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

ITC PROPERTIES

德祥地產集團有限公司*

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 199)

(Warrant Code : 490)

MAJOR TRANSACTION
IN RELATION TO THE MAXIMUM FURTHER CONTRIBUTION
IN RESPECT OF THE GUIYANG JOINT VENTURE COMPANY

Financial adviser to ITC Properties Group Limited

OPTIMA CAPITAL

Optima Capital Limited

A notice convening the special general meeting of ITC Properties Group Limited to be held at Shop B27, Basement, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong at 11:00 a.m. on Wednesday, 10th February, 2010 is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of ITC Properties Group Limited in Hong Kong, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

* *For identification purpose only*

25th January, 2010

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

"Agreement"	the agreement dated 5th November, 2009 entered into between ITC China and Hong Neng in relation to the formation of the JV Company
"associate(s)"	has the same meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Company"	ITC Properties Group Limited, a company incorporated in Bermuda with limited liability, the issued Shares (Stock Code : 199) and warrants (Warrant Code : 490) of which are listed on the Main Board of the Stock Exchange
"connected person(s)"	has the same meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company
"First Increase"	the increase in the registered capital of the JV Company from RMB100.0 million (equivalent to approximately HK$113.6 million) to RMB200.0 million (equivalent to approximately HK$227.3 million) pursuant to a joint venture agreement in relation to the JV Company dated 23rd December, 2009 entered into between ITC China and Hong Neng
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Neng"	貴州宏能溫泉旅游開發有限公司 (Guizhou Hong Neng Hot Spring Resort Tourism Development Company Limited), a company incorporated in the PRC with limited liability
"Initial Commitment"	the total capital commitment of RMB90.0 million (equivalent to approximately HK$102.3 million) as set out in the Agreement, on the part of ITC China
"ITC China"	ITC (China) Properties Group Limited, an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability

"JV Company"	貴州宏德置業有限公司 (Guizhou Hong De Real Estate Co., Ltd.) (formerly known as 貴州宏德商務咨詢有限公司 (Guizhou Hong De Business Consulting Co., Ltd.)), a sino-foreign joint venture company established in the PRC with limited liability pursuant to the Agreement
"Land"	several parcels of land in Wudang District, Guiyang City, Guizhou Province, the PRC with an aggregate site area of approximately 347,054 sq. m. and on which the Project is intended to be situated
"Latest Practicable Date"	Wednesday, 20th January, 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"Maximum Further Contribution"	the maximum additional capital contribution of RMB135.0 million (equivalent to approximately HK$153.4 million) to the JV Company on the part of ITC China pursuant to the Memorandum
"Memorandum"	the memorandum of understanding dated 6th January, 2010 entered into between ITC China and Hong Neng in relation to the proposed increase in contributions to the JV Company
"PRC"	the People's Republic of China, and for the purpose of this circular, excluding Hong Kong, Macau and Taiwan
"Project"	the hot spring and resort development project currently named "樂灣國際溫泉城建設項目 (Le Bay International Hot Spring City Development Project)" intended to be developed by the JV Company
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"SGM"	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Maximum Further Contribution and the proposed increase in the total investment amount and the registered capital of the JV Company under the Memorandum
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"sq. m."	square meter(s)
"%"	per cent.

In this circular, amounts in RMB are converted into HK$ on the basis of HK$1 = RMB0.88. The conversion rate is for indication purposes only and should not be taken as a representation that RMB could actually be converted into HK$ at that rate or at all.

For ease of reference, the names of the companies and entities established in the PRC have been included in this circular in both Chinese and English languages and the English names of these companies and entities are either English translation of their respective official Chinese names or English tradenames used by them. In the event of any inconsistency between the English names and their respective official Chinese names, the Chinese names shall prevail.

德祥地產集團有限公司*

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 199)

(Warrant Code : 490)

Executive Directors:
Mr. Cheung Hon Kit *(Chairman)*
Mr. Chan Fut Yan *(Managing Director)*
Mr. Cheung Chi Kit
Mr. Lai Tsan Tung, David

Non-executive Director:
Mr. Ma Chi Kong, Karl

Independent non-executive Directors:
Mr. Qiao Xiaodong *(Vice Chairman)*
Mr. Wong Chi Keung, Alvin
Mr. Kwok Ka Lap, Alva

Registered office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
Unit 3102, 31st Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

25th January, 2010

To the Shareholders and, for information only, the holders of warrants and convertible notes of the Company

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE MAXIMUM FURTHER CONTRIBUTION IN RESPECT OF THE GUIYANG JOINT VENTURE COMPANY

INTRODUCTION

The Board announced on 6th January, 2010 that after trading hours of the Stock Exchange on the same date, ITC China and Hong Neng entered into the Memorandum in relation to, among other things, the proposed increase in the total investment amount of the JV Company from RMB200.0 million (equivalent to approximately HK$227.3 million) to RMB500.0 million (equivalent to approximately HK$568.2 million). The Maximum Further Contribution under the Memorandum is RMB135.0 million (equivalent to approximately HK$153.4 million).

* *For identification purpose only*

As the Maximum Further Contribution, when aggregated with the Initial Commitment, exceeds 25% but is less than 100% of the applicable percentage ratios under Rule 14.07 of the Listing Rules, the Maximum Further Contribution constitutes a major transaction for the Company under the Listing Rules and is therefore subject to the approval of the Shareholders by way of poll at the SGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Hong Neng and its ultimate beneficial owners are third parties independent of the Company and its connected persons and no Shareholder has a material interest in the transaction contemplated under the Memorandum which is different from the other Shareholders, as such no Shareholder is required to abstain from voting in respect of the ordinary resolution to be proposed at the SGM to approve, among other things, the Maximum Further Contribution.

The purpose of this circular is to provide you with, among other things, details of the Memorandum, the financial information on the Group and the JV Company, the unaudited pro forma financial information of the Group, the notice of the SGM and other information as required under the Listing Rules.

BACKGROUND

On 5th November, 2009, the Board announced that ITC China and Hong Neng entered into the Agreement for the formation of the JV Company, which would be principally engaged in the development and management of a hot spring and resort project in Guiyang City, Guizhou Province, the PRC. Under the Agreement, the total investment amount of the JV Company is RMB200.0 million (equivalent to approximately HK$227.3 million) and its registered capital is RMB100.0 million (equivalent to approximately HK$113.6 million). ITC China and Hong Neng would contribute RMB45.0 million (equivalent to approximately HK$51.1 million) and RMB55.0 million (equivalent to approximately HK$62.5 million) respectively, in proportion to their respective equity interests of 45% and 55%, to the registered capital of the JV Company. It was agreed that the difference between the total investment amount and the registered capital would be contributed by ITC China and Hong Neng by way of shareholders' loans in proportion to their respective equity interests in the JV Company or, if both parties agree, would be funded by external financing. Accordingly, the Initial Commitment in respect of the JV Company amounted to RMB90.0 million (equivalent to approximately HK$102.3 million) under the Agreement.

As disclosed in the announcement of the Company dated 5th November, 2009 in relation to the formation of the JV Company, it was intended that the capital contributions from ITC China and Hong Neng would be used to fund the acquisition of the Land through public listing and bidding process for the development of the Project.

INFORMATION ON THE JV COMPANY

The JV Company was incorporated in the PRC on 18th November, 2009. In compliance with the provisions of the Agreement, ITC China and Hong Neng has paid up their required contributions of RMB45.0 million (equivalent to approximately HK$51.1 million) and RMB55.0 million (equivalent to approximately HK$62.5 million) respectively to the registered capital of the JV Company. The board of the JV Company comprises five directors. ITC China and Hong

Neng have the right to nominate two directors and three directors respectively. The chairman of the JV Company is appointed by Hong Neng. Hong Neng mainly assists the JV Company in the acquisition of land for the development of the Project and the Group mainly shares with the JV Company its expertise in design, construction and operation of the Project. The Group does not have prior working experience with Hong Neng.

On 4th December, 2009, the JV Company succeeded in the bidding of the Land. The land premium payable amounts to approximately RMB104.5 million (equivalent to approximately HK$118.8 million). The Land is situated in the southern part of Dong Feng County, Wudang District, Guiyang City, Guizhou Province, the PRC (中國貴州省貴陽市烏當區東風鎮), about 15 kilometers from Guiyang City, which can be developed for residential, commercial, cultural, recreational and resort uses. The maximum plot ratio is approximately in the range of 1.0 to 1.5. Pursuant to the agreement dated 11th December, 2009 entered into between the JV Company and the local government of Guiyang City in relation to the sale and purchase of the Land, the JV Company will not own the legal title of the land use rights of the Land unless the demolition and resettlement works on the Land are satisfactorily completed before 11th December, 2010. As such, as at the Latest Practicable Date, the JV Company does not own the legal title of the Land or any other properties.

As the initial paid-up capital of RMB100.0 million (equivalent to approximately HK$113.6 million) in the JV Company has been utilised for the payment of the land premium of the Land, instead of further contribution in the form of shareholders' loans as originally envisaged under the Agreement, ITC China and Hong Neng entered into a new joint venture agreement in relation to the JV Company on 23rd December, 2009 to, among other things, increase the registered capital of the JV Company from RMB100.0 million (equivalent to approximately HK$113.6 million) to RMB200.0 million (equivalent to approximately HK$227.3 million). The First Increase shall be contributed by ITC China and Hong Neng in accordance with their respective equity interests in the JV Company, i.e. RMB45.0 million (equivalent to approximately HK$51.1 million) by ITC China and RMB55.0 million (equivalent to approximately HK$62.5 million) by Hong Neng, 20% of which is payable on the filing and registration of the First Increase with the relevant PRC authorities and the balance is payable within two years of the issue of the new business licence of the JV Company reflecting the First Increase. The First Increase has been approved by the relevant PRC government authorities and the new business licence of the JV Company is expected to be issued in late January 2010. Under the new joint venture agreement, the total investment amount of the JV Company remains at RMB200.0 million (equivalent to approximately HK$227.3 million).

In order to cater for the future development of the Project by the JV Company including but not limited to the development of the Project on the Land and possible acquisition(s) of further parcels of land adjacent to the Land, after trading hours of the Stock Exchange on 6th January, 2010, ITC China and Hong Neng entered into the Memorandum for the proposed increase in the total investment amount and further increase in the registered capital of the JV Company. Details of the Memorandum are set out below.

THE MEMORANDUM

Date

6th January, 2010

Parties

(i) Hong Neng, a company incorporated in the PRC with limited liability which is engaged in investment holding; and

(ii) ITC China, an indirect wholly-owned subsidiary of the Company, which is incorporated in Hong Kong with limited liability.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, except for being a joint venture partner to the Group in the JV Company and the borrower of a short-term loan of RMB20.0 million (equivalent to approximately HK$22.7 million) provided by the Group pursuant to a loan agreement dated 26th November, 2009, Hong Neng and its ultimate beneficial owners are third parties independent of the Company and its connected persons and are not connected persons of the Company.

Proposed increase in contributions

(i) Total investment amount

The total investment amount of the JV Company is to be increased from RMB200.0 million (equivalent to approximately HK$227.3 million) to RMB500.0 million (equivalent to approximately HK$568.2 million).

