

# 2009

Annual Report  
年度報告

## Forging Ahead For Opportunities

昂然邁進 拓展機遇



**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 : 372.HK

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### *Executive Directors*

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

### *Independent Non-Executive Directors*

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## SECRETARY

Lee Hon Chiu

## AUDITORS

Deloitte Touche Tohmatsu

## LEGAL ADVISORS

Conyers Dill & Pearman (*Bermuda*)  
Lu, Lai & Li (*Hong Kong*)  
Richards Butler in association with Reed Smith LLP  
(*Hong Kong*)

## PRINCIPAL BANKERS

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

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## PRINCIPAL PLACE OF BUSINESS

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke HM08  
Bermuda

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## WEBSITE

[www.itc.com.hk](http://www.itc.com.hk)

## STOCK CODE

Hong Kong Stock Exchange 372

## WARRANT CODE

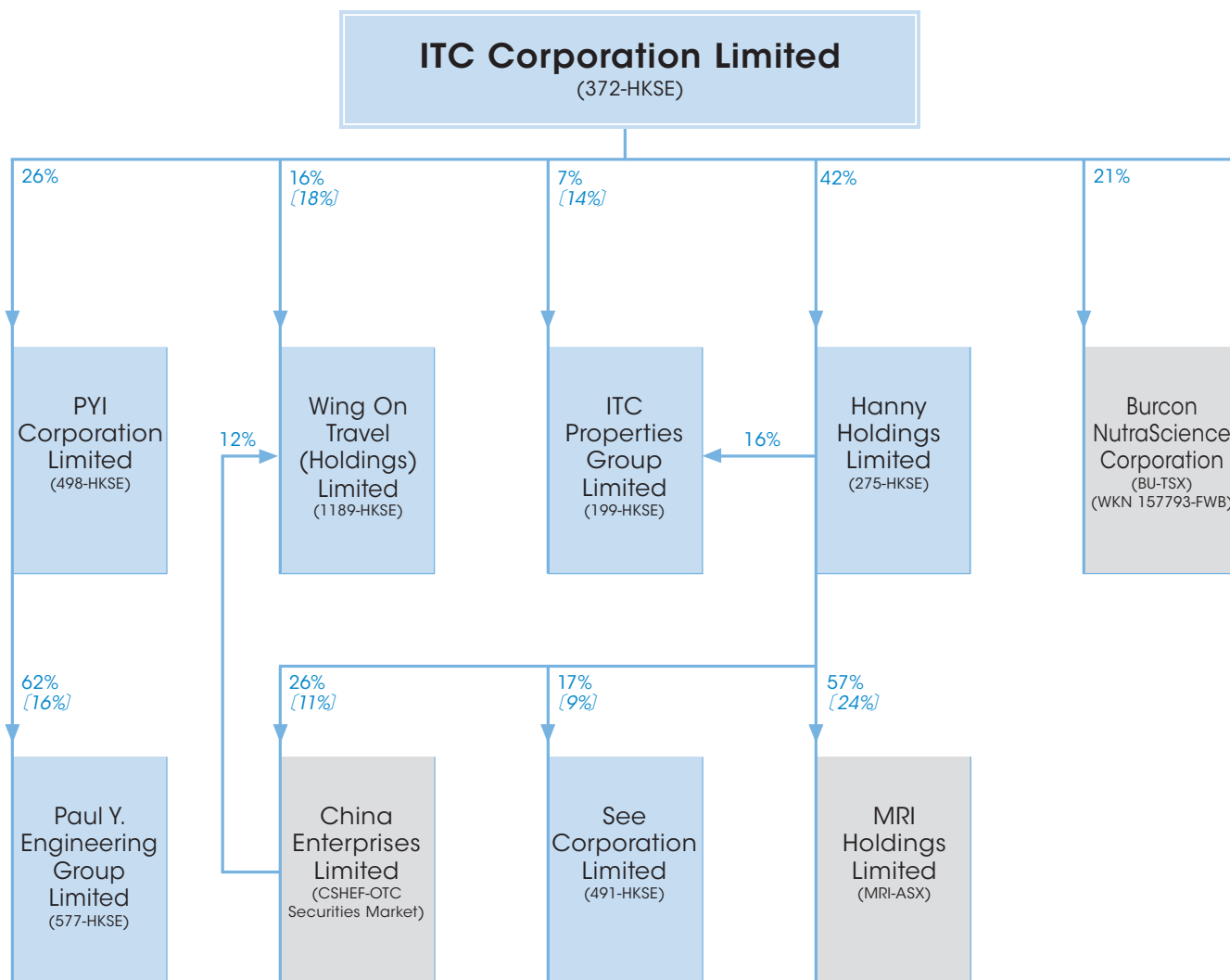
Hong Kong Stock Exchange 779

# CONTENTS

<b>1</b>	CORPORATE CHART
<b>3</b>	CHAIRMAN'S STATEMENT
<b>9</b>	BIOGRAPHIES OF DIRECTORS AND SECRETARY
<b>11</b>	CORPORATE GOVERNANCE REPORT
<b>16</b>	DIRECTORS' REPORT
<b>32</b>	INDEPENDENT AUDITOR'S REPORT
<b>33</b>	CONSOLIDATED INCOME STATEMENT
<b>34</b>	CONSOLIDATED BALANCE SHEET
<b>36</b>	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
<b>38</b>	CONSOLIDATED CASH FLOW STATEMENT
<b>40</b>	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
<b>101</b>	FINANCIAL SUMMARY

# CORPORATE CHART

AT 28TH JULY, 2009

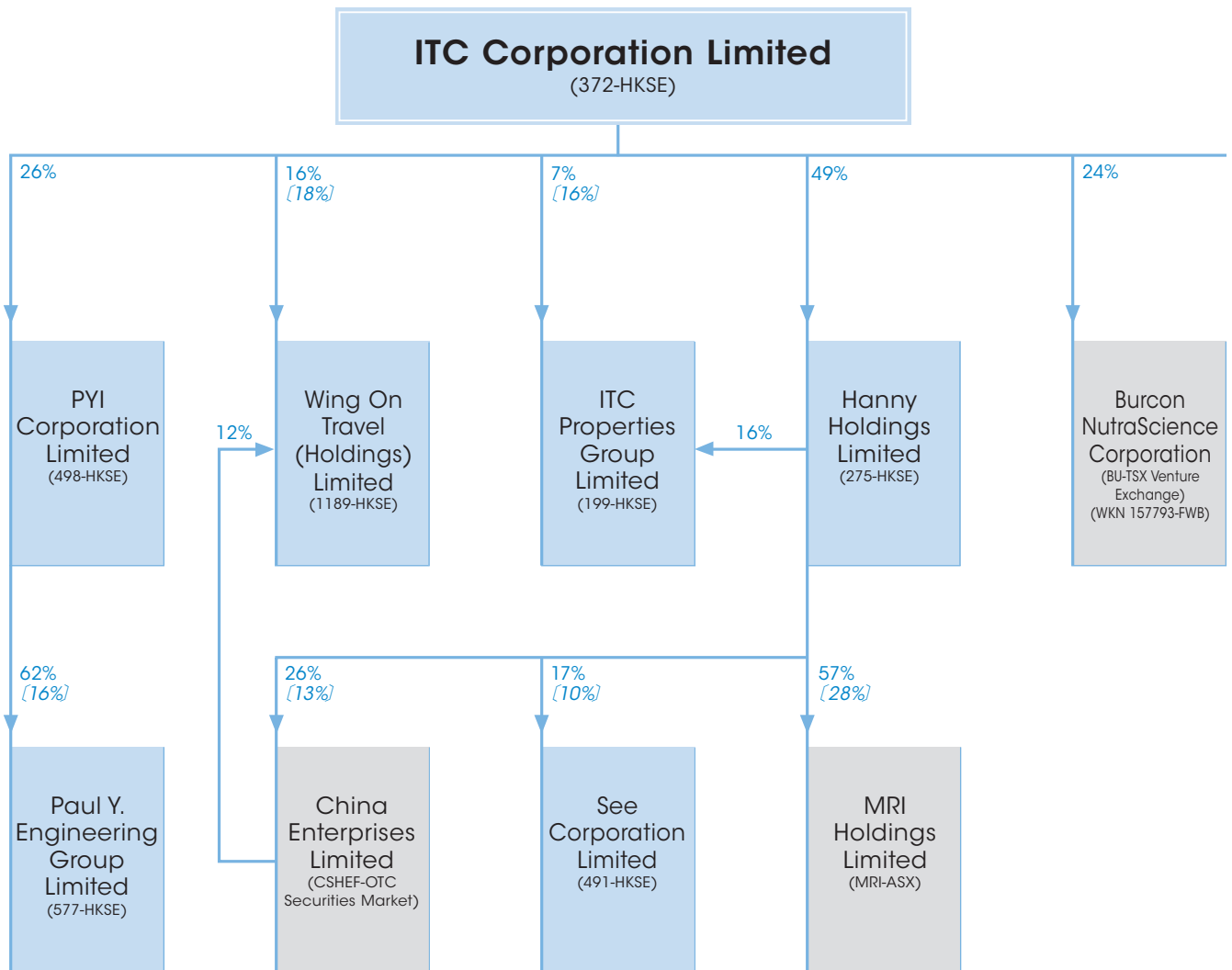


- Hong Kong listed
- Overseas listed

*[ITC's effective interest]*  
 (Stock code - Listing place)

# CORPORATE CHART

AT 31ST MARCH, 2009



■ Hong Kong listed

■ Overseas listed

*[ITC's effective interest]*

(Stock code - Listing place)

## CHAIRMAN'S STATEMENT

# Forging Ahead For Opportunities

昂然邁進 拓展機遇

I am pleased to present to shareholders the annual report of ITC Corporation Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31st March, 2009.

## REVIEW OF FINANCIAL PERFORMANCE AND POSITION

For the year ended 31st March, 2009, the Group recorded a consolidated turnover of approximately HK\$256 million,

representing a decrease of 64% compared to that of last year. Loss attributable to equity holders was approximately HK\$713 million (2008: profit HK\$252 million) and basic loss per ordinary share was HK\$1.52 for the year (2008: earnings HK\$0.57).

Hanny Holdings Limited ("Hanny") suffered a loss attributable to its equity holders of approximately HK\$1,145 million for the year ended 31st March, 2009,

Analysis of the Group's performance is as follows:

	<b>2009</b> <i>HK\$'M</i>	2008 <i>HK\$'M</i>
(Loss) profit on contribution from strategic investments:		
Hanny ( <i>Note</i> )	<b>(572)</b>	77
Wing On Travel	<b>(115)</b>	-
PVI	<b>37</b>	97
ITC Properties	<b>(35)</b>	(3)
Others	<b>(5)</b>	21
	<b>(690)</b>	192
Discount on acquisition of associates	<b>38</b>	201
Other investments and operations, net of expenses	<b>(61)</b>	(141)
(Loss) profit attributable to equity holders	<b>(713)</b>	252

*Note:*

*Hanny ceased to be a subsidiary and became an associate of the Group in May 2007. The comparative amount for 2008 also includes Hanny's contribution during the period as a subsidiary.*

## CHAIRMAN'S STATEMENT *(continued)*

compared to a profit of approximately HK\$129 million of last year, mainly attributable to loss arising from the change in fair value of financial assets, disposal of investments held for trading and disposal of subsidiaries. Accordingly, the Group shared a loss of approximately HK\$572 million and such loss represented the majority of the Group's loss.

Wing On Travel (Holdings) Limited ("Wing On Travel") recorded a loss of approximately HK\$689 million attributable to its equity holders for the year ended 31st December, 2008, compared to a loss of approximately HK\$16 million of last year. The increase in loss was mainly attributed to the impairment losses recognised for its luxury train business, hotel properties and available-for-sale investments as a result of the economic downturn. As a result, the Group shared a loss of approximately HK\$115 million.

PYI Corporation Limited ("PYI") recorded a fall in profit attributable to its equity holders of 61% to HK\$139 million for the year, mainly due to a decrease in contribution from Paul Y. Engineering Group Limited, the drop in port-related project management income, as well as the increase in net loss arising from fair value reduction in trading securities. Contribution from PYI to the Group decreased from approximately HK\$97 million to approximately HK\$37 million.

ITC Properties Group Limited ("ITC Properties") recorded a loss of approximately HK\$462 million attributable to its equity holders for the year ended 31st March, 2009, mainly owing to the impairment losses on property interests and the unrealised losses due to fair value changes in listed financial instruments. The share attributable to the Group was a loss of approximately HK\$35 million.

The discount on acquisition of associates, which was recorded when the Group increased its interests in Wing On Travel and ITC Properties with a consideration at a discount to the fair value of the assets acquired. The amount decreased to approximately HK\$38 million

from approximately HK\$201 million of last year since the majority of the interests in the above two companies were acquired in last year. For the year ended 31st March, 2009, the Group's direct interests in Wing On Travel and ITC Properties increased from approximately 14.2% to 16.7% and from approximately 6.5% to 7.7%, respectively (2008: Direct interests in Wing On Travel and ITC Properties increased from approximately 1.9% to 14.2% and from 0% to approximately 6.5%, respectively).

The net loss on other investments and operations of approximately HK\$61 million (2008: HK\$141 million) mainly comprised of the following:

- (i) A gain of approximately HK\$30 million from the disposal of an associate which held an investment property in the Central District of Hong Kong (2008: A deemed disposal loss of Hanny of approximately HK\$248 million and a disposal gain of Trasy Gold Ex Limited of approximately HK\$163 million);
- (ii) Interest income (net of finance cost) of approximately HK\$21 million (2008: HK\$30 million);
- (iii) A net loss of approximately HK\$58 million (2008: Net gain of HK\$5 million) on the investments in financial assets; and
- (iv) Administrative expenses of approximately HK\$65 million (2008: HK\$95 million).

Regarding the overall financial position of the Group as at 31st March, 2009, total assets decreased by 19% to approximately HK\$2,994 million and equity attributable to equity holders decreased by 21% to approximately HK\$2,681 million compared to the last year end date. The decrease was mainly due to the share of associates' loss for the year.

## CHAIRMAN'S STATEMENT *(continued)*

### REVIEW OF OPERATIONS

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

During the year ended 31st March, 2009, the Group continued to hold significant interests, directly or indirectly, in a number of companies listed in Hong Kong, Canada, the United States of America ("U.S.A."), Australia and Germany, and other high potential unlisted investments, pursuant to its long-term strategy of exploring investments in an aggressive, but cautious, manner and enhancing a balanced and diversified investment portfolio.

#### *Listed strategic investments directly held*

##### ***Hanny Holdings Limited ("Hanny")***

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

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

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

##### ***ITC Properties Group Limited ("ITC Properties")***

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

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

Wing On Travel is principally engaged in the business of providing package tours, travel and other related services, and luxury train services with branches in Hong Kong, Macau, Mainland China, Canada and the United

Kingdom. It is also engaged in the hotel operation business including a hotel chain with the "Rosedale" brand in Hong Kong and Mainland China.

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

Burcon is a leader in nutrition, health and wellness in the field of functional, renewable plant proteins. Burcon has developed a portfolio of composition, application and process patents originating from its plant protein extraction and purification technology. Burcon is developing the world's first commercial canola proteins isolates, Puratein® and Supertein™, which are the first canola isolates to have attained self-affirmed GRAS status in the U.S.A. Burcon is also developing Clarisoy™, a soy protein isolate which is 100% soluble and completely transparent in acidic solutions. Since June 2009, the listing place for the common shares of Burcon has been changed from TSX Venture Exchange to TSX.

#### *Listed strategic investments indirectly held*

##### ***Paul Y. Engineering Group Limited ("Paul Y. Engineering")***

Paul Y. Engineering is an engineering and property services group headquartered in Hong Kong. It provides all-round construction and property-related services to a wide spectrum of distinguished clients, including the government and major enterprises in Hong Kong, Macau, Mainland China and the Middle East.

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

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

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

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

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

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



## CHAIRMAN'S STATEMENT *(continued)*

The Group's shareholding interests in the major listed strategic investments are summarised below:

### *Listed strategic investments directly held*

Name of investee company	Place of listing	Stock code	Approximate shareholding percentage	
			As at 31/3/2009	As at the date of this report
Hanny	Hong Kong Stock Exchange	275	49.9%	42.7%
PYI	Hong Kong Stock Exchange	498	26.8%	26.7%
ITC Properties	Hong Kong Stock Exchange	199	16.0% <i>(Note a)</i>	14.8% <i>(Note a)</i>
Wing On Travel	Hong Kong Stock Exchange	1189	18.4% <i>(Note b)</i>	18.1% <i>(Note b)</i>
Burcon	Toronto Stock Exchange ("TSX") and Frankfurt Stock Exchange	BU WKN 157793	24.3%	21.8%

### *Listed strategic investments indirectly held*

Name of investee company	Place of listing	Stock code	Approximate effective interest	
			As at 31/3/2009	As at the date of this report
Paul Y. Engineering	Hong Kong Stock Exchange	577	16.7% <i>(Note c)</i>	16.7% <i>(Note c)</i>
See Corp	Hong Kong Stock Exchange	491	10.4% <i>(Note d)</i>	9.1% <i>(Note d)</i>
China Enterprises	OTC Securities Market, U.S.A.	CSHEF	13.0% <i>(Note e)</i>	11.1% <i>(Note e)</i>
MRI	Australian Securities Exchange	MRI	28.5% <i>(Note e)</i>	24.4% <i>(Note e)</i>

#### Notes:

- (a) Hanny and China Enterprises hold shareholding interests in ITC Properties. The Group's effective interest includes its approximately 7.7% and 7.7% direct shareholding interest in ITC Properties as at 31st March, 2009 and as at the date of this report, respectively.
- (b) China Enterprises holds a shareholding interest in Wing On Travel. The Group's effective interest includes its approximately 16.7% direct shareholding interest in Wing On Travel as at 31st March, 2009 and as at the date of this report, respectively.
- (c) The Group's interest is held through PYI.
- (d) Hanny, Wing On Travel and China Enterprises hold shareholding interests in See Corp. The Group's effective interest includes its approximately 0.5% direct shareholding interest in See Corp as at 31st March, 2009 and as at the date of this report, respectively.
- (e) The Group's interest is held through Hanny.

## 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, 2009 amounted to approximately HK\$14 million. As at 31st March, 2009, the Group had bank borrowings of approximately HK\$84 million of which approximately HK\$19 million is repayable within one year or on demand.

As at 31st March, 2009, all the Group's borrowings, except the convertible notes, are at floating interest rates and the Group's current ratio was approximately 1.2.

### GEARING RATIO

The Group's gearing ratio at the balance sheet date was approximately 10.0% (2008: 6.2%), calculated on the basis of the Group's net borrowings of approximately HK\$267 million over equity attributable to equity holders of approximately HK\$2,681 million.

### EXCHANGE RATE EXPOSURE

As at 31st March, 2009, approximately 15.7% of the cash, bank balances and deposits were in foreign currencies and only approximately 4.7% of the Group's total borrowings of approximately HK\$13 million was denominated in Canadian dollars. The borrowings in foreign currencies are directly tied to the Group's business in Canada.

### PLEDGE OF ASSETS

As at 31st March, 2009, certain of the Group's properties and listed securities of an associate with an aggregate carrying value of approximately HK\$353 million were pledged to banks and financial institutions to secure general facilities granted to the Group.

### CONTINGENT LIABILITIES

As at 31st March, 2009, the Group had no contingent liabilities, except that on disposal of an associate, the Group had given an indemnity to the acquirer relating to unrecorded taxation liabilities, if any, and the affairs and business of the associate up to the date of disposal.

### EMPLOYEE AND REMUNERATION POLICY

As at 31st March, 2009, the Group had a total of 68 employees. It is the Group's remuneration policy that the employees' remuneration is based on the employees' skill, knowledge and involvement in the Company's affairs and is determined by reference to the Company's

performance, as well as remuneration benchmark in the industry and the prevailing market conditions. The ultimate objective of the remuneration policy is to ensure that the Group is able to attract, retain and motivate a high-calibre team which is essential to the success of the Company. The Group also offers benefits to employees including discretionary bonus, training, provident funds and medical coverage. The share option scheme is established for the eligible participants (including employees) but no share options was granted during the year. There were 197,600,000 outstanding share options granted by the Company as at 31st March, 2009. Due to adjustments arising from the capital reorganisation and rights issue of the Company and lapse of share options after the year end, the outstanding share options of the Company as at the date of this report is 29,524,000 with a current exercise price of HK\$2.52 per share (subject to adjustments).

### MAJOR EVENTS

The major events of the Group completed during the year ended 31st March, 2009 are summarised below:

#### *Strategic investments*

The Group has demonstrated its support to its strategic investments by participating in their fund raising activities through the subscription of the Group's pro-rata entitlement of (i) approximately 1,223 million rights shares of Wing On Travel at HK\$0.06 per rights share with a total consideration of approximately HK\$73 million in July 2008; (ii) approximately 606 million rights shares of ITC Properties at HK\$0.07 per rights share with a total consideration of approximately HK\$42 million in August 2008; and (iii) approximately 150 million open offer shares of Hanny at HK\$0.35 per open offer share with a total consideration of approximately HK\$53 million in March 2009.

