITC Scheme and any other share option scheme(s) of the Company must not, in aggregate, exceed 30% of the total number of issued ordinary shares of the Company from time to time.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2007

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

Unless approved by the shareholders of the Company in general meeting, the total number of ordinary shares of the Company issued and to be issued upon exercise of the options granted and to be granted (whether exercised, cancelled or outstanding) under the ITC Scheme and any other share option scheme(s) of the Company to any eligible person in any 12-month period expiring on the date of offer shall not exceed 1% of the total number of the Company's ordinary shares in issue as at the date of grant. 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 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 be at least the highest of (i) the nominal value of the ordinary shares of the Company; (ii) the closing price of the ordinary shares of the Company as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of the offer, which must be a business day; and (iii) the average of the closing prices of the ordinary shares of the Company as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer.

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

As at 31st March, 2007 and 2006, there were no outstanding share options granted by the Company pursuant to the ITC Scheme. No share options were granted, exercised, cancelled or lapsed during the year and prior year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2007

**47. SHARE OPTIONS** *(continued)***(b) Share options of Trasy Gold Ex Limited (“Trasy”)***(i) Pre-IPO Share Option Plan of Trasy*

Trasy, a subsidiary of the Company, adopted a pre-IPO share option plan (the “Trasy Pre-IPO Plan”) on 6th November, 2000. Pursuant to the Trasy Pre-IPO Plan, the board of directors of Trasy could, at its discretion, grant options to any full-time employees or executives of Trasy or its former ultimate holding company and their 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.

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

Grantees	Date of grant	Exercise price per share HK\$	Number of shares of Trasy to be issued upon exercise of the share options						
			Balance as at 1.4.2005	Cancelled during the year	Lapsed during the year	Balance as at 31.3.2006	Cancelled during the year	Lapsed during the year	Balance as at 31.3.2007
Directors of Trasy	29th November, 2000	0.21	44,152,000	(44,152,000)	-	-	-	-	-
Others	29th November, 2000	0.21	16,580,000	(15,068,000)	(1,512,000)	-	-	-	-
Total			60,732,000	(59,220,000)	(1,512,000)	-	-	-	-

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

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

*(ii) Share Option Scheme of Trasy*

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

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

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.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2007

**47. SHARE OPTIONS** *(continued)***(b) Share options of Trasy Gold Ex Limited ("Trasy")** *(continued)**(ii) Share Option Scheme of Trasy (continued)*

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 sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

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

No share options were granted by Trasy under the Trasy Scheme since the adoption date of the Trasy Scheme during the year and the prior year. Subsequent to the year end, Trasy granted share options to eligible participants. As at 11th June, 2007, the date of cessation of Trasy as a subsidiary of the Company, Trasy had 5,300,000 outstanding share options.

**(c) Share options of Hanny**

Hanny's share option scheme was adopted on 21st August, 2001 (the "2001 Share Option Scheme") for the primary purpose of providing incentives to the employees of Hanny and its subsidiaries (the "Hanny Group"). Under the 2001 Share Option Scheme, the board of directors of Hanny may grant options to eligible employees including the directors (but excluding independent non-executive directors) of Hanny and the directors of any of the subsidiaries of Hanny to subscribe for shares in Hanny.

Pursuant to a resolution passed at a special general meeting of Hanny on 17th March, 2003, Hanny has terminated the 2001 Share Option Scheme and adopted a new share option scheme (the "2003 Share Option Scheme"). Under the 2003 Share Option Scheme, the board of directors of 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 who 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.

No options were outstanding under the 2001 Share Option Scheme and the 2003 Share Option Scheme as at 31st March, 2007.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

FOR THE YEAR ENDED 31ST MARCH, 2007

**47. SHARE OPTIONS** (continued)**(c) Share options of Hanny** (continued)

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.