(ii) Registered capital

The registered capital of the JV Company is to be further increased from RMB200.0 million (equivalent to approximately HK$227.3 million) to RMB400.0 million (equivalent to approximately HK$454.5 million).

The increase in the registered capital of RMB200.0 million (equivalent to approximately HK$227.3 million) is to be contributed in cash by ITC China and Hong Neng, in proportion to their respective equity interests of 45% and 55% in the JV Company, in the amount of RMB90.0 million (equivalent to approximately HK$102.3 million) and RMB110.0 million (equivalent to approximately HK$125.0 million) respectively, 20% of which is payable upon the filing and registration of the proposed increases in total investment amount and registered capital with the relevant PRC authorities and the balance is payable within two years from the date of the issue of a new business licence of the JV Company reflecting the aforesaid increases.

(iii) Difference between total investment amount and registered capital

The Memorandum provides that the difference between the new total investment amount of RMB500.0 million (equivalent to approximately HK$568.2 million) and the new registered capital of RMB400.0 million (equivalent to approximately HK$454.5 million) is to be made up in such manner and at such time as ITC China and Hong Neng shall agree, and may be by way of external financing. It was further provided in the Memorandum that if external financing is not available or is not available on terms acceptable to both ITC China and Hong Neng within four years from the date of the issue of the new business licence of the JV Company, then unless the parties otherwise agree, the difference shall be contributed by ITC China and Hong Neng in the form of shareholders' loans in proportion to their respective equity interests in the JV Company, in which case such shareholders' loans shall be interest-free, unsecured and have no fixed terms of repayment.

Apart from the proposed contribution to the increase in the registered capital and possible shareholders' loans as set out above, there are no other commitments by the parties to the Memorandum as at the Latest Practicable Date to make any further capital contribution to the JV Company.

Conditions precedent

The proposed increases in the total investment amount and the registered capital of the JV Company under the Memorandum are conditional upon all necessary PRC governmental approvals for the same having been obtained, the First Increase having been approved by the relevant PRC government authorities, and the approval of the aforesaid increases by the Shareholders having been obtained by way of poll at the SGM.

If the above conditions have not been fulfilled within six months from the signing of the Memorandum (or such other date as the parties to the Memorandum may agree in writing), the rights and obligations of the parties under the Memorandum shall lapse and be of no further effect and neither party shall have any claim against the other thereon but ITC China and Hong Neng shall further discuss other alternative means of financing available to the JV Company.

REASONS FOR AND BENEFITS OF THE MEMORANDUM

The Company is an investment holding company and its subsidiaries are principally engaged in property development and investment in Macau, the PRC and Hong Kong. The Group is also engaged in golf resort and leisure operations in the PRC, securities investment and loan financing services.

The Directors expect that the robust economic growth and increasing consumer spending in the PRC will continue to drive the growth of the property market and leisure business sector in the PRC and are keen to expand the Group's property, resort and leisure businesses in the PRC beyond Sanya and Guangzhou. Following the announcement of the overall city development plan by local government of Guiyang City in early 2009 which involves the development of Wudang District into a popular vacation spot in the PRC, the Group has been exploring investment opportunities in Guiyang. With its natural hot springs and beautiful scenery, the Board believes that Guiyang has significant potential to be developed into one of the famous tourist attractions in the PRC.

As disclosed in the announcement of the Company dated 5th November, 2009 in relation to the formation of the JV Company and the announcement of the Company dated 6th January, 2010 in relation to the Maximum Further Contribution in respect of the JV Company, it is the intention of the Group to develop the Land and its adjacent areas into a multi-purpose complex with residential units, hotel, commercial, spa, sports and resort facilities. The acquisition of the Land is the first step for the JV Company to commence the Project. The JV Company informed ITC China that the master planning and design work for the initial phase of the Project is in progress and construction is anticipated to commence in or around May 2010. It is expected that the JV Company will commence the construction of the residential units first and the pre-sale of the initial phase of the Project of approximately 200,000 sq. m. will be scheduled around the end of 2010. The initial phase of the Project is expected to be completed around mid 2011. The proposed increase in the capital contributions by ITC China and Hong Neng will be used to reimburse Hong Neng the expenditure in relation to the preliminary work of the Project incurred thereby up to a maximum amount of RMB100.0 million (equivalent to approximately HK$113.6 million). The remaining capital contributions by ITC China and Hong Neng will provide the JV Company with adequate fund in a timely manner to develop the Project and to acquire further parcels of land adjacent to the Land if suitable opportunities arise to scale up the Project. The JV Company will participate in the next land auction with a view to acquiring further parcels of land adjacent to the Land for the Project.

In view of the above, the Board considers that the entering into of the Memorandum (including the Maximum Further Contribution contemplated thereunder) is in the interests of the Company and the Shareholders as a whole and the terms of the Memorandum are fair and reasonable.

The Maximum Further Contribution of RMB135.0 million (equivalent to approximately HK$153.4 million) is intended to be financed by internal resources of the Group and/or bank borrowings, if required.

FINANCIAL EFFECTS

The Group is currently interested in 45% equity interest in the JV Company. Following the further contribution to be made by ITC China and Hong Neng under the First Increase and the proposed contribution under the Memorandum, the Group will remain interested in 45% equity interest in the JV Company. The results, assets and liabilities of the JV Company would be equity accounted for in the financial results of the Group.

Your attention is drawn to the unaudited pro forma financial information regarding the assets and liabilities of the Group as a result of the proposed contribution under the Memorandum as set out in Appendix III to this circular.

Earnings

Since the JV Company was only incorporated in November 2009, there will be little effect on the earnings of the Group for the financial year ending 31st March, 2010.

Net assets

As the Maximum Further Contribution will be financed by internal resources of the Group and/or bank borrowings, (if required), there will not be any impact on the Group's net assets.

Gearing

As extracted from the interim report of the Company for the six months ended 30th September, 2009, the gearing ratio of the Group, calculated with reference to the bank and other borrowings of HK$391.7 million and the fair value of the liability component of convertible note payables of HK$1,380.9 million, offsetting with the pledged bank deposits and the bank balances and cash of HK$187.9 million, and the Group's shareholders' funds of HK$2,135.0 million, was 0.74 as at 30th September, 2009.

As set out in Appendix III to this circular, assuming the implementation of the Maximum Further Contribution had taken place on 30th September, 2009, the gearing ratio of the Group, calculated with reference to the contribution payable of HK$7.7 million, the bank and other borrowings of HK$391.7 million and the fair value of the liability component of convertible note payables of HK$1,380.9 million, offsetting with the pledged bank deposits of HK$42.2 million, and shareholders' funds of the Group of HK$2,135.0 million, was 0.81.

THE SGM

The SGM, the notice of which is set out on pages SGM-1 to SGM-2 of this circular, will be held at Shop B27, Basement, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong, at 11:00 a.m. on Wednesday, 10th February, 2010, to consider and, if thought fit, approve the Maximum Further Contribution and the proposed increases in the total investment amount and the registered capital of the JV Company under the Memorandum by ordinary resolution. The voting on the ordinary resolution will be taken by way of poll.

Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to Tricor Secretaries Limited as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, no Shareholder has any material interest in the Memorandum and the transactions contemplated thereunder as at the Latest Practicable Date. On such basis, no Shareholder is required to abstain from voting on the proposed resolution approving the Maximum Further Contribution and the proposed increases in the total investment amount and the registered capital of the JV Company under the Memorandum at the SGM.

RECOMMENDATION

The Directors consider that the terms of the Memorandum and the transactions contemplated thereunder (including the Maximum Further Contribution) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Maximum Further Contribution and the proposed increases in the total investment amount and the registered capital of the JV Company under the Memorandum.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
ITC Properties Group Limited
Cheung Hon Kit
Chairman

1. FINANCIAL SUMMARY

Set out below is a summary of the audited financial information on the Group for the three years ended 31st March, 2007, 2008 and 2009 extracted from the Company's relevant annual reports, and the unaudited financial information on the Group for the six months ended 30th September, 2008 and 2009 extracted from the Company's relevant interim reports, restated as appropriate:

RESULTS

	For the year ended 31st March,			For the six months ended 30th September,	
	2007	**2008**	**2009**	**2008**	**2009**
	HK$'000 *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations					
Gross proceeds	411,676	600,844	145,121	100,213	92,396
Revenue	93,389	181,944	92,670	51,834	68,688
Property sale and rental income	5,251	81,792	25,751	21,878	4,317
Golf and leisure income	52,367	62,622	44,058	16,367	14,933
	57,618	144,414	69,809	38,245	19,250
Cost of sales	(14,073)	(67,511)	(25,726)	(18,907)	(4,751)
Gross profit	43,545	76,903	44,083	19,338	14,499
Income from loan financing	21,036	31,789	21,772	11,784	7,833
Net gain (loss) on financial instruments	28,623	76,382	(169,337)	(44,533)	96,553
Other income	105,616	73,206	33,995	16,802	10,936
Increase in fair value of investment properties	–	–	–	–	31,758
Reversal of write-down on properties held for sale	–	–	–	–	92,591
Impairment loss recognised on advance to a jointly controlled entity	–	–	–	–	(10,700)
Administrative expenses	(85,400)	(141,959)	(133,113)	(67,123)	(65,516)
Finance costs	(97,009)	(109,933)	(108,357)	(53,673)	(60,561)
Impairment losses on property interests	–	–	(146,712)	–	–
Impairment losses on prepaid lease payments of leasehold land and premium on prepaid lease payments of leasehold land	–	(45,000)	–	–	–
Loss on disposal of an associate	–	(39,486)	–	–	–
Loss on disposal of subsidiaries	–	(19,073)	–	–	–
Compensation for cancellation of call options for acquisition of additional interest in an associate	23,370	–	–	–	–
Share of results of associates	40,916	(25,047)	(4,404)	(1,507)	(2,894)
Share of result of a jointly controlled entity	–	–	(212)	(212)	–
Profit (loss) before taxation	80,697	(122,218)	(462,285)	119,124	114,499
Taxation	(10,004)	(3,475)	469	342	342

	For the year ended 31st March,			For the six months ended 30th September,	
	2007	2008	2009	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note)				
Profit (loss) for the year/period from continuing operations	70,693	(125,693)	(461,816)	(118,782)	114,841
Discontinued operations					
Profit (loss) for the year/period from discontinued operations	3,408	(18,665)	–	–	–
Profit (loss) for the year/period	74,101	(144,358)	(461,816)	(118,782)	114,841
Profit (loss) for the year/period attributed to:					
Owners of the Company	79,091	(141,853)	(461,816)	(118,782)	114,841
Minority interests	(4,990)	(2,505)	–	–	–
	74,101	(144,358)	(461,816)	(118,782)	114,841
Earnings (loss) per share					
From continuing and discontinued operations:					
– Basic (HK dollars)	0.57	(0.74)	(1.20)	(0.41)	0.24
– Diluted (HK dollars)	0.54	(0.74)	(1.20)	(0.41)	0.23
From continuing operations:					
– Basic (HK dollars)	0.55	(0.64)	(1.20)	(0.41)	0.24
– Diluted (HK dollars)	0.53	(0.64)	(1.20)	(0.41)	0.23

Note: As stated in note 46 to the audited consolidated financial statements for the year ended 31st March, 2008 contained in the annual report of the Company, the Group disposed of its entire interests in Tung Fong Hung Investment Limited ("TFH") on 31st July, 2007 and King-Tech International Holdings Limited ("King-Tech") on 31st March, 2008. In this respect, comparative figures have been reclassified to conform with the current presentation that TFH and King-Tech are shown as discontinued operations. For the year ended 31st March, 2008, revenue included net gain on disposal of investments held-for-trading and excluded interest on unsecured loan due from an associate whereas revenue for year ended 31st March, 2007 as previously reported included gross proceeds from disposal of investments held-for-trading of HK$328.7 million and interest on unsecured loan due from an associate of HK$56.2 million.

