

ITC
Annual Report 2006
德祥企業集團有限公司



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ANNUAL REPORT 年度報告



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)

Stock code : 372.HK
股份代號



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FINANCIAL HIGHLIGHTS

	2006	2005	Change
Results (HK\$ million)			
Turnover	253	104	+143%
Profit attributable to equity holders	107	89	+21%
Cash, bank deposits and balances	228	16	+1,325%
Total assets	2,461	2,177	+13%
Equity attributable to equity holders	2,010	1,579	+27%
Per Share Data			
Basic earnings (HK cents)	9.4	10.8	-13%
Diluted earnings (HK cents)	6.8	5.7	+19%
Dividend (HK cents)			
– Interim	1.5	1.0	+50%
– Final	1.7	1.5	+13%
	3.2	2.5	+28%
Share Information			
Number of shares in issue (million shares)	1,837	1,072	+71%
Market capitalisation (HK\$ million)	1,415	911	+55%
Key Financial Ratios			
Dividend payout ratio	54.0%	37.4%	+44%
Return on equity	5.3%	5.6%	-5%
Current ratio	12.9	0.6	+2,050%
Gearing ratio	7.5%	33.7%	-78%

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

Chuck, Winston Calptor
 Lee Kit Wah
 Wong Kam Cheong, Stanley
 Shek Lai Him, Abraham, *JP*

AUDIT COMMITTEE

Lee Kit Wah (*Chairman*)
 Chuck, Winston Calptor
 Wong Kam Cheong, Stanley
 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*)
 lu, 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
 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 REGISTRARS AND TRANSFER OFFICE

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

BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

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

WEBSITE

<http://www.itc.com.hk>

STOCK CODE

Hong Kong Stock Exchange 372

CHAIRMAN'S STATEMENT

I am pleased to present to shareholders the annual report of the Group for the year ended 31st March, 2006.

REVIEW OF FINANCIAL PERFORMANCE AND POSITIONS

The principal activities of the Group comprise investment holding, the provision of finance, the provision of management services, property investment, treasury investment, trading of building materials and machinery and the provision and operation of an internet-based precious metals trading platform through Trasy Gold Ex Limited ("Trasy").

During the year under review, turnover from continuing operations increased by approximately 143% to approximately HK\$253 million due to the increase in turnover from treasury investment and the provision of finance. The Group reported a profit attributable to equity holders of approximately HK\$107 million, an increase of approximately 21% as compared to approximately HK\$89 million for the last corresponding year. The increase in profit was mainly due to the release to income regarding the discount arising from acquisition of additional interest in Hanny Holdings Limited ("Hanny"). Basic earnings per ordinary share was HK9.4 cents (2005: HK10.8 cents). The board of directors (the "Board") has recommended the payment of a final dividend of HK1.7 cents per ordinary share, together with the interim dividend and the dividend on preference shares, the dividend payout ratio was approximately 54.0%.

Regarding the financial position of the Group, the total assets increased by 13% to approximately HK\$2,461 million. Owing to the combined effects of the current year's profit for the year, the placement of 214.4 million new ordinary shares and the full conversion of convertible notes into approximately 548.3 million ordinary shares, the equity attributable to equity holders increased to approximately HK\$2,010 million.

REVIEW OF OPERATIONS

During the year ended 31st March, 2006, the Group continued to hold significant interests, directly or indirectly, in a number of companies listed in Hong Kong, Canada, Singapore, the United States, Australia and Germany and other high potential unlisted investments pursuant to its long-term strategy of exploring potential investments in an aggressive, but cautious, manner and enhancing the value of its strategic investments by active participation in or close liaisons with the management of the investee companies of the Group.

Strategic Investments

As at 31st March, 2006, the Group had the following significant strategic investments:

Listed subsidiary and strategic investments directly held

PYI Corporation Limited ("PYI")

Based in Hong Kong, the PYI group focuses on infrastructure investment in and operation of bulk cargo port and logistics facilities in the Yangtze River region in the PRC. It also engages in land and property development in association with port facilities. In addition, PYI provides comprehensive engineering and construction services through Paul Y. Engineering Group Limited ("Paul Y. Engineering"). In September 2005 and February 2006, the Group disposed an aggregate of 300 million shares in PYI and reported a loss of approximately HK\$20.1 million. For the year ended 31st March, 2006, PYI reported a consolidated profit of approximately HK\$310.5 million and its overall after tax contribution to the Group was a profit of approximately HK\$129.8 million.

Hanny

Hanny is an investment holding company. After completion of the disposal of its business of development, marketing, distribution and sale of hardware, media and accessories used for the storage of electronic data, accessories and hardware under the Memorex® brand in April 2006, the Hanny group concentrates on the trading of securities, property investment and trading and other strategic investments including investments in associated companies which are listed on various stock exchanges including those in Hong Kong, Singapore, the United States and Australia and long-term convertible notes issued by companies listed on the Hong Kong Stock Exchange. For the year ended 31st March, 2006, Hanny reported a consolidated profit of approximately HK\$8.9 million and its overall after tax contribution to the Group was a profit of approximately HK\$2.3 million.

CHAIRMAN'S STATEMENT *(continued)*

Trasy

The Trasy group is principally engaged in the provision and operation of an internet-based precious metals trading platform known as the "Trasy System". Trading in Trasy's shares has been suspended since 10th June, 2003. Subsequent to the takeover by the Company in March 2005, Trasy has put in place a sustainable business plan to strengthen its overall business performance and reformed its board of directors with an aim to seek resumption of trading of its shares as soon as possible. For the year ended 31st March, 2006, Trasy's after tax contribution to the Group was a loss of approximately HK\$4.9 million.

Trasy is now preparing a viable resumption proposal to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for consideration failing which the Hong Kong Stock Exchange may give notice to cancel the listing of Trasy on 18th November, 2006. The board of directors of Trasy considers that the current scale of operations of the Trasy group is sufficient to warrant continued listing of its shares.

Burcon NutraScience Corporation ("Burcon")

Burcon is a research and development company building a portfolio of composition, application and process patents around its plant protein extraction and purification technology. Burcon's patented process utilises inexpensive oilseed meals for the production of purified plant proteins that exhibit valuable nutritional, functional or nutraceutical profiles. Burcon, in conjunction with Archer Daniels Midland, is currently focusing its efforts on developing the world's first commercial canola proteins, namely Puratein® and Supertein™ (the "Products"). Canola, recognised for its nutritional qualities, is the second-largest oilseed crop in the world after soybeans. Burcon's goal is to develop the Products to participate with soy, dairy and egg proteins in the expanding multi-billion dollar protein ingredient market, with potential uses in prepared foods, nutritional supplements and personal care products. In December 2005, Burcon was recognised as a TSX Venture 50™ company. TSX Venture 50™ is the first ever ranking of the top 50 emerging public companies listed on the TSX Venture Exchange in Canada. For the year ended 31st March, 2006, Burcon's after tax contribution to the Group was a loss of approximately HK\$4.7 million.

Hong Kong listed strategic investments indirectly held

Paul Y. Engineering

The Paul Y. Engineering group is an international engineering services group, headquartered in Hong Kong. It operates three core business: management contracting, project management and facilities management. The Paul Y. Engineering group is committed to build, to manage and to add value for its board and distinguished client base in Hong Kong, the PRC and overseas.

Macau Prime Properties Holdings Limited ("MPP", formerly known as Cheung Tai Hong Holdings Limited)

The MPP group is principally engaged in property development and investment in Macau, the PRC and Hong Kong, operations of golf resort and hotel in the PRC, trading of motorcycles, manufacturing and retailing of "Tung Fong Hung" branded Chinese pharmaceutical and health products, production and distribution of western pharmaceutical products, and securities investment.

See Corporation Limited ("See")

The See group engages in the entertainment and media business, which includes film and television programme productions; event productions; and artiste and model management. It also owns significant interest in TVB Pay Vision Holdings Limited (formerly known as Galaxy Satellite TV Holdings Limited), which operates a pay-television business in Hong Kong.

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

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

China Strategic Holdings Limited ("China Strategic")

China Strategic is an investment holding company. After completion of the reorganisation of China Strategic group in May 2006, the China Strategic group concentrates on the business of manufacturing and trading of battery products, investments in securities and property and investment in unlisted investments.

CHAIRMAN'S STATEMENT *(continued)*

Overseas listed strategic investments indirectly held

PSC Corporation Ltd. ("PSC")

The PSC group's three core business activities are consumer business, packaging and healthcare. PSC's consumer business division involves in food trading, logistics, manufacturing and retail franchising. This division has conceived and grown successful proprietary brands and honed a distribution service for its products. In 2005, the acquisition of Tat Seng Packaging Group Ltd. ("Tat Seng Packaging"), which is one of the Singapore's leading manufacturers of corrugated paper packaging products, marked PSC's entry into the packaging business. The healthcare division of the PSC Group provides turnkey solutions in developing primary to tertiary healthcare facilities.

China Enterprises Limited ("China Enterprises")

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

MRI Holdings Limited ("MRI")

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

Intraco Limited ("Intraco")

The Intraco group has developed its business portfolio under four core areas, which include commodities trading, projects, semiconductors and info-communications.

Tat Seng Packaging

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

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

Listed subsidiary and strategic investments directly held

Name of investee company	Place of listing	Stock code	Shareholding percentage	
			As at 31/3/2006	As at the date of this report
PYI	Hong Kong Stock Exchange	498	29.0%	27.3%
Hanny	Hong Kong Stock Exchange	275	24.3%	23.3%
Trasy	The Growth Enterprise Market of Hong Kong Stock Exchange	8063	56.5%	56.5%
Burcon	TSX Venture Exchange and Frankfurt Stock Exchange	BU WKN 157793	25.6%	25.6%

CHAIRMAN'S STATEMENT *(continued)*

Hong Kong listed strategic investments indirectly held

Name of investee company	Place of listing	Stock code	Effective interest	
			As at 31/3/2006	As at the date of this report
Paul Y. Engineering	Hong Kong Stock Exchange	577	18.7% <i>(Note a)</i>	17.6% <i>(Note a)</i>
MPP	Hong Kong Stock Exchange	199	–	3.5% <i>(Note b)</i>
See	Hong Kong Stock Exchange	491	3.7% <i>(Note b)</i>	4.1% <i>(Note b)</i>
China Strategic	Hong Kong Stock Exchange	235	15.6% <i>(Note c)</i>	7.1% <i>(Note c)</i>
Wing On Travel	Hong Kong Stock Exchange	1189	2.3% <i>(Note d)</i>	2.5% <i>(Note d)</i>

Overseas listed strategic investments indirectly held

Name of investee company	Place of listing	Stock code	Effective interest	
			As at 31/3/2006	As at the date of this report
PSC	Singapore Exchange Securities Trading Limited	PSC	7.4% <i>(Note e)</i>	7.6% <i>(Note e)</i>
China Enterprises	OTC Bulletin Board, U.S.A.	CSHEF	8.6% <i>(Note f)</i>	12.7% <i>(Note f)</i>
MRI	Australian Stock Exchange	MRI	8.9% <i>(Note f)</i>	13.2% <i>(Note f)</i>
Tat Seng Packaging	Singapore Exchange Securities Trading Limited	TAT SENG	4.7% <i>(Note g)</i>	4.9% <i>(Note g)</i>
Intraco	Singapore Exchange Securities Trading Limited	INTRACO	2.2% <i>(Note g)</i>	2.2% <i>(Note g)</i>

Notes:

- (a) The Group's interest is held through its direct interests in PYI.
- (b) The Group's interest is held through its direct interests in Hanny.
- (c) The Group's interest is held through its direct interests in PYI and Hanny.
- (d) The Group's interest is held through its indirect interests in China Enterprises.
- (e) Other than the Group's direct interest of approximately 1.5% as at 31st March, 2006 (2.0% as at the date of this report), the Group's interest is held through its direct interests in Hanny.
- (f) The Group's interest was held through its indirect interest in China Strategic as at 31st March, 2006 but it is held through its direct interests in Hanny as at the date of this report after the group reorganisation of China Strategic.
- (g) The Group's interest is held through its indirect interest in PSC.