These additional investments enable the Group to maintain its shareholding in and share the benefit from the growth of these strategic investments.

#### *Property investment*

In April 2008, the Group disposed of all the interest in an associate company which held an investment property in the Central District of Hong Kong for a consideration of HK\$145 million. A gain of approximately HK\$30 million was realised.

## CHAIRMAN'S STATEMENT *(continued)*

### MAJOR SUBSEQUENT EVENTS

The major events of the Group completed subsequent to the year ended 31st March, 2009 are summarised below:

#### **Capital reorganisation**

In April 2009, a capital reorganisation of the Company (the "Capital Reorganisation") comprising, inter alia, a consolidation of every twenty shares of HK\$0.10 each into one consolidated share of HK\$2.00 each, a reduction of paid-up capital of each consolidated share from HK\$2.00 to HK\$0.01, a subdivision of each of the authorised but unissued shares of HK\$0.10 into ten shares of HK\$0.01 each, and the credit arising from the capital reduction to be credited to the contributed surplus account of the Company has been effective. Thereafter, the board lot size of the shares has been changed from 4,000 shares to 2,000 shares.

#### **Fund raising activities**

In May 2009, the Company successfully completed its rights issue of shares on the basis of four rights shares for every share held at the subscription price of HK\$0.20 per rights share (the "Rights Issue"). Approximately 539 million shares of the Company were issued and approximately HK\$108 million of gross proceeds were raised.

In June 2009, the Company has placed, through a placing agent, 80 million new shares to more than six independent third parties at HK\$0.75 per share (the "Placing") and approximately HK\$60 million of gross proceeds were raised.

These fund raising activities have enlarged the shareholder base and capital base of the Company, and have strengthened the Group's financial position for future strategic investments as and when opportunities arise.

#### **Strategic investments**

In May 2009, the Group acquired the 2% convertible exchangeable notes due 7th June, 2011 issued by Wing On Travel of principal amounts of HK\$34 million and approximately HK\$24 million for a consideration of approximately HK\$27 million and HK\$19 million, respectively. In June 2009, the Group further acquired the convertible exchangeable note of a principal amount of HK\$50 million for a consideration of HK\$40 million.

In July 2009, the Group subscribed its pro-rata entitlement of approximately 809 million rights shares of PYI at HK\$0.12 per rights share with a total consideration of approximately HK\$97 million.

### SECURITIES IN ISSUE

As a result of the issue of shares arising from warrant exercises, the Capital Reorganisation, Rights Issue and Placing and the bonus issue of warrants, the total number of issued ordinary shares of the Company of HK\$0.01 each is 753,689,530 and the total number of warrants is 538,768,186 carrying rights to subscribe for 26,938,409 shares of the Company at current subscription price of HK\$1.466 per share (subject to adjustments) as at the date of this report.

### FINAL DIVIDEND

The board of directors of the Company (the "Board") has resolved not to recommend the payment of a final dividend for the year ended 31st March, 2009 (2008: final dividend of HK0.3 cent declared per ordinary share).

### OUTLOOK

The sheer scale of the financial tsunami has led to the fear of an imminent global recession. Though there are signs of recovery in response to the various stimulus measures by the governments in the recent months, such unprecedented recession is widely thought to be the worst in decades and therefore recovery is likely to be a long term process. Against this background, the Group will continue to identify and capture investment opportunities that are undervalued by the market. The Group will also continue to offer support to its investee companies and this is further demonstrated by a series of events that has taken place subsequent to the 2009 financial year end such as the Group's acquisition of Wing On Travel's convertible exchangeable notes and subscription of PYI rights shares. With a strong balance sheet and a low gearing level, the Group is well-poised for facing the challenges and forging ahead for opportunities.

### 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, 2009

## BIOGRAPHIES OF DIRECTORS AND SECRETARY

### DIRECTORS

**Chan Kwok Keung, Charles**, aged 54, is the Chairman of the Company. Dr. Chan holds an Honorary Degree of Doctor of Laws and a Bachelor's Degree in Civil Engineering and has over 29 years' international corporate management experience in the construction and property sectors as well as in strategic investments. He joined the Group in February 1997 and is responsible for its strategic planning. Dr. Chan is a non-executive director of PYI Corporation Limited. Dr. Chan was the chairman and executive director of Hanny Holdings Limited until September 2008. Dr. Chan is the sole director and beneficial owner 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 father and the elder brother of Mr. Chan Yiu Lun, Alan and Mr. Chan Kwok Chuen, Augustine, respectively, executive directors of the Company.

**Chau Mei Wah, Rosanna**, aged 54, is the Deputy Chairman and Managing Director of the Company, a member of the Remuneration Committee of the Company and a director of various subsidiaries of the Group. Ms. Chau has over 29 years' experience in international corporate management and finance. She holds a Bachelor's Degree and a Master's Degree in Commerce and is a fellow member of the Hong Kong Institute of Certified Public Accountants and the CPA Australia and a member of the Certified General Accountants' Association of Canada. She joined the Group in February 1997 and is responsible for its operations and business development. Ms. Chau is a director of Burcon NutraScience Corporation.

**Chan Kwok Chuen, Augustine**, aged 50, joined the Company as an executive director in November 1997 and is also a director of various subsidiaries of the Group. Mr. Chan holds a diploma in arts and has over 26 years' experience in trading business in the PRC. Mr. Chan is the managing director of Hanny Holdings Limited. Mr. Chan is the younger brother of Dr. Chan Kwok Keung, Charles, the Chairman of the Company and the sole director and beneficial owner of Chinaview International Limited and Galaxyway Investments Limited which are substantial shareholders of the Company, and is the uncle of Mr. Chan Yiu Lun, Alan, an executive director of the Company.

**Chan Fut Yan**, aged 55, joined the Company as an executive director in December 1997 and is also a director of various subsidiaries of the Group. Mr. Chan has over 36 years' experience in the local construction field specialising in site supervision, planning of works and progress monitoring. He is also the managing director of ITC Properties Group Limited.

**Cheung Hon Kit**, aged 55, joined the Company as an independent non-executive director in December 1999 and was appointed as an executive director in September 2001. Mr. Cheung graduated from the University of London with a Bachelor of Arts Degree. He has over 31 years' experience in real estate development, property investment and corporate finance. He has worked in key executive positions in various leading property development companies in Hong Kong. He is the chairman and executive director of ITC Properties Group Limited and Wing On Travel (Holdings) Limited and is also an independent non-executive director of Future Bright Holdings Limited and International Entertainment Corporation. He was an independent non-executive director of Towngas China Company Limited (formerly known as Panva Gas Holdings Limited) until May 2007.

**Chan Yiu Lun, Alan**, aged 25, joined the Company as an executive director in March 2009. Mr. Chan graduated from Trinity College of Arts and Sciences of Duke University, USA, with a Bachelor of Arts Degree. He previously worked in The Goldman Sachs Group, Inc. Mr. Chan is a son of Dr. Chan Kwok Keung, Charles, chairman of the Company and the sole director and beneficial owner of Chinaview International Limited and Galaxyway Investments Limited which are substantial shareholders of the Company. Mr. Chan is also the nephew of Mr. Chan Kwok Chuen, Augustine, an executive director of the Company.

## BIOGRAPHIES OF DIRECTORS AND SECRETARY *(continued)*

**Chuck, Winston Calptor**, aged 53, joined the Company as an independent non-executive director in November 2001. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee of the Company. Mr. Chuck graduated from the University of Western Ontario, Canada with a Bachelor of Arts Degree. He is a practising solicitor in Hong Kong and has over 27 years' experience in the legal fields. He is also an independent non-executive director of Starlight International Holdings Limited.

**Lee Kit Wah**, aged 53, joined the Company as an independent non-executive director in July 2004. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Lee graduated from University of Toronto with a Bachelor's Degree in Commerce. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong. He is a member of the Institute of Chartered Accountants in England and Wales. He has been practising as a certified public accountant in Hong Kong since 1988 and is the managing director of an accounting firm. Mr. Lee is also an independent non-executive director of Sinocom Software Group Limited and was an independent non-executive director of Overseas Chinese Town (Asia) Holdings Limited (formerly known as Huali Holdings (Group) Limited) until April 2007.

**Hon. Shek Lai Him, Abraham**, *SBS, JP*, aged 64, 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 Degree. 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 a member of the Court of The University of Hong Kong. He is also a director of The Hong Kong Mortgage Corporation Limited and the Vice Chairman of Independent Police Complaints Council. Mr. Shek was appointed as a Justice of the Peace in 1995 and awarded Silver Bauhinia Star in 2007. Mr. Shek is also an independent non-executive director of NWS Holdings Limited, Midas International Holdings Limited, Paliburg Holdings Limited, Lifestyle International Holdings Limited, Chuang's Consortium International Limited, Titan Petrochemicals Group Limited, Country Garden Holdings Company Limited, MTR Corporation Limited, Hsin Chong Construction Group Ltd., Chuang's China Investments Limited, Hop Hing Group Holdings Limited and SJM Holdings Limited. Mr. Shek is also an independent non-executive director of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust. He is also an independent non-executive director of Regal Portfolio Management Limited, the manager of Regal Real Estate Investment Trust. Mr. Shek was an independent non-executive director of See Corporation Limited until September 2008 and was an independent non-executive director of Hop Hing Holdings Limited until April 2008.

### SECRETARY

**Lee Hon Chiu**, aged 47, is the Company Secretary and the Chief Financial Officer of the Company and is also a director of various subsidiaries of the Group. Mr. Lee has over 22 years' experience in auditing, accounting and financial management. He was an executive director of Paul Y. Engineering Group Limited until April 2008. He holds a Bachelor's Degree in Business Administration and is a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and also a certified public accountant in Hong Kong. He joined the Group in May 2008 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, 2009, complied with the code provisions of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") except that the Chairman of the Board could not attend the annual general meeting of the Company held on 30th September, 2008 due to other commitment abroad. Despite of that, representatives of the Board including executive directors and independent non-executive directors of the Company were present at the meeting to answer questions on the Group's businesses.

### DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the directors of the Company (the "Directors"). All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31st March, 2009.

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

### BOARD OF DIRECTORS

#### The Board

The members of the Board are individually and collectively responsible for the leadership and control of, and for promoting the success of, the Company by directing and supervising the Company's affairs. As at the date of this report, the Board comprises nine Directors, including the Chairman, the Deputy Chairman and Managing Director, four other executive Directors, and three independent non-executive Directors. The Board has a balanced composition of executive and independent non-executive Directors so that strong independent elements are included in the Board, enabling the Board to exercise judgment independently and make decision objectively in the interests of the Company and its shareholders as a whole. Biographical details of the Directors, showing a good balance of professional expertise and diverse range of experience among them, are set out on pages 9 and 10 of the annual report. The Board members have no financial, business, family or other material/relevant relationship with each other, except that Dr. Chan Kwok Keung, Charles is the elder brother of Mr. Chan Kwok Chuen, Augustine and Mr. Chan Yiu Lun, Alan is a son and the nephew of Dr. Chan Kwok Keung, Charles and Mr. Chan Kwok Chuen, Augustine respectively.

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

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

## CORPORATE GOVERNANCE REPORT *(continued)*

The attendance of each individual member of the Board, the Audit Committee and the Remuneration Committee at the respective meetings during the year under review, on a named basis, 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> )	6/7		
Chau Mei Wah, Rosanna ( <i>Deputy Chairman and Managing Director</i> )	7/7		3/3
Chan Kwok Chuen, Augustine	6/7		
Chan Fut Yan	5/7		
Cheung Hon Kit	6/7		
Chan Yiu Lun, Alan*	1/1		
<i>Independent non-executive Directors</i>			
Chuck, Winston Calptor	7/7	2/2	3/3
Lee Kit Wah	7/7	2/2	3/3
Shek Lai Him, Abraham	7/7	2/2	

\* appointed as an executive Director on 19th March, 2009

### Chairman and Managing Director

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

### Independent non-executive Directors

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

### 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 of the Company (the "Shareholders") at the general meeting. Under the Company's Bye-laws, the Directors shall have the power to appoint any person as a Director at any time either to fill a casual vacancy on the Board or as an addition to the existing Board who is subject to retirement and re-election at the first general meeting or first annual general meeting respectively after his/her appointment. All Directors are subject to retirement and re-election by the Shareholders on a rotation basis at least once every three years at the annual general meeting. Potential new Directors are identified and submitted to the Board for approval. The nomination of Directors should be taken into consideration of the candidate's qualification, ability and potential contribution to the Company. A candidate to be appointed as independent non-executive Director must also satisfy the independence criteria set out in Rule 3.13 of the Listing Rules. No Board meeting was convened during the year under review for the appointment of new Director but Board resolution was passed by circulation in relation to the appointment of Mr. Chan Yiu Lun, Alan as an executive director of the Company in March 2009.

## CORPORATE GOVERNANCE REPORT *(continued)*

### 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 the 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 the senior management. The terms of reference of the Remuneration Committee, which follow closely the requirements of the code provisions of the Code, have been adopted by the Board, are posted on the Company's website. The Remuneration Committee is provided with sufficient resources to discharge its duties.

During the year under review, the Remuneration Committee had principally performed the followings: making recommendation to the Board on Directors' fees for the approval by the Shareholders at the annual general meeting, approving/recommending the emoluments of Directors and approving the Director's fee of Mr. Chan Yiu Lun, Alan who was appointed as an executive Director during the year.

With the recommendation of the Remuneration Committee, the Board set the remuneration policy of directors and the 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 the senior management of the Company. The emoluments of the directors and the senior management of the Company are based on their individual 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 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.

Details of the remuneration of Directors are set out on note 7 to the consolidated financial statements. During the year under review, no Director was involved in deciding his/her own remuneration.

### AUDIT COMMITTEE

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

The principal duties of the Audit Committee include reviewing the Company's financial reporting system and internal control procedures, reviewing the Group's financial information and reviewing the relationship with the external auditors of the Company. To ensure on-going compliance with the newly amended code provision of the Code, the modified terms of reference of the Audit Committee have been adopted by the Board to take into account the Board's responsibility for reviewing the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget. The modified terms of reference have been 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, 2008 and the draft unaudited interim financial statements of the Group for the six months ended 30th September, 2008, 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 auditor for the approval of the Shareholders in the annual general meeting of the Company, reviewed the fees charged by the external auditors; and reviewed the internal control system of the Group.



## CORPORATE GOVERNANCE REPORT *(continued)*

### AUDITOR'S REMUNERATION

Messrs. Deloitte Touche Tohmatsu ("Deloitte"), the Group's principal auditor, was re-appointed by the Shareholders at the annual general meeting of the Company held on 30th September, 2008 as the Company's external auditor until the next annual general meeting. For the year ended 31st March, 2009, 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,	
	2009	2008
	HK\$'000	HK\$'000
Audit services	1,803	3,310
Non-audit services		
Taxation advisory	31	25
Special engagements	7	744
<b>Total fee paid/payable for the year</b>	<b>1,841</b>	<b>4,079</b>

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31st March, 2009, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are fair and reasonable and prepared the financial statements on a going concern basis. The statement by the auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 32 of the annual report.

### INTERNAL CONTROL

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

The Directors have conducted an annual review of the effectiveness of the system of internal control of the Group, covering all material controls, including financial, operational and compliance controls and risk management functions and particularly the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

## CORPORATE GOVERNANCE REPORT *(continued)*

### COMMUNICATION WITH SHAREHOLDERS

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

By Order of the Board

**Lee Hon Chiu**

*Company Secretary*

Hong Kong, 28th July, 2009

## DIRECTORS' REPORT

The directors have pleasure to present their report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2009.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities and particulars of the Company's principal subsidiaries and the Group's principal associates as at 31st March, 2009 are set out in notes 52 and 19, respectively, to the consolidated financial statements.

### SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to operating results for the year ended 31st March, 2009 is set out in note 4 to the consolidated financial statements.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March, 2009 are set out in the consolidated income statement on page 33 of the annual report.

The directors do not recommend the payment of a dividend for the year.

### RESERVES

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

### CHARITABLE DONATION

During the year, the Group made charitable donation amounted to HK\$1,000,000.

### MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue 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 101 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 15 to the consolidated financial statements.

### INVESTMENT PROPERTIES

Details of revaluation and movements of the investment properties of the Group during the year are set out in note 16 to the consolidated financial statements.

## DIRECTORS' REPORT *(continued)*

### SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 39 to the consolidated financial statements.

### DISTRIBUTABLE RESERVES OF THE COMPANY

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or 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 as at 31st March, 2009 were as follows:

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Contributed surplus	<b>1,134,686</b>	1,134,686
Accumulated profits	<b>737,021</b>	19,758
	<b>1,871,707</b>	1,154,444

### BORROWINGS

Bank borrowings repayable within one year or on demand are classified as current liabilities. Details of the repayment analysis of bank borrowings of the Group as at 31st March, 2009 are set out in note 34 to the consolidated financial statements.

## DIRECTORS' REPORT *(continued)*

### DIRECTORS

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

**Executive directors:**

Chan Kwok Keung, Charles (*Chairman*)

Chau Mei Wah, Rosanna

*(Deputy Chairman and Managing Director)*

Chan Kwok Chuen, Augustine

Chan Fut Yan

Cheung Hon Kit

Chan Yiu Lun, Alan

(appointed on 19th March, 2009)

**Independent non-executive directors:**

Chuck, Winston Calptor

Lee Kit Wah

Shek Lai Him, Abraham

In accordance with Bye-law 98(A) of the Company's Bye-laws, Dr. Chan Kwok Keung, Charles, Ms. Chau Mei Wah, Rosanna and Mr. Chuck, Winston Calptor 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. Chan Yiu Lun, Alan will retire at the forthcoming annual general meeting. All retiring directors, being eligible, offer themselves for re-election.

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

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

As at 31st March, 2009, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") were as follows:

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

Name of director	Capacity	Long position/ Short position	Number of shares of the Company held	Number of underlying shares of the Company held	Approximate percentage of the issued share capital of the Company
Chan Kwok Keung, Charles	Beneficial owner	Long position	31,588,330 <i>(Note 1)</i>	-	4.69% <i>(Note 2)</i>
Chan Kwok Keung, Charles	Interest of controlled corporation <i>(Note 1)</i>	Long position	202,678,125 <i>(Note 1)</i>	-	30.08% <i>(Note 2)</i>
Chan Kwok Keung, Charles	Interest of controlled corporation	Long position	-	8,107,125 <i>(Note 1)</i>	1.20% <i>(Note 2)</i>
Chan Kwok Keung, Charles	Beneficial owner	Long position	-	1,263,533 <i>(Note 1)</i>	0.18% <i>(Note 2)</i>
Chau Mei Wah, Rosanna	Beneficial owner	Long position	-	26,900,000 <i>(Note 3)</i>	0.99% <i>(Note 4)</i>
Chan Kwok Chuen, Augustine	Beneficial owner	Long position	-	12,000,000 <i>(Note 3)</i>	0.44% <i>(Note 4)</i>
Chan Fut Yan	Beneficial owner	Long position	-	25,000,000 <i>(Note 3)</i>	0.92% <i>(Note 4)</i>
Cheung Hon Kit	Beneficial owner	Long position	-	25,000,000 <i>(Note 3)</i>	0.92% <i>(Note 4)</i>
Chuck, Winston Calptor	Beneficial owner	Long position	-	2,500,000 <i>(Note 3)</i>	0.09% <i>(Note 4)</i>
Lee Kit Wah	Beneficial owner	Long position	-	2,500,000 <i>(Note 3)</i>	0.09% <i>(Note 4)</i>
Shek Lai Him, Abraham	Beneficial owner	Long position	-	2,500,000 <i>(Note 3)</i>	0.09% <i>(Note 4)</i>

## DIRECTORS' REPORT *(continued)*

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

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

Notes:

- Galaxyway Investments Limited was a wholly-owned subsidiary of Chinaview International Limited which was, in turn, wholly-owned by Dr. Chan Kwok Keung, Charles. Dr. Chan Kwok Keung, Charles was deemed to be interested in 40,535,625 shares of the Company and warrants (listed equity derivatives) with rights to subscribe for 8,107,125 shares of the Company at the subscription price of HK\$0.22 per share of the Company (subject to adjustments) held by Galaxyway Investments Limited. Dr. Chan Kwok Keung, Charles held 6,317,666 shares and warrants (listed equity derivatives) with rights to subscribe for 1,263,533 shares of the Company at the subscription price of HK\$0.22 per share (subject to adjustments).

Pursuant to the irrevocable undertaking given on 16th March, 2009 by Dr. Chan Kwok Keung, Charles in favour of the Company and the underwriter to the rights issue of the Company (the "Rights Issue") as set out in the announcement of the Company dated 17th March, 2009 (the "CC Undertaking Letter"), Dr. Chan Kwok Keung, Charles has irrevocably undertaken to accept, or procure the acceptance of the provisional allotment of 187,413,164 rights shares of the Company under the Rights Issue in full.

The above interests in shares and underlying shares of Dr. Chan Kwok Keung, Charles were disclosed on the assumption that the Company's capital reorganisation (the "Capital Reorganisation") as set out in the announcement of the Company dated 19th February, 2009, has been effective and the Rights Issue was completed without taking into consideration of any adjustment to the subscription price of the warrants of the Company pursuant to the Capital Reorganisation and the Rights Issue. The Capital Reorganisation and the Rights Issue were completed in April and May 2009, respectively.