ASSETS AND LIABILITIES

	At 31st March,			At 30th September,	
	2007	2008	2009	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	279,956	178,543	186,224	189,993	183,958
Prepaid lease payments of leasehold land	96,772	20,808	20,822	21,088	20,557
Premium on prepaid lease payments of leasehold land	131,527	114,294	111,558	112,926	110,190
Investment properties	–	–	–	–	221,000
Intangible assets	430	–	–	–	–
Available-for-sale investments	130,036	94,570	37,892	59,073	51,568
Interest in associates	93,879	135,503	134,809	135,376	212,210
Interest in joint ventures	–	14,745	44,759	34,035	51,771
Advance to a jointly controlled entity	–	–	–	–	1,300
Unsecured loans and interest due from associates	1,234,443	1,077,690	1,073,982	1,076,312	993,687
Debt portion of convertible bonds	–	51,120	36,320	33,947	38,984
Derivatives embedded in convertible bonds	–	4,865	–	–	–
Properties under development	–	240,853	189,000	242,261	–
Deposit and expenses paid for acquisition of a land use right	41,466	47,275	47,275	47,275	47,275
Deposit and expenses paid for acquisition of subsidiaries and an associate	90,675	–	47,244	–	–
Deposit and expenses paid for acquisition of properties	27,125	–	–	–	–
Other loan receivables	9,634	–	–	–	3,852
	2,135,943	1,980,266	1,929,885	1,952,286	1,936,352
Current assets					
Inventories	76,919	2,161	3,143	2,596	2,545
Properties held for sale	58,536	252,903	539,388	340,131	948,380
Properties under development	11,296	–	–	–	–
Financial assets at fair value through profit or loss	66,725	11,957	176,552	168,681	189,522
Deposits paid for acquisition of properties held for sale	–	–	–	20,477	–
Debt portion of convertible bonds	–	–	727	284	1,179
Debtors, deposits and prepayments	473,160	514,795	503,148	501,150	560,613
Other loan receivables	205,495	243,133	208,727	308,970	173,014
Prepaid lease payments of leasehold land	2,480	517	530	530	530
Amounts due from associates	68	2,154	2,172	2,097	2,426
Unsecured loans and interest due from related companies	54,567	58,251	48,437	60,105	49,841
Tax recoverable	1,506	–	–	–	–
Pledged bank deposits	40,783	51,818	44,626	46,689	42,200
Bank balances and cash	254,622	243,038	124,035	533,967	145,730
	1,246,157	1,380,727	1,651,485	1,985,677	2,115,980

	At 31st March, 2007 HK$'000	2008 HK$'000	2009 HK$'000	At 30th September, 2008 HK$'000	2009 HK$'000
Current liabilities					
Creditors, deposits and accrued charges	158,947	70,392	72,047	111,549	97,769
Amounts due to minority shareholders of subsidiaries	1,884	890	395	921	256
Dividend payable to a minority shareholder of a subsidiary	2,354	–	–	–	–
Tax payable	12,340	13,252	11,856	13,552	11,626
Unsecured loans from minority shareholders of subsidiaries	4,515	–	–	–	–
Unsecured loan from a related company	1,616	–	–	–	–
Convertible note payables – due within one year	7,945	7,284	7,174	2,655	513,795
Obligations under finance leases – due within one year	24	49	90	62	83
Bank and other borrowings – due within one year	111,439	113,996	82,830	105,902	12,729
	301,064	205,863	174,392	234,641	636,258
Net current assets	945,093	1,174,864	1,477,093	1,751,036	1,479,722
Total assets less current liabilities	3,081,036	3,155,130	3,406,978	3,703,322	3,416,074
Non-current liabilities					
Convertible note payables – due after one year	1,360,455	1,236,559	1,328,913	1,281,993	867,097
Obligations under finance leases – due after one year	71	173	282	191	200
Bank and other borrowings – due after one year	8,081	39,647	40,658	33,583	378,999
Deferred tax liabilities	40,609	28,574	27,889	28,232	27,547
	1,409,216	1,304,953	1,397,742	1,343,999	1,273,843
	1,671,820	1,850,177	2,009,236	2,359,323	2,142,231
Capital and reserves					
Share capital	23,123	30,955	4,709	119,943	4,709
Reserves	1,598,516	1,812,043	1,997,342	2,232,201	2,130,337
Equity attributable to owners of the Company	1,621,639	1,842,998	2,002,051	2,352,144	2,135,046
Minority interests	50,181	7,179	7,185	7,179	7,185
	1,671,820	1,850,177	2,009,236	2,359,323	2,142,231

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The following is a reproduction of the audited consolidated financial statements of the Group for the financial years ended 31st March, 2008 and 2009 together with the relevant notes to the consolidated financial statements, contained on pages 46 to 154 of the annual report of the Company for the year ended 31st March, 2009. The auditor's reports as set out in the annual reports of the Company for the years ended 31st March, 2008 and 2009 were unqualified.

CONSOLIDATED INCOME STATEMENT

(for the year ended 31st March, 2009)

	NOTES	2009 HK$'000	2008 HK$'000
Continuing operations			
Turnover			
– Gross proceeds	50	145,121	600,844
Revenue	5	92,670	181,944
Property sale and rental income		25,751	81,792
Golf and leisure income		44,058	62,622
		69,809	144,414
Cost of sales		(25,726)	(67,511)
Gross profit		44,083	76,903
Income from loan financing		21,772	31,789
Net (loss) gain on financial instruments	6	(169,337)	76,382
Other income	7	33,995	73,206
Administrative expenses		(133,113)	(141,959)
Finance costs	8	(108,357)	(109,933)
Impairment losses on property interests	9	(146,712)	(45,000)
Loss on disposal of an associate	21	–	(39,486)
Loss on disposal of subsidiaries	42	–	(19,073)
Share of results of a jointly controlled entity	20	(212)	–
Share of results of associates	21	(4,404)	(25,047)
Loss before taxation		(462,285)	(122,218)
Taxation	10	469	(3,475)

	NOTES	2009 HK$'000	2008 HK$'000
Loss for the year from continuing operations		(461,816)	(125,693)
Discontinued operations			
Loss for the year from discontinued operations	11	–	(18,665)
Loss for the year	12	(461,816)	(144,358)
Attributable to:			
Equity holders of the Company		(461,816)	(141,853)
Minority interests		–	(2,505)
		(461,816)	(144,358)
Loss per share	14		
From continuing and discontinued operations:			
– Basic and diluted (HK dollars)		(1.20)	(0.74)
From continuing operations:			
– Basic and diluted (HK dollars)		(1.20)	(0.64)

CONSOLIDATED BALANCE SHEET

(at 31st March, 2009)

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	15	186,224	178,543
Prepaid lease payments of leasehold land	16	20,822	20,808
Premium on prepaid lease payments of leasehold land	17	111,558	114,294
Properties under development	18	189,000	240,853
Available-for-sale investments	19	37,892	94,570
Interest in a joint venture	20	44,759	14,745
Interests in associates	21	134,809	135,503
Unsecured loans and interest due from associates	21	1,073,982	1,077,690
Debt portion of convertible bonds	23	36,320	51,120
Derivatives embedded in convertible bonds	23	–	4,865
Deposits and expenses paid for acquisition of a land use right	24	47,275	47,275
Deposits and expenses paid for acquisition of subsidiaries	43	47,244	–
		1,929,885	1,980,266
Current assets			
Inventories	26	3,143	2,161
Properties held for sale		539,388	252,903
Debt portion of convertible bonds	23	727	–
Financial assets at fair value through profit or loss	27	176,552	11,957
Debtors, deposits and prepayments	28	503,148	514,795
Other loan receivables	25	208,727	243,133
Prepaid lease payments of leasehold land	16	530	517
Amounts due from associates	22	2,172	2,154
Unsecured loans and interest due from related companies	29	48,437	58,251
Pledged bank deposits	30	44,626	51,818
Bank balances and cash	30	124,035	243,038
		1,651,485	1,380,727

	NOTES	2009 HK$'000	2008 HK$'000
Current liabilities			
Creditors, deposits and accrued charges	31	72,047	70,392
Amounts due to minority shareholders of subsidiaries	32	395	890
Tax payable		11,856	13,252
Convertible note payables – due within one year	33	7,174	7,284
Obligations under finance leases – due within one year	34	90	49
Bank borrowings – due within one year	35	82,830	113,996
		174,392	205,863
Net current assets		1,477,093	1,174,864
Total assets less current liabilities		3,406,978	3,155,130
Non-current liabilities			
Convertible note payables – due after one year	33	1,328,913	1,236,559
Obligations under finance leases – due after one year	34	282	173
Bank borrowings – due after one year	35	40,658	39,647
Deferred tax liabilities	36	27,889	28,574
		1,397,742	1,304,953
		2,009,236	1,850,177
Capital and reserves			
Share capital	37	4,709	30,955
Reserves		1,997,342	1,812,043
Equity attributable to the equity holders of the Company		2,002,051	1,842,998
Minority interests		7,185	7,179
		2,009,236	1,850,177

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(for the year ended 31st March, 2009)

	Attributable to equity holders of the Company														
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Convertible loan notes equity reserve HK$'000	Share-based payment reserve HK$'000	Available-for-sale investments reserve HK$'000	Special reserve HK$'000 (Note)	Revaluation reserve HK$'000	Translation reserve HK$'000	Warrant reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1st April, 2007	23,123	1,066,055	-	1,124	368,304	3,296	3,481	(8,908)	1,795	10,364	-	153,005	1,621,639	50,181	1,671,820
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	18,580	-	-	18,580	3,478	22,058
Gain on fair value changes of available-for-sale investments	-	-	-	-	-	-	44,371	-	-	-	-	-	44,371	-	44,371
Net income recognised directly in equity	-	-	-	-	-	-	44,371	-	-	18,580	-	-	62,951	3,478	66,429
Released on disposal of subsidiaries *(note 42)*	-	-	-	-	-	-	-	-	(991)	(21,472)	-	-	(22,463)	(43,975)	(66,438)
Released on disposal of available-for-sale investments	-	-	-	-	-	-	(60,752)	-	-	-	-	-	(60,752)	-	(60,752)
Loss for the year	-	-	-	-	-	-	-	-	-	-	-	(141,853)	(141,853)	(2,505)	(144,358)
Total recognised expenses for the year	-	-	-	-	-	-	(16,381)	-	(991)	(2,892)	-	(141,853)	(162,117)	(43,002)	(205,119)
Conversion of convertible notes	4,832	268,001	-	-	(60,585)	-	-	-	-	-	-	-	212,248	-	212,248
Issue of shares	3,000	165,000	-	-	-	-	-	-	-	-	-	-	168,000	-	168,000
Expenses incurred in connection with issue of shares	-	(5,114)	-	-	-	-	-	-	-	-	-	-	(5,114)	-	(5,114)
Recognition of equity-settled share-based payments	-	-	-	-	-	8,342	-	-	-	-	-	-	8,342	-	8,342
At 31st March, 2008	30,955	1,493,942	-	1,124	307,719	11,638	(12,900)	(8,908)	804	7,472	-	11,152	1,842,998	7,179	1,850,177