The following tables disclose details of Hanny's share options held by employees (including directors) of Hanny and movements in such holdings during the years ended 31st March, 2006 and 31st March, 2007:

**2003 Share Option Scheme**

Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options			Balance as at 31.3.2006 and 31.3.2007
			Balance as at 1.4.2005	Exercised during the year	Lapsed during the year	
Directors of the Company 23.2.2004	23.2.2004 to 22.2.2006	3.415	3,200,000	(3,200,000)	–	–
Employees 23.2.2004	23.2.2004 to 22.2.2006	3.415	9,600,000	(6,800,000)	(2,800,000)	–
			<u>12,800,000</u>	<u>(10,000,000)</u>	<u>(2,800,000)</u>	<u>–</u>

During the years ended 31st March, 2006 and 31st March, 2007, movements of the share options are as follows:

Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options			Balance as at 31.3.2007
			Balance as at 1.4.2005 and 1.4.2006	Exercised during the year	Lapsed during the year	
Directors of the Company 31.8.2001	31.8.2001 to 30.8.2006	2.9888	5,750,000	–	(5,750,000)	–
Employees 31.8.2001	31.8.2001 to 30.8.2006	2.9888	3,250,000	(3,250,000)	–	–
			<u>9,000,000</u>	<u>(3,250,000)</u>	<u>(5,750,000)</u>	<u>–</u>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

FOR THE YEAR ENDED 31ST MARCH, 2007

**48. ACQUISITION OF SUBSIDIARIES**

As stated in note 22, the Group acquired an additional equity interest in Hanny during the year. 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, during the year are as follows:

	Hanny's carrying amount before combination HK\$'000	Adjustments HK\$'000	Fair value HK\$'000
<b>NET ASSETS ACQUIRED:</b>			
Property, plant and equipment	121,737	–	121,737
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 paid for acquisition of subsidiaries	50,000	–	50,000
Deposits paid for acquisition of long-term investments	190,175	–	190,175
Payments for acquisition of interest in properties	57,546	–	57,546
Intangible assets	3,500	–	3,500
Inventories	32	–	32
Other assets	229,288	–	229,288
Debtors, deposits and prepayments	335,820	–	335,820
Amount due from an associate	60,453	–	60,453
Investments held for trading	466,331	–	466,331
Financial assets designated at fair value through profit or loss	106,961	–	106,961
Loans receivable	442,665	–	442,665
Margin account receivables	2,501	–	2,501
Amount due from related companies	30,000	–	30,000
Tax recoverable	1,095	–	1,095
Short term bank deposits, bank balances and cash	55,348	–	55,348
Creditors and accrued expense	(139,236)	–	(139,236)
Amounts due to associates	(138)	–	(138)
Margin account payables	(6,424)	–	(6,424)
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 taxation	(36,344)	–	(36,344)
	<u>3,051,808</u>	<u>9,684</u>	<u>3,061,492</u>
Minority interests			(1,765,646)
Convertible notes reserve (Note)			(59,530)
Less: interests acquired in previous acquisition:			
– interest in of 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)
			<u>286,703</u>
<b>SATISFIED BY:</b>			
Cash consideration paid			<u>286,703</u>
Net cash outflow arising on acquisitions:			
Cash consideration paid			(286,703)
Cash and cash equivalents acquired			55,348
			<u>(231,355)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2007

**48. ACQUISITION OF SUBSIDIARIES** *(continued)*

*Note:* Since a portion of Hanny Bonds 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.

During the year, 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\$1,370,732,000, 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, 2006, nor is it intended to be a projection of future results.

The consideration paid for acquisition of interest in Hanny, including the offer price of HK\$3.8 per share, was based on the then market price of Hanny's shares 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.

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

**49. MAJOR NON-CASH TRANSACTIONS**

During the year, 890,000 redeemable convertible preference shares were converted into 907,115 ordinary shares of the Company at HK\$1.04 per share.

In 2006, HK\$164,500,000 convertible notes issued by the Company were converted into 548,335,330 ordinary shares of the Company at HK\$0.30 per share.