- The percentage of shareholding in the Company is calculated on the assumption that (i) the Capital Reorganisation has been effective; and (ii) the Rights Issue is completed.
- These interests represented the interests in underlying shares in respect of the share options granted (unlisted equity derivatives) by the Company to these directors as beneficial owners and had not taken into account of any adjustment to the exercise price and/or to the shares of the Company to be issued for the exercise of share options as a result of completion of the Capital Reorganisation and the Rights Issue. The details of these interests are set out in the section headed "Share Option Scheme" of this report.
- The percentage of shareholding in the Company is calculated based on the total number of shares of the Company in issue as at 31 March 2009.

## DIRECTORS' REPORT *(continued)*

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

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

Name of director	Capacity	Long position/ Short position	Number of shares of Hanny held	Number of underlying shares of Hanny held	Approximate percentage of the issued share capital of Hanny
Chan Kwok Keung, Charles	Interest of controlled corporation <i>(Note 1)</i>	Long position	200,122,352 <i>(Note 1)</i>	-	49.90%
Chan Kwok Keung, Charles	Interest of controlled corporations <i>(Note 1)</i>	Long position	-	52,024,446 <i>(Note 1)</i>	12.97%
Chan Kwok Keung, Charles	Beneficial owner	Long position	1,915,328	-	0.47%
Chan Kwok Keung, Charles	Beneficial owner	Long position	-	562,585 <i>(Note 1)</i>	0.14%
Cheung Hon Kit	Beneficial owner	Long position	1	-	0.00%
Shek Lai Him, Abraham	Beneficial owner	Long position	32	-	0.00%
Shek Lai Him, Abraham	Beneficial owner	Long position	-	4 <i>(Note 2)</i>	0.00%

*Notes:*

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

By virtue of his direct and deemed interests in approximately 34.77% of the issued share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares and underlying shares of Hanny held by the indirect wholly-owned subsidiaries of the Company.

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

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



## 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 of PYI held	Approximate percentage of the issued share capital of PYI
Chan Kwok Keung, Charles	Interest of controlled corporation (Note 1)	Long position	404,512,565	-	26.81%
Chan Kwok Keung, Charles	Interest of controlled corporation (Note 1)	Long position	-	67,418,760 (Note 2)	4.46%
Chan Kwok Keung, Charles	Beneficial owner	Long position	11,978,677	-	0.79%
Chan Kwok Keung, Charles	Beneficial owner	Long position	-	1,996,446 (Note 2)	0.13%
Chau Mei Wah, Rosanna	Beneficial owner	Long position	-	1,493,333 (Note 3)	0.09%
Chan Fut Yan	Beneficial owner	Long position	-	2,916,667 (Note 3)	0.19%
Cheung Hon Kit	Beneficial owner	Long position	400	-	0.00%
Cheung Hon Kit	Beneficial owner	Long position	-	66 (Note 2)	0.00%
Shek Lai Him, Abraham	Beneficial owner	Long position	2,000	-	0.00%
Shek Lai Him, Abraham	Beneficial owner	Long position	-	333 (Note 2)	0.00%

#### Notes:

- The shares and underlying shares of PYI were held by an indirect wholly-owned subsidiary of the Company. By virtue of his direct and deemed interests in approximately 34.77% of the issued share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares and underlying shares of PYI held by an indirect wholly-owned subsidiary of the Company.
- An indirect wholly-owned subsidiary of the Company, Dr. Chan Kwok Keung, Charles, Mr. Cheung Hon Kit and Mr. Shek Lai Him, Abraham held warrants (listed equity derivatives) with rights to subscribe for 67,418,760 shares of PYI, 1,996,446 shares of PYI, 66 shares of PYI and 333 shares of PYI, respectively, at an initial subscription price of HK\$1.00 per share of PYI (subject to adjustments).
- As at 31st March, 2009, Ms. Chau Mei Wah, Rosanna and Mr. Chan Fut Yan held share options (unlisted equity derivatives) (which were granted on 28th December, 2004) with rights to subscribe for 1,493,333 shares of PYI and 2,916,667 shares of PYI, respectively, at HK\$1.2857 per share of PYI (subject to adjustments) during the period from 28th December, 2004 to 26th August, 2012. As at 1st April, 2008, Ms. Chau Mei Wah, Rosanna and Mr. Chan Fut Yan held share options with rights to subscribe for 1,280,000 shares of PYI and 2,500,000 shares of PYI, respectively, at HK\$1.50 per share of PYI. The changes in the exercise price and the number of shares of PYI to be issued upon exercise of share options held by Ms. Chau Mei Wah, Rosanna and Mr. Chan Fut Yan during the year were due to the adjustment as a result of the bonus issue of warrants of PYI in September 2008. These share options were vested on the date of grant.

## DIRECTORS' REPORT *(continued)*

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

#### (d) *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	349,389	-	1.34%
Chau Mei Wah, Rosanna	Beneficial owner	Long position	-	68,500	0.26%

#### (e) *Interests and short positions in shares, underlying shares and debentures of ITC Properties Group Limited ("ITC Properties")*

Name of director	Capacity	Long position/ Short position	Number of shares of ITC Properties held	Number of underlying shares of ITC Properties held	Approximate percentage of the issued share capital of ITC Properties
Chan Kwok Keung, Charles	Interest of controlled corporations <i>(Note 1)</i>	Long position	112,996,163	-	23.99%
Chan Kwok Keung, Charles	Interest of controlled corporations <i>(Note 1)</i>	Long position	-	113,139,327 <i>(Note 1)</i>	24.02%
Chan Kwok Keung, Charles	Beneficial owner	Long position	6,066,400	-	1.28%
Chan Kwok Keung, Charles	Beneficial owner	Long position	-	761,920 <i>(Note 1)</i>	0.16%
Chau Mei Wah, Rosanna	Beneficial owner	Long position	3,200,000	-	0.67%
Chau Mei Wah, Rosanna	Beneficial owner	Long position	-	1,043,653 <i>(Notes 2 &amp; 3)</i>	0.22%
Chan Fut Yan	Beneficial owner	Long position	-	444,080 <i>(Note 2)</i>	0.09%
Cheung Hon Kit	Beneficial owner	Long position	7,176,000	-	1.52%
Cheung Hon Kit	Beneficial owner	Long position	-	2,073,280 <i>(Notes 2 &amp; 3)</i>	0.44%

## 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 ITC Properties Group Limited ("ITC Properties")* *(continued)*

Notes:

- 36,593,400 shares of ITC Properties were held by an indirect wholly-owned subsidiary of the Company. 76,402,763 shares of ITC Properties were held by an indirect wholly-owned subsidiary of Hanny. An indirect wholly-owned subsidiary of the Company held a convertible note (unlisted equity derivative) of ITC Properties in the principal amount of HK\$30,000,000 at a conversion price of HK\$9.025 per share of ITC Properties (subject to adjustments). Upon full conversion of such convertible note, 3,324,099 shares of ITC Properties would be issued to such indirect wholly-owned subsidiary of the Company. An indirect wholly-owned subsidiary of Hanny owned convertible notes (unlisted equity derivatives) of ITC Properties in the principal amounts of HK\$330,000,000 and HK\$270,000,000 at conversion prices of HK\$5.675 and HK\$9.025 per share of ITC Properties (subject to adjustments), respectively. Upon full conversion of such convertible notes, 58,149,779 and 29,916,897 shares of ITC Properties would be issued to such indirect wholly-owned subsidiary of Hanny. An indirect wholly-owned subsidiary of the Company held warrants (listed equity derivatives) with rights to subscribe for 6,468,000 shares of ITC Properties at the subscription price of HK\$2.625 per share of ITC Properties (subject to adjustments). An indirect wholly-owned subsidiary of Hanny held warrants (listed equity derivatives) with rights to subscribe for 15,280,552 shares of ITC Properties at the subscription price of HK\$2.625 per share of ITC Properties (subject to adjustments). An indirect wholly-owned subsidiary of the Company owned approximately 49.90% of the issued share capital of Hanny and Dr. Chan Kwok Keung, Charles held approximately 0.47% of the issued share capital of Hanny. By virtue of his direct and deemed interests in approximately 34.77% of the issued share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares and underlying shares of ITC Properties held by the subsidiaries of Hanny and the Company.

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

- Details of outstanding share options (unlisted equity derivatives) granted to the directors of the Company by ITC Properties as at 31st March, 2009 were as follows:

Name of optionholder	Date of grant	Option period*	Number of share options		Exercise price per share of ITC Properties as at 31st March, 2009** (subject to adjustments) HK\$
			Outstanding as at 1.4. 2008	Outstanding as at 31. 3. 2009	
Chau Mei Wah, Rosanna	27.7.2007	27.7.2007 to 26.7.2011	3,000,000	190,320**	10.55
Chan Fut Yan (Note)	27.7.2007	27.7.2007 to 26.7.2011	7,000,000	444,080**	10.55
Cheung Hon Kit (Note)	27.7.2007	27.7.2007 to 26.7.2011	12,000,000	761,280**	10.55

Note: Other than the above, the options held by Mr. Chan Fut Yan and Mr. Cheung Hon Kit to subscribe for 6,000,000 shares and 10,000,000 shares at HK\$0.50 per share of ITC Properties during the option period from 15th August, 2006 to 14th August, 2008 were adjusted to options to subscribe for 9,516,000 shares and 15,860,000 shares, respectively, at HK\$0.315 per share of ITC Properties as a result of rights issue of ITC Properties in August 2008. All these share options lapsed on 15th August, 2008.

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

\*\* The change of exercise price per share of ITC Properties from HK\$0.67 to HK\$10.55 and the change of number of shares of ITC Properties to be issued upon exercise of share options during the year were due to the adjustments as a result of the rights issue of ITC Properties in August 2008 and the capital reorganisation of ITC Properties in March 2009.

## 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 ITC Properties Group Limited ("ITC Properties")*** *(continued)*

*Notes: (continued)*

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

As at 31st March, 2009, Hanny, PYI, Burcon and ITC Properties were associated corporations of the Company within the meaning of Part XV of the SFO.

Dr. Chan Kwok Keung, Charles was, by virtue of his direct and deemed interests in approximately 34.77% of the issued 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, 2009, 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' REPORT *(continued)*

### SHARE OPTION SCHEME

The share option scheme of the Company adopted on 16th January, 2002 (as amended on 19th September, 2007). Details of the movements in share options granted under the share option scheme of the Company during the year were as follows:

Name or category of participants	Date of grant	Exercisable period*	Exercise price per share (subject to adjustments) HK\$	Number of shares of the Company to be issued upon exercise of the share options					Outstanding as at 31.3.2009
				Outstanding as at 1.4.2008	Granted during the year	Exercised during the year	Cancelled or lapsed during the year	Re-classified during the year	
Directors of the Company									
Chau Mei Wah, Rosanna	28.3.2008	28.3.2008 to 27.3.2011	0.385	26,900,000	-	-	-	-	26,900,000
Chan Kwok Chuen, Augustine	28.3.2008	28.3.2008 to 27.3.2011	0.385	12,000,000	-	-	-	-	12,000,000
Chan Fut Yan	28.3.2008	28.3.2008 to 27.3.2011	0.385	25,000,000	-	-	-	-	25,000,000
Cheung Hon Kit	28.3.2008	28.3.2008 to 27.3.2011	0.385	25,000,000	-	-	-	-	25,000,000
Chuck, Winston Calptor	28.3.2008	28.3.2008 to 27.3.2011	0.385	2,500,000	-	-	-	-	2,500,000
Lee Kit Wah	28.3.2008	28.3.2008 to 27.3.2011	0.385	2,500,000	-	-	-	-	2,500,000
Shek Lai Him, Abraham	28.3.2008	28.3.2008 to 27.3.2011	0.385	2,500,000	-	-	-	-	2,500,000
Employees	28.3.2008	28.3.2008 to 27.3.2011	0.385	30,200,000	-	-	(1,000,000)	(4,000,000)#	25,200,000
Other participants	28.3.2008	28.3.2008 to 27.3.2011	0.385	72,000,000	-	-	-	4,000,000#	76,000,000
Total				198,600,000	-	-	(1,000,000)	-	197,600,000

\* These share options vested at the date of grant.

# Reclassify between the categories of employee(s) and other participant(s) due to change in category of certain optionholder(s).

Details of the share option scheme of the Company are set out in note 40 to the consolidated financial statements.

Save as disclosed herein, at no time during the year was the Company or any of its subsidiaries a party to any arrangements which enabled the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate, and none of the directors, chief executives or their spouse or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised any such right during the year.

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 50 to the consolidated financial statements, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the directors of the Company was interested in any business apart from the Group's businesses which compete or is likely to compete, either directly or indirectly, with the businesses of the Group as at 31st March, 2009.

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

As at 31st March, 2009, 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 shares of the Company held	Number of underlying shares of the Company held	Approximate percentage of the issued share capital of the Company <i>(Note 2)</i>
Chan Kwok Keung, Charles	Beneficial owner	Long position	31,588,330 <i>(Note 1)</i>	-	4.69%
Chan Kwok Keung, Charles	Beneficial owner	Long position	-	1,263,533 <i>(Note 1)</i>	0.18%
Chan Kwok Keung, Charles	Interest of controlled corporation <i>(Note 1)</i>	Long position	202,678,125 <i>(Note 1)</i>	-	30.08%
Chan Kwok Keung, Charles	Interest of controlled corporation <i>(Note 1)</i>	Long position	-	8,107,125 <i>(Note 1)</i>	1.20%
Chinaview International Limited	Interest of controlled corporation <i>(Note 1)</i>	Long position	202,678,125 <i>(Note 1)</i>	-	30.08%
Chinaview International Limited	Interest of controlled corporation <i>(Note 1)</i>	Long position	-	8,107,125 <i>(Note 1)</i>	1.20%
Galaxyway Investments Limited	Beneficial owner	Long position	202,678,125 <i>(Note 1)</i>	-	30.08%
Galaxyway Investments Limited	Beneficial owner	Long position	-	8,107,125 <i>(Note 1)</i>	1.20%
Ng Yuen Lan, Macy	Interest of spouse <i>(Note 1)</i>	Long position	234,266,455	-	34.77%
Ng Yuen Lan, Macy	Interest of spouse <i>(Note 1)</i>	Long position	-	9,370,658 <i>(Note 1)</i>	1.39%
Get Nice Holdings Limited	Interest of controlled corporation <i>(Note 3)</i>	Long position	351,538,460 <i>(Note 3)</i>	-	52.18%

## DIRECTORS' REPORT *(continued)*

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

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

Name	Capacity	Long position/ Short position	Number of shares of the Company held	Number of underlying shares of the Company held	Approximate percentage of the issued share capital of the Company <i>(Note 2)</i>
Get Nice Incorporated	Interest of controlled corporation <i>(Note 3)</i>	Long position	351,538,460 <i>(Note 3)</i>	-	52.18%
Get Nice Securities Limited	Beneficial owner	Long position	351,538,460 <i>(Note 3)</i>	-	52.18%

*Notes:*

- Galaxyway Investments Limited was a wholly-owned subsidiary of Chinaview International Limited 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 International Limited, Dr. Chan Kwok Keung, Charles and Ms. Ng Yuen Lan, Macy were deemed to be interested in 202,678,125 shares of the Company and warrants (listed equity derivatives) with rights to subscribe for 8,107,125 shares of the Company at the subscription price of HK\$0.22 per share of the Company (subject to adjustments) interested by Galaxyway Investments Limited. Dr. Chan Kwok Keung, Charles was personally interested in 31,588,330 shares of the Company and warrants (listed equity derivatives) with rights to subscribe for 1,263,533 shares of the Company at the subscription price of HK\$0.22 per share of the Company (subject to adjustments). Ms. Ng Yuen Lan, Macy was deemed to be interested in the shares and warrants of the Company held by Dr. Chan Kwok Keung, Charles. The above interests in shares and underlying shares were disclosed on the assumption that the Capital Reorganisation has been effective and the Rights Issue is completed without taking into consideration of any adjustment to the subscription price of the warrants of the Company pursuant to the Capital Reorganisation and the Rights Issue. The above interests in shares have also taken into account the interests of Dr. Chan Kwok Keung, Charles under the CC Undertaking Letter.
- The percentage of shareholding in the Company is calculated on the assumption that (i) the Capital Reorganisation has been effective; and (ii) the Rights Issue is completed.
- These are the rights shares, based on the number of shares of the Company in issue as at the record date of the Rights Issue, which Get Nice Securities Limited, the underwriter to the Rights Issue, has underwritten pursuant to the underwriting agreement dated 16th March, 2009 in relation to the Rights Issue. Get Nice Securities Limited is wholly-owned by Get Nice Incorporated which in turn is wholly-owned by Get Nice Holdings Limited.

**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**

<b>Name</b>	<b>Capacity</b>	<b>Long position/ Short position</b>	<b>Number of shares of the Company held (Note 1)</b>	<b>Approximate percentage of the issued share capital of the Company (Note 2)</b>
Paul G. Desmarais	Interest of controlled corporations <i>(Note 1)</i>	Long position	46,572,020	6.91%
Nordex Inc.	Interest of controlled corporations <i>(Note 1)</i>	Long position	46,572,020	6.91%
Gelco Enterprises Ltee	Interest of controlled corporations <i>(Note 1)</i>	Long position	46,572,020	6.91%
Power Corporation of Canada	Interest of controlled corporations <i>(Note 1)</i>	Long position	46,572,020	6.91%
2795957 Canada Inc.	Interest of controlled corporations <i>(Note 1)</i>	Long position	46,572,020	6.91%
171263 Canada Inc.	Interest of controlled corporations <i>(Note 1)</i>	Long position	46,572,020	6.91%
Power Financial Corporation	Interest of controlled corporations <i>(Note 1)</i>	Long position	46,572,020	6.91%
IGM Financial Inc.	Interest of controlled corporations <i>(Note 1)</i>	Long position	46,572,020	6.91%
Mackenzie Inc.	Interest of controlled corporations <i>(Note 1)</i>	Long position	46,572,020	6.91%
Mackenzie Financial Corporation	Interest of controlled corporations <i>(Note 1)</i>	Long position	46,572,020	6.91%



## 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)***

Notes:

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

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

The shareholding in the Company was disclosed on the assumption that the Capital Reorganisation has been effective and the entitlements of the rights shares were fully accepted by these corporations pursuant to the Rights Issue. Accordingly, as disclosed, each of the parties named in the above table was taken to be interested in 46,572,020 shares of the Company.

2. The percentage of shareholding in the Company is calculated on the assumption that (i) the Capital Reorganisation has been effective; and (ii) the Rights Issue is completed.

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, 2009.

### RETIREMENT BENEFIT SCHEMES

Information on the Group's retirement benefit schemes is set out in note 45 to the consolidated financial statements.

### PRE-EMPTIVE RIGHTS

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

### PUBLIC FLOAT

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

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

During the year ended 31st March, 2009, there were no purchases, sales or redemptions by the Company, or any of its subsidiaries, of the Company's listed securities.