	Attributable to equity holders of the Company														
	Share capital	Share premium	Contributed surplus	Capital redemption reserve	Convertible loan notes equity reserve	Share-based payment reserve	Available-for-sale investments reserve	Special reserve	Revaluation reserve	Translation reserve	Warrant reserve	Retained profits/ (Accumulated losses)	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	2,202	-	-	2,202	-	2,202
Loss on fair value changes of available-for-sale investment	-	-	-	-	-	-	(44,413)	-	-	-	-	-	(44,413)	-	(44,413)
Net income and expenses recognised directly in equity	-	-	-	-	-	-	(44,413)	-	-	2,202	-	-	(42,211)	-	(42,211)
Impairment loss on available-for-sale investments	-	-	-	-	-	-	53,037	-	-	-	-	-	53,037	-	53,037
Released on disposal of available-for-sale investments	-	-	-	-	-	-	4,299	-	-	-	-	-	4,299	-	4,299
Loss for the year	-	-	-	-	-	-	-	-	-	-	-	(461,816)	(461,816)	-	(461,816)
Total recognised income and expenses for the year	-	-	-	-	-	-	12,923	-	-	2,202	-	(461,816)	(446,691)	-	(446,691)
Rights issue with warrants	92,866	522,622	-	-	-	-	-	-	-	-	34,571	-	650,059	-	650,059
Expenses incurred in connection with rights issue	-	(23,183)	-	-	-	-	-	-	-	-	-	-	(23,183)	-	(23,183)
Transfer on lapse of share options	-	-	-	-	-	(4,418)	-	-	-	-	-	4,418	-	-	-
Capital injection from minority shareholders on incorporation	-	-	-	-	-	-	-	-	-	-	-	-	-	6	6
Recognition of equity-settled share-based payments	-	-	-	-	-	5,547	-	-	-	-	-	-	5,547	-	5,547
Repurchase and cancellation of shares	(6,092)	(20,587)	-	6,092	-	-	-	-	-	-	-	(6,092)	(26,679)	-	(26,679)
Capital reorganisation *(note 37(e))*	(113,020)	-	113,020	-	-	-	-	-	-	-	-	-	-	-	-
At 31st March, 2009	4,709	1,972,794	113,020	7,216	307,719	12,767	23	(8,908)	804	9,674	34,571	(452,338)	2,002,051	7,185	2,009,236

Note: Special reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired and the nominal amount of the share capital of the Company issued as consideration under the group reorganisation in 1994.

CONSOLIDATED CASH FLOW STATEMENT
(for the year ended 31st March, 2009)

	2009	2008
	HK$'000	HK$'000
OPERATING ACTIVITIES		
Loss before taxation	(462,285)	(140,325)
Adjustments for:		
Finance costs	108,357	110,546
Share of results of a jointly controlled entity	212	–
Share of results of associates	4,404	25,047
Bank interest income	(4,676)	(10,259)
Interest income on convertible bonds	(5,502)	(3,036)
Interest income on unsecured loan due from an associate	(14,417)	(51,618)
Depreciation of property, plant and equipment	11,507	17,569
Allowance for inventories	–	5,106
Allowance for bad and doubtful debts	5,313	1,801
Release of prepaid lease payments of leasehold land	525	2,293
Amortisation of premium on prepaid lease payments of leasehold land	2,736	2,914
Equity-settled share-based payments expense	5,547	8,342
Impairment losses on property interests	146,712	45,000
Loss on disposal of an associate	–	39,486
Loss on disposal of property, plant and equipment	171	127
Loss on disposal of subsidiaries	–	37,644
Net loss (gain) on financial instruments	169,456	(71,772)
Operating cash flows before movements in working capital	(31,940)	18,865
Decrease in other loan receivables	14,569	31,682
Increase in inventories	(932)	(27,652)
Increase in properties held for sale	(39,691)	(167,242)
Increase in properties under development	(2,268)	(244,128)
(Increase) decrease in financial assets at fair value through profit or loss	(279,072)	62,586
Decrease (increase) in debtors, deposits and prepayments	44,008	(43,677)
Decrease (increase) in unsecured loans and interest due from related companies	9,814	(3,684)
(Decrease) increase in creditors, deposits and accrued charges	(2,761)	48,562
Cash used in operations	(288,273)	(324,688)
Hong Kong Profits Tax paid	(1,498)	(1,568)
Overseas taxation paid	–	(203)
Interest paid	(16,113)	(22,855)
NET CASH USED IN OPERATING ACTIVITIES	(305,884)	(349,314)

	NOTES	2009 HK$'000	2008 HK'000
INVESTING ACTIVITIES			
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	41	(200,837)	–
Loan advance to a jointly controlled entity		(58,811)	–
Deposits and expenses paid for acquisition of subsidiaries		(47,244)	–
Purchase of convertible bonds		(33,750)	–
Refundable earnest money paid		(32,670)	(25,600)
Loan advance to a joint venture		(29,629)	–
Purchase of property, plant and equipment		(15,635)	(39,151)
Purchase of available-for-sale investments		(5,631)	(63,258)
Advance to associates		(18)	(2,086)
Investment in associates		(2)	–
Proceeds from redemption/disposal of convertible bonds		57,000	44,975
Proceeds from disposal of available-for-sale investments		17,896	226,428
Refundable earnest money refunded		10,000	–
Decrease (increase) in pledged bank deposits		7,192	(11,035)
Interest received		5,722	9,331
Dividend received		2,501	1,131
Proceeds from disposal of property, plant and equipment		974	188
Net proceeds from disposal of associates		–	136,607
Advances to associates		–	(81,409)
Disposal of subsidiaries (net of cash and cash equivalents disposed)	42	–	(56,310)
Acquisition of associates		–	(45,507)
Deposit and expenses paid for acquisition of a land use right		–	(5,809)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(322,942)	88,495

	2009	2008
	HK$'000	*HK'000*
FINANCING ACTIVITIES		
Proceeds from issue of shares	650,059	168,000
New bank and other borrowings raised	20,247	5,741,188
Repayment to a former shareholder of a subsidiary	(58,758)	–
Repayment of bank and other borrowings	(51,327)	(5,668,618)
Share repurchase and cancellation	(26,679)	–
Expenses paid in connection with issue of shares	(23,183)	(5,114)
(Repayment to) advance from minority shareholders of subsidiaries	(517)	13,493
Repayment of obligations under finance leases	(59)	(23)
NET CASH FROM FINANCING ACTIVITIES	509,783	248,926
NET DECREASE IN CASH AND CASH EQUIVALENTS	(119,043)	(11,893)
CASH AND CASH EQUIVALENTS AT 1ST APRIL	243,038	254,622
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	40	309
CASH AND CASH EQUIVALENTS AT 31ST MARCH, representing bank balances and cash	124,035	243,038

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(for the year ended 31st March, 2009)

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is Clarendon House, Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company is Unit 3102, 31/F., Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

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

The Company is an investment holding company. The principal activities of the Group are property development and investment in Macau, the People's Republic of China (the "PRC") and Hong Kong, development and operation of golf resort and hotel in the PRC, securities trading and investment and loan financing services. In prior year, the Group discontinued trading of motorcycles and manufacture and trading of medicine and health products, details of which are set out in note 11. The activities of its principal subsidiaries are set out in note 49.

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

In the current year, the Group has applied the following 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.

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

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

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

[2] Effective for annual periods beginning on or after 1st January, 2009, 1st July, 2009 and 1st January, 2010, as appropriate

[3] Effective for annual periods beginning on or after 1st January, 2009

[4] Effective for annual periods beginning on or after 1st July, 2009

[5] Effective for annual periods ending on or after 30th June, 2009

[6] Effective for annual periods beginning on or after 1st July, 2008

[7] Effective for annual periods beginning on or after 1st October, 2008

[8] Effective for transfers on or after 1st July, 2009

The adoption 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 impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the 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.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

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

Property, plant and equipment

Property, plant and equipment, including building, held for use or supply of goods or services, or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

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

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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.

Prepaid lease payments of leasehold land

Prepaid lease payments of leasehold land, which represent up-front payments to acquire leasehold land interest, are stated at cost and released to profit or loss over the period of the lease on a straight-line basis.

Premium on prepaid lease payments of leasehold land

Premium on prepaid lease payments of leasehold land represents premium on acquisition of prepaid lease payments of land use rights as a result of acquisition of subsidiaries, which are stated at cost and released to profit or loss on the same basis as the related land use rights.

Properties under development

Properties under development for future sale in the ordinary course of business are stated at the lower of cost and net realisable value. It comprises the costs of land use right and development expenditure directly attributable to the development of the properties.

Joint ventures

Jointly controlled operations

When a group entity undertakes its activities under joint venture arrangements directly, constituted as jointly controlled operations, the assets and liabilities arising from those jointly controlled operations are recognised in the balance sheet of the relevant company on an accrual basis and classified according to the nature of the item. The Group's share of the income from jointly controlled operations, together with the expenses that it incurs are included in the consolidated income statement when it is probable that the economic benefits associated with the transactions will flow to/from the Group.

Jointly controlled entities

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

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

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

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 associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

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

Inventories

Hotel inventories and other inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to professional valuations or directors' estimates based on prevailing market conditions.

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 ("FVTPL")) 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 FVTPL, loans and receivables or available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has 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 as 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 excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including debt portion of convertible bonds (see accounting policy below), debtors, other loan receivables, amounts due from associates, unsecured loans and interest due from related companies/associates, pledged bank deposits and bank balances and cash) 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).

Debt portion of convertible bonds

Convertible bonds held by the Group are separately recognised as a debt portion and derivatives embedded in convertible bonds. On initial recognition, the debt portion of the convertible bond and the embedded derivatives are recognised separately at fair value. The debt portion 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).

Derivative financial instruments

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 treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. In all other circumstances, derivatives embedded are not separated and are accounted for together with the host contracts in accordance with appropriate standards.

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 debtors and other loan receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 90 days and the repayment date of other loan receivables respectively, and observable changes in national or local economic conditions that correlate with default on receivables.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of debtors and other loan receivables, 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 debtor or an other loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

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.

Financial liabilities

Financial liabilities including creditors, amounts due to minority shareholders of subsidiaries, and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Convertible note payables

Convertible note payables issued by the Company 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 Company's own equity instruments is classified as an equity instrument.

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

In subsequent periods, the liability component of the convertible loan notes 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 Company, will remain in convertible loan notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible loan notes equity reserve will be transferred to share premium. Where the option remains unexercised at the expiry date, the balance stated in convertible loan notes equity reserve will be released to the retained profits (accumulated losses)). 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 note payables 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 note payables using the effective interest method.