CHAIRMAN'S STATEMENT *(continued)*

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. Cash, bank balances and deposits as at 31st March, 2006 amounted to approximately HK\$227.8 million. As at 31st March, 2006, the Group had bank borrowings of approximately HK\$90.8 million of which approximately HK\$30.7 million is repayable within one year or on demand. The redeemable convertible preference shares with an aggregate redemption value of approximately HK\$283.0 million will be redeemed on 3rd November, 2007 (or the next following business day if it is not a business day) unless they are previously converted, redeemed or purchased and cancelled.

As at 31st March, 2006, all the Group's borrowings, except the redeemable convertible preference shares, are at floating interest rates and the Group's current ratio was 12.9.

EXCHANGE RATE EXPOSURE

As at 31st March, 2006, approximately 16.8% of the cash, bank balances and deposits were in other currencies and only approximately 3.9% of the Group's total borrowings of approximately HK\$377.6 million was denominated in Canadian dollars. The Canadian dollars denominated borrowings are directly tied in with the Group's business in Canada.

GEARING RATIO

The Group's gearing ratio, which was calculated using the Group's net borrowings of approximately HK\$149.8 million and the equity attributable to equity holders of approximately HK\$2,009.9 million, was 7.5% as at 31st March, 2006, as compared to 33.7% as at 31st March, 2005.

PLEDGE OF ASSETS

As at 31st March, 2006, certain of the Group's properties, margin accounts receivables, held for trading investments and derivative financial instruments with an aggregate carrying value of approximately HK\$173.9 million were pledged to banks and financial institutions to secure general facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31st March, 2006, the Group has contingent liabilities in respect of guarantee given to banks on general banking facilities granted to an associate and financial support given to the associate of approximately HK\$56 million and approximately HK\$9.1 million, respectively.

EMPLOYEE AND REMUNERATION POLICY

As at 31st March, 2006, the Group employed a total of 97 employees. The Group's remuneration policy is that the employees' remuneration is based on the employees' skills, knowledge and involvement in the Company's affairs and are determined by reference to the Company's performance, as well as remuneration benchmark in the industry and the prevailing market conditions. The ultimate objective of the remuneration policy is to ensure that the Group is able to attract, retain and motivate a high-calibre team which is essential to the success of the Company. The Group also offers benefits to employees including discretionary bonus, training, provident funds and medical coverage. Share option schemes are established for the eligible employees but no share option was granted during the period and there was no outstanding share option granted by the Company as at 31st March, 2006.

MAJOR EVENTS

Disposal of shares in PYI

In September 2005, the Group disposed of 150 million shares of PYI at HK\$1.5 per share to more than six independent third parties through a placing agent. Immediately after such disposal, the Group's shareholding interest in PYI decreased from approximately 49.96% to approximately 38.92%.

In February 2006, the Group further disposed of 150 million shares of PYI at HK\$1.78 per share to independent third parties through a placing agent. Immediately after such disposal, the Group's shareholding interest in PYI decreased from approximately 39.81% to approximately 28.84%.

CHAIRMAN'S STATEMENT *(continued)*

Acquisition of shares in Hanny

In October 2005, the Group acquired 11 million shares of Hanny on market for a consideration of approximately HK\$44 million. Immediately after the acquisition, the Group's shareholding interest in Hanny increased from approximately 20.61% to approximately 25.48%.

Placing of new ordinary shares under general mandate

In February 2006, the Company has placed, through a placing agent, 214.4 million new ordinary shares to more than six independent third parties at HK\$0.72 per ordinary share and raised approximately HK\$154.4 million in cash, before expenses.

Conversion of convertible notes

In February and March 2006, convertible notes issued by the Company in the aggregate principal amount of HK\$164.5 million have been converted into approximately 548.3 million new ordinary shares at HK\$0.3 per ordinary share.

MAJOR SUBSEQUENT EVENT

Subscription of exchangeable convertible notes of Hanny

In June 2006, the Company has conditionally agreed to subscribe at face value for 1% exchangeable convertible notes due 2011 to be issued by Hanny with a principal amount of US\$75 million (equivalent to approximately HK\$582.5 million) (the "Hanny Notes") entitling the holder of the Hanny Notes to convert into shares in Hanny at an initial conversion price of US\$0.51 per share. The holder of the Hanny Notes shall also have the right to exchange the principal amount of the Hanny Notes, subject to a maximum amount equal to approximately 66% of the face value of the Hanny Notes, for the same principal amount of the convertible notes to be issued by China Enterprises (the "China Enterprises Notes"), entitling the holder of the China Enterprises Notes to convert into shares of China Enterprises at an initial conversion price of US\$3 per share. A circular containing, among other things, details of the subscription of the Hanny Notes will be despatched to shareholders of the Company as soon as practicable.

SECURITIES IN ISSUE

As a result of the issue of new ordinary shares under scrip dividend alternative scheme in November 2005, the placing of new shares in February 2006 and the conversion of the convertible notes of the Company in February and March 2006, the total number of issued ordinary shares and issued redeemable convertible preference shares of the Company, all of HK\$0.10 each, as at the date of this report are 1,837,495,145 and 266,952,000, respectively.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK1.7 cents per ordinary share for the year ended 31st March, 2006 (2005: HK1.5 cents) to holders of ordinary shares whose names appear on the register of holders of ordinary shares of the Company as at the close of business on 5th October, 2006. The proposed final dividend is expected to be paid to shareholders by post on or around 3rd November, 2006 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 alternate 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 5th October, 2006 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 Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") granting the 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 alternate and a form of election will be sent to shareholders of the Company.

CHAIRMAN'S STATEMENT *(continued)*

DIVIDEND ON PREFERENCE SHARES

The Board has resolved to pay a dividend of HK4 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, 2006 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 13th October, 2006. The dividend on redeemable convertible preference shares is expected to be paid to holders of redeemable convertible preference shares by post on or around 3rd November, 2006.

CLOSE OF REGISTERS OF MEMBERS

The register of holders of ordinary shares of the Company will be closed from 3rd October, 2006 to 5th October, 2006, both days inclusive, during the period which no ordinary share transfer shall be effected. In order to qualify for the proposed final dividend, all transfers of ordinary shares accompanied by the relevant share certificates must be lodged with the Company's share registrars 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 29th September, 2006.

The register of holders of redeemable convertible preference shares of the Company will be closed from 11th October, 2006 to 13th October, 2006, both dates inclusive, during which period no redeemable convertible preference share transfers 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 share registrars in Hong Kong, Secretaries Limited, at the aforesaid address for registration by no later than 4:00 p.m. on 10th October, 2006.

OUTLOOK

The Hong Kong economy has sustained a strong upturn. The improving unemployment rate, together with the rising employment incomes, continues to drive the domestic demand while the fairly strong performance of the global economy provides significant growth impetus to the external trade. However, the high oil price, the rising interest rates, the tightening measures in the PRC have brought along uncertainty to the future. Looking ahead, the Group is cautiously optimistic about its investment and business operation.

To be a leading diversified and balanced investment conglomerate, the Group will continue to capture investment opportunities which can provide sustainable growth and returns. At the same time, the Group will continue to provide full support to its investments to strive for better performance and increase their profitability. The placing of new shares and full conversion of conversion notes have enhanced the financial position and increased resource of the Group to fund any future investments. It is always the goal of the Group to maximize its shareholder's value and maintain a stable dividend payout. Barring unforeseen circumstances, the Group is confident in meeting its goal.

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, 28th July, 2006

BIOGRAPHIES OF DIRECTORS AND QUALIFIED ACCOUNTANT

DIRECTORS

Chan Kwok Keung, Charles, aged 51, 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 26 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. He 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 Hung, an executive director of the Company.

Chau Mei Wah, Rosanna, aged 51, 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 26 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 Hung, aged 47, 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 23 years' experience in trading business in the PRC. He is the younger brother of Dr. Chan Kwok Keung, Charles, the Chairman of the Company.

Chan Fut Yan, aged 52, joined the Company as an executive director in December 1997 and is a director of various subsidiaries of the Group. Mr. Chan has over 33 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 52, joined the Company as 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 28 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. Mr. Cheung 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 50, 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 practicing solicitor in Hong Kong and has over 24 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 50, 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 the 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 two publicly listed companies in Hong Kong.

BIOGRAPHIES OF DIRECTORS AND QUALIFIED ACCOUNTANT *(continued)*

Wong Kam Cheong, Stanley, aged 48 joined the Company as an independent non-executive director in September 2004 and is also a member of the Audit Committee of the Company. Mr. Wong has an honours degree in civil engineering awarded by the University of Manchester, U.K. and a master of science degree in finance awarded by the Chinese University of Hong Kong. He is a member of the Hong Kong Institution of Engineers, a Registered Professional Engineer in Hong Kong, a Chartered Professional Engineer of Australia, a U.K. Chartered Civil and Structural Engineer and a fellow member of the Hong Kong Institution of Real Estate Administration. He is also a Registered Structural Engineer and Authorised Person (Engineer) registered under the Buildings Ordinance (CAP123) Section 3. He has over 24 years of experience in the field of design, construction, project management, property development and management.

Shek Lai Him, Abraham, JP, aged 61, 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 41, 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 17 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 is 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, 2006, complied with the code provisions of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except for the following deviation from code provision A.4.2 of the Code, details of which, together with the considered reasons therefor, are explained below:

Under code provision A.4.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The rotation of directors at the annual general meeting of the Company held on 12th September, 2005 was in accordance with the Company's previous bye-laws which stipulated, inter alia, that one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that notwithstanding anything therein, the Chairman of the Board and/or the Managing Director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. This deviated from the requirements of code provision A.4.2. To fully comply with code provision A.4.2, relevant amendments to the Company's bye-laws were proposed and approved by the shareholders at the same annual general meeting of the Company, pursuant to which every director shall be subject to retirement by rotation at least once every three years at the annual general meeting.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the model code set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by 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, 2006.