## DIRECTORS' REPORT *(continued)*

### POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 49 to the consolidated financial statements.

### AUDITOR

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

On behalf of the Board

**Dr. Chan Kwok Keung, Charles**

*Chairman*

Hong Kong, 28th July, 2009

## INDEPENDENT AUDITOR'S 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") set out on pages 33 to 100, which comprise the consolidated balance sheet as at 31st March, 2009, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

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

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

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

### OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st March, 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong, 28th July, 2009

**CONSOLIDATED INCOME STATEMENT**

FOR THE YEAR ENDED 31ST MARCH, 2009

	Notes	2009 HK\$'000	2008 HK\$'000
<b>Continuing operations</b>			
Turnover			
– gross proceeds	4	<u>255,994</u>	<u>718,056</u>
Revenue	4	<u>46,453</u>	<u>155,699</u>
Management and other related service income		3,509	5,110
Net (loss) gain on financial instruments	5	(16,735)	159,441
Interest income		37,945	71,530
Property rental income		3,672	1,615
Other income	6	709	9,831
(Loss) gain on changes in fair values of investment properties		(16,744)	4,566
Administrative expenses		(64,951)	(122,868)
Impairment loss recognised in respect of available-for-sale investments		(24,086)	(20,960)
Finance costs	8	(16,517)	(57,040)
Net gain (loss) on deemed disposal and disposal of subsidiaries and associates	9	28,881	(88,638)
Share of results of associates			
– share of results		(689,730)	160,939
– discount on acquisitions of associates		37,654	200,975
(Loss) profit before taxation	10	<u>(716,393)</u>	<u>324,501</u>
Taxation	11	<u>2,894</u>	<u>(10,669)</u>
(Loss) profit for the year from continuing operations		<u>(713,499)</u>	<u>313,832</u>
<b>Discontinued operation</b>			
Profit for the year from discontinued operation	12	<u>-</u>	<u>2</u>
(Loss) profit for the year		<u>(713,499)</u>	<u>313,834</u>
Attributable to:			
Equity holders of the Company		(713,499)	252,051
Minority interests		-	61,783
		<u>(713,499)</u>	<u>313,834</u>
Distributions	13	<u>8,596</u>	<u>78,043</u>
(Loss) earnings per share	14	HK\$	HK\$
<b>From continuing and discontinued operations</b>			
Basic		<u>(1.52)</u>	<u>0.57</u>
Diluted		<u>(1.52)</u>	<u>0.52</u>
<b>From continuing operations</b>			
Basic		<u>(1.52)</u>	<u>0.57</u>
Diluted		<u>(1.52)</u>	<u>0.52</u>

**CONSOLIDATED BALANCE SHEET**

AT 31ST MARCH, 2009

	Notes	2009 HK\$'000	2008 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	15	68,484	88,621
Investment properties	16	54,592	9,511
Prepaid lease payments	17	57,892	85,223
Intangible assets	18	830	830
Interests in associates	19	2,305,330	2,745,768
Debt portion of convertible notes	20	192,377	180,555
Conversion options embedded in convertible notes	20	-	1,923
Available-for-sale investments	21	39,239	117,377
		<b>2,718,744</b>	<b>3,229,808</b>
<b>Current assets</b>			
Inventories		28	33
Prepaid lease payments	17	1,544	2,214
Debtors, deposits and prepayments	22	10,862	8,898
Margin account receivables	23	55	2,930
Amounts due from associates	24	218,626	261,294
Amounts due from related companies	25	96	6,753
Loan receivable	26	25,000	25,000
Financial assets designated at fair value through profit or loss	27	-	5,390
Investments held for trading	28	2,073	33,433
Derivative financial instruments	29	2,876	-
Short-term bank deposits, bank balances and cash	30	13,700	70,297
		<b>274,860</b>	<b>416,242</b>
Non-current assets classified as held for sale	31	-	59,482
		<b>274,860</b>	<b>475,724</b>
<b>Current liabilities</b>			
Margin account payables	23	4,231	1,835
Creditors and accrued expenses	32	12,935	20,524
Amounts due to associates	33	6,040	832
Bank borrowings - due within one year	34	2,973	2,450
Bank overdrafts	35	16,476	29,457
Convertible notes payable	36	197,299	-
		<b>239,954</b>	<b>55,098</b>
<b>Net current assets</b>		<b>34,906</b>	<b>420,626</b>
<b>Total assets less current liabilities</b>		<b>2,753,650</b>	<b>3,650,434</b>

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

AT 31ST MARCH, 2009

	<i>Notes</i>	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
<b>Non-current liabilities</b>			
Bank borrowings – due after one year	34	<b>64,394</b>	55,200
Convertible notes payable	36	–	192,952
Deferred tax liabilities	37	<b>8,104</b>	5,851
		<hr/> <b>72,498</b>	<hr/> 254,003
<b>Net assets</b>		<b>2,681,152</b>	3,396,431
<b>Capital and reserves</b>			
Share capital	39	<b>269,461</b>	269,460
Share premium and reserve		<b>2,411,691</b>	3,126,971
		<hr/> <b>2,681,152</b>	<hr/> 3,396,431

The consolidated financial statements on pages 33 to 100 were approved and authorised for issue by the Board of Directors on 28th July, 2009 and are signed on its behalf by:

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

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH, 2009

	Attributable to equity holders of the Company															Minority interests	Total		
	Share capital	Share premium	Contributed surplus	Reserve on acquisition	Capital redemption reserve	Other reserve	Property revaluation reserve	Investment revaluation reserve	Translation reserve	Convertible notes reserve	Warrant reserve	Preference share reserve	Share option reserve	Accumulated profits	Convertible notes reserve of subsidiary			Share option reserve of subsidiary	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1st April, 2007	187,298	280,179	1,108,927	(81,306)	908	3,525	6,664	(1,588)	53,096	-	-	868	-	1,251,855	2,810,426	55,279	-	1,506,355	4,372,060
Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	-	-	8,299	-	-	-	-	-	8,299	-	-	3,798	12,097
Share of post-acquisition reserve movements of associates	-	-	-	-	-	-	-	(57,059)	82,757	-	-	-	-	-	25,698	-	-	5,999	31,697
Surplus arising from revaluation of:																			
- land and buildings	-	-	-	-	-	-	13,218	-	-	-	-	-	-	-	13,218	-	-	-	13,218
- available-for-sale investments	-	-	-	-	-	-	-	97,575	-	-	-	-	-	-	97,575	-	-	41,110	138,685
Deferred tax liability arising on revaluation of land and buildings	-	-	-	-	-	-	(3,007)	-	-	-	-	-	-	(3,007)	-	-	-	-	(3,007)
Net income recognised directly in equity	-	-	-	-	-	-	10,211	40,516	91,056	-	-	-	-	-	141,783	-	-	50,907	192,690
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	252,051	252,051	-	-	61,783	313,834
Impairment loss on available-for-sale investments	-	-	-	-	-	-	-	20,960	-	-	-	-	-	-	20,960	-	-	-	20,960
Released on loss of control of subsidiaries as a result of deemed disposal	-	-	-	(106)	-	97	-	(617)	(352)	-	-	-	-	(978)	(55,099)	(69)	(2,120,666)	(2,176,812)	
Released on deemed disposal and disposal of partial interests in:																			
- subsidiaries	-	-	-	(2,580)	-	1,144	-	(7,302)	(6,861)	-	-	-	-	(15,599)	-	-	504,524	488,925	
- associates	-	-	-	646	-	46	-	(349)	(583)	-	-	-	-	(240)	-	-	-	(240)	
Released on disposal of available-for-sale investments	-	-	-	-	-	-	-	(20,183)	-	-	-	-	-	(20,183)	-	-	-	-	(20,183)
Total recognised income and expenses for the year	-	-	-	(2,040)	-	1,267	10,211	33,025	83,260	-	-	-	-	252,051	377,794	(55,099)	(69)	(1,503,452)	(1,180,826)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	18,768	-	18,768	-	69	-	18,837
Recognition of equity component of convertible notes	-	-	-	-	-	-	-	-	-	4,183	-	-	-	-	4,183	-	-	-	4,183
Issue of shares:																			
- on placement of shares	30,000	192,000	-	-	-	-	-	-	-	-	-	-	-	222,000	-	-	-	-	222,000
- on conversion of redeemable convertible preference shares	102	961	-	-	-	-	-	-	-	-	(4)	-	-	1,059	-	-	-	-	1,059
- under scrip dividend scheme	8,580	(8,580)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- on bonus issue	43,480	(43,480)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transaction costs attributable to issue of shares	-	(6,794)	-	-	-	-	-	-	-	-	-	-	-	(6,794)	-	-	-	-	(6,794)
Distributions	-	-	-	-	-	-	-	-	-	-	-	-	(78,043)	(78,043)	-	-	-	-	(78,043)
Released on conversion of convertible notes of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(180)	-	4,431	4,251	
Redemption of redeemable convertible preference shares	-	-	-	-	-	-	-	-	-	-	(864)	-	864	-	-	-	-	-	-
Credit arising on scrip dividends	-	-	-	-	-	-	-	-	-	-	-	-	46,465	46,465	-	-	-	-	46,465
Share of post-acquisition reserve movements of associates	-	-	-	(265)	-	(248)	-	-	-	-	-	-	1,086	573	-	-	(7,334)	(6,761)	
At 31st March, 2008	269,460	414,286	1,108,927	(83,611)	908	4,564	16,875	31,437	136,356	4,183	-	-	18,768	1,474,278	3,396,431	-	-	-	3,396,431

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

FOR THE YEAR ENDED 31ST MARCH, 2009

	Attributable to equity holders of the Company														Convertible notes reserve of a subsidiary	Share option reserve of a subsidiary	Minority interests	Total	
	Share capital	Share premium	Contributed surplus	Reserve on acquisition	Capital redemption reserve	Other reserve	Property revaluation reserve	Investment revaluation reserve	Translation reserve	Convertible notes reserve	Warrant reserve	Preference share reserve	Share option reserve	Accumulated profits					Total
	HK\$ '000	HK\$ '000	HK\$ '000 (Note a)	HK\$ '000 (Note b)	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	
At 1st April, 2008	269,460	414,286	1,108,927	(83,611)	908	4,564	16,875	31,437	136,356	4,183	-	-	18,768	1,474,278	3,396,431	-	-	-	3,396,431
Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	-	-	(7,168)	-	-	-	-	(7,168)	-	-	-	-	(7,168)
Share of post-acquisition reserve movements of associates	-	-	-	-	-	-	-	5,963	11,670	-	-	-	-	17,633	-	-	-	-	17,633
Surplus (deficit) arising from revaluation of:																			
- prepaid lease payments upon transfer to investment properties	-	-	-	-	-	-	33,513	-	-	-	-	-	-	33,513	-	-	-	-	33,513
- land and buildings	-	-	-	-	-	-	(653)	-	-	-	-	-	-	(653)	-	-	-	-	(653)
- available-for-sale investments	-	-	-	-	-	-	-	(61,995)	-	-	-	-	-	(61,995)	-	-	-	-	(61,995)
Deferred tax liability arising on revaluation of land and buildings	-	-	-	-	-	-	(5,374)	-	-	-	-	-	-	(5,374)	-	-	-	-	(5,374)
Effect of change in tax rate	-	-	-	-	-	-	227	-	-	-	-	-	-	227	-	-	-	-	227
Net income (expense) recognised directly in equity	-	-	-	-	-	-	27,713	(56,032)	4,502	-	-	-	-	(23,817)	-	-	-	-	(23,817)
Loss for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	(713,499)	(713,499)	-	-	-	(713,499)
Impairment loss on available-for-sale investments	-	-	-	-	-	-	-	24,086	-	-	-	-	-	24,086	-	-	-	-	24,086
Released on deemed disposal and disposal of partial interests in associates	-	-	-	79	-	(5)	-	-	(86)	-	-	-	-	(12)	-	-	-	-	(12)
Released on disposal of available-for-sale investments	-	-	-	-	-	-	-	(5,315)	-	-	-	-	-	(5,315)	-	-	-	-	(5,315)
Total recognised income and expenses for the year	-	-	-	79	-	(5)	27,713	(37,261)	4,416	-	-	-	-	(713,499)	(718,557)	-	-	-	(718,557)
Issue of bonus warrants	-	-	-	-	-	-	-	-	-	-	512	-	-	(512)	-	-	-	-	-
Transaction costs attributable to issue of bonus warrants	-	-	-	-	-	-	-	-	-	-	(512)	-	-	(512)	-	-	-	-	(512)
Issue of shares on exercise of warrants	1	1	-	-	-	-	-	-	-	-	-	-	-	2	-	-	-	-	2
Distributions	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,084)	(8,084)	-	-	-	(8,084)
Released upon lapse of vested share options	-	-	-	-	-	-	-	-	-	-	-	-	(95)	95	-	-	-	-	-
Share of post-acquisition reserve movements of associates	-	-	-	(13,888)	-	4,595	-	-	-	-	-	-	-	21,165	11,872	-	-	-	11,872
At 31st March, 2009	269,461	414,287	1,108,927	(97,420)	908	9,154	44,588	(5,824)	140,772	4,183	-	-	18,673	773,443	2,681,152	-	-	-	2,681,152

## Notes:

- (a) The contributed surplus of the Group comprises the difference between the nominal amount of the ordinary share capital issued by the Company in exchange for the nominal amount of the share capital of a subsidiary acquired pursuant to a corporate reorganisation on 24th January, 1992 and the credits arising from the changes in the capital and reserves of the Company in capital reorganisations and the transfers to the accumulated losses as approved by the board of directors from time to time.
- (b) The reserve on acquisition represents:
- the amount of fair value changes shared by the Group in relation to the acquisition of additional interest in a subsidiary of an associate;
  - the amount of fair value changes shared by the Group in relation to the acquisition of a subsidiary by an associate; and
  - the amount of fair value changes arising from the acquisition of additional interest in a subsidiary by the Group.



## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2009

	2009 HK\$'000	2008 HK\$'000
<b>OPERATING ACTIVITIES</b>		
(Loss) profit before taxation	(716,393)	324,503
Adjustments for:		
Allowance recognised (reversed) for:		
- amounts due from associates and related companies	2,086	2,511
- debtors, deposits and prepayments	158	(901)
Depreciation of property, plant and equipment	9,287	10,408
Release of prepaid lease payments	1,599	2,214
Net (gain) loss on deemed disposal and disposal of subsidiaries and associates	(28,881)	88,660
Loss (gain) on changes in fair values of:		
- conversion options embedded in convertible notes	1,923	(64,396)
- derivative financial instruments	3,004	-
- financial assets designated at fair value through profit or loss	-	(11,873)
- investments held for trading	18,029	(42,150)
- investment properties	16,744	(4,566)
(Gain) loss on disposal of:		
- available-for-sale investments	(5,315)	(20,183)
- property, plant and equipment	24	(1,537)
Impairment loss (reversed) recognised on:		
- intangible assets	-	(25)
- available-for-sale investments	24,086	20,960
Imputed portion of interest on convertible notes	(11,822)	(9,056)
Interest expenses	16,517	57,040
Share-based payment expense	-	18,837
Share of results of associates	652,076	(361,914)
Operating cash flows before movements in working capital	(16,878)	8,532
Decrease (increase) in inventories	5	(104)
(Increase) decrease in debtors, deposits and prepayments	(2,122)	95,395
Decrease (increase) in margin account receivables	2,875	(15,103)
Decrease (increase) in amounts due from associates	42,573	(42,365)
Decrease (increase) in amounts due from related companies	4,666	(1,895)
Decrease in loan receivable	-	2,286
Decrease in financial assets designated at fair value through profit or loss	5,390	20,768
Decrease (increase) in investments held for trading	13,331	(33,144)
Decrease in derivative financial instruments	-	(222)
Increase in margin account payables	2,396	1,176
(Decrease) increase in creditors and accrued expenses	(7,589)	53,711
Increase in amounts due to associates	5,208	5,103
Cash generated from operations	49,855	94,138
Dividends received from associates	1,294	35,263
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>51,149</b>	<b>129,401</b>

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

FOR THE YEAR ENDED 31ST MARCH, 2009

	Note	2009 HK\$'000	2008 HK\$'000
<b>INVESTING ACTIVITIES</b>			
Acquisition of additional interests in associates		(188,380)	(351,976)
Advance to an associate		(53,690)	-
Acquisition of derivative financial instruments		(2,442)	-
Additions to property, plant and equipment		(2,305)	(21,195)
Additions to available-for-sale investments		(514)	(67,998)
Proceeds from disposal of interests in and loan to associates		143,556	165,213
Proceeds from disposal of available-for-sale investments		16,657	51,118
Investment in financial assets designated at fair value through profit or loss		-	(158,279)
Deposits (paid) for acquisition of long-term investments		-	(110,000)
Deemed disposal and disposal of subsidiaries, net of cash and cash equivalents disposed	43	-	(82,751)
Acquisition of convertible notes		-	(69,974)
Proceeds from disposal of partial interests in subsidiaries		-	131,688
Deposits refunded for acquisition of subsidiaries		-	20,000
Proceeds from disposal of property, plant and equipment		-	1,857
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(87,118)</b>	<b>(492,297)</b>
<b>FINANCING ACTIVITIES</b>			
Interest paid		(12,170)	(46,568)
Dividends paid		(8,084)	(31,578)
Repayments of bank borrowings		(2,450)	(33,612)
Payment of transaction costs attributable to issue of warrants		(512)	-
New bank borrowings raised		12,167	30,000
Gross proceeds from exercise of warrants		2	-
Redemption of redeemable convertible preference shares		-	(280,966)
Payment of transaction costs attributable to issue of shares of the Company and a subsidiary		-	(12,279)
Payment of transaction costs attributable to issue of convertible notes payable		-	(4,579)
Gross proceeds from issue of shares		-	222,000
Gross proceeds on issue of convertible notes payable		-	200,000
Gross proceeds from issue of shares of a subsidiary		-	147,900
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>		<b>(11,047)</b>	<b>190,318</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(47,016)</b>	<b>(172,578)</b>
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>		<b>40,840</b>	<b>210,705</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		<b>3,400</b>	<b>2,713</b>
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>		<b>(2,776)</b>	<b>40,840</b>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Short-term bank deposits, bank balances and cash		13,700	70,297
Bank overdrafts		(16,476)	(29,457)
		<b>(2,776)</b>	<b>40,840</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2009

### 1. GENERAL

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

The consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is also the functional currency of the Company.

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries and the Group's principal associates are set out in notes 52 and 19, respectively.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, the Group has applied the following new amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are or have become effective.

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

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

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

FOR THE YEAR ENDED 31ST MARCH, 2009

**2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")** *(continued)*

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

HKFRSs (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>2</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>3</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>3</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>4</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>3</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>4</sup>
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>3</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>3</sup>
HKFRS 3 (Revised)	Business Combinations <sup>4</sup>
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments <sup>3</sup>
HKFRS 8	Operating Segments <sup>3</sup>
HK(IFRIC) - Int 9 & HKAS 39 (Amendments)	Embedded Derivatives <sup>5</sup>
HK(IFRIC) - Int 13	Customer Loyalty Programmes <sup>6</sup>
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate <sup>3</sup>
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation <sup>7</sup>
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners <sup>4</sup>
HK(IFRIC) - Int 18	Transfers of Assets from Customers <sup>8</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2009, 1st July, 2009 and 1st January, 2010, as appropriate

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

<sup>4</sup> Effective for annual periods beginning on or after 1st July, 2009

<sup>5</sup> Effective for annual periods ending on or after 30th June, 2009

<sup>6</sup> Effective for annual periods beginning on or after 1st July, 2008

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

<sup>8</sup> Effective for transfers on or after 1st July, 2009

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st April, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material effect on how the results and the financial position of the Group are prepared and presented.

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

FOR THE YEAR ENDED 31ST MARCH, 2009

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

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

#### **Business combinations**

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

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

#### **Acquisition of additional interests in subsidiaries**

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

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

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

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

FOR THE YEAR ENDED 31ST MARCH, 2009

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

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

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

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

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

No depreciation is provided in respect of freehold land.

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

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

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

#### **Investment properties**

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

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

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

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

FOR THE YEAR ENDED 31ST MARCH, 2009

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

#### **Interests in associates**

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

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

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

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

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

#### **Intangible assets**

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

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

#### **Financial instruments**

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

#### **Financial assets**

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

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

FOR THE YEAR ENDED 31ST MARCH, 2009

**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Financial instruments** *(continued)***Financial assets** *(continued)**Effective interest method*

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

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

*Financial assets at fair value through profit or loss*

Financial assets at FVTPL have two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

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

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

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

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



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

FOR THE YEAR ENDED 31ST MARCH, 2009

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

#### **Financial instruments** *(continued)*

##### **Financial assets** *(continued)*

###### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other debtors, margin account receivables, loan receivable, bank balances and cash, amounts due from associates/related companies and debt portion of convertible notes) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

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

###### *Available-for-sale financial assets*

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

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

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

###### *Impairment of financial assets*

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

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

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

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

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

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

FOR THE YEAR ENDED 31ST MARCH, 2009

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

#### **Financial instruments** *(continued)*

##### **Financial assets** *(continued)*

##### *Impairment of financial assets (continued)*

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments carried at fair value will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

##### **Financial liabilities and equity**

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are classified as other financial liabilities.

##### *Effective interest method*

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

Interest expense is recognised on an effective interest basis.

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

FOR THE YEAR ENDED 31ST MARCH, 2009

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

#### **Financial instruments** *(continued)*

##### **Financial liabilities and equity** *(continued)*

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

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

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes payable/redeemable convertible preference shares and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes/preference shares into equity, is included in equity (convertible notes reserve/preference share reserve).

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

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

##### *Other financial liabilities*

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

##### *Equity instruments*

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

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

FOR THE YEAR ENDED 31ST MARCH, 2009

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

#### **Financial instruments** *(continued)*

#### **Financial liabilities and equity** *(continued)*

##### *Warrants*

Warrants issued by the Company that will be settled by the exchange of fixed amount of cash for a fixed number of the Company's own equity instruments are classified as equity instruments.

The fair value of warrants on the date of declaration of dividend is recognised in equity (warrant reserve). The warrant reserve will be transferred to share capital and share premium upon exercise of warrants. Where the warrants remain unexercised at the expiry date, the balance stated in warrant reserve will be released to the accumulated profits. Transaction costs related to the issue of the warrants are charged directly to equity.

#### **Derivative financial instruments**

Derivatives that do not qualify for hedge accounting are deemed as financial assets held for trading. Such derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

##### *Embedded derivatives*

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held for trading when their characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

#### **Derecognition**

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

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### **Inventories**

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

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

FOR THE YEAR ENDED 31ST MARCH, 2009

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

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

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

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, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

#### **Non-current assets classified as held for sale**

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

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

#### **Revenue recognition**

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

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

Service income is recognised when services are rendered.