Equity instruments

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

Upon repurchase of the Company's own shares, the respective shares are subsequently cancelled upon repurchase and accordingly, the issued share capital of the Company is diminished by the nominal value thereof. The premium paid on repurchase is charged against the Company's share premium account. An amount equal to the nominal value of the shares repurchased is transferred from retained profits (accumulated losses) to capital redemption reserve.

Warrants

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

The fair value of warrants on the date of issue is recognised in equity (warrant reserve). The warrant reserve will be transferred to share capital and share premium upon exercise of the warrants. Where the warrants remain unexercised at the expiry date, the amount previously recognised in warrant reserve will be released to the retained profits (accumulated losses).

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.

Revenue recognition

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

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

Revenue in relation to hotel and golf club operations are recognised when the services are provided.

Golf club annual subscription fees are recognised on a straight line basis over the subscription period of one year.

Golf club membership transfer fees are recognised upon approval of the transfer by the management committee of the golf operations.

Building management fee income is recognised on a straight line basis over the relevant period in which the services are rendered.

Sales of securities investments are recognised when the related bought and sold notes are executed.

Sales of completed properties are recognised on the execution of a binding sales agreement.

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

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

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss unless they are directly attributable to qualifying assets in which case they are capitalised in accordance with the Group's accounting policy on borrowing costs (see below).

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value was 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 case, 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. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees and others providing similar services after 1st April, 2005

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in equity (share-based payment reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share-based payment reserve.

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

Share options granted to suppliers/consultants

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Impairment losses on tangible assets

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

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

Retirement benefit costs

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

Taxation

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

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Allowance on other loan receivables

As at 31st March, 2009, the carrying amount of other loan receivables, was HK$208,727,000 (2008: HK$243,133,000). The Group performs ongoing credit evaluations of its borrowers and adjusts credit limits based on payment history and the borrowers' current credit-worthiness, as determined by the review of their current credit information. When there is objective evidence of impairment, impairment loss is determined based on the present value of the estimated future cash flows discounted at the original effective interest rate. If the financial conditions of the borrowers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be considered.

Estimated impairment of available-for-sale investments

As at 31st March, 2009, the carrying amount of the available-for-sale equity investments was HK$37,892,000 (2008: HK$94,570,000). The Group determines that available-for-sale equity securities are impaired when there has been a significant or prolonged decline in the fair value below original cost. The determination of when a decline in fair value below original cost is not recoverable within a reasonable time period is judgmental by nature, so profit and loss could be affected by differences in this judgment.

Estimated impairment on properties under development/properties held for sale

As at 31st March, 2009, the carrying amounts of properties under development and properties held for sale are HK$189,000,000 and HK$539,388,000 (2008: HK$240,853,000 and HK$252,903,000) respectively. In determining whether impairment on properties under development/properties held for sale is required, the Group takes into consideration the intention of the properties for use/sale, the current market environment, the estimated market value of the properties and/or the present value of future cash flow expected to receive. Impairment is recognised based on the higher of present value of estimated future cash flow and estimated market value. If the market environment/circumstances changes significantly, resulting in a decrease in the recoverable amount of these properties interest, impairment loss may be required.

Income taxes

As at 31st March, 2009, no deferred tax asset has been recognised on the tax losses of HK$700,389,000 (2008: HK$517,627,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

5. REVENUE

Revenues include revenue from property development and investment, golf and leisure operations, loan financing income, dividend income from investments held-for-trading and net gain on disposal of investments held-for-trading.

Revenue represents the aggregate of the amounts received and receivable from third parties, net of discounts and sales related taxes for the year. An analysis of the Group's revenue for the year, for both continuing and discontinued operations, is as follows:

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
Loan interest income	21,772	31,789
Sales of properties	17,901	76,619
Hotel operations	14,563	18,852
Green fees, practice balls and car rental income	10,738	19,895
Food and beverage sales	10,639	12,698
Rental income	7,850	3,270
Golf club subscription fees and handling fees	5,993	8,174
Pro shop sales	2,125	3,198
Dividend income from financial instruments	970	1,131
Net gain on disposal of investments held-for-trading	119	4,610
Building management fee income	–	1,708
	92,670	181,944
Discontinued operations		
Sales of medicine and health products	–	115,741
Sales of motorcycles	–	17,567
	–	133,308
	92,670	315,252

6. NET (LOSS) GAIN ON FINANCIAL INSTRUMENTS

	Continuing operations	
	2009	2008
	HK$'000	*HK$'000*
(Decrease) increase in fair values of:		
– investments held-for-trading	(114,477)	9,608
– derivatives embedded in convertible bonds	(3,247)	1,944
– equity-linked notes	–	710
Impairment loss on available-for-sales investments	(53,037)	–
(Loss) gain on disposal of available-for-sale investments	(4,299)	60,752
Gain (loss) on disposal of convertible bonds	3,103	(2,373)
Dividend income on available-for-sales investments	1,531	426
Dividend income on investments held-for-trading	970	705
Net gain on disposal of investments held-for-trading	119	4,610
	(169,337)	76,382

7. OTHER INCOME

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank interest income	4,676	10,168	–	91	4,676	10,259
Exchange gain, net	2,841	2,732	–	–	2,841	2,732
Interest income on convertible bonds	5,502	3,036	–	–	5,502	3,036
Interest on unsecured loan due from an associate	–	27,942	–	–	–	27,942
Other interest income *(Note)*	14,417	23,676	–	–	14,417	23,676
Others	6,559	5,652	–	876	6,559	6,528
	33,995	73,206	–	967	33,995	74,173

Note: The interest income is receivable from a shareholder of an associate since HK$281,150,000 of unsecured loans due from an associate was advanced to the associate as the shareholder did not provide its portion of the loans. Details are set out in note 21.

8. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Effective interest on convertible note payables	101,414	97,681	–	–	101,414	97,681
Interest on bank borrowings wholly repayable within five years	6,919	11,416	–	613	6,919	12,029
Interest on obligations under finance leases	24	8	–	–	24	8
Interest on unsecured loans from:						
Minority shareholders of subsidiaries	–	734	–	–	–	734
Related companies	–	94	–	–	–	94
	108,357	109,933	–	613	108,357	110,546

9. IMPAIRMENT LOSSES ON PROPERTY INTERESTS

	Continuing operations	
	2009	2008
	HK$'000	*HK$'000*
Impairment losses on:		
– prepaid lease payments of leasehold land and premium on prepaid lease payments of leasehold land *(note 16)*	–	45,000
– properties under development *(note 18)*	54,121	–
– properties held for sale *(Note)*	92,591	–
	146,712	45,000

Note: During the year, the directors conducted a review of the Group's properties held for sale and determined that certain of the assets were impaired, due to decrease of open market values based on the valuation report conducted by RHL Appraisal Limited, an independent valuer. Accordingly, impairment losses of HK$92,591,000 have been recognised.

10. TAXATION

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current tax:						
Hong Kong Profits Tax	–	1,509	–	–	–	1,509
PRC Enterprise Income Tax	229	833	–	558	229	1,391
	229	2,342	–	558	229	2,900
Overprovision in prior years:						
Hong Kong Profits Tax	(13)	–	–	–	(13)	–
Deferred tax *(note 36)*:						
Current year	(685)	1,133	–	–	(685)	1,133
	(469)	3,475	–	558	(469)	4,033

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 profits for the year.

No tax is payable on the profit for the year for some of the subsidiaries arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward. Hong Kong tax losses carried forward amount to approximately HK$677,940,000 (2008: HK$511,706,000).

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

The newly promulgated Enterprise Income Tax Law (the "New Law") of the People's Republic of China (the "PRC") are effective on 1st January, 2008. In February 2008, the Ministry of Finance and the State Administration of Taxation issued several important tax circular which clarify the implementation of the New Law and have an impact on certain of the Company's PRC subsidiaries. Under the New Law, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was either reduced from 33% to 25% or increased from 15% to 25% progressively from 1st January, 2008 onwards. The relevant tax rates for the Group's subsidiaries in the PRC ranged from 18% to 25% (2008: 15% to 33%).

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

	2009	**2008**
	HK$'000	*HK$'000*
Loss before taxation:		
Continuing operations	(462,285)	(122,218)
Discontinued operations	–	(18,107)
	(462,285)	(140,325)
Tax at the Hong Kong Profits Tax rate of 16.5% (2008: 17.5%)	(76,277)	(24,557)
Tax effect of expenses not deductible for tax purpose	51,472	47,703
Tax effect of income not taxable for tax purpose	(7,107)	(18,601)
Tax effect of deductible temporary differences not recognised	32,622	7,768
Utilisation of deductible temporary differences previously not recognised	(158)	(9,887)
Tax effect of share of results of a jointly controlled entity and associates	762	4,383
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,770)	(2,776)
Overprovision in previous year	(13)	–
Tax (credit) charge for the year	(469)	4,033

11. DISCONTINUED OPERATIONS

On 27th February, 2007, the Group entered into a sale and purchase agreement to dispose of its entire 100% equity interest in Tung Fong Hung Investment Limited ("TFH") (together with its subsidiaries, the "TFH Group"), which carried out all of the Group's business of manufacturing and trading of medicine and health products, together with an assignment of the outstanding loan owing by TFH amounting to HK$99,728,000 to the acquirer. The disposal was completed on 31st July, 2007, on which date the control of the TFH Group was passed to the acquirer.

On 31st March, 2008, the Group disposed of its entire interest in King-Tech International Holdings Limited (together with its subsidiary, the "King-Tech Group"), which carried out all of the Group's business of trading of motorcycles to the acquirer. The disposal was completed on 31st March, 2008, on which date the control of the King-Tech Group was passed to the acquirer.

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

	2008
	HK$'000
Loss from discontinued operations:	
Profit from manufacturing and trading of medicine and health products operation	1,266
Loss from trading of motorcycles operation	(1,360)
	(94)
Loss on disposal of discontinued operations:	
Loss on disposal of the business of manufacturing and trading of medicine and health products	(18,577)
Gain on disposal of business of trading of motorcycles	6
	(18,571)
	(18,665)
Attributable to:	
Equity holders of the Company	(18,596)
Minority interests	(69)
	(18,665)

The results of businesses of manufacturing and trading of medicine and health products, and trading of motorcycles for the period from 1st April, 2007 to the respective dates of disposals, which have been included in the consolidated income statement, were as follows:

	Medicine and Health Products 1.4.2007 to 31.7.2007 *HK$'000*	Motorcycles 1.4.2007 to 31.3.2008 *HK$'000*	Total 1.4.2007 to 31.3.2008 *HK$'000*
Revenue	115,741	17,567	133,308
Cost of sales	(77,496)	(16,518)	(94,014)
Gross profit	38,245	1,049	39,294
Other income	967	–	967
Distribution and selling expenses	(25,580)	–	(25,580)
Administrative expenses	(10,833)	(2,408)	(13,241)
Other expenses	(363)	–	(363)
Finance costs	(612)	(1)	(613)
Profit (loss) before taxation	1,824	(1,360)	464
Taxation	(558)	–	(558)
Profit (loss) for the period/year	1,266	(1,360)	(94)

The cash flows of the discontinued operations contributed to the Group were as follows:

	2008 *HK$'000*
Net cash from operating activities	29,777
Net cash used in investing activities	(822)
Net cash from financing activities	846
	29,801

The carrying amounts of the assets and liabilities of the TFH Group and the King-Tech Group at the dates of disposals are disclosed in note 42.