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

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 of nine directors, including the Chairman, the Deputy Chairman and Managing Director, three other executive directors, and four 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 10 and 11 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 Hung.

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 Chapter 14 and 14A of the Listing Rules and making recommendation for capital reorganisation or scheme of arrangement of the Company.

CORPORATE GOVERNANCE REPORT *(continued)*

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 of the Company who considers a need for independent professional advice in order to perform his/her duties as a director of the Company 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.

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>)	13/15		
Chau Mei Wah, Rosanna (<i>Deputy Chairman and Managing Director</i>) (Note 1)	15/15		5/5
Chan Kwok Hung	11/15		
Chan Fut Yan	14/15		
Cheung Hon Kit	14/15		
Lau Ko Yuen, Tom (Note 2)	4/5		
<i>Independent Non-executive Directors</i>			
Chuck, Winston Calptor	13/15	3/3	5/5
Lee Kit Wah	15/15	3/3	5/5
Wong Kam Cheong, Stanley	14/15	3/3	

Notes:

1. Ms. Chau Mei Wah, Rosanna was also appointed as the Deputy Chairman of the Company on 12th September, 2005.
2. Mr. Lau Ko Yuen, Tom retired as a director of the Company on 12th September, 2005.
3. Mr. Shek Lai Him, Abraham was appointed as an independent non-executive director of the Company on 26th June, 2006.

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. At least 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 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 of the Company are subject to retirement and re-election by 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.

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 and 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 five 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 shareholders at the annual general meeting, approving the directors' fees of executive directors of the Company and making recommendation for the approval by the Board on the Company's independent non-executive directors' fees, reviewing and approving the remuneration of the Chairman and the Deputy Chairman and the Managing Director, and approving the discretionary bonus of senior management and reviewing remuneration policy.

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 15 to the financial statements. No director is involved in deciding his/her own remuneration.

CORPORATE GOVERNANCE REPORT *(continued)*

AUDIT COMMITTEE

The Audit Committee of the Company consists of four independent non-executive directors, namely Mr. Lee Kit Wah (Chairman of the Audit Committee), Mr. Chuck Winston Calptor, Mr. Wong Kam Cheong, Stanley 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 and 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, 2005 and the draft unaudited interim financial statements of the Group for the six months ended 30th September, 2005, 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 shareholders in the annual general meeting of the Company, reviewed the fees charged by the external auditors and reviewed the internal control systems of the Group.

AUDITORS' REMUNERATION

Messrs. Deloitte Touche Tohmatsu ("Deloitte"), the Group's principal auditors, were re-appointed by shareholders at the annual general meeting of the Company held on 12th September, 2005 as the Company's external auditors until the next annual general meeting. For the year ended 31st March, 2006, 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	
	2006 HK\$'000	2005 HK\$'000
Audit service	870	650
Non-audit services		
Taxation	20	20
Ad hoc projects	200	650
Review of interim results	250	170
Review of annual results announcement	30	–
Total fee paid/payable for the year	1,370	1,490

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, 2006, 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 Report of the Auditors on page 28 of this 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 of the Company 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.

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, press announcements, circulars and additional information on the Group's business activities and development on the Company's website: <http://www.itc.com.hk>. Details of 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.

By order of the Board

Law Hon Wa, William
Company Secretary

Hong Kong, 28th July, 2006

DIRECTORS' REPORT

The directors have pleasure to present their report and the audited financial statements of the Group for the year ended 31st March, 2006.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities of the Company's principal subsidiaries and the Group's principal associates as at 31st March, 2006 are set out in notes 53 and 22, respectively, to the financial statements.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to operating results for the year ended 31st March, 2006 is set out in note 7 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March, 2006 are set out in the consolidated income statement on page 29 of the annual report.

An interim dividend of HK1.5 cents per ordinary share amounting to approximately HK\$16,121,000 was paid to the shareholders during the year. The directors recommend the payment of a final dividend of HK1.7 cents per ordinary share in cash with an option to elect scrip dividend of ordinary shares to holders of ordinary shares whose names appear on the register of holders of ordinary shares on 5th October, 2006.

The directors resolved to pay a dividend of HK4 cents per redeemable convertible preference share in respect of the twelve month period ending on but excluding 3rd November, 2006 to holders of redeemable convertible preference shares whose names appear on the register of holders of redeemable convertible preference shares as at the close of business on 13th October, 2006.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 32 of the annual report and note 52 to the financial statements, respectively.

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 attributable 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 97 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 financial statements.

DIRECTORS' REPORT *(continued)*

SUBSIDIARIES AND ASSOCIATES

Particulars of the principal subsidiaries of the Company and principal associates of the Group as at 31st March, 2006 are set out in notes 53 and 22, respectively, to the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 40 to the financial statements.

SHARE OPTIONS

Details of the movements in the share options of the Company and of its subsidiary during the year are set out in note 41 to the 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, 2006 are set out in notes 36 and 37 to the financial statements, respectively.

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 (also appointed as the Deputy Chairman on 12th September, 2005)
(Deputy Chairman and Managing Director)
 Chan Kwok Hung
 Chan Fut Yan
 Cheung Hon Kit
 Lau Ko Yuen, Tom (retired on 12th September, 2005)

Independent non-executive directors:

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

In accordance with Bye-law 98(A) of the Company's Bye-laws, Dr. Chan Kwok Keung, Charles, Ms. Chau Mei Wah, Rosanna, Mr. Chan Kwok Hung and Mr. Cheung Hon Kit will retire by rotation at the forthcoming annual general meeting. In addition, in accordance with Bye-law 103(B) of the Company's Bye-Laws, Mr. Shek Lai Him, Abraham will retire at the forthcoming annual general meeting. Mr. Wong Kam Cheong, Stanley offers himself to retire at the forthcoming annual general meeting. All retiring directors, being eligible for re-election, offer themselves for re-election, except that Mr. Wong Kam Cheong, Stanley does not offer himself 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' REPORT *(continued)*

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

As at 31st March, 2006, 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") in Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") were as follows:

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

Name of director	Capacity	Long position/ Short position	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)</i>	Long position	639,279,242	34.79%

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 639,279,242 ordinary shares of the Company held by Galaxyway.

(b) *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 a wholly-owned subsidiary of the Company. By virtue of his deemed interests in approximately 34.79% of the issued ordinary share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares of Trasy.

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 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)</i>	Long position	399,859,768	-	29.00%
Chan Kwok Keung, Charles	Beneficial owner	Long position	11,840,896	-	0.86%
Cheung Hon Kit	Beneficial owner	Long position	400	-	0.00%
Chau Mei Wah, Rosanna	Beneficial owner	Long position	-	13,000,000	0.94%
Chan Fut Yan	Beneficial owner	Long position	-	13,000,000	0.94%

Note: The shares of PYI were held by a wholly-owned subsidiary of the Company. By virtue of his deemed interests in approximately 34.79% of the issued ordinary share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares of PYI.

(d) 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 the share options (unlisted equity derivatives)) of Hanny held	Approximate percentage of the issued share capital of Hanny
Chan Kwok Keung, Charles	Interest of controlled corporation <i>(Note)</i>	Long position	57,614,948	-	24.28%
Chan Kwok Keung, Charles	Beneficial owner	Long position	1,600,000	-	0.67%
Chan Kwok Keung, Charles	Beneficial owner	Long position	-	4,000,000	1.69%
Chan Kwok Hung	Beneficial owner	Long position	1,600,000	-	0.67%
Chan Kwok Hung	Beneficial owner	Long position	-	1,750,000	0.74%

Note: The shares of Hanny were held by a wholly-owned subsidiary of the Company. By virtue of his deemed interests in approximately 34.79% of the issued ordinary share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares of Hanny.

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	289,519	–	1.32%
Chau Mei Wah, Rosanna	Beneficial owner	Long position	–	61,000	0.28%

Trasy, PYI, Hanny and Burcon 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 34.79% 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, 2006, 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, 2006, 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 41 to the 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, 2006, 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 41 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 51 to the 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

None of the directors of the Company is interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group as at 31st March, 2006.

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

As at 31st March, 2006, 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)</i>	Long position	639,279,242	34.79%
Chinaview	Interest of controlled corporation <i>(Note)</i>	Long position	639,279,242	34.79%
Galaxyway	Beneficial owner	Long position	639,279,242	34.79%
Ng Yuen Lan, Macy	Interest of spouse <i>(Note)</i>	Long position	639,279,242	34.79%
PMA Capital Management Ltd.	Investment Manager	Long position	184,144,000	10.02%

Note: 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.

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 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 Company held	Approximate percentage of the issued share capital of the Company
CEF Holdings Limited ("CEF Holdings")	Interest of controlled corporations <i>(Note)</i>	Long position	2,773,046	–	0.15%
CEF Holdings	Interest of controlled corporations <i>(Note)</i>	Long position	–	213,015,153	11.59%
Canadian Imperial Bank of Commerce	Interest of controlled corporations <i>(Note)</i>	Long position	2,773,046	–	0.15%
Canadian Imperial Bank of Commerce	Interest of controlled corporations <i>(Note)</i>	Long position	–	213,015,153	11.59%
Cheung Kong (Holdings) Limited ("CKH")	Interest of controlled corporations <i>(Note)</i>	Long position	2,773,046	–	0.15%
CKH	Interest of controlled corporations <i>(Note)</i>	Long position	–	213,015,153	11.59%
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee <i>(Note)</i>	Long position	2,773,046	–	0.15%
TUT1	Trustee <i>(Note)</i>	Long position	–	213,015,153	11.59%
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee & beneficiary of a trust <i>(Note)</i>	Long position	2,773,046	–	0.15%
TDT1	Trustee & beneficiary of a trust <i>(Note)</i>	Long position	–	213,015,153	11.59%
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee & beneficiary of a trust <i>(Note)</i>	Long position	2,773,046	–	0.15%

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 shares and underlying shares of the Company (continued)

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 Company held	Approximate percentage of the issued share capital of the Company
TDT2	Trustee & beneficiary of a trust <i>(Note)</i>	Long position	–	213,015,153	11.59%
Li Ka-shing	Interest of controlled corporations & founder of discretionary trusts <i>(Note)</i>	Long position	2,773,046	–	0.15%
Li Ka-shing	Interest of controlled corporations & founder of discretionary trusts <i>(Note)</i>	Long position	–	213,015,153	11.59%
Deutsche Bank Aktiengesellschaft	Beneficial owner	Long position	33,248,800	–	1.81%
Deutsche Bank Aktiengesellschaft	Security interest	Long position	184,040,000	–	10.02%

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 shares and underlying shares of the Company *(continued)*

Note: The number of ordinary shares and underlying shares (in respect of listed equity derivatives) of the Company held by Asialand Investment Limited ("Asialand"), CEF (Capital Markets) Limited ("CEF Capital Markets") and Asian Resources Investment Limited ("Asian Resources") were 48,076,922, 164,938,231 and 2,773,046 respectively. CEF Capital Markets and Asian Resources were 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 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 ordinary shares and underlying shares (in respect of listed equity derivatives) of the Company held by Asialand, CEF Capital Markets and Asian Resources.