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

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

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

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

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

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

FOR THE YEAR ENDED 31ST MARCH, 2009

### 3. 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 the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation 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 exchange 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 Group (i.e. HKD) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

#### Taxation

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

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

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

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

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

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

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

FOR THE YEAR ENDED 31ST MARCH, 2009

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

#### **Retirement benefit costs**

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

#### **Borrowing costs**

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

#### **Leasing**

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

#### ***The Group as lessor***

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

#### ***The Group as lessee***

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

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

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

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

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

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

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

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

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share option reserve), when the counterparties render services unless the services qualify for recognition as part of the cost of assets.

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

FOR THE YEAR ENDED 31ST MARCH, 2009

**4. TURNOVER, GROSS PROCEEDS, REVENUE AND SEGMENT INFORMATION**

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

	2009 HK\$'000	2008 HK\$'000
<b>Continuing operations</b>		
Interest income	37,945	71,530
Property rental income	3,672	1,615
Dividend income from listed investments	947	1,403
Net gains arising from changes in fair value of:		
- Investments held for trading	-	42,150
- Financial assets designated at FVTPL	-	11,873
Net gain on disposal of investments held for trading	-	21,975
Others	3,889	5,153
	<u>46,453</u>	<u>155,699</u>
<b>Discontinued operation</b>		
Trading of building materials and machinery	-	2,547
	<u>46,453</u>	<u>158,246</u>

**Business segments**

For management purposes, the Group's operations are organised into four (2008: five) operating divisions, namely finance, securities investment, other investment and property investment. In prior years, the Group's operations also included a trading of building materials and machinery operating division, which was discontinued in 2008. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

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

On 26th October, 2007, the Group disposed of its entire interest in a subsidiary engaged in trading of building materials and machinery business (note 12), which resulted in discontinuation of business segment of trading of building materials and machinery.



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

FOR THE YEAR ENDED 31ST MARCH, 2009

**4. TURNOVER, GROSS PROCEEDS, REVENUE AND SEGMENT INFORMATION** (continued)**Business segments** (continued)

Gross proceeds included in turnover presented below represent amounts received and receivables from outside customers for the period together with gross proceeds from disposal of financial instruments which arise incidental to the main revenue generating activities of the Group.

Business segment information for the year ended 31st March, 2009 is presented below:

	Continuing operations						Discontinued operation	Consolidated HK\$'000	
	Finance HK\$'000	Securities investment HK\$'000	Other investment HK\$'000	Property investment HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Total HK\$'000		Trading of building materials and machinery HK\$'000
<b>TURNOVER</b>									
- GROSS PROCEEDS	33,161	205,099	21,593	7,582	3,889	(15,330)	255,994	-	255,994
<b>REVENUE</b>									
External sales	21,741	947	16,204	3,672	3,889	-	46,453	-	46,453
Inter-segment sales	11,420	-	-	3,910	-	(15,330)	-	-	-
Total	33,161	947	16,204	7,582	3,889	(15,330)	46,453	-	46,453
<b>RESULT</b>									
Segment result	(8,259)	(36,632)	11,193	(14,282)	(1,680)	-	(49,660)	-	(49,660)
Unallocated corporate expenses							(27,021)	-	(27,021)
Finance costs							(16,517)	-	(16,517)
Net gain on deemed disposal and disposal of subsidiaries and associates							28,881	-	28,881
Share of results of associates									
- share of results							(689,730)	-	(689,730)
- discount on acquisitions of associates							37,654	-	37,654
Loss before taxation							(716,393)	-	(716,393)
Taxation							2,894	-	2,894
Loss for the year							(713,499)	-	(713,499)

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

FOR THE YEAR ENDED 31ST MARCH, 2009

**4. TURNOVER, GROSS PROCEEDS, REVENUE AND SEGMENT INFORMATION** (continued)**Business segments** (continued)

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

	Continuing operations				Discontinued operation	Unallocated HK\$'000	Consolidated HK\$'000
	Finance HK\$'000	Securities investment HK\$'000	Other investment HK\$'000	Property investment HK\$'000	Trading of building materials and machinery HK\$'000		
<b>BALANCE SHEET</b>							
<b>ASSETS</b>							
Segment assets	249,053	2,128	251,396	54,592	-	-	557,169
Interests in associates							2,305,330
Unallocated corporate assets							131,105
Total assets							2,993,604
<b>LIABILITIES</b>							
Segment liabilities	-	-	-	-	-	4,231	4,231
Unallocated corporate liabilities							308,221
Total liabilities							312,452
<b>OTHER INFORMATION</b>							
Capital additions	-	-	-	-	-	2,305	2,305
Depreciation of property, plant and equipment	-	-	-	-	-	(9,287)	(9,287)
Release of prepaid lease payments	-	-	-	-	-	(1,599)	(1,599)
Net loss on:							
- conversion options embedded in convertible notes	-	-	(1,923)	-	-	-	(1,923)
- investments held for trading	-	(18,070)	-	-	-	-	(18,070)
- investment properties	-	-	-	(16,744)	-	-	(16,744)
- derivative financial instruments	-	-	(3,004)	-	-	-	(3,004)
Gain on disposal of available-for-sale investments	-	-	5,315	-	-	-	5,315
Impairment loss on available-for-sale investments	-	-	(24,086)	-	-	-	(24,086)

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

FOR THE YEAR ENDED 31ST MARCH, 2009

### 4. TURNOVER, GROSS PROCEEDS, REVENUE AND SEGMENT INFORMATION *(continued)*

#### Business segments *(continued)*

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

	Continuing operations						Discontinued operation	Consolidated	
	Finance	Securities investment	Other investment	Property investment	Unallocated	Elimination	Total		Trading of building materials and machinery
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>TURNOVER</b>									
- GROSS PROCEEDS	62,871	628,140	38,813	6,810	7,692	(26,270)	718,056	2,547	720,603
<b>REVENUE</b>									
External sales	42,794	65,528	38,070	1,615	7,692	-	155,699	2,547	158,246
Inter-segment sales	20,077	-	998	5,195	-	(26,270)	-	-	-
Total	62,871	65,528	39,068	6,810	7,692	(26,270)	155,699	2,547	158,246
<b>RESULT</b>									
Segment result	5,762	63,278	102,326	5,196	990	-	177,552	24	177,576
Unallocated corporate expenses							(69,287)	-	(69,287)
Finance costs							(57,040)	-	(57,040)
Net loss on deemed disposal and disposal of subsidiaries and associates							(88,638)	(22)	(88,660)
Share of results of associates							160,939	-	160,939
- share of results							160,939	-	160,939
- discount on acquisitions of associates							200,975	-	200,975
Profit before taxation							324,501	2	324,503
Taxation							(10,669)	-	(10,669)
Profit for the year							313,832	2	313,834

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

FOR THE YEAR ENDED 31ST MARCH, 2009

**4. TURNOVER, GROSS PROCEEDS, REVENUE AND SEGMENT INFORMATION** (continued)**Business segments** (continued)

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

	Continuing operations				Discontinued operation	Unallocated	Consolidated
	Finance	Securities investment	Other investment	Property investment	Trading of building materials and machinery		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>BALANCE SHEET</b>							
<b>ASSETS</b>							
Segment assets	296,335	36,343	376,830	9,511	-	-	719,019
Interests in associates							2,745,768
Unallocated corporate assets							240,745
Total assets							3,705,532
<b>LIABILITIES</b>							
Segment liabilities	-	1,835	-	-	-	-	1,835
Unallocated corporate liabilities							307,266
Total liabilities							309,101
<b>OTHER INFORMATION</b>							
Capital additions:							
- segment portion	-	-	-	-	3	-	3
- unallocated corporate portion	-	-	-	-	-	21,192	21,192
Depreciation of property, plant and equipment:							
- segment portion	-	-	-	-	(2)	-	(2)
- unallocated corporate portion	-	-	-	-	-	(10,406)	(10,406)
Release of prepaid lease payments	-	-	-	-	-	(2,214)	(2,214)
Net gain (loss) on:							
- conversion options embedded in convertible notes	-	-	64,396	-	-	-	64,396
- financial assets designated at FVTPL	-	-	11,128	-	-	-	11,128
- investments held for trading	-	64,125	-	-	-	-	64,125
- investment properties	-	-	-	4,566	-	-	4,566
- derivative financial statements	-	-	(1,794)	-	-	-	(1,794)
Gain on disposal of available-for-sale investments	-	-	20,183	-	-	-	20,183
Impairment loss on available-for-sale investments	-	-	(20,960)	-	-	-	(20,960)

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

FOR THE YEAR ENDED 31ST MARCH, 2009

### 4. TURNOVER, GROSS PROCEEDS, REVENUE AND SEGMENT INFORMATION *(continued)*

#### Geographical segments

Over 90% of the revenue of the Group was from the customers or counterparties located in Hong Kong, accordingly, no geographical analysis of revenue was presented.

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

	Carrying amount of segment assets		Capital additions	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Hong Kong	509,745	659,154	-	3
The PRC	1	2	-	-
Others	47,423	59,863	-	-
	<b>557,169</b>	719,019	-	3

### 5. NET (LOSS) GAIN ON FINANCIAL INSTRUMENTS

	Continuing operations		Discontinued operation		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Gain on disposal of:						
- Precious metals	-	65	-	-	-	65
- Available-for-sale investments	5,315	20,183	-	-	5,315	20,183
Dividend income on investments held for trading	947	1,403	-	-	947	1,403
Net (loss) gain on:						
- Conversion options embedded in convertible notes	(1,923)	64,396	-	-	(1,923)	64,396
- Derivative financial instruments	(3,004)	(1,794)	-	-	(3,004)	(1,794)
- Financial assets designated at FVTPL (Note)	-	11,128	-	-	-	11,128
- Investments held for trading	(18,070)	64,125	-	-	(18,070)	64,125
- Gold trading contract	-	(65)	-	-	-	(65)
	<b>(16,735)</b>	159,441	-	-	<b>(16,735)</b>	159,441

Note: No interest is earned from financial assets designated at FVTPL during the year (2008: HK\$5,365,000).

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

FOR THE YEAR ENDED 31ST MARCH, 2009

**6. OTHER INCOME**

	Continuing operations		Discontinued operation		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Reversal of allowance for bad and doubtful debts	-	1,982	-	-	-	1,982
Net foreign exchange gain	329	2,616	-	-	329	2,616
Income from internet trading system	-	1,722	-	-	-	1,722
Others	380	3,511	-	-	380	3,511
	<b>709</b>	<b>9,831</b>	<b>-</b>	<b>-</b>	<b>709</b>	<b>9,831</b>

**7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS**

The emoluments paid or payable to each of the nine (2008: eight) directors were as follows:

**(a) Directors' emoluments**

	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit scheme contributions HK\$'000	Discretionary bonus HK\$'000	Equity-settled share-based payments HK\$'000	Total HK\$'000
<b>2009</b>						
Chan Kwok Keung, Charles	10	3,240	324	-	-	3,574
Chau Mei Wah, Rosanna	10	3,240	324	-	-	3,574
Chan Kwok Chuen, Augustine	10	1,932	65	-	-	2,007
Chan Fut Yan	10	600	60	-	-	670
Cheung Hon Kit	10	-	-	-	-	10
Chan Yiu Lun, Alan	-	33	1	-	-	34
Chuck, Winston Calptor	200	-	-	-	-	200
Lee Kit Wah	200	-	-	-	-	200
Shek Lai Him, Abraham	200	-	-	-	-	200
Total	<b>650</b>	<b>9,045</b>	<b>774</b>	<b>-</b>	<b>-</b>	<b>10,469</b>
<b>2008</b>						
Chan Kwok Keung, Charles	10	3,000	300	2,500	-	5,810
Chau Mei Wah, Rosanna	10	3,000	300	2,250	2,542	8,102
Chan Kwok Chuen, Augustine	10	1,838	63	1,500	1,134	4,545
Chan Fut Yan	10	600	60	-	2,363	3,033
Cheung Hon Kit	10	-	-	-	2,363	2,373
Chuck, Winston Calptor	200	-	-	-	236	436
Lee Kit Wah	200	-	-	-	236	436
Shek Lai Him, Abraham	200	-	-	-	236	436
Total	<b>650</b>	<b>8,438</b>	<b>723</b>	<b>6,250</b>	<b>9,110</b>	<b>25,171</b>

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

FOR THE YEAR ENDED 31ST MARCH, 2009

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

Of the five individuals with the highest emoluments in the Group, three (2008: all) were directors of the Company whose emoluments are included in Note (a) above. The emoluments of the remaining two individuals were as follows:

	<b>2009</b> <b>HK\$'000</b>
Salaries and other benefits	<b>2,610</b>
Retirement benefit scheme contributions	<b>131</b>
	<b>2,741</b>

Their emoluments were within the following bands:

	<b>2009</b> <b>Number of employees</b>
HK\$1,000,001 to HK\$1,500,000	<b>1</b>
HK\$1,500,001 to HK\$2,000,000	<b>1</b>
	<b>2</b>

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.

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

**8. FINANCE COSTS**

	<b>Continuing operations</b>		<b>Discontinued operation</b>		<b>Consolidated</b>	
	<b>2009</b> <b>HK\$'000</b>	2008 <i>HK\$'000</i>	<b>2009</b> <b>HK\$'000</b>	2008 <i>HK\$'000</i>	<b>2009</b> <b>HK\$'000</b>	2008 <i>HK\$'000</i>
Interest on:						
Bank borrowings wholly repayable within five years	<b>1,122</b>	1,224	-	-	<b>1,122</b>	1,224
Bank borrowings not wholly repayable within five years	<b>922</b>	3,617	-	-	<b>922</b>	3,617
Other borrowings wholly repayable within five years	<b>3</b>	26,367	-	-	<b>3</b>	26,367
Margin account payables	<b>122</b>	4,758	-	-	<b>122</b>	4,758
Convertible notes payable wholly repayable within five years	<b>14,348</b>	14,584	-	-	<b>14,348</b>	14,584
Redeemable convertible preference shares wholly repayable within five years	-	6,490	-	-	-	6,490
	<b>16,517</b>	57,040	-	-	<b>16,517</b>	57,040

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

FOR THE YEAR ENDED 31ST MARCH, 2009

**9. NET GAIN (LOSS) ON DEEMED DISPOSAL AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES**

	Continuing operations		Discontinued operation		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Loss on deemed disposal of partial interests in a subsidiary	-	(160,483)	-	-	-	(160,483)
Net loss on disposal of partial interests in subsidiaries	-	(56,724)	-	-	-	(56,724)
Gain on deemed disposal of subsidiaries	-	276	-	-	-	276
Loss on disposal of a subsidiary	-	-	-	(22)	-	(22)
Net (loss) gain on deemed disposal of partial interests in associates	<b>(1,503)</b>	51,738	-	-	<b>(1,503)</b>	51,738
Gain on disposal of associates	<b>30,384</b>	76,555	-	-	<b>30,384</b>	76,555
	<b>28,881</b>	(88,638)	-	(22)	<b>28,881</b>	(88,660)

During the year, the Group disposed of its entire 50% equity interest in an associate, Central Town Limited ("Central Town"), as disclosed in note 31, which resulted in a gain on disposal of approximately HK\$30,384,000.

During the year ended 31st March, 2008, significant changes in shareholdings of subsidiaries and associates are as follows:

**(a) Disposal and deemed disposal of Hanny Holdings Limited ("Hanny"), a then subsidiary of the Company**

- In April 2007, Hanny issued 43,500,000 ordinary shares at a price of HK\$3.40 each pursuant to a placing and subscription agreement, resulting in the Group's interest in Hanny being decreased from 67.23% to 57.36%. Loss on deemed disposal of partial interests in Hanny as a subsidiary amounted to approximately HK\$160,483,000.
- In May 2007, the Group disposed of 21,000,000 ordinary shares of Hanny at a price of HK\$5.00 each, resulting in a loss on disposal of partial interests in a subsidiary of approximately HK\$80,595,000. Accordingly, the Group's interest in Hanny was further reduced to 50.27%.
- Subsequent to the above disposal, the Group's interest in Hanny was further reduced to approximately 49.54% due to the conversion of the convertible notes of Hanny by certain noteholders. Hanny then ceased to be a subsidiary and became an associate of the Group on 18th May, 2007. The deemed disposal of Hanny resulted in a gain of approximately HK\$265,000 as disclosed in note 43.
- The Group's interest in Hanny at 31st March, 2008 increased to 49.90% as a combined effect of additional interest in Hanny acquired by the Group and dilution of interest in Hanny due to the shares allotment and issuance of scrip dividend by Hanny. The net loss on deemed disposal of partial interests in Hanny as an associate amounted to approximately HK\$6,918,000.



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

FOR THE YEAR ENDED 31ST MARCH, 2009

**9. NET GAIN (LOSS) ON DEEMED DISPOSAL AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES** *(continued)***(b) Disposal and deemed disposal of Trasy Gold Ex Limited ("Trasy"), a then subsidiary of the Company**

- In May 2007, the Group disposed of approximately 6.45% equity interest in Trasy. The Group's interest in Trasy was reduced to 50.00004%. Gain on disposal of partial interests in Trasy from this transaction amounted to approximately HK\$23,871,000.
- In June 2007, the Group's interest in Trasy was further diluted to approximately 49.998% as a result of exercise of share options granted to employees by Trasy and Trasy then ceased to be a subsidiary and became an associate of the Group on 11th June, 2007. Gain on deemed disposal of Trasy as a subsidiary amounted to approximately HK\$11,000 (note 43).
- After 11th June, 2007, the Group's interest in Trasy was further reduced due to the dilution effect of placing and subscription for a total of 1,215,000,000 ordinary shares of Trasy, resulting in gains on deemed disposal of partial interest in associate of approximately HK\$62,159,000.
- In September 2007, the Group donated 10,000,000 Trasy's shares to The Community Chest of Hong Kong, in which the carrying value of such donated shares was approximately HK\$688,000, and disposed of the remaining Trasy's shares for considerations of approximately HK\$165,343,000. The total net gain on disposal of Trasy's shares amounted to approximately HK\$76,555,000.

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

The net assets of Hanny, Trasy and other disposed subsidiary at the respective dates of disposal were set out in note 43.

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

FOR THE YEAR ENDED 31ST MARCH, 2009

**10. (LOSS) PROFIT BEFORE TAXATION**

	Continuing operations		Discontinued operation		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
(Loss) profit before taxation has been arrived at after charging:						
Staff costs, including directors' emoluments:						
Salaries and other benefits	<b>28,434</b>	30,173	-	587	<b>28,434</b>	30,760
Retirement benefit scheme contributions (Note)	<b>1,245</b>	1,263	-	20	<b>1,245</b>	1,283
Discretionary bonus	-	10,638	-	-	-	10,638
Equity-settled share-based payments	-	12,033	-	-	-	12,033
	<b>29,679</b>	54,107	-	607	<b>29,679</b>	54,714
Auditor's remuneration	<b>1,631</b>	4,258	-	-	<b>1,631</b>	4,258
Cost of inventories recognised as an expense	-	-	-	1,794	-	1,794
Release of prepaid lease payments	<b>1,599</b>	2,214	-	-	<b>1,599</b>	2,214
Depreciation of property, plant and equipment	<b>9,287</b>	10,406	-	2	<b>9,287</b>	10,408
Minimum lease payments under operating leases in respect of rented premises	<b>1,003</b>	1,166	-	85	<b>1,003</b>	1,251
Allowance for bad and doubtful debts	<b>2,244</b>	3,592	-	-	<b>2,244</b>	3,592
Loss on disposal of property, plant and equipment	<b>24</b>	-	-	-	<b>24</b>	-
and after crediting:						
Gain on disposal of property, plant and equipment	-	1,537	-	-	-	1,537
Rental income under operating leases in respect of rented premises, net of negligible outgoings	<b>3,672</b>	1,615	-	-	<b>3,672</b>	1,615
Reversal of impairment loss of intangible assets	-	25	-	-	-	25

Note: The amount in 2008 is net of forfeited contributions of approximately HK\$37,000.

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

FOR THE YEAR ENDED 31ST MARCH, 2009

### 11. TAXATION

	Continuing operations		Discontinued operation		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Current tax:						
Hong Kong Profits Tax	-	10,726	-	-	-	10,726
Deferred tax (note 37)	<b>(2,894)</b>	(57)	-	-	<b>(2,894)</b>	(57)
Taxation attributable to the Company and its subsidiaries	<b>(2,894)</b>	10,669	-	-	<b>(2,894)</b>	10,669

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year.

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

	2009 HK\$'000	2008 HK\$'000
(Loss) profit before taxation		
Continuing operations	<b>(716,393)</b>	324,501
Discontinued operation	-	2
	<b>(716,393)</b>	324,503
Tax at Hong Kong Profits Tax rate of 16.5% (2008: 17.5%)	<b>(118,205)</b>	56,788
Tax effect of expenses not deductible for tax purposes	<b>10,118</b>	57,348
Tax effect of income not taxable for tax purposes	<b>(7,883)</b>	(41,519)
Tax effect of utilisation of deductible temporary differences previously not recognised	<b>(364)</b>	(4,290)
Tax effect of tax losses not recognised	<b>5,847</b>	5,677
Tax effect of share of results of associates	<b>107,593</b>	(63,335)
Taxation for the year	<b>(2,894)</b>	10,669

Details of the deferred tax are set out in note 37.