12. LOSS FOR THE YEAR

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Loss for the year has been arrived at after charging (crediting):						
Auditors' remuneration						
– current year	3,265	3,391	–	262	3,265	3,653
– underprovision in previous years	666	138	–	–	666	138
	3,931	3,529	–	262	3,931	3,791
Directors' emoluments *(note 13a)*	18,222	25,212	–	–	18,222	25,212
Other staff costs:						
Salaries and other benefits	35,037	39,754	–	16,338	35,037	56,092
Equity-settled share-based payments expense to employees	1,465	2,498	–	–	1,465	2,498
Retirement benefits scheme contributions, net of forfeited contributions of HK$253,000 (2008: Nil)	1,699	875	–	893	1,699	1,768
Total staff costs	56,423	68,339	–	17,231	56,423	85,570
Less: Amount capitalised in intangible assets	–	–	–	(17)	–	(17)
	56,423	68,339	–	17,214	56,423	85,553
Cost of inventories recognised as an expense, including impairment loss on properties held for sale of HK$92,591,000 (2008: Nil)	107,416	55,690	–	90,121	107,416	145,811
Depreciation of property, plant and equipment	11,507	15,688	–	1,881	11,507	17,569
Release of prepaid lease payments of leasehold land	525	2,283	–	10	525	2,293
Amortisation of premium on prepaid lease payments of leasehold land	2,736	2,914	–	–	2,736	2,914
Total depreciation and amortisation	14,768	20,885	–	1,891	14,768	22,776
Allowance for inventories	–	–	–	5,106	–	5,106
Loss on disposal of property, plant and equipment	171	110	–	17	171	127
Net exchange (gain) loss	(2,841)	(2,732)	–	25	(2,841)	(2,707)
Allowance for bad and doubtful debts	5,313	1,441	–	360	5,313	1,801

13. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

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

		Other emoluments				
	Fees	Salaries and other benefits	Discretionary and performance related incentive payments	Equity-settled share-based payments expense	Contributions to retirement benefits schemes	Total emoluments
	HK$'000	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*
2009						
Cheung Hon Kit	10	2,880	–	1,198	12	4,100
Chan Fut Yan	10	2,640	–	699	264	3,613
Wong Kam Cheong, Stanley	4	1,019	–	188	5	1,216
Cheung Chi Kit	10	1,800	–	499	90	2,399
Lai Tsan Tung, David ("Mr. Lai")	240	1,762	–	299	12	2,313
Ma Chi Kong, Karl	10	3,000	–	899	12	3,921
Wong Chi Keung, Alvin	120	–	–	150	–	270
Kwok Ka Lap, Alva	120	–	–	150	–	270
Qiao Xiaodong	120	–	–	–	–	120
	644	13,101	–	4,082	395	18,222
2008						
Cheung Hon Kit	10	2,640	2,500	1,670	12	6,832
Chan Fut Yan	10	2,400	1,750	978	240	5,378
Wong Kam Cheong, Stanley	10	2,002	334	406	12	2,764
Cheung Chi Kit	10	1,430	500	644	72	2,656
Mr. Lai	240	1,695	250	357	12	2,554
Ma Chi Kong, Karl	8	2,516	334	1,072	10	3,940
Ho Hau Chong, Norman	5	–	–	72	–	77
Lo Lin Shing, Simon	5	–	–	36	–	41
Wong Chi Keung, Alvin	120	–	–	215	–	335
Kwok Ka Lap, Alva	120	–	–	179	–	299
Qiao Xiaodong	19	–	–	–	–	19
Chui Sai Cheong	102	–	–	215	–	317
	659	12,683	5,668	5,844	358	25,212

Note: The amount included performance related incentive payment which is determined by the performance of the directors for the year ended 31st March, 2008.

No directors waived any emoluments during the current and prior years.

(b) Highest paid individuals

All five individuals with the highest emoluments in the Group were directors of the Company for both years whose emoluments are included in (a) above.

During both years, no emoluments were paid by the Group to the five highest paid individuals, including directors and employees, as an inducement to join or upon joining the Group or as compensation for loss of office.

14. LOSS PER SHARE

(a) For continuing and discontinued operations

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

	2009	**2008**
	HK$'000	*HK$'000*
Loss:		
Loss for the year attributable to equity holders of the Company and loss for the purposes of basic and diluted loss per share	(461,816)	(141,853)

	2009	**2008**
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share *(Note)*	383,880,132	192,654,235

Note: The weighted average number of ordinary shares for both years has been adjusted for the effect of the rights issue and capital reorganisation during the year.

(b) From continuing operations

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

Loss is calculated as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Loss for the year attributable to equity holders of the Company	(461,816)	(141,853)
Less: Loss for the year from discontinued operations	–	(18,596)
Loss for the purposes of basic and diluted loss per share from continuing operations	(461,816)	(123,257)

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

(c) From discontinued operations

Basic and diluted loss per share from discontinued operations is HK$0.1 per share for the year ended 31st March, 2008, based on the loss for the year ended 31st March, 2008 from discontinued operations attributable to the equity holders of the Company of HK$18,596,000 and the denominators detailed above for both basic and diluted loss per share.

The calculation of diluted loss per share for both years has not assumed the exercise of the share options and warrants (for the year ended 31st March, 2009) and the conversion of convertible notes as these potential ordinary shares are anti-dilutive during both years.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machineries	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1st April, 2007	208,254	51,873	27,267	8,230	7,208	37,823	340,655
Exchange adjustments	18,981	140	1,706	219	217	3,849	25,112
Additions	2,133	400	10,068	2,406	2,938	21,368	39,313
Disposal of subsidiaries *(note 42)*	(129,599)	(51,786)	(28,315)	(6,069)	(3,916)	–	(219,685)
Disposals	–	(438)	(1,096)	(24)	(233)	–	(1,791)
At 31st March, 2008 and 1st April, 2008	99,769	189	9,630	4,762	6,214	63,040	183,604
Exchange adjustments	2,830	8	410	108	135	1,688	5,179
Additions	5,876	4,240	940	1,379	20	3,389	15,844
Transfer	37,751	–	–	12	–	(37,763)	–
Disposals	(725)	(35)	–	(277)	(1,161)	–	(2,198)
At 31st March, 2009	145,501	4,402	10,980	5,984	5,208	30,354	202,429
DEPRECIATION							
At 1st April, 2007	9,353	35,642	11,873	2,990	841	–	60,699
Exchange adjustments	4,706	56	520	88	67	–	5,437
Provided for the year	11,020	1,114	2,860	1,300	1,275	–	17,569
Eliminated on disposal of subsidiaries *(note 42)*	(22,747)	(36,322)	(13,915)	(3,230)	(954)	–	(77,168)
Eliminated on disposals	–	(435)	(949)	(22)	(70)	–	(1,476)
At 31st March, 2008 and 1st April, 2008	2,332	55	389	1,126	1,159	–	5,061
Exchange adjustments	417	8	173	33	59	–	690
Provided for the year	6,389	1,397	1,375	1,110	1,236	–	11,507
Eliminated on disposals	(95)	(35)	–	(177)	(746)	–	(1,053)
At 31st March, 2009	9,043	1,425	1,937	2,092	1,708	–	16,205
CARRYING VALUES							
At 31st March, 2009	136,458	2,977	9,043	3,892	3,500	30,354	186,224
At 31st March, 2008	97,437	134	9,241	3,636	5,055	63,040	178,543

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

Buildings	4% or over the remaining term of the relevant lease, if shorter
Leasehold improvements	33% or over the term of the relevant leases, if shorter
Plant and machineries	5% – 15%
Furniture, fixtures and equipment	10% – 33⅓%
Motor vehicles	10% – 20%

The carrying values of buildings shown above are located in:

	2009	**2008**
	HK$'000	*HK$'000*
– Hong Kong	4,454	–
– PRC	132,004	97,437
	136,458	97,437

At 31st March, 2009, the carrying values of furniture, fixtures and equipment of the Group included an amount of HK$357,000 (2008: HK$215,000) in respect of assets held under finance leases.

16. PREPAID LEASE PAYMENTS OF LEASEHOLD LAND

The Group's prepaid lease payments of leasehold land comprise:

	2009	**2008**
	HK$'000	*HK$'000*
Land use rights in the PRC on medium-term lease	21,352	21,325

Analysed for reporting purposes as:

Current asset	530	517
Non-current asset	20,822	20,808
	21,352	21,325

During the year ended 31st March, 2008, the Group disposed of Guangzhou Panyu Lotus Golf & Country Club Co., Ltd. ("Panyu Golf"), a 65% owned subsidiary of the Company, which held a golf course and a piece of land located at Panyu, Guangdong Province in the PRC as set out in note 42. Prior to the disposal of Panyu Golf, the Group assessed the recoverable amount of the land by reference to its fair value and identified and recognised impairment losses of HK$30,681,000 and HK$14,319,000 in respect of the prepaid lease payments of leasehold land and premium on prepaid lease payments of leasehold land, respectively.

17. PREMIUM ON PREPAID LEASE PAYMENTS OF LEASEHOLD LAND

The amount represents the premium on acquisition of prepaid lease payments for the rights to use land situated in the PRC on medium-term lease as a result of acquisition of subsidiaries in previous years, which is amortised on the same basis as the related prepaid lease payments of the relevant land use rights.

The movement of premium on prepaid lease payments is set out below:

	HK$'000
COST	
At 1st April, 2007	134,029
Disposal of subsidiaries *(note 42)*	(14,761)
At 31st March, 2008 and 2009	119,268
AMORTISATION AND IMPAIRMENT	
At 1st April, 2007	2,502
Charge for the year	2,914
Impairment loss recognised *(note 16)*	14,319
Disposal of subsidiaries *(note 42)*	(14,761)
At 31st March, 2008	4,974
Charge for the year	2,736
At 31st March, 2009	7,710
CARRYING VALUES	
At 31st March, 2009	111,558
At 31st March, 2008	114,294

18. PROPERTIES UNDER DEVELOPMENT

	2009	**2008**
	HK$'000	*HK$'000*
At cost:		
At 1st April	240,853	11,296
Additions	2,268	244,128
Disposal of subsidiaries *(note 42)*	–	(14,571)
Impairment loss recognised *(note 9)*	(54,121)	–
At 31st March	189,000	240,853

During the year, the directors conducted a review of the Group's properties under development and determined that certain of the assets were impaired, due to decrease of open market value based on the valuation report conducted by RHL Appraisal Limited. Accordingly, an impairment loss of HK$54,121,000 has been recognised.

Management of the Group expects the whole amount of properties under development to be completed and released to market after one year (2008: after two years).

19. AVAILABLE-FOR-SALE INVESTMENTS

	2009	2008
	HK$'000	*HK$'000*
Available-for-sale investments comprise:		
Equity securities listed in Hong Kong	5,764	18,631
Equity securities listed elsewhere	32,128	75,939
	37,892	94,570

20. INTEREST IN A JOINT VENTURE

Jointly controlled entity:

In May 2008, the Group formed and equally owned a jointly controlled entity, Keen Step Corporation Limited ("Keen Step"), together with an independent third party at an investment cost of HK$1. In September 2008, the Group further acquired the remaining 50% equity interest in Keen Step. Therefore, the interest in a jointly controlled entity was derecognised upon date of completion of further acquisition. Details are set out in note 41(a). During the year, the jointly controlled entity has contributed HK$212,000 of share of loss to the Group.