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 ordinary shares and underlying shares (in respect of listed equity derivatives) of the Company held by Asialand, CEF Capital Markets and Asian Resources.

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 shares or underlying shares of the Company as at 31st March, 2006.

RETIREMENT BENEFIT SCHEMES

Information on the Group's retirement benefit schemes is set out in note 45 to the 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)*

DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES

The following disclosure is made by the Company pursuant to Rules 13.20 and 13.22 of the Listing Rules:

(1) ADVANCES TO ENTITIES

Pursuant to Rule 13.20 of the Listing Rules, the details of the advances ("Advances") to the entities as at 31st March, 2006 which individually exceeded 8% of one or more of the relevant percentage ratios as set out in the Rule 14.07 of the Listing Rules are as follows:

Entities	Amount of Advances HK\$'000	Interest rate (Note 1)	Percentage of total assets (Note 2)	Percentage of market capitalisation (Note 3)
Hanny, its subsidiaries and affiliated companies (Notes 4 & 6)	178,431	Prime rate +2%	7.3%	12.8%
See Corporation Limited (Note 6)	111,218	Prime rate +2%	4.5%	8.0%
Wing On Travel (Holdings) Limited ("Wing On Travel"), its subsidiaries and affiliated companies, excluding Apex Quality Group Limited ("Apex") (Notes 5 & 6)	44,280	Prime rate +2%	1.8%	3.2%
Apex, its subsidiaries, and its affiliated companies (Note 6)	90,542	Prime rate +2%	3.7%	6.5%

Notes:

- "Prime rate" means the best lending rate of the Hong Kong dollars quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time.
- "Total Assets" means the total assets of the Group as at 31st March, 2006, adjusted by the final dividend proposed and the preference share dividend declared.
- "Market Capitalisation" is the average closing price of the Company's shares as stated in the daily quotation sheets of the Hong Kong Stock Exchange for the five business days immediately preceding 31st March, 2006.
- Hanny is owned as to 24.3% by the Group as at 31st March, 2006.
- Wing On Travel owns 67.9% of Apex as at 31st March, 2006.
- The Advances have been granted by the Group as of its treasury management activities.

The Advances are unsecured and repayable on demand.

DIRECTORS' REPORT *(continued)***DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES** *(continued)***(2) FINANCIAL ASSISTANCE AND GUARANTEES GIVEN TO AFFILIATED COMPANIES**

Pursuant to Rule 13.22 of the Listing Rules, the combined balance sheet of the affiliated companies and the Group's attributable interest in these affiliated companies based on their latest financial statements available are presented below:

	Combined balance sheet HK\$'000	Group's attributable interest HK\$'000
Non-current assets	1,692,687	454,241
Current assets	2,671,300	649,037
Current liabilities	(1,933,950)	(485,015)
Non-current liabilities	(214,318)	(80,843)
Minority interests	(350,434)	(85,085)
	<u>1,865,285</u>	<u>452,335</u>

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

During the year ended 31st March, 2006, 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 50 to the financial statements.

AUDITORS

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

On behalf of the Board

Dr. Chan Kwok Keung, Charles

Chairman

Hong Kong, 28th July, 2006

AUDITORS' REPORT



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") on pages 29 to 96 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of consolidated financial statements which give a true and fair view. In preparing consolidated financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements 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.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the consolidated financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements. We believe that our audit provides a reasonable basis for our 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, 2006 and of the profit and cash flows of the Group for the year then ended 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, 28th July, 2006

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2006

	Notes	2006 HK\$'000	2005 HK\$'000 (Restated)
Continuing operations			
Turnover	7	252,959	104,361
Cost of sales		<u>(205,884)</u>	<u>(48,117)</u>
Gross profit		47,075	56,244
Other income (expenses)	8	1,260	(3,189)
Administrative expenses		(59,199)	(64,612)
Discount on acquisition released to income arising from acquisition of:			
– additional interest in a subsidiary		2,578	–
– interest in a subsidiary		–	20,938
Finance costs	9	(28,012)	(23,868)
Net investment expenses	10	–	(8,182)
Allowance for amounts due from associates and related companies		(3,064)	(17,001)
Net loss on disposal and dilution of interests in subsidiaries and associates	11	(31,596)	(141,028)
Share of results of associates		<u>174,499</u>	<u>146,468</u>
Profit (loss) before taxation		103,541	(34,230)
Taxation	12	<u>–</u>	<u>(260)</u>
Profit (loss) for the year from continuing operations		103,541	(34,490)
Discontinued operations			
Profit for the year from discontinued operations	13	<u>–</u>	<u>151,672</u>
Profit for the year	14	<u>103,541</u>	<u>117,182</u>
Attributable to:			
Equity holders of the parent		107,394	88,898
Minority interests		<u>(3,853)</u>	<u>28,284</u>
		<u>103,541</u>	<u>117,182</u>
Dividend paid	16	<u>30,755</u>	<u>6,543</u>
		HK cents	HK cents
Earnings per share	17		
From continuing and discontinued operations:			
Basic		<u>9.4</u>	<u>10.8</u>
Diluted		<u>6.8</u>	<u>5.7</u>

CONSOLIDATED BALANCE SHEET

AT 31ST MARCH, 2006

	Notes	2006 HK\$'000	2005 HK\$'000 (Restated)
Non-current assets			
Property, plant and equipment	18	50,835	40,760
Investment properties	19	4,016	3,525
Prepaid lease payments	20	89,651	91,865
Other intangible assets	21	1,080	1,840
Interests in associates	22	1,179,749	1,912,286
Available-for-sale investments	23	83,730	–
		<u>1,409,061</u>	<u>2,050,276</u>
Current assets			
Inventories		137	115
Debtors, deposits and prepayments	25	14,370	4,587
Margin account receivables	26	10,791	25
Prepaid lease payments	20	2,214	2,214
Amounts due from associates	27	205,083	8,538
Amounts due from related companies	28	247,362	1,632
Loans receivable	29	205,400	23,231
Investments in securities	24	–	5,025
Held for trading investments	30	138,474	–
Gold bullion		–	65,303
Bank deposits	31	223,230	12,814
Bank balances and cash		4,578	3,218
		<u>1,051,639</u>	<u>126,702</u>
Current liabilities			
Creditors and accrued expenses	32	25,383	20,306
Margin account payables	26	25,048	–
Derivative financial instruments	33	460	–
Amounts due to associates	34	123	93
Convertible notes	35	–	162,628
Bank borrowings – due within one year	36	30,667	17,372
Other loans – due within one year	37	–	18,774
		<u>81,681</u>	<u>219,173</u>
Net current assets (liabilities)		<u>969,958</u>	<u>(92,471)</u>
Total assets less current liabilities		<u>2,379,019</u>	<u>1,957,805</u>
Non-current liabilities			
Redeemable convertible preference shares	38	286,811	286,537
Bank borrowings – due after one year	36	60,100	62,550
Deferred tax liabilities	39	99	48
		<u>347,010</u>	<u>349,135</u>
Net assets		<u>2,032,009</u>	<u>1,608,670</u>

CONSOLIDATED BALANCE SHEET *(continued)*

AT 31ST MARCH, 2006

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

The financial statements on pages 29 to 96 were approved and authorised for issue by the Board of Directors on 28th July, 2006 and are signed on its behalf by:

Chan Kwok Keung, Charles
Chairman

Chau Mei Wah, Rosanna
Deputy Chairman & Managing Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH, 2006

	Attributable to equity holders of the parent													Minority interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Other reserve HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Goodwill reserve HK\$'000	Convertible notes reserve HK\$'000	Preference share reserve HK\$'000	Accumulated (losses) profits HK\$'000	Total HK\$'000		
At 1st April, 2004 as originally stated	92,227	209,889	2,092,234	908	7,130	3,414	-	81,548	(49,067)	-	-	(1,085,101)	1,353,182	1,195,365	2,548,547
Effects of changes in accounting policies	-	60	-	-	2,675	-	-	-	49,067	9,393	-	299,905	361,100	(55,596)	305,504
As restated	92,227	209,949	2,092,234	908	9,805	3,414	-	81,548	-	9,393	-	(785,196)	1,714,282	1,139,769	2,854,051
Exchange differences arising from translation of overseas operations	-	-	-	-	-	-	-	(16,055)	-	-	-	-	(16,055)	(13,061)	(29,116)
Share of post-acquisition reserve movements of associates	-	-	-	-	(8,707)	(3,074)	-	(24,482)	-	-	-	-	(36,263)	(353)	(36,616)
Surplus arising from revaluation of land and buildings	-	-	-	-	-	272	-	-	-	-	-	-	272	-	272
Deferred tax liability arising on revaluation of land and buildings	-	-	-	-	-	(48)	-	-	-	-	-	-	(48)	-	(48)
Net expenses recognised directly in equity	-	-	-	-	(8,707)	(2,850)	-	(40,537)	-	-	-	-	(52,094)	(13,414)	(65,508)
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	88,898	88,898	28,284	117,182
Released on disposal and dilution of interests in subsidiaries	-	-	-	-	173	(340)	-	(5,767)	-	-	-	-	(5,934)	(1,513,430)	(1,519,364)
Released on disposal and dilution of interests in associates	-	-	-	-	(317)	-	-	(631)	-	-	-	-	(948)	(4,439)	(5,387)
Total recognised income and expenses for the year	-	-	-	-	(8,851)	(3,190)	-	(46,935)	-	-	-	88,898	29,922	(1,502,999)	(1,473,077)
Conversion of compulsorily convertible cumulative preference shares to redeemable convertible preference shares	(26,798)	(256,274)	-	-	-	-	-	-	-	-	874	-	(282,198)	-	(282,198)
Issue of shares arising from conversion of convertible notes	41,667	85,837	-	-	-	-	-	-	-	(4,056)	-	-	123,448	-	123,448
Issue of shares arising from conversion of redeemable convertible preference shares	105	(2)	-	-	-	-	-	-	-	-	(3)	-	100	-	100
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(6,543)	(6,543)	-	(6,543)
Arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	392,889	392,889
Transfer of contributed surplus	-	-	(983,307)	-	-	-	-	-	-	-	-	983,307	-	-	-
At 31st March, 2005	107,201	39,510	1,108,927	908	954	224	-	34,613	-	5,337	871	280,466	1,579,011	29,659	1,608,670
Effects of changes in accounting policies	-	-	-	-	(228)	-	-	491	-	-	-	30,715	30,978	-	30,978
At 1st April, 2005 as restated	107,201	39,510	1,108,927	908	726	224	-	34,613	-	5,337	871	311,181	1,609,989	29,659	1,639,648
Exchange differences arising from translation of overseas operations	-	-	-	-	-	-	-	3,122	-	-	-	-	3,122	-	3,122
Share of post-acquisition reserve movements of associates	-	-	-	-	4,090	-	(9,175)	264	-	-	-	-	(4,821)	-	(4,821)
Surplus arising from revaluation of land and buildings	-	-	-	-	-	294	-	-	-	-	-	-	294	-	294
Deferred tax liability arising on revaluation of land and buildings	-	-	-	-	-	(51)	-	-	-	-	-	-	(51)	-	(51)
Surplus arising from revaluation of available-for-sale investments	-	-	-	-	-	-	23,224	-	-	-	-	-	23,224	-	23,224
Net income recognised directly in equity	-	-	-	-	4,090	243	14,049	3,386	-	-	-	-	21,768	-	21,768
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	107,394	107,394	(3,853)	103,541
Released on disposal and dilution of interests in associates	-	-	-	-	(1,346)	-	719	(12,308)	-	-	-	-	(12,935)	-	(12,935)
Total recognised income and expenses for the year	-	-	-	-	2,744	243	14,768	(8,922)	-	-	-	107,394	116,227	(3,853)	112,374
Issue of shares arising from conversion of convertible notes	54,834	114,984	-	-	-	-	-	-	-	(5,337)	-	-	164,481	-	164,481
Issue of shares arising from issue of scrip dividend	275	(275)	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue of shares	21,440	128,563	-	-	-	-	-	-	-	-	-	-	150,003	-	150,003
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(30,755)	(30,755)	-	(30,755)
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,742)	(3,742)
At 31st March, 2006	183,750	282,782	1,108,927	908	3,470	467	15,259	25,691	-	-	871	387,820	2,009,945	22,064	2,032,009