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

FOR THE YEAR ENDED 31ST MARCH, 2009

**12. DISCONTINUED OPERATION**

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

The profit for the year ended 31st March, 2008 from the discontinued operation is analysed as follows:

	2008 HK\$'000
Profit from trading of building materials and machinery for the year	24
Loss on disposal of the business of trading of building materials and machinery (note 43)	(22)
	<u>2</u>

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

	1.4.2007 to 26.10.2007 HK\$'000
Revenue	2,547
Cost of sales	(1,794)
	<u>753</u>
Gross profit	753
Administrative expenses	(729)
	<u>24</u>
Profit for the period	<u>24</u>
Attributable to:	
Equity holders of the Company	24
Minority interests	-
	<u>24</u>

Please refer to note 43 for the net assets of Dreyer at the date of disposal.

	1.4.2007 to 26.10.2007 HK\$'000
Cash flows from Dreyer:	
Net cash from operating activities	407
Cash used in investing activities	(3)
Cash used in financing activities	(271)
	<u>133</u>
Net cash flows	<u>133</u>

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

FOR THE YEAR ENDED 31ST MARCH, 2009

### 13. DISTRIBUTIONS

	2009 HK\$'000	2008 HK\$'000
Dividends recognised as distributions to equity holders of the Company during the year:		
– Final dividend for 2008 – HK0.3 cent (2008: HK2.0 cents for 2007) per ordinary share	8,084	43,480
– Interim dividend for 2009 – Nil (2008: HK1.3 cents for 2008) per ordinary share	–	34,563
Bonus warrants ( <i>Note</i> )	512	–
	<u>8,596</u>	<u>78,043</u>

*Note:*

On 30th September, 2008, the shareholders of the Company approved the issuance of bonus warrants to the holders of ordinary shares of the Company on the basis of one warrant for every five ordinary shares of the Company held on 20th October, 2008 at an initial subscription price of HK\$0.22 per ordinary share (subject to anti-dilutive adjustments). The Company issued 538,921,053 bonus warrants on the date of grant and the bonus warrants entitled its holders to exercise it at any time during the period from 5th November, 2008 to 4th November, 2009. The fair value of the warrants of approximately HK\$512,000 was determined by the directors of the Company with reference to the valuation as at the date of declaration, which is the date of approval of the issue of the warrants on 30th September, 2008 performed by an independent professional valuer, not connected with the Group, using the Binomial Model.

The directors do not recommend the payment of a final dividend for the year ended 31st March, 2009 (2008: final dividend of HK0.3 cent declared per ordinary share in cash).

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

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

### 14. (LOSS) EARNINGS PER SHARE

#### From continuing and discontinued operations

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

	2009 HK\$'000	2008 HK\$'000 (restated)
(Loss) profit for the year attributable to equity holders of the Company for the purpose of basic (loss) earnings per share	(713,499)	252,051
Effect of dilutive potential ordinary shares:		
Adjustment of finance costs on convertible notes payable	–	5,851
Adjustment of finance costs on redeemable convertible preference shares	–	6,490
Adjustment to the share of results of associates and subsidiaries based on dilution of their earnings per share	–	(6,631)
(Loss) earnings for the purpose of diluted (loss) earnings per share	<u>(713,499)</u>	<u>257,761</u>

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

FOR THE YEAR ENDED 31ST MARCH, 2009

**14. (LOSS) EARNINGS PER SHARE** (continued)

From continuing and discontinued operations (continued)

	Number of shares	
	2009	2008 (restated)
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<b>470,285,275</b>	443,787,571
Effect of dilutive potential ordinary shares:		
Options	-	2,395
Redeemable convertible preference shares	-	22,858,680
Convertible notes payable	-	33,469,020
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<b>470,285,275</b>	500,117,666
	<hr/>	<hr/>

The weighted average number of ordinary shares for both years have been adjusted for the capital reorganisation of the Company in April 2009 and the issue of four rights shares for every Reorganised Share (as defined in note 39) in May 2009. Details of which are disclosed in note 39.

No diluted loss per share has been presented for 2009 because the Company's outstanding share options, warrants and the conversion of convertible notes have anti-dilutive effect in 2009.

**From continuing operations**

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

	2009 HK\$'000	2008 HK\$'000 (restated)
(Loss) profit for the year attributable to equity holders of the Company for the purpose of basic (loss) earnings per share	<b>(713,499)</b>	252,051
Less: Profit for the year from discontinued operation	-	(2)
	<hr/>	<hr/>
(Loss) earnings for the purpose of basic (loss) earnings per share from continuing operations	<b>(713,499)</b>	252,049
Effect of dilutive potential ordinary shares:		
Adjustment of finance costs on convertible notes payable	-	5,851
Adjustment of finance costs on redeemable convertible preference shares	-	6,490
Adjustment to the share of results of associates and subsidiaries based on dilution of their earnings per share	-	(6,631)
	<hr/>	<hr/>
(Loss) earnings for the purpose of diluted (loss) earnings per share from continuing operations	<b>(713,499)</b>	257,759
	<hr/>	<hr/>

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

**From discontinued operation**

Basic and diluted earnings per share for the discontinued operation is negligible for the year ended 31st March, 2008, based on the profit for the year from the discontinued operation of HK\$2,000 and the denominators detailed above for both basic and diluted earnings per share.

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

FOR THE YEAR ENDED 31ST MARCH, 2009

### 15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <i>HK\$'000</i>	Plant, machinery and office equipment <i>HK\$'000</i>	Yacht and motor vehicles <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Sand mining vessel <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>COST OR VALUATION</b>						
At 1st April, 2007	44,024	3,662	18,592	10,054	121,478	197,810
Translation adjustments	3,757	69	169	165	1,923	6,083
Additions	-	330	20,329	536	-	21,195
Deemed disposal and disposal of subsidiaries	-	(425)	(3,250)	(2,482)	(123,401)	(129,558)
Disposals	-	(370)	(4,875)	(246)	-	(5,491)
Revaluation increase	12,383	-	-	-	-	12,383
At 31st March, 2008	60,164	3,266	30,965	8,027	-	102,422
Translation adjustments	(8,901)	(107)	(193)	(338)	-	(9,539)
Additions	-	987	91	1,227	-	2,305
Disposals	-	(194)	-	(95)	-	(289)
Revaluation decrease	(1,511)	-	-	-	-	(1,511)
Reclassified as investment properties	(3,623)	-	-	-	-	(3,623)
At 31st March, 2009	46,129	3,952	30,863	8,821	-	89,765
Comprising:						
At cost	-	3,952	30,863	8,821	-	43,636
At valuation - 2009	46,129	-	-	-	-	46,129
	46,129	3,952	30,863	8,821	-	89,765
<b>DEPRECIATION</b>						
At 1st April, 2007	-	2,081	7,650	3,561	4,753	18,045
Translation adjustments	1	63	113	155	-	332
Provided for the year	834	637	3,658	1,581	3,698	10,408
Eliminated on deemed disposal and disposal of subsidiaries	-	(222)	(286)	(19)	(8,451)	(8,978)
Eliminated on disposals	-	(196)	(4,800)	(175)	-	(5,171)
Reversal on revaluation	(835)	-	-	-	-	(835)
At 31st March, 2008	-	2,363	6,335	5,103	-	13,801
Translation adjustments	(84)	(103)	(193)	(304)	-	(684)
Provided for the year	942	600	6,169	1,576	-	9,287
Eliminated on disposals	-	(181)	-	(84)	-	(265)
Reversal on revaluation	(858)	-	-	-	-	(858)
At 31st March, 2009	-	2,679	12,311	6,291	-	21,281
<b>CARRYING VALUES</b>						
At 31st March, 2009	46,129	1,273	18,552	2,530	-	68,484
At 31st March, 2008	60,164	903	24,630	2,924	-	88,621

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

FOR THE YEAR ENDED 31ST MARCH, 2009

**15. 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	2% – 5%
Plant, machinery and office equipment	10% – 33 <sup>1</sup> / <sub>3</sub> %
Yacht and motor vehicles	20% – 33 <sup>1</sup> / <sub>3</sub> %
Furniture and fixtures	10% – 33 <sup>1</sup> / <sub>3</sub> %
Sand mining vessel	10%

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

At 31st March, 2009, the Group's land and buildings were revalued by Asset Appraisal Limited and RHL Appraisal Ltd., independent professional property valuers not connected with the Group, using the direct comparison method. The resulting revaluation deficit of HK\$653,000 have been debited to the property revaluation reserve.

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

	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
Freehold properties in Canada	<b>38,049</b>	48,164
Buildings in Hong Kong on land held under medium-term leases	<b>8,080</b>	12,000
	<b>46,129</b>	60,164

At 31st March, 2009, had the Group's land and buildings been carried at cost less accumulated depreciation, the carrying value would have been approximately HK\$31,900,000 (2008: HK\$37,458,000).

**16. INVESTMENT PROPERTIES**

	HK\$'000
<b>FAIR VALUE</b>	
At 1st April, 2007	150,421
Translation adjustments	524
Deemed disposal and disposal of subsidiaries	(146,000)
Net increase in fair value recognised in the consolidated income statement	4,566
At 31st March, 2008	9,511
Translation adjustments	(1,713)
Reclassified from property, plant and equipment and prepaid lease payments	63,538
Net decrease in fair value recognised in the consolidated income statement	(16,744)
At 31st March, 2009	54,592



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

FOR THE YEAR ENDED 31ST MARCH, 2009

**16. INVESTMENT PROPERTIES** *(continued)*

The fair value of the Group's investment properties at 31st March, 2009 have been arrived on the basis of a valuation carried out on that date by Asset Appraisal Limited and RHL Appraisal Ltd., who are members of Hong Kong Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at using the direct comparison method by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

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

The carrying values of investment properties held by the Group at the balance sheet date comprised:

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Freehold properties in Canada	<b>8,592</b>	9,511
Land and building in Hong Kong under medium-term lease	<b>46,000</b>	-
	<b>54,592</b>	9,511

**17. PREPAID LEASE PAYMENTS**

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

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Non-current assets	<b>57,892</b>	85,223
Current assets	<b>1,544</b>	2,214
	<b>59,436</b>	87,437

**18. INTANGIBLE ASSETS**

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

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

FOR THE YEAR ENDED 31ST MARCH, 2009

**19. INTERESTS IN ASSOCIATES**

	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
Share of net assets of associates:		
Listed in Hong Kong	<b>2,304,153</b>	2,740,309
Listed overseas	-	4,282
Goodwill ( <i>Note (a) below</i> )	<b>1,177</b>	1,177
	<b>2,305,330</b>	2,745,768
Market value of listed securities:		
Hong Kong	<b>268,397</b>	1,166,454
Overseas	<b>193,431</b>	378,927
	<b>461,828</b>	1,545,381

*Notes:*

- (a) Included in the cost of interests in associates is goodwill with carrying value of HK\$1,177,000 (2008: HK\$1,177,000) arising on acquisitions and deemed acquisitions.

	HK\$'000
Cost	
At 1st April, 2007	5,155
Arising on acquisitions and deemed acquisitions of interests in associates	1,177
	<u>6,332</u>
At 31st March, 2008 and 31st March, 2009	6,332
Impairment	
At 1st April, 2007, 31st March, 2008 and 31st March, 2009	5,155
	<u>5,155</u>
Carrying value	
At 31st March, 2008 and 31st March, 2009	<u>1,177</u>

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

FOR THE YEAR ENDED 31ST MARCH, 2009

### 19. INTERESTS IN ASSOCIATES *(continued)*

Notes: *(continued)*

(b) Particulars of the Group's principal associates as at 31st March, 2009 and 2008 are as follows:

Name of associate	Place of listing	Place of incorporation/ registration	Principal place of operation	Percentage of issued share capital held by the Group		Principal activities
				2009 %	2008 %	
Burcon NutraScience Corporation	Canada and Germany	Canada	Canada	24.35	24.89	Investment holding in company engaged in the development of commercial canola and soy protein
Central Town <i>(Note (i))</i>	N/A	Hong Kong	Hong Kong	-	50.00	Property investment
PYI Corporation Limited ("PYI")	Hong Kong	Bermuda	Hong Kong	26.82	26.84	Investment holding in companies engaged in development and investment in port and infrastructure projects, land and property development and investment in association with port facilities, treasury investment, engineering and property-related services
Hanny	Hong Kong	Bermuda	Hong Kong	49.90	49.90	Trading of securities, property development and trading, holding of vessels for sand mining, industrial water supply business and other strategic investments
Wing On Travel (Holdings) Limited ("Wing On Travel") <i>(Note (ii))</i>	Hong Kong	Bermuda	Hong Kong	16.77 <i>(Notes (iii) &amp; (iv))</i>	14.22	Business of providing package tours, travel and other related services, hotel operation in Hong Kong and the PRC and trading of securities
ITC Properties Group Limited ("ITCP")	Hong Kong	Bermuda	Hong Kong	7.77 <i>(Note (iii))</i>	6.53	Business of property development and investment in Macau, the PRC and Hong Kong, golf resort and leisure operations in the PRC, securities investment and loan financing services

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

The above table lists the associates of the Group which in the opinion of the directors of the Company, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other associates would in the opinion of the directors of the Company, resulting in particulars of excessive length.

Notes:

- (i) As disclosed in note 31, it was disposed of by the Group on 1st April, 2008 and classified as non-current assets held for sale in the consolidated balance sheet at 31st March, 2008.
- (ii) Wing On Travel is a company listed in the Hong Kong Stock Exchange and its financial year end is 31st December. As only published financial information of Wing On Travel are available to the Group, the Group has used the consolidated financial statements of Wing On Travel for the financial year ended 31st December, 2008 in applying the equity method of accounting in respect of the interests in the equity shares of Wing On Travel held by the Group. Hence, the Group's share of net assets and interests of Wing On Travel at 31st March, 2009 is calculated based on the net assets of Wing On Travel at 31st December, 2008 and the results up to 31st December, 2008, respectively.
- (iii) In the opinion of the directors, the Group has representative on the board of directors of these associates, and is able to exercise significant influence over the financing and operating policies of these associates.
- (iv) The Group held 1,529,230,000 issued shares of Wing On Travel as at 31st March, 2009, representing approximately 16.77% interest in Wing On Travel. According to the announcement of Wing On Travel dated 17th July, 2009, Wing On Travel proposed placing of a maximum of 1,800,000,000 new shares under general mandate and not less than 20,000,000,000 but not more than 30,000,000,000 new shares under specific mandate to parties other than the Group on best endeavour basis (the "Placing"). According to another announcement of Wing On Travel dated 24th July, 2009, an offer, subject to, inter alia, the condition of completion of the Placing, was made by Wing On Travel to the Group and all other holders of the Wing On Travel Notes as defined in note 49 to repurchase the notes at their face value to be satisfied by the issue of new Wing On Travel shares at HK\$0.035 each. Upon the completion of the transactions as stated above and assuming the Group take up the offer fully, the number of Wing On Travel shares held by the Group will increase to 4,620,658,571.

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

FOR THE YEAR ENDED 31ST MARCH, 2009

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

Notes: (continued)

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

	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
Total assets	<b>24,166,520</b>	24,019,426
Total liabilities	<b>(12,891,009)</b>	(11,624,124)
Net assets	<b>11,275,511</b>	12,395,302
The Group's share of net assets of associates	<b>2,304,153</b>	2,744,591
Revenue	<b>7,194,781</b>	5,689,205
(Loss) profit for the year	<b>(2,214,385)</b>	551,619
The Group's share of results of associates for the year	<b>(689,730)</b>	160,939

The significant loss of the associates mainly arose from impairment loss recognised in respect of financial instruments, property, plant and equipment, other intangible assets and loss on investments held for trading.

During the year, the directors of the Company have assessed the recoverable amounts of interests in associates using value in use calculation for assessment of impairment on interests in associates. The value in use of interests in associates is determined using the present value of the future cash flows expected to arise from associates in terms of dividend received from associates and from their ultimate disposal, applying a suitable discount rate. Management believes that the value in use is higher than the carrying value and no impairment loss is recognised thereon.

(d) During the year ended 31st March, 2009, the Group has discontinued recognition of its share of loss of an associate. The amounts of unrecognised share of the associate, extracted from the relevant audited accounts of the associate, for the year and cumulatively, are as follows:

	<b>2009</b> <b>HK\$'000</b>
Unrecognised share of loss of the associate for the year	<b>2,347</b>
Accumulated unrecognised share of loss of the associate	<b>2,347</b>

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

	Debt portion		Embedded conversion option	
	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
Convertible notes issued by:				
Hanny (Note (a) below)	<b>164,587</b>	154,821	-	489
ITCP (Note (b) below)	<b>27,790</b>	25,734	-	1,434
	<b>192,377</b>	180,555	-	1,923

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

FOR THE YEAR ENDED 31ST MARCH, 2009

**20. DEBT PORTION OF CONVERTIBLE NOTES AND CONVERSION OPTIONS EMBEDDED IN CONVERTIBLE NOTES** *(continued)*

Notes:

- (a) The 2% convertible notes were issued by Hanny ("Hanny Notes") with principal amounts of HK\$19,500, HK\$94,801,560 and HK\$95,138,610 and with maturity on 12th, 16th and 22nd June, 2011, respectively, entitling the noteholders to convert into shares in Hanny at any time at initial conversion price of HK\$9 per share (subject to adjustments), which was subsequently adjusted to HK\$0.67 as a result of issuance of bonus shares by Hanny on 6th June, 2007 and 24th September, 2007. During the year, the conversion price was further adjusted to HK\$15.83 as a result of share consolidation by Hanny for which every fifty issued shares had been consolidated into one share and issue of open offer shares by Hanny. On maturity, unless previously converted, Hanny shall redeem the Hanny Notes at the principal amount of the Hanny Notes plus any outstanding interest.
- (b) The 1% convertible notes were issued by ITCP (the "ITCP Notes") with a principal amount of HK\$30,000,000 entitling the holders of the ITCP Notes to convert into shares in ITCP at any time at an initial conversion price of HK\$0.7 per share (subject to adjustments), which was subsequently adjusted to HK\$9.025 during the year ended 31st March, 2009 as a result of issuance of right shares by ITCP and share consolidation by ITCP for which every twenty-five issued shares had been consolidated into one share. Unless previously converted, ITCP shall redeem the ITCP Notes at the redemption amount which is 110% of their principal amount plus any outstanding interest on 14th June, 2011.

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

	31st March, 2009	31st March, 2008
<b>Hanny Notes</b>		
Stock price	<b>HK\$0.365*</b>	HK\$0.129
Conversion price	<b>HK\$15.83</b>	HK\$0.67
Volatility	<b>52.19%</b>	55.19%
Dividend yield	<b>Zero</b>	10.3%
Option life	<b>2.2 years</b>	3.2 years
Risk free rate	<b>0.76%</b>	1.53%
<b>ITCP Notes</b>		
Stock price	<b>HK\$0.480*</b>	HK\$0.238
Conversion price	<b>HK\$9.025</b>	HK\$0.70
Volatility	<b>40.74%</b>	84.73%
Dividend yield	<b>Zero</b>	Zero
Option life	<b>1.76 years</b>	2.56 years
Risk free rate	<b>0.68%</b>	1.39%

The effective interest rates of the debt portion of convertible notes ranged from 6.47% to 28.8% per annum.

\* After the adjustments as detailed in Notes (a) and (b) above.

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

FOR THE YEAR ENDED 31ST MARCH, 2009

**21. AVAILABLE-FOR-SALE INVESTMENTS**

	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
At fair value:		
Listed investments:		
– Equity securities listed in Hong Kong	<b>17,107</b>	75,579
– Equity securities listed elsewhere	<b>8,420</b>	18,316
Unlisted equity securities ( <i>Note below</i> )	<b>13,712</b>	23,482
	<b>39,239</b>	117,377

During the year ended 31st March, 2009, impairment losses of HK\$18,641,000 and HK\$5,445,000 in respect of equity securities listed elsewhere and unlisted equity securities respectively have been recognised in the consolidated income statement.

During the year ended 31st March, 2008, an impairment loss of HK\$20,960,000 in respect of equity securities listed in Hong Kong has been recognised in the consolidated income statement.

*Note:*

The amount represents investment in Shikumen Offshore Feeder Fund, which is managed by Shikumen Capital Management Limited. The fair value of the investment is determined by reference to the valuation provided by the counterparty financial institution, which is determined based on inputs such as share price of equity securities of the fund.

**22. DEBTORS, DEPOSITS AND PREPAYMENTS**

	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
Trade debtors	<b>9,575</b>	7,346
Less: Allowance for doubtful debts	-	-
	<b>9,575</b>	7,346
Other debtors, deposits and prepayments	<b>2,380</b>	2,487
Less: Allowance for doubtful debts	<b>(1,093)</b>	(935)
	<b>1,287</b>	1,552
	<b>10,862</b>	8,898

Trade debtors arising from property investment business are payable monthly in advance and the credit terms granted by the Group to other trade debtors normally ranged from 30 days to 90 days (2008: 30 days to 90 days).

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

FOR THE YEAR ENDED 31ST MARCH, 2009

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

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

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Trade debtors		
0 – 30 days	<b>2,627</b>	2,955
31 – 60 days	<b>4</b>	3
61 – 90 days	<b>4</b>	3
Over 90 days	<b>6,940</b>	4,385
	<b>9,575</b>	7,346

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines credit limits by customer. The directors of the Company will continuously assess the recoverability of the receivables.