Jointly controlled operation:

	2009	2008
	HK$'000	*HK$'000*
Interest in properties held for development	15,130	14,745
Loan to a joint venture	29,629	–
	44,759	14,745

In March 2008, the Group disposed of Panyu Golf, a 65% owned subsidiary of the Company, which held a golf resort known as "Guangzhou Lotus Hill Golf Resort" located at Panyu, Guangdong Province in the PRC. As part of the consideration for the disposal, the Group entered into a joint venture agreement to construct and develop certain residential units over a piece of land with a site area of approximately 48,000 sq. m. within the golf resort (the "Development Project"). The Group's interest in properties held for development represents its entitlement to share 65% of the residual value of the Development Project under the terms of the joint venture agreement.

In addition, the Group is obliged to advance an aggregate of RMB40 million for use in the Development Project, of which approximately RMB26,044,000 (equivalent to HK$29,629,000) was advanced by the Group during the year. The loan is unsecured, bearing interest at a lending interest rate of 5.4% of corresponding period as quoted by the People's Bank of China and will not be repaid until completion of the Development Project. In the opinion of the directors, the loan will not be repaid within twelve months from the balance sheet date and is therefore classified as non-current asset.

21. INTERESTS IN ASSOCIATES/UNSECURED LOANS AND INTERESTS DUE FROM ASSOCIATES

	2009	2008
	HK$'000	*HK$'000*
Cost of investment in associates, unlisted	169,202	221,708
Share of post-acquisition losses	(34,393)	(86,205)
	134,809	135,503
Loans and interests due from associates	1,130,198	1,077,690
Less: Loss allocated in excess of cost of investment	(56,216)	–
	1,073,982	1,077,690

The loans and interests due from associates of HK$1,130,198,000 included an amount of HK$626,850,000 (2008: HK$626,850,000) which is the unsecured, non-interest bearing and advanced to an associate based on its agreed portion of advance stated in the acquisition agreement. The imputed interest rate on this amount of loans was 8% (2008: 8%) per annum.

The remaining balance of approximately HK$281,150,000 (2008: HK$281,150,000) is advanced to the associate as a shareholder did not provide its portion of the loans. The amount carries interest at rates ranging from 5% to 5.25% (2008: ranging from 5.25% to 7.75%) per annum.

In the opinion of the directors, the amount will not be repaid within twelve months of the balance sheet date and was therefore classified as non-current asset.

Before offering any new loan to associate, the Group will assess the associate's credit quality and the usage of the loan by the associate. The recoverability of the loan is reviewed throughout the year. The whole loans to associates are repayable upon request for repayment, so the balances are neither past due nor impaired and have no loan default history.

Pursuant to the Empresa De Fomento Industrial E Comercial Concórdia, S.A. ("Concordia") acquisition agreement, one of the subsidiaries of the Group further undertook to advance to Concordia a shareholder's loan of not more than HK$15,000,000 (2008: HK$15,000,000) after the completion of the Concordia acquisition agreement.

The Group has concentration of credit risk as 85% of the total unsecured loans and interests is due from only one associate which is a private company located in Macau. In order to minimise the credit risk, management of the Group has monitored the repayment ability of the associates continuously.

During the year ended 31st March, 2008, the Group entered into the following transactions regarding the associates:

(a) The Group acquired 8.7% of the registered capital of Concordia, a company incorporated in Macau, which held the leasehold interests of 14 parcels of land situated in Estrade de Seac Pai Van, Macau. Upon completion of the acquisition, the Group's effective interest in the registered capital of Concordia increased to 35.5%.

(b) The Group disposed of its entire 40% equity interest in More Profit International Limited ("More Profit") together with the shareholder's loan due to the Group amounting to HK$260,412,000 at an aggregate consideration amounted to HK$350 million, to Get Nice Holdings Limited ("Get Nice"), a company incorporated in Cayman Islands and listed on the Stock Exchange (the "Disposal"). The Disposal resulted in a loss of the Disposal of approximately HK$39,486,000.

(c) The Group disposed of its entire 50% equity interest in Jean-Bon Pharmaceutical Technology Company Limited through the disposal of TFH as set out in notes 11 and 42. The carrying value of the interest in this associate is zero upon disposal.

At 31st March, 2009 and 2008, the Group had interests in the following major associates:

Name of associate	Form of business structure	Place of incorporation/ operation	Class of shares held *(Note 1)*	Nominal value of issued and fully paid share capital	Proportion of nominal value of issued share capital indirectly held by the Group %	Principal activity
Best Profit Holdings Limited	Incorporated	Hong Kong	Ordinary	HK$1,000	31.5	Investment holding *(Note 2)*
Concordia	Incorporated	Macau	Quota Capital	MOP100,000,000	35.5	Property development
Orient Town Limited	Incorporated	Hong Kong	Ordinary	HK$700	45	Investment holding *(Note 2)*
Orient Town Project Management Limited	Incorporated	Macau	Quota Capital	MOP25,000	45	Property project management
San Lun Mang Investimentos, Limitada	Incorporated	Macau	Quota Capital	MOP100,000	31.5	Investment holding *(Note 2)*

Notes:

1. Quota capital represents the Portuguese equivalence of registered capital as Portuguese is the official language of Macau.

2. The principal activities of their subsidiaries are mainly property development and property project management.

The above table lists the associates of the Group which, in the opinion of the directors, 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, result in particulars of excessive length.

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

	2009 *HK$'000*	**2008** *HK$'000*
Total assets	2,814,636	2,662,736
Total liabilities	(2,749,307)	(2,585,912)
Minority interest	(61,130)	(64,384)
Net assets as recorded in the books of the associates	4,199	12,440
Group's share of net assets of associates *(Note)*	134,809	135,503

Note: The Group's share of net assets of associates include a fair value adjustment for premium for the interest in leasehold land of the associate upon the acquisition of additional interest in the associate in prior year.

	2009 HK$'000	2008 HK$'000
Revenue	–	–
Loss for the year	(8,241)	(54,201)
Group's share of loss of associates for the year	(4,404)	(25,047)

The Group has discontinued the recognition of its share of losses of certain associates. The amounts of unrecognised share of losses of these associates, extracted from the relevant management accounts of the associates, both for the year and cumulatively, are as follows:

	2009 HK$'000	2008 HK$'000
Unrecognised share of losses of associates for the year	–	(2,451)
Accumulated unrecognised share of losses of associates	(2,451)	(2,451)

22. AMOUNTS DUE FROM ASSOCIATES

The amounts are unsecured, interest-free and repayable within one year of the balance sheet dates.

23. DEBT PORTION OF CONVERTIBLE BONDS AND DERIVATIVES EMBEDDED IN CONVERTIBLE BONDS

	Debt portion		Embedded conversion option	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Convertible bonds issued by:				
Get Nice *(note a)*	–	51,120	–	4,865
Wing On *(notes b and c)*	37,047	–	–	–
	37,047	51,120	–	4,865
Analysed as:				
Current	727	–	–	–
Non-current	36,320	51,120	–	4,865
	37,047	51,120	–	4,865

Notes:

(a) The convertible bonds issued by Get Nice ("Get Nice Bonds") with the principal amount of HK$100 million was issued to the Group as part of consideration for the disposal of More Profit in September 2007. The Group was entitled to convert the Get Nice Bonds into shares in Get Nice at conversion price of HK$0.901 per share. The maturity date is 20th September, 2010.

During the year ended 31st March, 2008, the Group has disposed of the Get Nice Bonds with principal amount of HK$43 million. During the year ended 31st March, 2009, all the outstanding Get Nice Bonds with principal amount of HK$57 million were redeemed at 100% of the principal amount outstanding together with the accrued interest thereon calculated at 5% per annum, resulting in a gain on redemption (by the issuer) of HK$3,103,000.

(b) The 2% convertible bonds issued by Wing On Travel (Holdings) Limited ("Wing On") ("Wing On Bonds") with an aggregate principal amount of HK$45,000,000 was purchased during the year from an independent third party at total consideration of HK$33,750,000. The Group is entitled to convert the Wing On Bonds into shares of Wing On at an initial conversion price of HK$0.79 per share (subject to adjustments), which was subsequently adjusted to HK$0.339 as a result of rights issue by Wing On on 3rd July, 2008. Unless previously converted or lapsed, Wing On shall redeem the Wing On Bonds on 7th June, 2011 at 110% of their principal amount.

(c) Mr. Cheung Hon Kit, an executive director of the Company is also a director of Wing On.

The Group classified the debt portion of the convertible bonds as loans and receivables and the embedded conversion option is deemed as held for trading and classified as financial assets at fair value through profit or loss on initial recognition. The fair values of the embedded conversion option on initial recognition are determined by the directors of the Company with reference to the valuation performed by Greater China Appraisal Limited, a firm of independent professional valuer using Black-Scholes Option Pricing Model. Details of the assumptions used in the Black-Scholes Option Pricing Model in the valuation of the conversion option embedded in convertible bonds as at the following dates are as follows:

	31st March, 2008	**Redemption date 12th August, 2008**
Get Nice Bonds		
Closing price at date of valuation	HK$0.59	HK$0.495
Conversion price	HK$0.901	HK$0.901
Expected volatility *(note a)*	53.43%	46.25%
Expected annual dividend yield	4.39%	8.081%
Risk-free interest rate *(note b)*	1.385%	2.1%

	Purchase date 7th August, 2008	**31st March, 2009**
Wing On Bonds		
Closing price at date of valuation	HK$0.055	HK$0.025
Conversion price	HK$0.339	HK$0.339
Expected volatility *(note c)*	66.342%	88.677%
Expected annual dividend yield	2.405%	N/A
Risk-free interest rate *(note b)*	2.712%	0.762%

Notes:

(a) Expected volatility was determined by using the historical volatility of the price return of the ordinary shares of Get Nice over 910 days from the valuation date.

(b) The risk-free rate interest was based on the yield of Exchange Fund Note.

(c) Expected volatility was determined by using the historical volatility of the price return of the ordinary shares of Wing On over 569 days from the valuation date.

On initial recognition, the fair value of the debt portion of the convertible bonds was determined using the prevailing market interest rate of similar non-convertible debts. The effective interest rate to the debt component of Wing On Bonds is 17.51% (2008: 9% to the debt component of Get Nice Bonds).

As at 31st March, 2009, the Group has concentration of credit risk as all of the convertible bonds held by the Group was due from Wing On, which shares are listed on the Stock Exchange and a related party of which Mr. Cheung Hon Kit, an executive director of the Company is also a director. As at 31st March, 2008, all of the convertible bonds were due from an independent third party.

24. DEPOSITS AND EXPENSES PAID FOR ACQUISITION OF A LAND USE RIGHT

The amounts represent deposits and expenses paid for the acquisition of a land use right in the PRC for a total cash consideration of RMB50,964,000 (equivalent to HK$57,980,000) under an acquisition agreement dated 22nd March, 2007.