**50. RETIREMENT BENEFIT SCHEMES**

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

The cost charged to the 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 significant forfeited contributions which arose upon employees leaving the schemes prior to their interests in the Group's contributions becoming fully vested and which are available to reduce the contributions payable by the Group in future years.

The Group also joined a Mandatory Provident Fund Scheme (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 rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. No forfeited contributions are available to reduce the contributions payable in future years.





**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

FOR THE YEAR ENDED 31ST MARCH, 2007

**51. CONTINGENT LIABILITIES**

	2007 HK\$'000	2006 HK\$'000
Guarantees given to banks and financial institutions in respect of general facilities:		
– granted to an associate	56,000	56,000
– granted to a third party	23,292	–
Financial support given to an associate	8,790	9,090
	<u>88,082</u>	<u>65,090</u>

**52. 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:

	2007 HK\$'000	2006 HK\$'000
Within one year	363	807
In the second to fifth year inclusive	327	647
	<u>690</u>	<u>1,454</u>

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

**(b) The Group as a lessor:**

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

	2007 HK\$'000	2006 HK\$'000
Within one year	1,050	506
In the second to fifth year inclusive	745	1,188
	<u>1,795</u>	<u>1,694</u>

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

**53. COMMITMENTS**

	2007 HK\$'000	2006 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	<u>–</u>	<u>1,398</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

FOR THE YEAR ENDED 31ST MARCH, 2007

**54. PLEDGE OF ASSETS**

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

	2007 HK\$'000	2006 HK\$'000
Listed securities of associates	92,955	–
Buildings	44,024	35,261
Prepaid lease payments	89,651	91,865
Investment property	150,421	4,016
Investments held for trading	101,543	42,758
	<u>478,594</u>	<u>173,900</u>

**55. POST BALANCE SHEET EVENTS**

(a) 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. In May 2007, the Group disposed of 21,000,000 ordinary shares of Hanny at a price of HK\$5.00 each and the Company's interest in Hanny has been reduced to 50.27%. Subsequent to the disposal, the Company's interest in Hanny has been further reduced to approximately 49.54% due to the conversion of the Hanny Bonds by certain holders of the Hanny Bonds and Hanny ceased to be a subsidiary of the Company on 18th May, 2007. The directors are in the process of determining the financial effect of the dilution and the process has not yet completed at the date of this report.

(b) In May 2007, the Group disposed approximately 6.45% equity interest in Trasy and the interest in Trasy has been reduced to 50.00004%. The Group's interest in Trasy has been further diluted to approximately 49.998% as a result of exercise of share options granted under the Trasy Scheme and Trasy ceased to be a subsidiary of the Company on 11th June, 2007. The directors are in the process of determining the financial effect of the dilution and the process has not yet completed at the date of this report.

In June 2007, Trasy issued 550,000,000 ordinary shares at the price of HK\$0.20 each pursuant to a placing and subscription agreement. The placing and subscription were both completed in June 2007 and the Company's shareholding interest in Trasy further decreased to approximately 38.58%.

In June 2007, the Company has conditionally agreed to subscribe for up to 340,000,000 new shares of Trasy at HK\$0.205 per share while Trasy has conditionally agreed to place up to 392,000,000 new shares of Trasy at HK\$0.205 per share to independent third parties through a placing agent. The number of shares of Trasy being subscribed and held by the Company and its concert parties will be a minimum of 38.58% but not exceeding 40% of the issued share capital of Trasy as enlarged by the placement and subscription. In addition, the Company has conditionally agreed to subscribe for HK\$50 million convertible notes of Trasy and may elect to subscribe for an additional amount up to HK\$50 million (representing the principal amount out of HK\$100 million convertible notes of Trasy which have not been successfully placed by the placing agent who has conditionally agreed to place up to HK\$100 million convertible notes of Trasy).

(c) In June 2007, the Company issued 300,000,000 ordinary shares at a price of HK\$0.74 per share. The number of issued ordinary shares of the Company increased from 1,872,982,368 to 2,172,982,368.