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

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

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2006

	2006 HK\$'000	2005 HK\$'000 (Restated)
OPERATING ACTIVITIES		
Profit for the year	103,541	117,182
Adjustments for:		
Share of results of jointly controlled entities	-	(117)
Share of results of associates	(174,499)	(257,267)
Net loss on disposal and dilution of interests in subsidiaries and associates	31,596	140,150
Allowance for amounts due from associates and related companies	3,064	17,001
Allowance for debtors, deposits and prepayments	773	-
Allowance for loans receivables	3,475	-
Impairment loss on other intangible assets	1,085	-
Impairment loss on investment securities	-	9,821
Gain on disposal of investment properties	-	(1,129)
Reverse of provision of option agreement	-	(510)
Interest expenses	28,012	23,935
Income tax expenses	-	16,405
Discount on acquisition released to income arising from acquisition of		
- additional interest in subsidiaries	(2,578)	-
- interest in subsidiaries	-	(20,938)
Depreciation and amortisation of property, plant and equipment	4,440	34,333
Release of prepaid lease payments	2,214	554
(Gain) loss on disposal of property, plant and equipment	(295)	1,324
Surplus arising from revaluation of land and buildings	(2,582)	(230)
Increase in fair value of investment properties	(335)	-
Net loss on disposal of listed other investments	-	1,574
Net unrealised holding loss on listed other investments	-	7,328
Decrease in fair value of held for trading investments	1,229	-
Decrease in fair value of derivative financial instruments	460	-
Gain on disposal of gold bullion	(7,075)	-
Reverse of provision of guarantees in previous years	-	(5,483)
Operating cash flows before movements in working capital	(7,475)	83,933
Increase in property held for resale	-	(41,000)
(Increase) decrease in inventories	(22)	23
Decrease in amounts due from (to) customers for contract works, net of attributable interest expenses and depreciation and amortisation	-	23,797
(Increase) decrease in debtors, deposits and prepayments	(10,556)	72,365
Increase in margin account receivables	(10,766)	(25)
Increase in amounts due from associates	(27,662)	(25,569)
Decrease in amounts due from jointly controlled entities	-	664
Increase in amounts due from related companies	(9,677)	(7,649)
(Increase) decrease in loans receivable	(185,644)	48,286
Net increase in held for trading investments	(134,678)	-
Increase (decrease) in creditors and accrued expenses	5,077	(41,258)
Increase in margin account payables	25,048	-
Increase (decrease) in amounts due to associates	30	(94,161)
Decrease in amounts due to related companies	-	(216)
Cash (used in) generated from operations	(356,325)	19,190
Dividends received from associates	498,555	66,206
Dividends received from a jointly controlled entity	-	4,000
Overseas tax paid	-	(3,869)
Hong Kong Profits Tax refunded	-	484
Hong Kong Profits Tax paid	-	(141)
NET CASH FROM OPERATING ACTIVITIES	142,230	85,870

CONSOLIDATED CASH FLOW STATEMENT *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

	Notes	2006 HK\$'000	2005 HK\$'000 (Restated)
INVESTING ACTIVITIES			
Proceeds from disposal of interests in associates		448,214	–
Proceeds from disposal of gold bullion		71,757	–
Proceeds from disposal of property, plant and equipment		484	1,064
Amounts advanced to related companies		(239,000)	(23,361)
Amounts advanced to associates		(169,000)	–
Additions to available-for-sale investments		(60,506)	–
Acquisition of additional interests in associates		(55,335)	–
Additions to property, plant and equipment		(10,967)	(22,701)
Acquisition of additional interests in subsidiaries		(1,164)	–
Acquisition of other intangible assets		(325)	–
Proceeds from disposal of investment properties		–	61,129
Repayment from jointly controlled entities		–	2,000
Proceeds from disposal of investments in securities		–	1,337
Acquisition of subsidiaries, net of cash and cash equivalents acquired	42	–	(432,773)
Increase in prepaid lease payments		–	(94,633)
Disposal of subsidiaries, net of cash and cash equivalents disposed	43	–	(43,588)
Additions to properties under development		–	(28,363)
NET CASH USED IN INVESTING ACTIVITIES		(15,842)	(579,889)
FINANCING ACTIVITIES			
Net proceeds from issue of shares		150,003	–
Net increase (decrease) in bank overdrafts		13,295	(16,325)
Dividends paid		(30,755)	(6,543)
Interest paid		(25,885)	(17,751)
Repayments of other loans		(18,774)	(17,317)
Repayments of bank borrowings		(2,450)	(78,850)
Loans from a minority shareholder of a subsidiary raised		–	341,000
New bank loans raised		–	75,000
Other loans raised		–	18,774
Repayment of advances from minority shareholders of a subsidiary		–	(55,159)
Repayment of advance from a jointly controlled entity		–	(34,818)
NET CASH FROM FINANCING ACTIVITIES		85,434	208,011
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		211,822	(286,008)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		16,032	303,051
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(46)	(1,011)
CASH AND CASH EQUIVALENTS CARRIED FORWARD		227,808	16,032
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank deposits		223,230	12,814
Bank balances and cash		4,578	3,218
		227,808	16,032

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2006

1. GENERAL

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

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

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

2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and prior accounting periods are prepared and presented:

Business Combinations

In the current year, the Group has elected to apply HKFRS 3 "Business Combinations" retrospectively to goodwill existing at or acquired after, and to business combinations for which the agreement date is on or after 1st December, 2002 as the Group acquired a significant subsidiary in December 2002. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions prior to 1st April, 2001 was held in reserves, and goodwill arising on acquisitions on or after 1st April, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3 retrospectively to goodwill existing at or acquired after, and to business combinations for which the agreement date is on or after 1st December, 2002. Goodwill previously recognised in reserves has been transferred to the accumulated profits of the Group on 1st December, 2002. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1st December, 2002 (the date on which the Group applied the HKFRS 3 with retrospective effect) onwards and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions on or after 1st December, 2002 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures have been restated (see note 3 for the financial impact).

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to 1st April, 2001 was held in reserves, and negative goodwill arising on acquisitions on or after 1st April, 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill as at 1st December, 2002 which was previously presented as a deduction from assets or held in reserve, with a corresponding increase to accumulated profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Intangible Assets

In the current year, the Group has elected to apply HKAS 38 "Intangible Assets", along with the application of HKFRS 3, retrospectively to intangible assets at or acquired after, and to intangible assets for which the agreement date is on or after 1st December, 2002.

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

Impairment of Assets

In the current year, the Group has elected to apply HKAS 36 "Impairment of Assets", along with the application of HKFRS 3 and HKAS 38, retrospectively to goodwill and intangible assets acquired on or after 1st December, 2002.

In previous years, the recoverable amount of an asset was to be measured whenever there is an indication of impairment. HKAS 36 requires the recoverable amount of an asset with an indefinite useful life and goodwill to be measured annually, irrespective of whether there is any indication that the asset may be impaired. The retrospective application of HKAS 36 has had no material effect on how the results for the current or prior accounting years are prepared and presented.

Financial Instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 39 generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Convertible notes and redeemable convertible preference shares

HKAS 32 requires an issuer of a compound financial instrument (that contains both financial liability and equity components) to separate the compound financial instrument into its liability and equity components on its initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The principal impact of HKAS 32 on the Group is in relation to the convertible notes and the redeemable convertible preference shares issued by the Company that contain both liability and equity components. Previously, the convertible notes and the redeemable convertible preference shares were classified as liabilities and equity, respectively, on the balance sheet. Because HKAS 32 requires retrospective application, comparative figures have been restated. Comparative results for 2005 have been restated in order to reflect the increase in effective interest on the liability component (see note 3 for the financial impact).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Financial Instruments *(continued)*

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31st March, 2005, the Group classified and measured its investments in equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 "Accounting for Investments in Securities" ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities" or "other investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. From 1st April, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss" or "available-for-sale financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity, respectively.

On 1st April, 2005, the Group has classified and measured its investment in equity securities in accordance with the requirements of HKAS 39. The adoption of HKAS 39 has resulted in the reclassification of investments in securities for the Group to held for trading investments at 1st April, 2005. In addition, the adoption of HKAS 39 by an associate of the Group has resulted in an increase in the Group's interest in associates, a decrease in other reserve, an increase in investment revaluation reserve and an increase in accumulated profits as at 1st April, 2005 (see note 3 for the financial impact).

Owner-occupied Leasehold Interest in Land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease terms on a straight-line basis. This change in accounting policy has been applied retrospectively (see note 3 for the financial impact).

Investment Properties

In the current year, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in profit or loss for the year in which they arise. In previous years, investment properties under the predecessor standard (SSAP 13 "Accounting for Investment Properties") were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 retrospectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Investment properties *(continued)*

The adoption of HKAS 40 has resulted in a change of classification of certain properties which were previously exempted for classifying as investment properties according to SSAP 13. In previous year, property with 15% or less by area of value that was owned by the Group and leased out should normally not be regarded as an investment property. According to HKAS 40, if a portion of properties could be sold separately (or leased out separately under a finance lease), an entity accounts for the portion separately. In the current year, the Group applied HKAS 40 retrospectively and has reclassified certain such properties that could be sold separately (or leased out separately under a finance lease) from property, plant and equipment to investment properties. Comparative figures for 2005 have been restated (see note 3 for the financial impact).