Included in the Group's trade debtors balance are debtors with aggregate carrying amount of HK\$6,940,000 (2008: HK\$4,385,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is between 360 days to 720 days (2008: between 90 to 270 days). The balances were fully settled subsequent to the balance sheet date.

Movement in the allowance for doubtful debts in respect of trade debtors are as follows:

	<i>HK\$'000</i>
As at 1st April, 2007	2,223
Impairment loss recognised	884
Impairment losses reversed	(1,438)
On deemed disposal and disposal of subsidiaries	(1,669)
	<hr/>
As at 31st March, 2008 and 31st March, 2009	<hr/> <hr/> -

Movement in the allowance for other debtors are as follows:

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Balance at beginning of the year	<b>935</b>	1,282
Impairment loss recognised	<b>158</b>	197
Impairment losses reversed	-	(544)
	<hr/>	<hr/>
Balance at end of the year	<b>1,093</b>	935

Included in the allowance for doubtful debts of other debtors were individually impaired debtors with an aggregate balance of HK\$1,093,000 (2008: HK\$935,000) which had been in severe financial difficulties. The Group did not hold any collateral over these balances.

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

FOR THE YEAR ENDED 31ST MARCH, 2009

**23. MARGIN ACCOUNT RECEIVABLES/PAYABLES**

The margin account receivables/payables carry floating interest rates with effective interest rate ranging from 0.25% to 8.25% (2008: 1.17% to 5.63%) per annum.

**24. AMOUNTS DUE FROM ASSOCIATES**

The amounts are unsecured, repayable within one year and non-interest bearing, except for an amount of approximately HK\$193,635,000 (2008: HK\$238,430,000) which bears interest at the best lending rate of HKD quoted by The Hongkong and Shanghai Banking Corporation Limited (the "Best Lending Rate") plus 2% per annum. The effective interest rates ranged from 7.00% to 7.25% (2008: 7.25% to 9.75%) per annum.

Before approving any new loan to associate, the Group will assess the potential borrower's credit quality and defines credit limits individually. Limits attributed to borrowers are reviewed twice a year. The amounts due from associates are repayable upon request for repayment, as a result the amounts are neither past due nor impaired and have no loan default history, except for a balance of HK\$2,673,000 (2008: HK\$2,578,000).

The Group has provided fully for an amount of approximately HK\$2,673,000 (2008: HK\$2,578,000). Movement of the allowance is as follows:

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Balance at beginning of the year	<b>2,578</b>	2,456
Impairment losses recognised	<b>95</b>	122
	<hr/>	<hr/>
Balance at end of the year	<b>2,673</b>	2,578
	<hr/>	<hr/>

Included in the allowance for doubtful debts were individually impaired amount due from associates with an aggregate balance of HK\$2,673,000 (2008: HK\$2,578,000) which had been in severe financial difficulties. The Group did not hold any collateral over these balances.

**25. AMOUNTS DUE FROM RELATED COMPANIES**

A director of the Company has significant influence over the related companies.

The amounts are unsecured, aged within one year, repayable within one year and non-interest bearing, except for an amount of approximately HK\$5,742,000 as at 31st March, 2008 which bear interest at floating rate of 7.25% to 9.75% per annum.

Before approving any new loan to related company, the Group will assess the potential borrower's credit quality and defines credit limits individually. Limits attributed to borrowers are reviewed twice a year. All amounts due from related companies that are neither past due nor impaired have the best credit rating.

The Group has provided fully for amounts of approximately HK\$28,674,000 (2008: HK\$26,683,000). The movement of the allowance is as follows:

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Balance at beginning of the year	<b>26,683</b>	24,294
Impairment losses recognised	<b>1,991</b>	2,389
	<hr/>	<hr/>
Balance at end of the year	<b>28,674</b>	26,683
	<hr/>	<hr/>

Included in the allowance for doubtful debt was individually impaired amount due from a related company with an aggregate balance of HK\$28,674,000 (2008: HK\$26,683,000) which had been in severe financial difficulties. The Group did not hold any collateral over the balance.



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

FOR THE YEAR ENDED 31ST MARCH, 2009

**26. LOAN RECEIVABLE**

	<b>2009</b> <b>HK\$'000</b>	2008 <i>HK\$'000</i>
Unsecured	<b>26,898</b>	26,898
Less: Impairment loss recognised	<b>(1,898)</b>	(1,898)
	<b>25,000</b>	25,000

The amount is unsecured, carries interest at the Best Lending Rate plus 3% per annum (2008: the Best Lending Rate plus 3% per annum) with effective interest rate ranged from 8% to 8.25% (2008: 7.25% to 10.75%) per annum. The term of the loan receivable is one year.

There is no movement on the allowance for loan receivable for both years.

Before approving any loan to new borrower, the Group will assess the potential borrower's credit quality and defines credit limits individually. Limits attributed to borrowers are reviewed twice a year. The directors will continuously assess the recoverability of the loan receivable. The whole amount of loan receivable is repayable upon request for repayment, as a result the balance is neither past due nor impaired and in the opinion of directors, the borrower has sound financial background.

The allowance for doubtful debts relates to an individually impaired loan receivable with an outstanding balance of HK\$1,898,000 (2008: HK\$1,898,000) for which the debtor was in severe financial difficulties. The Group did not hold any collateral over these balances.

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

The amount as at 31st March, 2008 represented equity linked notes with interest payments based on the annual return of a portfolio of underlying asset-backed securities which had an early redemption option. Each equity linked note held by the Group contained one or more embedded derivatives. Hence, the Group designated the entire equity linked notes as financial assets at FVTPL.

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

The equity linked notes were matured during the year ended 31st March, 2009.

**28. INVESTMENTS HELD FOR TRADING**

	<b>2009</b> <b>HK\$'000</b>	2008 <i>HK\$'000</i>
Listed equity securities, at fair value:		
- in Hong Kong	<b>2,073</b>	32,138
- elsewhere	-	1,295
	<b>2,073</b>	33,433

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

FOR THE YEAR ENDED 31ST MARCH, 2009

**29. DERIVATIVE FINANCIAL INSTRUMENTS**

	2009 HK\$'000	2008 HK\$'000
Warrants issued by:		
- Hanny (Note (a) below)	2,202	-
- PYI (Note (b) below)	674	-
	<u>2,876</u>	<u>-</u>

Notes:

(a) In March 2009, Hanny proposed an open offer to their shareholders on the basis of three ordinary shares (the "Offer Shares") for every share held at a subscription price of HK\$0.35 per Offer Share, with warrants to subscribe for Hanny's shares (the "Hanny Warrants") in the proportion of four Hanny Warrants for every fifteen Offer Shares subscribed for. The Hanny Warrants entitled their holders to subscribe for new Hanny's shares at an initial subscription price of HK\$0.63 per share (subject to adjustments), at any time during the period commencing on 17th March, 2009 and ending on 16th September, 2010. The open offer completed on 17th March, 2009 and the Hanny Warrants were listed in the Hong Kong Stock Exchange on 19th March, 2009. The fair value of the Hanny warrants on initial recognition is approximately HK\$2,442,000.

(b) On 18th July, 2008, PYI declared the payment of final dividend for the year ended 31st March, 2008, such final dividend has been paid in the form of warrants (the "PYI Warrants"). The PYI Warrants entitled their holders to subscribe for PYI shares at an initial subscription price of HK\$1.00 per PYI share (subject to adjustments), at any time during the period commencing on 26th September, 2008 and ending on 25th September, 2009. The PYI Warrants are listed in the Hong Kong Stock Exchange on 29th September, 2008. The fair value of the PYI warrants on initial recognition is approximately HK\$3,438,000.

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

The short-term bank deposits and bank balances carry interest at prevailing market interest rates ranging from 0.01% to 3.09% (2008: 0.7% to 6.05%) per annum.

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

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

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

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

FOR THE YEAR ENDED 31ST MARCH, 2009

**32. CREDITORS AND ACCRUED EXPENSES**

Included in creditors and accrued expenses are trade creditors of approximately HK\$4,791,000 (2008: HK\$4,299,000) and their aged analysis at the balance sheet date is as follows:

	2009 HK\$'000	2008 HK\$'000
Trade creditors		
0 - 30 days	672	138
31 - 60 days	4,118	4,161
Over 90 days	1	-
	<u>4,791</u>	<u>4,299</u>

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

**33. AMOUNTS DUE TO ASSOCIATES**

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

**34. BANK BORROWINGS**

	2009 HK\$'000	2008 HK\$'000
The entire bank borrowings are secured and repayable as follows:		
Within one year or on demand	2,973	2,450
From one to two years	5,795	2,450
From two to three years	5,815	5,250
From three to four years	5,837	5,250
From four to five years	5,859	5,250
More than five years	41,088	37,000
	<u>67,367</u>	<u>57,650</u>
Less: Amount due within one year or on demand shown under current liabilities	<u>(2,973)</u>	<u>(2,450)</u>
Amount due after one year	<u>64,394</u>	<u>55,200</u>

The Group's borrowings are all variable-rate borrowings which carry interest at Hong Kong Interbank Offered Rate ("HIBOR") or Canadian prime rate plus a fixed percentage.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's variable rate borrowings are 1.84% to 3.75% (2008: 2.09% to 5.16%) per annum.

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

**35. BANK OVERDRAFTS**

Bank overdrafts carry interest at prevailing market rates which range from 3.56% to 5.75% (2008: 3.75% to 7.25%) per annum.

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

FOR THE YEAR ENDED 31ST MARCH, 2009

**36. CONVERTIBLE NOTES PAYABLE**

	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
Liability component:		
At the beginning of the year	<b>192,952</b>	556,980
Issued during the year	-	191,238
Interest charge	<b>14,348</b>	14,584
Interest paid/payable	<b>(10,001)</b>	(4,136)
Eliminated on deemed disposal of a subsidiary	-	(565,714)
	<hr/> <b>197,299</b> <hr/>	<hr/> 192,952 <hr/>
At the end of the year	<b>197,299</b>	192,952

The amount at the beginning of the year of 2008 represented the Hanny Notes which carry interest at 2% per annum and would be matured on 15th June, 2011. The amount was eliminated upon the deemed disposal of Hanny during the year ended 31st March, 2008 (note 43).

On 2nd November, 2007, the Company issued 5% convertible notes at a par value of HK\$200,000,000. The convertible notes are denominated in HKD. The notes entitle the holders to convert it into ordinary shares of the Company at any time between the date of issue of the notes and their maturity date on 2nd November, 2009 at an initial conversion price of HK\$0.75 per conversion share (subject to anti-dilutive adjustments), which is subsequently adjusted to HK\$0.61 as a result of bonus issue of shares and warrants of the Company as disclosed in note 39. If the notes have not been converted, they will be redeemed on 2nd November, 2009 at the principal amount of the convertible notes then outstanding. The effective interest rate of the liability component is 6.06% per annum to the Group.

**37. DEFERRED TAX LIABILITIES**

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

	<b>Accelerated tax depreciation</b> HK\$'000	<b>Revaluation of properties</b> HK\$'000	<b>Tax losses</b> HK\$'000	<b>Total</b> HK\$'000
At 1st April, 2007	23,058	17,105	(2,536)	37,627
Charge (credit) to consolidated income statement	2,118	(1,086)	(1,089)	(57)
Charge to equity	-	3,007	-	3,007
Eliminated on deemed disposal and disposal of subsidiaries	(21,914)	(14,261)	1,449	(34,726)
	<hr/> 3,262	<hr/> 4,765	<hr/> (2,176)	<hr/> 5,851
At 31st March, 2008	3,262	4,765	(2,176)	5,851
Effect of change in tax rate	(186)	(185)	144	(227)
(Credit) charge to consolidated income statement	(559)	(2,739)	404	(2,894)
Charge to equity	-	5,374	-	5,374
	<hr/> 2,517	<hr/> 7,215	<hr/> (1,628)	<hr/> 8,104
At 31st March, 2009	<b>2,517</b>	<b>7,215</b>	<b>(1,628)</b>	<b>8,104</b>

At 31st March, 2009, the Group has unused tax losses of approximately HK\$531,782,000 (2008: HK\$501,120,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$9,867,000 (2008: HK\$12,434,000) of such losses. No deferred tax asset in respect of the remaining tax losses of approximately HK\$521,915,000 (2008: HK\$488,686,000) has been recognised due to the unpredictability of future profit streams. Tax losses can be carried forward indefinitely.

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

FOR THE YEAR ENDED 31ST MARCH, 2009

**38. REDEEMABLE CONVERTIBLE PREFERENCE SHARES**

The movement of the liability component of the redeemable convertible preference shares of the Company for the year ended 31st March, 2008 is set out below:

	<i>HK\$'000</i>
At 1st April, 2007	286,137
Finance cost	6,490
Interest paid in the form of a dividend	(10,602)
Conversion on 7th August, 2007	(1,059)
Redemption on 5th November, 2007	(280,966)
	<hr/>
At 31st March, 2008	-
	<hr/> <hr/>

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

	<b>Number of shares</b>
At 1st April, 2007	266,062,000
Conversion on 7th August, 2007	(1,000,000)
Redemption on 5th November, 2007	(265,062,000)
	<hr/>
At 31st March, 2008	-
	<hr/> <hr/>

The redeemable convertible preference shares with a redemption value of HK\$1.06 per preference share were listed on the Hong Kong Stock Exchange and were fully redeemed on maturity date of 5th November, 2007. The redeemable convertible preference shares ranked in priority to the ordinary shares in the Company as to dividends and return of capital and were convertible into ordinary shares of the Company at the option of the holders at any time in accordance with the rights and restrictions as set out in the special resolution of the Company passed on 13th October, 2004 for the redeemable convertible preference shares.

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

During the year ended 31st March, 2008, 1,019,230 ordinary shares of HK\$0.10 each of the Company were issued upon conversion of 1,000,000 redeemable convertible preference shares of HK\$0.10 each at the conversion price of HK\$1.04 per share on 7th August, 2007.

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

FOR THE YEAR ENDED 31ST MARCH, 2009

**39. SHARE CAPITAL**

	Number of shares	Value HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1st April, 2007	3,000,000,000	300,000
Increase during the year <i>(Note (a) below)</i>	7,000,000,000	700,000
At 31st March, 2008	10,000,000,000	1,000,000
Increase during the year <i>(Note (b) below)</i>	280,000,000	28,000
At 31st March, 2009	10,280,000,000	1,028,000
Issued and fully paid:		
At 1st April, 2007	1,872,982,368	187,298
Conversion of redeemable convertible preference shares <i>(Note (c) below)</i>	1,019,230	102
Placement of shares <i>(Note (d) below)</i>	300,000,000	30,000
Issue of bonus shares <i>(Note (e) below)</i>	434,800,319	43,480
Issue of shares <i>(Note (f) below)</i>	85,803,352	8,580
At 31st March, 2008	2,694,605,269	269,460
Exercise of warrant subscription rights <i>(Note (g) below)</i>	7,167	1
At 31st March, 2009	2,694,612,436	269,461

*Notes:*

- (a) On 19th September, 2007, the authorised ordinary share capital of the Company was increased from HK\$300,000,000 to HK\$1,000,000,000 by the creation of 7,000,000,000 ordinary shares of HK\$0.10 each.
- (b) On 30th September, 2008, the authorised ordinary share capital of the Company was further increased from HK\$1,000,000,000 to HK\$1,028,000,000 by the creation of 280,000,000 ordinary shares of HK\$0.10 each.
- (c) On 7th August, 2007, 1,019,230 ordinary shares of the Company of HK\$0.10 each were issued upon the conversion of 1,000,000 redeemable convertible preference shares of HK\$0.10 each at the conversion price of HK\$1.04 per ordinary share.
- (d) On 29th June, 2007, 300,000,000 ordinary shares of the Company of HK\$0.10 each were issued at HK\$0.74 per ordinary share pursuant to a placing and subscription agreement dated 16th June, 2007 entered into between the Company, Dr. Chan Kwok Keung, Charles and a placing agent.
- (e) On 5th November, 2007, 434,800,319 ordinary shares of the Company of HK\$0.10 each were issued on the basis of one bonus share for every five ordinary shares held by the ordinary shareholders.
- (f) 49,916,232 and 35,887,120 ordinary shares of the Company of HK\$0.10 each were issued in the form of a scrip dividend on 5th November, 2007 and 14th March, 2008, respectively.
- (g) 7,167 ordinary shares of the Company of HK\$0.10 each were issued upon the exercise of 6,907, 240 and 20 warrants on 4th December, 2008, 11th March, 2009 and 31st March, 2009, respectively, at an exercise price of HK\$0.22 per ordinary share.

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

FOR THE YEAR ENDED 31ST MARCH, 2009

### 39. SHARE CAPITAL *(continued)*

The ordinary shares issued by the Company during the year rank pari passu with the then existing ordinary shares in all respects.

Subsequent to 31st March, 2009, the share capital of the Company has the following movements:

On 19th February, 2009, the Company proposed reorganisation of the share capital (the "Capital Reorganisation"). The Capital Reorganisation became effective on 3rd April, 2009 after the approval by the shareholders. The Capital Reorganisation involved the following:

- (i) every twenty issued shares of HK\$0.10 each was consolidated (the "Share Consolidation") into one consolidated share of HK\$2.00 (the "Consolidated Share");
- (ii) the total number of the Consolidated Shares in the issued share capital of the Company following the Share Consolidation was rounded down to a whole number by cancelling the fractional Consolidated Share arising from the Share Consolidation;
- (iii) the paid-up capital of each Consolidated Share was reduced from HK\$2.00 to HK\$0.01 by cancelling HK\$1.99 (the "Capital Reduction") so as to form a reorganised share of HK\$0.01 (the "Reorganised Share");
- (iv) each of the authorised but unissued shares of HK\$0.10 was subdivided into ten Reorganised Shares of HK\$0.01 each; and
- (v) the credit arising in the share capital of the Company from the Capital Reduction of approximately HK\$268,114,000 was credited to the contributed surplus account of the Company and the directors were authorised to apply such amount in any manner permitted by the laws of Bermuda and the bye-laws of the Company and to distribute such amount out of the contributed surplus of the Company from time to time, without the need for further authorisation from the shareholders.

Immediately after the Capital Reorganisation, the number of issued shares of the Company reduced to 134,730,621 Reorganised Shares of HK\$0.01 each and the paid-up capital reduced to HK\$1,347,306.21.

On 17th March, 2009, the Company proposed rights issue to the shareholders on the basis of four rights shares for every Reorganised Share held (the "Rights Issue") at a subscription price of HK\$0.20 per share. The Rights Issue became unconditional on 19th May, 2009 and the Company issued and allotted 538,951,624 ordinary shares of HK\$0.01 each to the qualifying shareholders on 22nd May, 2009 pursuant to the Rights Issue. The net proceeds of approximately HK\$104 million was used as general working capital of the Group.

On 9th June, 2009, the Company entered into a share placing agreement with a placing agent for a placing of 80,000,000 new ordinary shares (the "Share Placing") of HK\$0.01 each at an issue price of HK\$0.75 per share (after adjustments for the Capital Reorganisation and the Rights Issue). The Share Placing was completed on 15th June, 2009. The net proceeds of approximately HK\$58.2 million was used as general working capital for the Group.

#### Warrants

During the year, the Company made a bonus issue of 538,921,053 warrants as detailed in note 13. At 31st March, 2009, the Company had outstanding 538,913,886 warrants, the exercise in full of which would result in the issue of 538,913,886 ordinary shares of HK\$0.10 each.

The subscription rights attached to the warrants are measured at fair value of approximately HK\$512,000 on initial recognition and are recognised in equity in the warrant reserve.

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

FOR THE YEAR ENDED 31ST MARCH, 2009

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

The Company adopted a share option scheme (the "ITC Scheme") on 16th January, 2002 (the "Adoption Date") (which was amended on 19th September, 2007) for the purpose of providing incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, the Company. The board of directors of the Company may in its absolute discretion, subject to the terms of the ITC Scheme, grant options to, inter alia, employees and directors of the Company, the controlling shareholder of the Company and invested entity and their respective subsidiaries, supplier, adviser, agent, consultant, or contractor for the provision of goods or services to any member of the Group or any invested entity and its subsidiaries and any vendor, customer or celebrity of any member of the Group or any invested entity and its subsidiaries, any person or entity that provides research, development or other technological support to any member of the Group, and any shareholder of any member of the Group or any invested entity and its subsidiaries or any holder of any securities issued by any member of the Group or any invested entity and its subsidiaries.

At the time of adoption by the Company of the ITC Scheme, the aggregate number of shares which may be issued upon the exercise of all options to be granted by the Company under the ITC Scheme and any other share option scheme(s) adopted by the Company must not exceed 10% of the total number of issued shares of the Company as at the date of shareholders' approval of the ITC Scheme. By ordinary resolution passed at the Company's special general meeting on 8th June, 2009 relating to the refreshing of the scheme limit on grant of options under the ITC Scheme and any other share option scheme(s) of the Company, the scheme limit on grant of options was refreshed to 67,368,953 existing shares of the Company. As at the date of this report, the total number of shares available for issue under the ITC Scheme is 67,368,953 existing shares, which represented approximately 8.9% of the issued share capital of the Company as at the date of this report. Notwithstanding the foregoing, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the ITC Scheme and any other share option scheme(s) of the Company must not, in aggregate, exceed 30% of the total number of issued shares of the Company from time to time.