(d) In April 2007, Total Wealth Limited, an indirect wholly-owned subsidiary of the Company held through Hanny, entered into agreements to subscribe for 125,000,000 shares of Wonson International Holdings Limited ("Wonson") at subscription price of HK\$0.16 per share and the convertible notes issued by Wonson with principal amount of HK\$40,000,000 at fair value.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

FOR THE YEAR ENDED 31ST MARCH, 2007

**56. RELATED PARTIES TRANSACTIONS**

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

<b>Class of related party</b>	<b>Nature of transactions/balances</b>	<b>2007 HK\$'000</b>	<b>2006 HK\$'000</b>
Associates of the Group	Sales of building materials by the Group	424	10
	Dividend income (including scrip dividend) received by the Group	104,593	498,555
	Rentals and related building management fee charged by the Group	366	593
	Service fees charged by the Group	1,028	1,464
	Interest income received by the Group	18,901	7,981
	Purchase of property, plant and equipment	-	3,175
	Purchase of club membership	-	325
	Rental and related building management fee paid by the Group	2,027	-
			<u>          </u>
Directors or company controlled by director	Interest paid by the Group	-	1,406
	Interest paid on convertible notes issued by the Group	-	6,791
		<u>          </u>	<u>          </u>
Other related companies (Note)	Rental and related building management fee charged by the Group	190	65
	Interest income received by the Group	8,398	7,801
		<u>          </u>	<u>          </u>

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

In respect of the related party transactions stated above, only the transactions involving directors or company controlled by director of the year 2006 were regarded as connected transactions as defined in Chapter 14A of the Listing Rules and the Company has disclosed the transactions pursuant to the relevant disclosure requirements accordingly.

**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 8. 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.

**57. BALANCE SHEET OF THE COMPANY**

	<b>2007 HK\$'000</b>	<b>2006 HK\$'000</b>
Total assets	1,978,996	1,967,634
Total liabilities	(304,943)	(300,117)
	<u>          </u>	<u>          </u>
Total assets and liabilities	1,674,053	1,667,517
	<u>          </u>	<u>          </u>
Capital and reserves		
Share capital	187,298	183,750
Reserves	1,486,755	1,483,767
	<u>          </u>	<u>          </u>
Total equity	1,674,053	1,667,517
	<u>          </u>	<u>          </u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2007

## 58. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31st 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 Company*/ attributable to the Group		Principal activities
			Company*/ subsidiaries %	attributable to the Group %	
All Combine Investments Limited	British Virgin Islands	US\$1 ordinary share	100*	100	Investment holding
Burcon Group Limited (Note (a))	Canada	CAD1,000 class A common shares	100	100	Investment and property holding
China Enterprises Limited ("CEL") (Note (b))	Bermuda	US\$90,173 common stock	55.23	36.72	Investment holding
Dreyer and Company Limited	Hong Kong	HK\$6,424,000 ordinary shares	99	99	Trading of building materials and machinery
Great Intelligence Holdings Limited	Hong Kong	HK\$2 ordinary shares	100	100	Securities trading and treasury investment
Great Intelligence Limited	British Virgin Islands	US\$1 ordinary share	100*	100	Investment holding
Great Intelligence Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property holding and investment
Hanny	Bermuda	HK\$2,528,243 ordinary shares	67.23	67.23	Investment holding
Hanny Magnetics Limited	Hong Kong	HK\$1,100,000,200 ordinary share HK\$6,000,000 5% non-voting deferred shares (Note (c))	100	100	Investment holding
Island Town Limited	Hong Kong	HK\$100	100	67.23	Investment property holding
ITC Development Co. Limited	British Virgin Islands	US\$15,000 ordinary shares	100*	100	Investment holding
ITC Finance Limited	Hong Kong	HK\$2 ordinary shares	100	100	Provision of finance
ITC Investment Holdings Limited	British Virgin Islands	US\$1 ordinary share	100*	100	Investment holding