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

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

(i) On results

For the year ended 31st March, 2006

	HKAS 1 HK\$'000	HKAS 38 HK\$'000	HKAS 32 HK\$'000	HKAS 39 HK\$'000	HKAS40 HK\$'000	HKFRS 2 HK\$'000	HKFRS 3 HK\$'000	Total effects HK\$'000
Non-amortisation of goodwill	-	-	-	-	-	-	77	77
Decrease in depreciation	-	-	-	-	66	-	-	66
Increase in negative goodwill credited to income	-	-	-	-	-	-	15,285	15,285
Decrease in revaluation surplus on land and building	-	-	-	-	(401)	-	-	(401)
Increase in fair value of investment properties	-	-	-	-	335	-	-	335
Increase in loss on disposal and dilution of interest in associates	-	-	-	-	-	-	(84,141)	(84,141)
Increase in effective interest on the liability component of convertible notes	-	-	(1,731)	-	-	-	-	(1,731)
Increase in effective interest on the liability component of redeemable convertible preference shares	-	-	(10,952)	-	-	-	-	(10,952)
Decrease in income tax expense	36,020	-	-	-	-	-	-	36,020
(Decrease) increase in share of results of associates	(36,020)	1,178	-	49,079	-	(1,520)	10,309	23,026
Decrease in profit for the year and attributable to equity holders of the parent	-	1,178	(12,683)	49,079	-	(1,520)	(58,470)	(22,416)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(continued)*

(i) On results *(continued)*

For the year ended 31st March, 2005

	HKAS 1 HK\$'000	HKAS 32 HK\$'000	HKFRS 3 HK\$'000	HKAS 40 HK\$'000	HK-INT 2 HK\$'000	Total effects HK\$'000
Decrease in depreciation	-	-	-	62	-	62
Decrease in negative goodwill credited to income	-	-	(47,790)	-	-	(47,790)
Decrease in surplus arising from land and building	-	-	-	(62)	-	(62)
Increase in loss on disposal and dilution of interest in associates	-	-	(42,036)	-	-	(42,036)
Increase in effective interest on the liability component of convertible notes	-	(2,908)	-	-	-	(2,908)
Increase in effective interest on the liability component of redeemable convertible preference shares	-	(4,439)	-	-	-	(4,439)
Decrease in income tax expense	41,383	-	-	-	-	41,383
Decrease in share of results of associates	(41,383)	-	-	-	(657)	(42,040)
	<u>-</u>	<u>(7,347)</u>	<u>(89,826)</u>	<u>-</u>	<u>(657)</u>	<u>(97,830)</u>
Decrease in profit for the year and attributable to equity holders of the parent	-	(7,347)	(89,826)	-	(657)	(97,830)

(ii) On income statement line items

	2006 HK\$'000	2005 HK\$'000
Decrease in other income	(66)	(27,192)
Decrease in administrative expenses	66	62
Increase in discount on acquisition released to income	2,578	-
Increase in finance costs	(12,683)	(7,347)
Increase in net loss on disposal and dilution of interests in subsidiaries and associates	(84,141)	(42,036)
Increase (decrease) in share of results of associates	35,810	(62,700)
Decrease in taxation	36,020	41,383
	<u>(22,416)</u>	<u>(97,830)</u>
Decrease in profit for the year and attributable to equity holders of the parent	(22,416)	(97,830)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(continued)*

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

	31.3.2005 HK\$'000 (Originally stated)	Effect of HKFRS 3 HK\$'000	Effect of HKAS 17 HK\$'000	Effect of HKAS 32 HK\$'000	Effect of HKAS 40 HK\$'000	31.3.2005 HK\$'000 (Restated)	Effect of HKAS 39 HK\$'000	Share of effect of HKAS 39 on associates HK\$'000	1.4.2005 HK\$'000 (Restated)
Balance sheet items									
Property, plant and equipment	151,785	-	(107,500)	-	(3,525)	40,760	-	-	40,760
Investment properties	-	-	-	-	3,525	3,525	-	-	3,525
Prepaid lease payments	-	-	94,079	-	-	94,079	-	-	94,079
Interests in associates	1,652,095	260,191	-	-	-	1,912,286	-	30,978	1,943,264
Investments in securities	5,025	-	-	-	-	5,025	(5,025)	-	-
Held for trading investments	-	-	-	-	-	-	5,025	-	5,025
Convertible notes	(164,378)	-	-	1,750	-	(162,628)	-	-	(162,628)
Deferred tax liabilities	(2,396)	-	2,348	-	-	(48)	-	-	(48)
Redeemable convertible preference shares	-	-	-	(286,537)	-	(286,537)	-	-	(286,537)
Total effects on assets and liabilities	1,642,131	260,191	(11,073)	(284,787)	-	1,606,462	-	30,978	1,637,440
Share capital	133,896	-	-	(26,695)	-	107,201	-	-	107,201
Share premium	293,220	-	-	(253,710)	-	39,510	-	-	39,510
Other reserve	(1,721)	2,675	-	-	-	954	-	(228)	726
Investment revaluation reserve	-	-	-	-	-	-	-	491	491
Property revaluation reserve	11,297	-	(11,073)	-	-	224	-	-	224
Goodwill reserve	(44,851)	44,851	-	-	-	-	-	-	-
Convertible notes reserve	-	-	-	5,337	-	5,337	-	-	5,337
Preference share reserve	-	-	-	871	-	871	-	-	871
Accumulated profits	78,391	212,665	-	(10,590)	-	280,466	-	30,715	311,181
Total effects on equity	470,232	260,191	(11,073)	(284,787)	-	434,563	-	30,978	465,541
	1,171,899	-	-	-	-	1,171,899	-	-	1,171,899

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(continued)*

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

	31.3.2004 HK\$'000 (Originally stated)	Effect of HKFRS 3 HK\$'000	Effect of HKAS 32 HK\$'000	Effect of HKAS 40 HK\$'000	31.3.2004 HK\$'000 (Restated)
Balance sheet items					
Property, plant and equipment	452,374	–	–	(3,525)	448,849
Investment properties	515,000	–	–	3,525	518,525
Interests in associates	1,750,489	40,351	–	–	1,790,840
Negative goodwill	(314,540)	314,540	–	–	–
Convertible notes	(289,050)	–	6,210	–	(282,840)
Total effects on assets and liabilities	<u>2,114,273</u>	<u>354,891</u>	<u>6,210</u>	<u>–</u>	<u>2,475,374</u>
Share premium	209,889	–	60	–	209,949
Other reserve	7,130	2,675	–	–	9,805
Goodwill reserve	(49,067)	49,067	–	–	–
Convertible notes reserve	–	–	9,393	–	9,393
Accumulated losses	(1,085,101)	303,150	(3,243)	–	(785,194)
Minority interests	–	1,195,364	–	–	1,195,364
Total effects on equity	<u>(917,149)</u>	<u>1,550,256</u>	<u>6,210</u>	<u>–</u>	<u>639,317</u>
Minority interests	<u>1,195,365</u>	<u>(1,195,365)</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>1,836,057</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,836,057</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(continued)*

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

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

¹ Effective for annual periods beginning on or after 1st January, 2007.

² Effective for annual periods beginning on or after 1st January, 2006.

³ Effective for annual periods beginning on or after 1st December, 2005.

⁴ Effective for annual periods beginning on or after 1st March, 2006.

⁵ Effective for annual periods beginning on or after 1st May, 2006.

⁶ Effective for annual periods beginning on or after 1st June, 2006.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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

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

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

Business combinations achieved in stages

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

Property, plant and equipment

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

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

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

No depreciation is provided in respect of freehold land.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

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

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

Interests in associates

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

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

Other intangible assets

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

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

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

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

Financial instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Available-for-sale financial assets

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

Financial liabilities and equity

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

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

Other financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Available-for-sale financial assets *(continued)*

Convertible notes and redeemable convertible preference shares

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

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

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

Equity instruments

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

Derivative financial instruments

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

Derecognition

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

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

Gold bullion

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

Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment

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

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

Revenue recognition

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

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

Service revenue is recognised when services are rendered.

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

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

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

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

Taxation

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefit costs

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

Borrowing costs

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Impairment loss on trade debtors and loans receivable

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

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

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Currency risk

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

Credit risk

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

Cash flow interest rate risk

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

7. TURNOVER AND SEGMENTAL INFORMATION

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

7. TURNOVER AND SEGMENTAL INFORMATION *(continued)*

Business segments

For management purposes, the Group's operations are currently organised into four operating divisions namely finance, investment (including treasury investment), property investment and trading of building materials and machinery. These divisions are the basis on which the Group reports its primary segment information.

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

	Continuing operations						Discontinued operations								Consolidated
	Finance HK\$'000	Investment HK\$'000	Property investment HK\$'000	Trading of building materials and machinery HK\$'000	Unallocated HK\$'000	Eliminations HK\$'000	Sub-total HK\$'000	Building construction HK\$'000	Civil engineering HK\$'000	Specialist works HK\$'000	Trading of construction materials HK\$'000	Unallocated HK\$'000	Eliminations HK\$'000	Sub-total HK\$'000	
TURNOVER															
External sales	32,409	210,765	674	4,234	4,877	-	252,959	-	-	-	-	-	-	-	252,959
Inter-segment sales	4,233	-	5,075	-	-	(9,308)	-	-	-	-	-	-	-	-	-
Total	36,642	210,765	5,749	4,234	4,877	(9,308)	252,959	-	-	-	-	-	-	-	252,959
RESULT															
Segment result	8,886	5,671	1,967	163	(513)	-	16,174	-	-	-	-	-	-	-	16,174
Unallocated corporate expenses	-	-	-	-	(27,038)	-	(27,038)	-	-	-	-	-	-	-	(27,038)
Discount on acquisition released to income arising from acquisition of additional interest in a subsidiary	-	-	-	-	2,578	-	2,578	-	-	-	-	-	-	-	2,578
Allowance for amounts due from associates and related companies	-	-	-	-	(3,064)	-	(3,064)	-	-	-	-	-	-	-	(3,064)
Net loss on disposal and dilution of interests in associates	-	-	-	-	(31,596)	-	(31,596)	-	-	-	-	-	-	-	(31,596)
Share of results of associates	-	-	-	-	174,499	-	174,499	-	-	-	-	-	-	-	174,499
Finance costs	-	-	-	-	(28,012)	-	(28,012)	-	-	-	-	-	-	-	(28,012)
Profit before taxation							103,541								103,541
Taxation							-								-
Profit for the year							103,541								103,541

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

7. TURNOVER AND SEGMENTAL INFORMATION *(continued)*

Business segments *(continued)*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