Unless approved by the shareholders of the Company in general meeting, the total number of shares of the Company issued and to be issued upon exercise of the options granted and to be granted (whether exercised, cancelled or outstanding) under the ITC Scheme and any other share option scheme(s) of the Company to any eligible person in any 12-month period expiring on the date of offer shall not exceed 1% of the total number of the Company's shares in issue from time to time. Options granted to a substantial shareholder and/or an independent non-executive director of the Company or any of their respective associates (as defined in the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange) in any 12-month period in excess of 0.1% of the total number of shares of the Company in issue and have an aggregate value exceeding HK\$5 million must be approved by the shareholders of the Company in general meeting in advance.

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



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

FOR THE YEAR ENDED 31ST MARCH, 2009

### 40. SHARE OPTIONS *(continued)*

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

The exercise price of the options will be determined by the directors of the Company (subject to adjustments as provided in the rules of the ITC Scheme) which shall not be lower than the nominal value of the shares of the Company and shall be at least the higher of (i) the closing price of the shares of the Company as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of the offer, which must be a business day; and (ii) the average of the closing prices of the shares of the Company as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer.

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

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

Category of participants	Date of grant	Vesting date	Exercisable period	Exercise price per share (subject to adjustments) HK\$	Number of shares of the Company to be issued upon exercise of the share options						
					Outstanding at 1.4.2007	Granted during the year	Outstanding at 1.4.2008	Granted during the year	Lapsed during the year	Reclassified during the year	Outstanding at 31.3.2009
Directors	28.3.2008	28.3.2008	28.3.2008 - 27.3.2011	0.385	-	96,400,000	96,400,000	-	-	-	96,400,000
Employees	28.3.2008	28.3.2008	28.3.2008 - 27.3.2011	0.385	-	30,200,000	30,200,000	-	(1,000,000)	(4,000,000) <sup>#</sup>	25,200,000
Other participants	28.3.2008	28.3.2008	28.3.2008 - 27.3.2011	0.385	-	72,000,000	72,000,000	-	-	4,000,000 <sup>#</sup>	76,000,000
					-	198,600,000	198,600,000	-	(1,000,000)	-	197,600,000

# Reclassify between the categories of employee(s) and other participants(s) due to change in category of certain optionholder(s).

The fair values of the share options granted during the year ended 31st March, 2008 were calculated using the Binomial Model (the "Model") carried out by Greater China Appraisal Limited, an independent valuer with no connection with the Group. The inputs into the Model and the estimated fair values of the share options granted on 28th March, 2008 were summarised as follows:

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

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

FOR THE YEAR ENDED 31ST MARCH, 2009

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

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

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

The total estimated fair value of approximately HK\$11,964,000 and HK\$6,804,000 with respect to share options granted to directors/employees of the Group and other eligible participants, respectively, were charged to the consolidated income statement during the year ended 31st March, 2008.

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

**(b) Share options of Trasy**

Trasy, a former subsidiary of the Company, adopted a share option scheme (the "Trasy Scheme") on 30th April, 2002. The purpose of the Trasy Scheme is to enable the board of directors of Trasy, at its discretion, grant options to any employees or proposed employees or executives, including executive directors, of Trasy and other eligible participants.

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 seven 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.

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 ten years from the date of its adoption. Trasy granted 5,400,000 share options to employees and other eligible participant(s) during the period from 1st April, 2007 to 10th June, 2007, the date immediate before the date on which Trasy ceased to be a subsidiary of the Company and all of them remain outstanding at the date immediate before the date on which Trasy ceased to be a subsidiary of the Company. 1,510,000 outstanding share options are exercisable at the date immediate before the date on which Trasy ceased to be a subsidiary of the Company.

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

FOR THE YEAR ENDED 31ST MARCH, 2009

**40. SHARE OPTIONS** *(continued)***(b) Share options of Trasy** *(continued)*

The closing prices of shares of Trasy immediate before 1st June, 2007 and 6th June, 2007, the dates of grants of the options, were HK\$0.231 and HK\$0.163 respectively. The fair values of the options determined at the dates of the grants using the Model were approximately HK\$159,000 and HK\$25,000, respectively. An amount of share option expense of approximately HK\$69,000 has been recognised during the year ended 31st March, 2008.

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

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

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

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

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

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

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

FOR THE YEAR ENDED 31ST MARCH, 2009

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

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

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

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

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

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

**41. CAPITAL RISK MANAGEMENT**

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

The capital structure of the Group consists of net debt, which includes the bank borrowings, bank overdrafts and convertible notes payable as disclosed in notes 34, 35 and 36, respectively, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated profits.

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

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

FOR THE YEAR ENDED 31ST MARCH, 2009

**42. FINANCIAL INSTRUMENTS****(a) Categories of financial instruments**

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
<b>Financial assets</b>		
Fair value through profit or loss (FVTPL)		
Held for trading	<b>2,073</b>	33,433
Conversion options embedded in convertible notes	-	1,923
Designated at FVTPL	-	5,390
Derivative financial instruments	<b>2,876</b>	-
Loans and receivables (including cash and cash equivalents)	<b>459,437</b>	554,190
Available-for-sale investments	<b>39,239</b>	117,377
<b>Financial liabilities</b>		
Amortised cost	<b>299,041</b>	294,979

**(b) Financial risk management objectives and policies**

The Group's financial instruments include trade and other debtors, margin account receivables and payables, loan receivable, short-term bank deposits, bank balances and cash, amounts due from (to) associates/related companies, debt portion of convertible notes, conversion options embedded in convertible notes, available-for-sale investments, financial assets designated at FVTPL, investments held for trading, derivative financial instruments, trade and other creditors, bank borrowings, bank overdrafts and convertible notes payable. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

**Market risks****(i) Currency risk**

Certain bank balances and equity linked notes designated at FVTPL with aggregate carrying value of approximately HK\$51,000 (2008: HK\$5,471,000) are denominated in United States dollars ("USD"). Since HKD is pegged to USD, the Group does not expect any significant movements in USD/HKD exchange rate. Management has closely monitored foreign exchange exposure to mitigate the foreign currency risk.

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

FOR THE YEAR ENDED 31ST MARCH, 2009

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

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

##### **Market risks** *(continued)*

##### (ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate debt element of convertible notes and fixed-rate convertible notes payable issued by the Group.

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

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

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Best Lending Rate and HIBOR arising from the Group's HKD denominated loan receivable and borrowings and amounts due from associates and Canadian prime rate arising from the Group's Canadian denominated borrowing.

##### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the financial instruments at the balance sheet date which carried floating market interest rate. The analysis is prepared assuming the amount of assets and liabilities outstanding at the balance sheet date was outstanding for the whole year. The directors of the Company consider the Group's exposure is not significant as those interest-bearing bank balances are within short maturity period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year would decrease/increase by HK\$589,000 (2008: post-tax profit for the year would increase/decrease by HK\$1,029,000).

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

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

FOR THE YEAR ENDED 31ST MARCH, 2009

**42. FINANCIAL INSTRUMENTS** *(continued)***(b) Financial risk management objectives and policies** *(continued)***Market risks** *(continued)**(iii) Price risk*

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

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

**Sensitivity analysis**

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

If the prices of the respective equity instruments had been 5% (2008: 5%) higher/lower and all other variables were held constant:

- the Group's post-tax loss for the year would decrease/increase by HK\$207,000 (2008: post-tax profit for the year would increase/decrease by HK\$1,601,000) as a result of the changes in fair value of investments held for trading, derivative financial instruments and certain financial assets designated at FVTPL;
- investment revaluation reserve would increase by HK\$1,962,000/post-tax loss would increase by HK\$1,107,000 and investment revaluation reserve would decrease by HK\$855,000 for further impairment as a result of the changes in fair value of available-for-sale investments for the year ended 31st March, 2009; and
- investment revaluation reserve would increase/decrease by HK\$5,869,000 as a result of changes in fair value of available-for-sale investments for the year ended 31st March, 2008.

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

If the share prices of those convertible notes issuers had been 5% (2008: 5%) higher/lower and all other variables were held constant, the Group's financial impact for the year would be negligible (2008: post-tax profit for the year would increase/decrease HK\$214,000), as a result of changes in fair value of conversion option embedded in the convertible notes.

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

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

FOR THE YEAR ENDED 31ST MARCH, 2009

**42. FINANCIAL INSTRUMENTS** *(continued)***(b) Financial risk management objectives and policies** *(continued)***Credit risk**

The Group's maximum exposure to credit risk in the event of the counterparties' failure to discharge their obligations as at 31st March, 2009 in relation to each class of recognised financial assets are the amounts stated in the consolidated balance sheet; and the amount of contingent liabilities in relation to financial guarantee and financial support given as disclosed in note 46. In order to minimise the credit risk, management of the Group has determined credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and loan debtor and convertible notes receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has significant concentration of credit risk on a loan receivable and amounts due from six associates, amounting to approximately HK\$25 million and HK\$219 million, respectively. As the debtors have good payment record in the past, the directors of the Company consider that the Group's credit risk to these counterparties is not significant. Other than that, the Group has no significant concentration of credit risk.

In addition, the credit risk on corporate guarantee given to an associate as at 31st March, 2008 was limited because management will regularly review the financial performance of the associate and reconsider the continuance of the given guarantee regularly. The corporate guarantee has been released upon the disposal of an associate during the year ended 31st March, 2009.

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

**Liquidity risk**

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST MARCH, 2009

## 42. FINANCIAL INSTRUMENTS (continued)

## (b) Financial risk management objectives and policies (continued)

## Liquidity risk (continued)

## Liquidity tables

	Weighted average interest rate %	Less than 3 months or on demand HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	5+ years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>2009</b>							
<b>Non-derivative financial liabilities</b>							
Margin account payables	8.25	4,231	-	-	-	4,231	4,231
Creditors	-	7,628	-	-	-	7,628	7,628
Amounts due to associates	-	6,040	-	-	-	6,040	6,040
Bank overdrafts	4.56	16,476	-	-	-	16,476	16,476
Bank borrowings - variable-rate	2.80	498	3,944	28,235	42,024	74,701	67,367
Convertible notes payable	5.00	2,466	204,698	-	-	207,164	197,299
		<u>37,339</u>	<u>208,642</u>	<u>28,235</u>	<u>42,024</u>	<u>316,240</u>	<u>299,041</u>
<b>2008</b>							
<b>Non-derivative financial liabilities</b>							
Margin account payables	1.81	1,835	-	-	-	1,835	1,835
Creditors	-	12,253	-	-	-	12,253	12,253
Amounts due to associates	-	832	-	-	-	832	832
Bank overdrafts	4.67	29,457	-	-	-	29,457	29,457
Bank borrowings - variable-rate	4.09	589	4,218	26,282	38,513	69,602	57,650
Convertible notes payable	5.00	2,412	7,236	202,600	-	212,248	192,952
		<u>47,378</u>	<u>11,454</u>	<u>228,882</u>	<u>38,513</u>	<u>326,227</u>	<u>294,979</u>

## (c) Fair value

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

- the fair value of financial assets (including derivative instruments) with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market bid prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions; and
- the fair value of the debt portion of convertible notes and the conversion options embedded in convertible notes are determined based on discounted cash flow analysis using the applicable yield curve for the duration of the instruments and option pricing models, respectively.

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

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

FOR THE YEAR ENDED 31ST MARCH, 2009

### 43. DEEMED DISPOSAL AND DISPOSAL OF SUBSIDIARIES

As detailed in note 9, the Company's interests in Hanny and Trasy were reduced to below 50% and they ceased to be the subsidiaries of the Company on 18th May, 2007 and 11th June, 2007, respectively. In addition, the Company's interests in Dreyer was disposed as detailed in note 12. The net assets of Hanny, Trasy and Dreyer at the respective disposal dates were as follows:

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

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

FOR THE YEAR ENDED 31ST MARCH, 2009

**44. MAJOR NON-CASH TRANSACTIONS**

During the year ended 31st March, 2009, the Company made a bonus issue of 538,921,053 warrants as detailed in note 13.

As detailed in note 29, in current year, the Group received PYI warrants as the final dividend for the year ended 31st March, 2008.

During the year ended 31st March, 2008, 1,000,000 redeemable convertible preference shares were converted into 1,019,230 ordinary shares of the Company at HK\$1.04 per share. In addition, 434,800,319 bonus shares of the Company were issued on the basis of one bonus share of every five shares held by the ordinary shareholders.

**45. RETIREMENT BENEFIT SCHEMES**

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

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

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

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

**46. CONTINGENT LIABILITIES**

	2009 HK\$'000	2008 HK\$'000
Guarantee given to a bank in respect of general facilities granted to an associate	-	53,667
Financial support given to an associate	-	6,840
	<hr/>	<hr/>
	-	60,507
	<hr/> <hr/>	<hr/> <hr/>

The guarantee and financial support were provided to Central Town, which have been released upon the disposal of Central Town as disclosed in note 31.

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

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

FOR THE YEAR ENDED 31ST MARCH, 2009

**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:

	<b>2009</b> <b>HK\$'000</b>	2008 <i>HK\$'000</i>
Within one year	<b>323</b>	384
In the second to fifth year inclusive	<b>660</b>	108
	<b>983</b>	492

Leases are negotiated, and monthly rentals are fixed, for an average term of two years (2008: two years).

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

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

	<b>2009</b> <b>HK\$'000</b>	2008 <i>HK\$'000</i>
Within one year	<b>3,227</b>	596
In the second to fifth year inclusive	<b>3,142</b>	307
	<b>6,369</b>	903

The investment properties held have committed tenants for the next three years (2008: two years).

**48. PLEDGE OF ASSETS**

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

	<b>2009</b> <b>HK\$'000</b>	2008 <i>HK\$'000</i>
Listed securities of associates	<b>193,295</b>	97,942
Buildings	<b>46,129</b>	60,164
Prepaid lease payments	<b>59,436</b>	87,437
Investment properties	<b>54,592</b>	9,511
Investments held for trading	-	10,915
	<b>353,452</b>	265,969

**49. POST BALANCE SHEET EVENTS**

Other than disclosed in note 39, the Group has the following post balance sheet events:

- (i) In May 2009 and June 2009, the Company entered into agreements with independent third parties to acquire 2% convertible notes with maturity on 7th June, 2011 issued by Wing On Travel with outstanding aggregate principal amounts of HK\$108,200,000 for an aggregate consideration of HK\$85,396,000 (the "Wing On Travel Notes"). The Wing On Travel Notes can be converted into shares of Wing On Travel at the conversion price of HK\$0.339 per share. Unless previously converted or lapsed, Wing On Travel shall redeem the Wing On Travel notes on maturity date at 110% of their principal amount.

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

FOR THE YEAR ENDED 31ST MARCH, 2009

**49. POST BALANCE SHEET EVENTS** (continued)

- (ii) In July, 2009, the Company has subscribed for 809,025,130 PYI rights shares (the "PYI Rights Shares") on the basis of two PYI Rights Shares for every PYI share then held at a subscription price of HK\$0.12 per PYI Rights Share. The total consideration of the subscription of PYI Rights Shares amounted to approximately HK\$97.1 million.

**50. RELATED PARTY TRANSACTIONS**

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

<b>Class of related party</b>	<b>Nature of transactions/balances</b>	<b>2009</b> <b>HK\$'000</b>	<b>2008</b> <b>HK\$'000</b>
Associates of the Group	Sales of building materials by the Group	-	458
	Rentals and related building management fee charged by the Group	<b>3,572</b>	2,435
	Service fees charged by the Group	<b>1,352</b>	1,178
	Interest income received by the Group	<b>32,966</b>	35,501
	Interest expense paid by the Group	-	1,963
	Rental and related building management fee paid by the Group	-	72
Other related companies (Note)	Rentals and related building management fee paid by the Group	-	60
	Interest income received by the Group	<b>2,373</b>	11,789

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

**Compensation of key management personnel**

Only the directors were considered to be the key management personnel of the Group. The remuneration of directors was disclosed in note 7. The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

**51. BALANCE SHEET OF THE COMPANY**

	<b>2009</b> <b>HK\$'000</b>	<b>2008</b> <b>HK\$'000</b>
Total assets	<b>2,794,451</b>	2,074,840
Total liabilities	<b>(215,233)</b>	(212,792)
Total assets and liabilities	<b>2,579,218</b>	1,862,048
Capital and reserves		
Share capital	<b>269,461</b>	269,460
Share premium and reserves	<b>2,309,757</b>	1,592,588
Total equity	<b>2,579,218</b>	1,862,048

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

FOR THE YEAR ENDED 31ST MARCH, 2009

**52. PARTICULARS OF PRINCIPAL SUBSIDIARIES**

Details of the Company's principal subsidiaries as at 31st March, 2009 and 2008 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		
			2009 %	2008 %	2009 %	2008 %	
All Combine Investments Limited	British Virgin Islands	US\$1 ordinary share	100*	100*	100	100	Investment holding
Burcon Group Limited	Canada	CAD1,000 class A common shares	100	100	100	100	Investment and property holding
Great Intelligence Holdings Limited	Hong Kong	HK\$2 ordinary shares	100	100	100	100	Securities trading and treasury investment
Great Intelligence Limited	British Virgin Islands	US\$1 ordinary share	100*	100*	100	100	Investment holding
Great Intelligence Limited	Hong Kong	HK\$2 ordinary shares	100	100	100	100	Property holding and investment
Hero's Way Resources Ltd.	British Virgin Islands	US\$1 ordinary share	100*	100*	100	100	Investment holding
ITC Development Co. Limited	British Virgin Islands	US\$15,000 ordinary shares	100*	100*	100	100	Investment holding
ITC Finance Limited	Hong Kong	HK\$2 ordinary shares	100	100	100	100	Provision of finance
ITC Investment Holdings Limited	British Virgin Islands	US\$1 ordinary share	100*	100*	100	100	Investment holding
ITC Management Group Limited	British Virgin Islands	US\$2 ordinary shares	100*	100*	100	100	Investment holding
ITC Management Limited	Hong Kong	HK\$2 ordinary shares	100	100	100	100	Provision of management, administration and financial services and treasury investment
Large Scale Investments Limited	British Virgin Islands	US\$1 ordinary share	100*	100*	100	100	Investment holding

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)**FOR THE YEAR ENDED 31ST MARCH, 2009***52. PARTICULARS OF PRINCIPAL SUBSIDIARIES** *(continued)*

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

All of the above subsidiaries are limited companies.

Other than Burcon Group Limited which operates in Canada, all of the above subsidiaries have its principal place operation in Hong Kong.

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

## FINANCIAL SUMMARY

## RESULTS

	Year ended 31st March,				2009 HK\$'000
	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	
Revenue					
- Continuing operations	46,088	44,238	244,060	155,699	<b>46,453</b>
- Discontinued operations	1,927,272	4,234	5,177	2,547	-
	<u>1,973,360</u>	<u>48,472</u>	<u>249,237</u>	<u>158,246</u>	<u><b>46,453</b></u>
Profit (loss) before taxation	81,249	46,436	899,546	324,501	<b>(716,393)</b>
Taxation	(260)	-	(8,695)	(10,669)	<b>2,894</b>
Profit for the year from discontinued operations	<u>151,672</u>	<u>-</u>	<u>29</u>	<u>2</u>	<u>-</u>
Profit (loss) for the year	<u>232,661</u>	<u>46,436</u>	<u>890,880</u>	<u>313,834</u>	<u><b>(713,499)</b></u>
Attributable to:					
Equity holders of the Company	204,377	50,289	843,929	252,051	<b>(713,499)</b>
Minority interests	<u>28,284</u>	<u>(3,853)</u>	<u>46,951</u>	<u>61,783</u>	<u>-</u>
	<u>232,661</u>	<u>46,436</u>	<u>890,880</u>	<u>313,834</u>	<u><b>(713,499)</b></u>

## ASSETS AND LIABILITIES

	As at 31st March,				2009 HK\$'000
	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	
Total assets	2,292,457	2,460,700	6,310,209	3,705,532	<b>2,993,604</b>
Total liabilities	<u>(568,308)</u>	<u>(428,691)</u>	<u>(1,938,149)</u>	<u>(309,101)</u>	<u><b>(312,452)</b></u>
Shareholders' funds	<u>1,724,149</u>	<u>2,032,009</u>	<u>4,372,060</u>	<u>3,396,431</u>	<u><b>2,681,152</b></u>
Attributable to:					
Equity holders of the Company	1,694,490	2,009,945	2,810,426	3,396,431	<b>2,681,152</b>
Convertible notes reserve of a subsidiary	-	-	55,279	-	-
Minority interests	<u>29,659</u>	<u>22,064</u>	<u>1,506,355</u>	<u>-</u>	<u>-</u>
	<u>1,724,149</u>	<u>2,032,009</u>	<u>4,372,060</u>	<u>3,396,431</u>	<u><b>2,681,152</b></u>





ITC CORPORATION LIMITED 德祥企業集團有限公司



China  
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