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2007

**58. PARTICULARS OF PRINCIPAL SUBSIDIARIES** *(continued)*

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/ registered capital		Principal activities
			held by the Company*/ subsidiaries %	attributable to the Group %	
ITC Management Group Limited	British Virgin Islands	US\$2 ordinary shares	100*	100	Investment holding
ITC Management Limited	Hong Kong	HK\$2 ordinary shares	100	100	Provision of management and financial services and treasury investment
Large Scale Investments Limited	British Virgin Islands	US\$1 ordinary share	100*	100	Investment holding
MRI Holdings Limited ("MRI") <i>(Note (d))</i>	Australia	A\$31,381,010	57.26	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	100	67.23	Holding of land development project held for sale
廣州耀陽實業有限公司 <i>(Note (e))</i>	PRC	RMB1,000,000	100	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 TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)**FOR THE YEAR ENDED 31ST MARCH, 2007***58. PARTICULARS OF PRINCIPAL SUBSIDIARIES** *(continued)**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 Over-the-Counter Bulletin Board of the United States of America.
- (c) 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.
- (d) MRI operates in both Australia and Hong Kong and its shares are listed on the Australia Securities Exchange.
- (e) This company is registered in the form of wholly-owned foreign investment enterprise.
- (f) All of the other subsidiaries mentioned in the above table operate in Hong Kong.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the result 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 except for Hanny which has issued Hanny Bonds at principal amount of approximately HK\$770,725,000, in which the Group has approximately HK\$101,742,000 interest.