7. TURNOVER AND SEGMENTAL INFORMATION *(continued)*

Business segments *(continued)*

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

	Continuing operations						Discontinued operations							Sub-total HK\$'000	Consolidated HK\$'000
	Finance HK\$'000	Investment HK\$'000	Property investment HK\$'000	Trading of building materials and machinery HK\$'000	Unallocated HK\$'000	Eliminations HK\$'000	Building construction HK\$'000	Civil engineering HK\$'000	Specialist works HK\$'000	Trading of Construction materials HK\$'000	Unallocated HK\$'000	Eliminations HK\$'000			
TURNOVER															
External sales	26,592	44,676	24,806	5,276	3,011	-	104,361	1,424,932	272,972	223,239	824	-	-	1,921,967	2,026,328
Inter-segment sales	955	-	1,783	29	150	(2,917)	-	-	-	98,977	33,150	-	(132,127)	-	-
Total	27,547	44,676	26,589	5,305	3,161	(2,917)	104,361	1,424,932	272,972	322,216	33,974	-	(132,127)	1,921,967	2,026,328
RESULT															
Segment result	12,819	(8,316)	21,006	224	(622)	-	25,111	41,812	7,841	6,413	24	-	-	56,090	81,201
Unallocated corporate expenses	-	-	-	-	(36,668)	-	(36,668)	-	-	-	-	-	-	-	(36,668)
Discount on acquisition released to income arising from acquisition of interest in a subsidiary	-	-	-	-	20,938	-	20,938	-	-	-	-	-	-	-	20,938
Net investment (expenses) income	-	(9,821)	1,129	-	510	-	(8,182)	-	-	-	-	-	-	-	(8,182)
Allowance for amounts due from associates and a related company	-	-	-	-	(17,001)	-	(17,001)	-	-	-	-	-	-	-	(17,001)
Net loss on disposal and dilution of interests in associates	-	-	-	-	(141,028)	-	(141,028)	-	-	-	-	878	-	878	(140,150)
Share of results of associates - an associate of PVI engaged in engineering and infrastructure service	-	-	-	-	-	-	-	-	-	-	-	95,722	-	95,722	95,722
- others	-	-	-	-	146,468	-	146,468	11,552	3,327	-	198	-	-	15,077	161,545
Share of results of jointly controlled entities	-	-	-	-	-	-	-	(45)	162	-	-	-	-	117	117
Finance costs	-	-	-	-	(23,868)	-	(23,868)	-	-	-	-	(67)	-	(67)	(23,935)
(Loss) profit before taxation	-	-	(287)	-	27	-	(34,230)	(4,546)	(460)	-	38	(11,177)	-	167,817	133,587
Taxation	-	-	-	-	-	-	(260)	(4,546)	(460)	-	38	(11,177)	-	(16,145)	(16,405)
(Loss) profit for the year							<u>(34,490)</u>							<u>151,672</u>	<u>117,182</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

7. TURNOVER AND SEGMENTAL INFORMATION *(continued)*

Business segments *(continued)*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

7. TURNOVER AND SEGMENTAL INFORMATION *(continued)*

Geographical segments

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

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

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

8. OTHER INCOME (EXPENSES)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

9. FINANCE COSTS

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

10. NET INVESTMENT EXPENSES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

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

	Continuing operations		Discontinued operations		Consolidated	
	2006 HK\$'000	2005 HK\$'000 (Restated)	2006 HK\$'000	2005 HK\$'000 (Restated)	2006 HK\$'000	2005 HK\$'000 (Restated)
Loss on disposal and dilution of interests in subsidiaries	-	(78,076)	-	-	-	(78,076)
Loss on disposal of interests in associates	(20,073)	-	-	-	(20,073)	-
Gain on dilution of interests in associates	76	130	-	878	76	1,008
Loss on dilution of interests in associates	(11,599)	(63,082)	-	-	(11,599)	(63,082)
	<u>(31,596)</u>	<u>(141,028)</u>	<u>-</u>	<u>878</u>	<u>(31,596)</u>	<u>(140,150)</u>

12. TAXATION

	Continuing operations		Discontinued operations		Consolidated	
	2006 HK\$'000	2005 HK\$'000 (Restated)	2006 HK\$'000	2005 HK\$'000 (Restated)	2006 HK\$'000	2005 HK\$'000 (Restated)
Hong Kong Profits Tax						
Current year	-	-	-	-	-	-
Underprovision in previous years	-	-	-	21	-	21
	<u>-</u>	<u>-</u>	<u>-</u>	<u>21</u>	<u>-</u>	<u>21</u>
Overseas taxation	-	-	-	3,995	-	3,995
	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,016</u>	<u>-</u>	<u>4,016</u>
Deferred tax <i>(note 39)</i>						
Charge for the year	-	260	-	12,129	-	12,389
	<u>-</u>	<u>260</u>	<u>-</u>	<u>12,129</u>	<u>-</u>	<u>12,389</u>
Taxation attributable to the Company and its subsidiaries	<u>-</u>	<u>260</u>	<u>-</u>	<u>16,145</u>	<u>-</u>	<u>16,405</u>

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

For 2005, Hong Kong Profits Tax is calculated at the rate of 17.5% of the estimated assessable profit for the year.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

12. TAXATION *(continued)*

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

13. DISCONTINUED OPERATIONS

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

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

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

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

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

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

	On the date of disposal HK\$'000
Total assets	2,319,995
Total liabilities	<u>1,551,598</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

13. DISCONTINUED OPERATIONS *(continued)*

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

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

14. PROFIT FOR THE YEAR

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

14. PROFIT FOR THE YEAR *(continued)*

Notes:

	Continuing operations		Discontinued operations		Consolidated	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
(a) Depreciation and amortisation of property, plant and equipment:						
Owned assets	4,440	14,734	-	20,533	4,440	35,267
Less: Amount capitalised in respect of contracts in progress	-	-	-	(934)	-	(934)
	<u>4,440</u>	<u>14,734</u>	<u>-</u>	<u>19,599</u>	<u>4,440</u>	<u>34,333</u>
(b) Staff costs, including directors' emoluments:						
Salaries and other benefits	27,074	33,898	-	141,653	27,074	175,551
Retirement benefit scheme contributions, net of forfeited contributions of approximately HK\$68,000 (2005: HK\$1,202,000)	816	848	-	4,500	816	5,348
	<u>27,890</u>	<u>34,746</u>	<u>-</u>	<u>146,153</u>	<u>27,890</u>	<u>180,899</u>
Less: Amount capitalised in respect of contracts in progress	-	(581)	-	(111,286)	-	(111,867)
	<u>27,890</u>	<u>34,165</u>	<u>-</u>	<u>34,867</u>	<u>27,890</u>	<u>69,032</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2006

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

(a) Directors' emoluments

2006

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

2005

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2006

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

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

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

Their emoluments were within the following bands:

	2006 <i>Number of employees</i>	2005 <i>Number of employees</i>
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	2	–
HK\$2,000,001 to HK\$2,500,000	2	3
HK\$2,500,001 to HK\$3,000,000	–	1
HK\$3,000,001 to HK\$3,500,000	–	1
	<u>5</u>	<u>5</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

16. DIVIDEND PAID

	2006 HK\$'000	2005 HK\$'000
Ordinary shares:		
Final dividend paid for 2005 – HK1.5 cents (2004: Nil) per share	16,080	–
Interim dividend paid for 2006 – HK1.5 cents (2005: HK1.0 cent) per share	16,121	6,543
Scrip dividend issued in lieu of cash	<u>(1,446)</u>	–
	<u>30,755</u>	<u>6,543</u>

Of the dividend paid during the year, approximately HK\$1,446,000 (2005: Nil) was settled in shares under the Company's scrip dividend alternative scheme announced by the Company on 6th October, 2005 in respect of the final dividend of the year ended 31st March, 2005.

The amount of the final dividend proposed for the year ended 31st March, 2006 is HK1.7 cents per ordinary share (2005: HK1.5 cents per ordinary share), which will be payable in cash with an option to elect scrip dividend of ordinary shares.

The amount of the preference share dividend in respect of the twelve month period ending on but excluding 3rd November, 2006 is HK4 cents per redeemable convertible preference share.

17. EARNINGS PER SHARE

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

17. EARNINGS PER SHARE *(continued)*

Notes:

(a) Earnings (loss) per share from continuing operations

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

	2006 HK\$'000	2005 HK\$'000 (Restated)
Earnings figures are calculated as follows:		
Profit for the year attributable to equity holders of the parent	107,394	88,898
Less: Earnings for the year from discontinued operations	-	(151,672)
Earnings (loss) for the purpose of basic earnings per share from continuing operations before dividend for compulsorily convertible cumulative preference shares	107,394	(62,774)
Dividend for compulsorily convertible cumulative preference shares	-	(10,942)
Earnings (loss) for the purposes of basic earnings per share from continuing operations after dividend for compulsorily convertible cumulative preference shares	107,394	(73,716)
Effect of dilutive potential ordinary shares:		
Adjustment of finance cost on convertible notes	11,938	16,738
Adjustment of finance cost on redeemable convertible preference shares	10,952	4,439
Adjustment to the share of results of associates based on dilution of their earnings per share	-	(271)
Earnings (loss) for the purposes of diluted earnings per share from continuing operations	130,284	(52,810)
	Number of shares	
	2006	2005
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,142,341,794	722,619,374
Effect of dilutive potential ordinary shares:		
Redeemable convertible preference shares	272,085,692	111,337,564
Convertible notes	500,270,320	897,979,908
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,914,697,806	1,731,936,846

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

17. EARNINGS PER SHARE *(continued)*

(b) Earnings per share from discontinued operations

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

There was no discontinued operations during 2006.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

18. PROPERTY, PLANT AND EQUIPMENT

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

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

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

Freehold land	Nil
Buildings	20 years to 50 years
Plant, machinery and office equipment	20% – 33 $\frac{1}{3}$ %
Motor vehicles and vessels	20% – 33 $\frac{1}{3}$ %
Furniture and fixtures	20%
Construction in progress	Nil

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

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

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

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

19. INVESTMENT PROPERTIES

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

20. PREPAID LEASE PAYMENTS

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

21. OTHER INTANGIBLE ASSETS

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

22. INTERESTS IN ASSOCIATES

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

Notes:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

22. INTERESTS IN ASSOCIATES *(continued)*

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

22. INTERESTS IN ASSOCIATES *(continued)*

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

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

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

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

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

23. AVAILABLE-FOR-SALE INVESTMENTS

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

24. INVESTMENTS IN SECURITIES

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

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

25. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments are trade debtors of approximately HK\$11,747,000 (2005: HK\$2,090,000) and their aged analysis at the balance sheet date is as follows:

	2006 HK\$'000	2005 HK\$'000
Trade debtors		
0-30 days	11,587	1,852
31-60 days	129	24
61-90 days	28	90
Over 90 days	3	124
	<u>11,747</u>	<u>2,090</u>

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

The directors consider that the fair values of the Group's debtors and deposits at 31st March, 2006 approximate the corresponding carrying amounts.

26. MARGIN ACCOUNT RECEIVABLES/PAYABLES

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

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

27. AMOUNTS DUE FROM ASSOCIATES

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

28. AMOUNTS DUE FROM RELATED COMPANIES

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

29. LOANS RECEIVABLE

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

30. HELD FOR TRADING INVESTMENTS (OTHER THAN DERIVATIVES)

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

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

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

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

31. BANK DEPOSITS

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

32. CREDITORS AND ACCRUED EXPENSES

Included in creditors and accrued expenses are trade payables of approximately HK\$758,000 (2005: HK\$4,925,000) and their aged analysis at the balance sheet date is as follows:

	2006 HK\$'000	2005 HK\$'000
Trade creditors		
0-30 days	730	4,817
31-60 days	22	54
61-90 days	4	33
Over 90 days	2	21
	<u>758</u>	<u>4,925</u>

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

33. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

34. AMOUNTS DUE TO ASSOCIATES

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

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

35. CONVERTIBLE NOTES

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2006

36. BANK BORROWINGS

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

36. BANK BORROWINGS *(continued)*

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

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

37. OTHER LOANS

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

38. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

38. REDEEMABLE CONVERTIBLE PREFERENCE SHARES *(continued)*

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

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

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

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

Notes:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

39. DEFERRED TAX LIABILITIES

	2006	2005
	HK\$'000	HK\$'000
Deferred tax liabilities	<u>99</u>	<u>48</u>

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

40. SHARE CAPITAL

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

Notes:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

40. SHARE CAPITAL *(continued)*

Notes: *(continued)*

- (b) On 3rd February, 2005, 1,047,769 ordinary shares of the Company of HK\$0.10 each were issued upon conversion of 1,028,000 redeemable convertible preference shares of HK\$0.10 each at the conversion price of HK\$1.04 per ordinary share.
- (c) On 3rd November, 2005, 2,753,274 ordinary shares of the Company of HK\$0.10 each were issued in the form of scrip dividend. The ordinary shares issued by the Company ranked pari passu with the then existing ordinary shares of the Company in all respects.
- (d) On 24th February, 2006, 214,400,000 ordinary shares of the Company of HK\$0.10 each were issued at an issuance price of HK\$0.72 per ordinary share. The ordinary shares issued by the Company ranked pari passu with the then existing ordinary shares of the Company in all respects.
- (e) Prior to 3rd November, 2004, the preference shares are non-voting, non-redeemable and are entitled to a cumulative dividend of HK\$0.069 per share per annum. With effect from 3rd November, 2004, the preference shares have been converted into non-voting and redeemable convertible preference shares with a cumulative preferential dividend of HK\$0.04 for every redeemable convertible preference share per annum subject to the rights and restrictions as set out in the Special Resolution passed on 13th October, 2004 by the shareholders of the Company.

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

41. SHARE OPTIONS

(a) Share options of the Company

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

41. SHARE OPTIONS *(continued)*

(a) Share options of the Company *(continued)*

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

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

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

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

(b) Share options of Trasy

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

41. SHARE OPTIONS *(continued)***(b) Share options of Trasy** *(continued)**(ii) Share Option Scheme of Trasy*

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

42. ACQUISITION OF SUBSIDIARIES

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

In 2005, the following major acquisitions took place:

- (i) In April 2004, the Group, through PYI, acquired approximately 54.06% indirect interest in a joint venture company, Jiangsu Yangtong Investment and Development Co., Ltd. ("Yangtong"), to build and operate a bulk handling sea port at Yangkou Port, Nantong City, Jiangsu, the PRC, for a consideration of HK\$394,911,000, which is satisfied by cash.
- (ii) On 23rd March, 2005, the Group acquired 1,391,430,000 ordinary shares of Trasy representing approximately 50.07% of the entire issued share capital of Trasy, from an independent third party of the Group (the "Vendor"). These shares were pledged by the former holding company of Trasy to the Vendor, which sold the shares to the Group pursuant to the power of sale under the deed of charge, at a consideration of HK\$8,803,000. As a result a discount on acquisition of HK\$20,938,000 was credited to the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2006

42. ACQUISITION OF SUBSIDIARIES (continued)

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

43. DISPOSAL OF SUBSIDIARIES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

43. DISPOSAL OF SUBSIDIARIES *(continued)*

Net cash outflow arising on disposal:

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

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

44. MAJOR NON-CASH TRANSACTION

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

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

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

- (i) HK\$125,000,000 convertible notes issued by the Company were converted into 416,666,665 ordinary shares of the Company at HK\$0.30 per share.
- (ii) 1,028,000 redeemable convertible preference shares were converted into 1,047,769 ordinary shares of the Company at HK\$1.04 per share.

45. RETIREMENT BENEFIT SCHEMES

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

46. CONTINGENT LIABILITIES

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

47. OPERATING LEASE ARRANGEMENTS

(a) The Group as a lessee:

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

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

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

(b) The Group as a lessor:

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

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

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

48. COMMITMENTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

49. PLEDGE OF ASSETS

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

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

50. POST BALANCE SHEET EVENTS

- (a) On 27th April, 2006, the Company and Macau Prime entered into a subscription agreement in relation to the subscription of the 1% convertible notes with a principal amount of HK\$30,000,000 to be issued by Macau Prime. The subscription had been completed on 8th June, 2006.
- (b) On 27th June, 2006, the Company and Hanny entered into a subscription agreement in relation to the subscription of the 1% convertible exchangeable notes with a principal amount of US\$75,000,000 (equivalent to approximately HK\$582,450,000) to be issued by Hanny ("Hanny Notes"). Details of the subscription had been disclosed in the joint announcement of the Company and Hanny dated 6th July, 2006 (the "Joint Announcement"). Pursuant to the Joint Announcement, if the Company converted the Hanny Notes in full, the Company would obtain controlling interest in Hanny. As the acquisition was not yet to be completed at the date of approval these financial statements, in the opinion of the directors, it was impracticable to quantify the amounts recognised at the acquisition date for each class of Hanny's assets, liabilities and contingent liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

51. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

Class of related party	Nature of transactions/balances	2006 HK\$'000	2005 HK\$'000
Associates of the Group	Sales of building materials	10	17
	Dividend income (including scrip dividend)	498,555	66,206
	Purchase of concrete products	-	36
	Rentals and related building management fee charged by the Group	593	4,528
	Service fees charged by the Group	1,464	840
	Service fees charged to the Group	-	1,100
	Construction works charged to the Group	-	42,320
	Subcontracting fees charged by the Group	-	2,062
	Interest income received	7,981	13,432
	Purchase of property, plant and equipment	3,175	-
	Purchase of club membership	325	-
	Balance due by the Group	123	93
	Balance due to the Group	<u>205,083</u>	<u>8,538</u>
Jointly controlled entities of the Group	Service fees charged by the Group	<u>-</u>	<u>376</u>
Directors or company controlled by director	Interest paid by the Group	1,406	10
	Interest paid on convertible notes issued by the Group	6,791	10,647
	Balance due by the Group	-	18,774
	Convertible notes due by the Group	<u>-</u>	<u>133,000</u>
Other related companies (note)	Rental and related building management fee charged by the Group	65	3,284
	Service fees charged by the Group	-	31
	Service fees charged to the Group	-	1,356
	Interest income received	7,801	5,929
	Balance due to the Group	<u>247,362</u>	<u>1,632</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

51. TRANSACTIONS AND BALANCES WITH RELATED PARTIES *(continued)*

Compensation of key management personnel

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

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

52. BALANCE SHEET TO THE COMPANY

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

52. BALANCE SHEET TO THE COMPANY *(continued)*

Note:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

52. BALANCE SHEET TO THE COMPANY *(continued)*

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

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

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

	2006 HK\$'000	2005 HK\$'000
Contributed surplus	1,134,686	1,134,686
Accumulated profits	64,520	22,754
	<u>1,199,206</u>	<u>1,157,440</u>

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/ registered capital		Principal activities
			held by the Company*/ subsidiaries %	attributable to the Group %	
Burcon Group Limited	Canada	CAD1,000 class A common shares	100	100	Investment and property holding
Dreyer and Company Limited	Hong Kong	HK\$6,424,000 ordinary shares	99	99	Trading of building materials and machinery
Great Intelligence Holdings Limited	Hong Kong	HK\$2 ordinary shares	100	100	Securities trading and treasury investment
Great Intelligence Limited	British Virgin Islands	US\$1 ordinary share	100*	100	Investment holding
Great Intelligence Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property holding and investment
ITC Development Co. Limited	British Virgin Islands	US\$15,000 ordinary shares	100*	100	Investment holding
ITC Finance Limited	Hong Kong	HK\$2 ordinary shares	100	100	Provision of finance
ITC Investment Group Limited	British Virgin Islands	US\$1 ordinary share	100*	100	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31ST MARCH, 2006

53. 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
Trasy	Cayman Islands	HK\$27,790,000 ordinary shares	100	56.45	Provision and operation of an internet-based precious metal trading system

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

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

All of the above subsidiaries are limited companies.

FINANCIAL SUMMARY

RESULTS

	Year ended 31st March,				2006 HK\$'000
	2002 HK\$'000	2003 HK\$'000 (Restated)	2004 HK\$'000 (Restated)	2005 HK\$'000 (Restated)	
Turnover					
– Continuing operations	40,147	42,132	100,590	104,361	252,959
– Discontinued operations	–	726,565	3,334,076	1,921,967	–
	<u>40,147</u>	<u>768,697</u>	<u>3,434,666</u>	<u>2,026,328</u>	<u>252,959</u>
(Loss) profit before taxation	(273,450)	138,860	(278,990)	(34,230)	103,541
Taxation	(27,186)	–	–	(260)	–
(Loss) profit for the year from discontinued operations	–	(37,790)	364,119	151,672	–
	<u>(300,636)</u>	<u>101,070</u>	<u>85,129</u>	<u>117,182</u>	<u>103,541</u>
(Loss) profit for the year	<u>(300,636)</u>	<u>101,070</u>	<u>85,129</u>	<u>117,182</u>	<u>103,541</u>
Attributable to:					
Equity holders of the parent	(300,636)	103,294	(16,166)	88,898	107,394
Minority interests	–	(2,224)	101,295	28,284	(3,853)
	<u>(300,636)</u>	<u>101,070</u>	<u>85,129</u>	<u>117,182</u>	<u>103,541</u>

ASSETS AND LIABILITIES

	As at 31st March,				2006 HK\$'000
	2002 HK\$'000	2003 HK\$'000 (Restated)	2004 HK\$'000 (Restated)	2005 HK\$'000 (Restated)	
Total assets	2,097,437	5,291,926	5,337,404	2,176,978	2,460,700
Total liabilities	(626,194)	(2,770,135)	(2,427,756)	(568,308)	(428,691)
	<u>1,471,243</u>	<u>2,521,791</u>	<u>2,909,648</u>	<u>1,608,670</u>	<u>2,032,009</u>
Shareholders' funds	<u>1,471,243</u>	<u>2,521,791</u>	<u>2,909,648</u>	<u>1,608,670</u>	<u>2,032,009</u>
Attributable to:					
Equity holders of the parent	1,471,243	1,658,396	1,714,284	1,579,011	2,009,945
Minority interests	–	863,395	1,195,364	29,659	22,064
	<u>1,471,243</u>	<u>2,521,791</u>	<u>2,909,648</u>	<u>1,608,670</u>	<u>2,032,009</u>



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