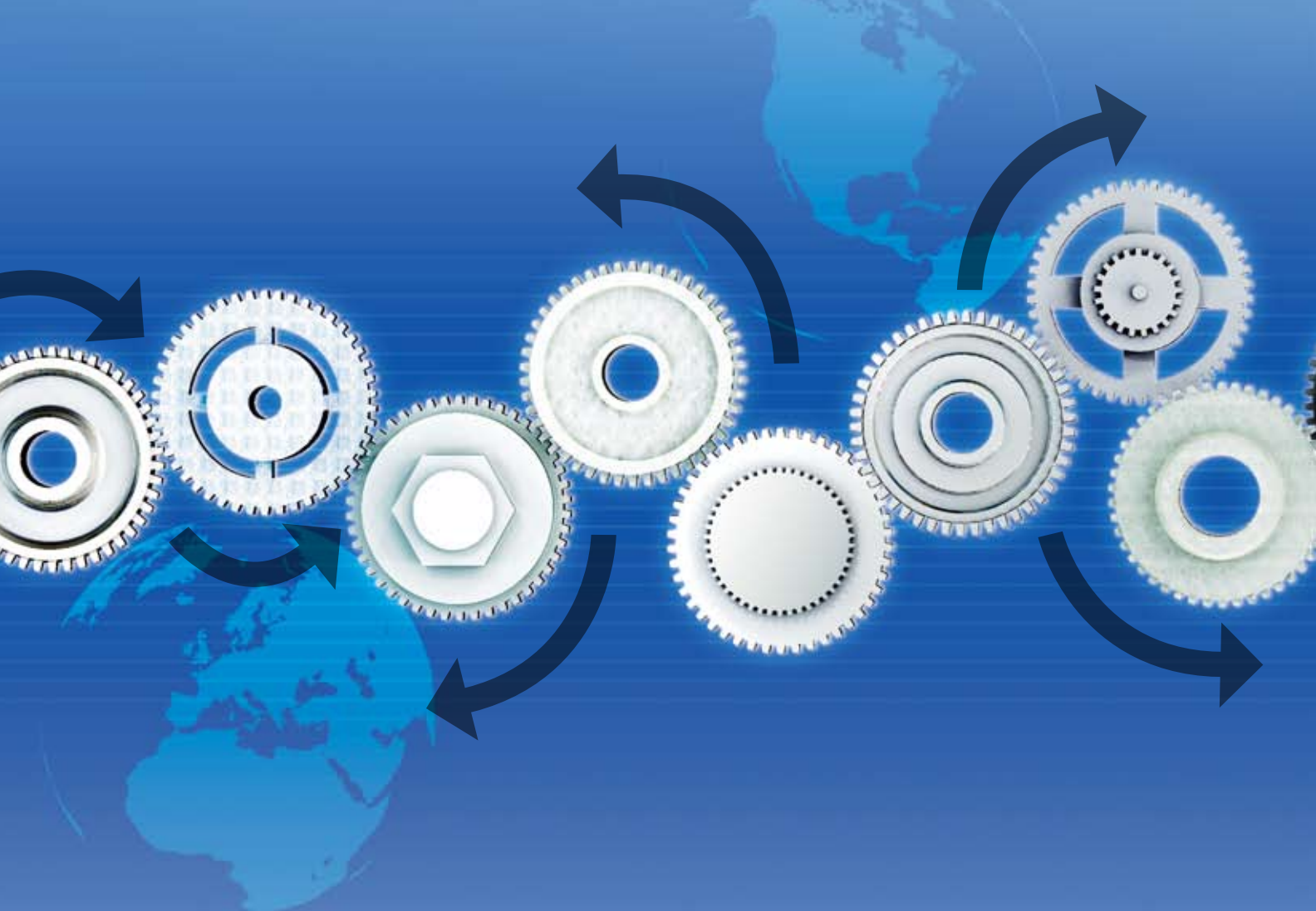
## FINANCIAL SUMMARY

## RESULTS

	Year ended 31st March,				2007 HK\$'000
	2003 HK\$'000 (Restated)	2004 HK\$'000 (Restated)	2005 HK\$'000 (Restated)	2006 HK\$'000 (Restated)	
Revenue					
– Continuing operations	42,132	100,590	104,361	252,959	<b>493,298</b>
– Discontinued operations	726,565	3,334,076	1,921,967	–	–
	<u>768,697</u>	<u>3,434,666</u>	<u>2,026,328</u>	<u>252,959</u>	<u><b>493,298</b></u>
Profit (loss) before taxation	138,860	(278,990)	81,249	46,436	<b>899,575</b>
Taxation	–	–	(260)	–	<b>(8,695)</b>
(Loss) profit for the year from discontinued operations	(37,790)	364,119	151,672	–	–
	<u>101,070</u>	<u>85,129</u>	<u>232,661</u>	<u>46,436</u>	<u><b>890,880</b></u>
Profit for the year					
Attributable to:					
Equity holders of the Company	103,294	(16,166)	204,377	50,289	<b>843,929</b>
Minority interests	(2,224)	101,295	28,284	(3,853)	<b>46,951</b>
	<u>101,070</u>	<u>85,129</u>	<u>232,661</u>	<u>46,436</u>	<u><b>890,880</b></u>

## ASSETS AND LIABILITIES

	As at 31st March,				2007 HK\$'000
	2003 HK\$'000 (Restated)	2004 HK\$'000 (Restated)	2005 HK\$'000 (Restated)	2006 HK\$'000 (Restated)	
Total assets	5,291,926	5,337,404	2,292,457	2,460,700	<b>6,310,209</b>
Total liabilities	(2,770,135)	(2,427,756)	(568,308)	(428,691)	<b>(1,938,149)</b>
	<u>2,521,791</u>	<u>2,909,648</u>	<u>1,724,149</u>	<u>2,032,009</u>	<u><b>4,372,060</b></u>
Shareholders' funds					
Attributable to:					
Equity holders of the Company	1,658,396	1,714,284	1,694,490	2,009,945	<b>2,810,426</b>
Convertible notes reserve of a subsidiary	–	–	–	–	<b>55,279</b>
Minority interests	863,395	1,195,364	29,659	22,064	<b>1,506,355</b>
	<u>2,521,791</u>	<u>2,909,648</u>	<u>1,724,149</u>	<u>2,032,009</u>	<u><b>4,372,060</b></u>



China  
Enterprises

德祥企業集團有限公司

**ITC**

ITC CORPORATION LIMITED