25. OTHER LOAN RECEIVABLES

	2009	**2008**
	HK$'000	*HK$'000*
Fixed-rate loan receivables	13,133	13,133
Variable-rate loan receivables	195,594	230,000
	208,727	243,133

The whole amounts are repayable on demand or within one year.

The following is an analysis of the ageing of other loan receivables at the balance sheet dates:

	2009	**2008**
	HK$'000	*HK$'000*
Within one year	68,317	93,500
More than one year, but not exceeding two years	30,776	144,998
More than two years, but not exceeding three years	109,634	4,635
	208,727	243,133

At 31st March, 2009, the Group's fixed-rate loan receivables of HK$8,498,000 (2008: HK$8,498,000) carried interest at 8% per annum and were secured by 40,000,000 shares of a private limited company incorporated in Malaysia, with a nominal value of RM0.25 (equivalent to HK$0.53) per share. The remaining fixed-rate loan receivables of HK$4,635,000 (2008: HK$4,635,000) were denominated in United States dollars ("USD"), which is not the functional currencies of the relevant group entities, carried interest at 3% and were unsecured. All the fixed-rate loan receivables are due within one year.

At 31st March, 2009, all variable-rate loans were unsecured, carried interest at Hong Kong Prime Rate, Hong Kong Prime Rate plus 1% or 2% per annum and are repayable within one year. The effective interest rates are ranging from 5% to 7.25% per annum (2008: 7.25% to 9.75% per annum).

Before offering any new loans, the director will assess the potential borrower's credit quality and defines credit limits by the borrower. The director will continuously assess the recoverability of other loan receivables. The whole amount of other loan receivables are repayable upon request for repayment, so the balances are neither past due nor impaired and in the opinion of the directors they have no history of loan default.

The Group's has concentration of credit risk in the above loans as five borrowers accounted for 76% (2008: 95%) of the total other loan receivables as at 31st March, 2009.

The borrowers mainly consist of one listed company in Hong Kong and several private companies. In order to minimise the credit risk, management of the Group monitors the repayment ability of the borrowers continuously.

26. INVENTORIES

	2009	2008
	HK$'000	*HK$'000*
Finished goods	906	341
Consumables	2,237	1,820
	3,143	2,161

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009	2008
	HK$'000	*HK$'000*
Investments held-for-trading:		
Equity securities listed in Hong Kong	174,897	9,245
Equity securities listed elsewhere	1,655	1,756
	176,552	11,001
Financial assets designated at fair value through profit or loss:		
Equity-linked notes	–	956
	176,552	11,957

At the balance sheet date, all financial assets at fair value through profit or loss are stated at fair value. The fair values of listed securities are determined based on the bid prices quoted in active markets and those of the equity-linked notes are based on fair values quoted by the respective issuing banks or financial institutions.

The Group's financial assets at fair value through profit or loss that are denominated in currency other than functional currency of the relevant group entity are set out below:

	2009	2008
	HK$'000	*HK$'000*
Japanese Yen	1,116	1,756
USD	539	956

28. DEBTORS, DEPOSITS AND PREPAYMENTS

	2009	2008
	HK$'000	*HK$'000*
Trade debtors	10,748	27,685
Less: Allowance for doubtful debts	(5,336)	–
	5,412	27,685
Refundable earnest money *(note a)*	388,461	365,791
Other receivable *(note b)*	19,120	23,659
Other debtors, deposits and prepayments	90,155	97,660
	503,148	514,795

The Group allows credit period of 90 days to its trade customers.

The following is an analysis of the ageing of debtors net of allowance for doubtful debts at the balance sheet date:

	2009	**2008**
	HK$'000	*HK$'000*
0 – 60 days	864	16,977
61 – 90 days	431	124
Over 90 days	4,117	10,584
	5,412	27,685

Before accepting any new customer, the Group will assess the potential customer's credit quality and define credit limits by customer. Limits attributed to customers are reviewed twice a year. 16% (2008: 61%) of the trade debtors that are neither past due nor impaired have the best credit rating.

Included in the Group's trade debtors is an aggregate carrying amount of HK$4,117,000 (2008: HK$10,584,000) which are past due at the balance sheet 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 trade debtors is 135 days (2008: 120 days). The ageing of trade debtors which are past due but not impaired is as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Over 90 days	4,117	10,584

The Group has provided fully for general trade debtors due over 2 years because historical experience is such that these receivables that are past due beyond 2 years are generally not recoverable.

Movement in the allowance for doubtful debts is as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Balance at beginning of the year	–	3,315
Exchange realignment	23	305
Impairment losses recognised on debtors	5,313	1,801
Amount written off as uncollectible	–	(992)
Eliminated on disposal of subsidiaries	–	(4,429)
Balance at end of the year	5,336	–

Notes:

(a) (i) In June 2005, a wholly-owned subsidiary of the Company and an independent third party ("Vendor A") signed a non-binding letter of intent with a view of negotiating a possible acquisition from Vendor A of 50% of its ownership and interest in certain land located in Macau which was initially intended for redevelopment purposes, at an initial consideration of HK$495,000,000. Upon signing of the letter of intent, an amount of HK$10,000,000 (2008: HK$10,000,000) was paid by the Group as refundable earnest money.

(ii) On 28th December, 2006, 21st March, 2007 and 17th February, 2009, further amounts of refundable earnest money of approximately HK$170,000,000, HK$160,191,000 and HK$12,000,000, respectively, were paid by the Group through Wing On, a company whose shares are listed on the Stock Exchange for the negotiation of possible acquisition of ownership and interest in properties located in the PRC. Wing On undertakes to refund the earnest money to the Group in full upon request of the Group. Up to the date of this report, the negotiations have not yet been concluded.

(iii) On 18th January, 2008, the Company entered into a memorandum of understanding with an independent thirty party with a view of negotiating a possible acquisition of the entire issued share capital of a company which is proposed to hold and develop a land in Vietnam. Upon signing of the memorandum of understanding, an amount of HK$15,600,000 was paid by the Group as refundable earnest money. A further amount of HK$20,670,000 was paid by the Group during the year ended 31st March, 2009.

(iv) On 29th October, 2007, a wholly-owned subsidiary of the Company paid HK$10,000,000 to vendor with a view of negotiating a possible acquisition of ownership and interest in properties located in Hong Kong. The amount was fully refunded to the Group during the year ended 31st March, 2009.

The refundable earnest money mainly concentrated on vendors of 3 projects and over 80% of total refundable earnest money are in relation to one project. The Company has continuously assessed the recoverability of the money invested and the progress of the project and the vendors have no history of loan default.

No formal agreements in respect of the above possible acquisitions have been entered into up to the date of this report. In the opinion of the directors of the Company, the possible acquisitions may or may not materialise and are fully refundable, therefore, the above refundable earnest money is classified as current asset accordingly.

(b) The other receivable represented an amount due from the vendors in respect of tax indemnity given by the vendors pursuant to the sales and purchase agreements for acquisition of subsidiaries in 2006 and 2007.

29. UNSECURED LOANS AND INTEREST DUE FROM RELATED COMPANIES

The amount represented loan to a subsidiary of Wing On (2008: Wing On and one of its subsidiaries). The principal amount of HK$40,000,000 (2008: HK$51,000,000) is unsecured, carries interest at Hong Kong Prime Rate plus 2% and repayable within one year (2008: within one year) from balance sheet date. The effective interest rate is 7.0% (2008: 7.2%) per annum.

The Group has concentration of credit risk as all (2008: all) of the unsecured loans were mainly due from one (2008: two) related company.

30. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The pledged bank deposits represents deposits pledged to banks to secure general banking facilities granted to the Group. The deposits carry fixed interest at rates ranging from 0.35% to 4.78% (2008: 2.9% to 4.78%) per annum.

The bank balances carry interest at prevailing market rates ranging from 0.001% to 2.2% (2008: 0.01% to 4.5%) per annum.

The Group's pledged bank deposits and bank balances and cash that are denominated in currency other than functional currency of the relevant group entities are set out below:

	2009	**2008**
	HK$'000	*HK$'000*
USD	26,226	31,975

31. CREDITORS, DEPOSITS AND ACCRUED CHARGES

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

	2009	2008
	HK$'000	*HK$'000*
Trade creditors aged:		
0 – 60 days	763	1,420
61 – 90 days	447	355
Over 90 days	799	360
	2,009	2,135
Other creditors, deposits and accrued charges *(Note)*	70,038	68,257
	72,047	70,392

The average credit period on purchases of goods is 60 days. The Group has financial risk management policies to ensure that all payables are within the credit timeframe.

Note: Under the agreement in connection with the disposal of Panyu Golf, the Group agreed to assume certain assets and liabilities of Panyu Golf with the net carrying amount of HK$14,924,000 (2008: HK$30,423,000) which has been included in other creditors at 31st March, 2009.

32. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

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

33. CONVERTIBLE NOTE PAYABLES

(a) On 11th August, 2005, the Company has issued HK$1,000 million unsecured zero coupon convertible notes due 2010 (the "First 2010 Convertible Notes") at an initial conversion price of HK$0.44 per ordinary share, which was subsequently adjusted to HK$5.675 as a result of the Company's rights issue and capital reorganisation as detailed in notes 37(c) and 37(e) respectively. The First 2010 Convertible Notes is non-interest bearing and will mature on 11th August, 2010. The holders of the convertible note payables have the right to convert the First 2010 Convertible Notes into shares of HK$0.01 each of the Company at any time during the period from 11th August, 2005 to 11th August, 2010.

The First 2010 Convertible Notes, unless converted prior to the maturity under the conditions specified in the relevant notes documents, will be redeemed at 110% of their principal amounts.

During the year ended 31st March, 2008, HK$111 million of the First 2010 Convertible Notes was converted into 252,272,723 ordinary shares of HK$0.01 each in the share capital of the Company at the conversion price of HK$0.44 per ordinary share as set out in note 37(a). As at 31st March, 2009, HK$471 million (2008: HK$471 million) of the First 2010 Convertible Notes was outstanding.

Upon full conversion of the outstanding First 2010 Convertible Notes at 31st March, 2009 at the adjusted conversion price of HK$5.675 per ordinary share of HK$0.01 each in the share capital of the Company, a total of 83,004,399 new ordinary shares, which would fall to be issued by the Company upon the exercise of the conversion rights attached to the First 2010 Convertible Notes, would be issued.

(b) On 8th June, 2006, the Company issued HK$60 million unsecured zero coupon convertible notes due 2010 (the "Second 2010 Convertible Notes") at an initial conversion price of HK$0.44 per ordinary share, which was subsequently adjusted to HK$5.675 as a result of the Company's rights issue and capital reorganisation as detailed in notes 37(c) and 37(e) respectively. The Second 2010 Convertible Notes is non-interest bearing and will mature on 11th August, 2010. The holders of the convertible note payables have the right to convert the Second 2010 Convertible Notes into shares of HK$0.01 each of the Company at any time during the period from 8th June, 2006 to 11th August, 2010.

Unless previously converted, the Company will redeem the convertible note payables on the maturity date at the redemption amount of 108.3% of the principal amount of the convertible notes then outstanding.

During the year ended 31st March, 2008, HK$42.5 million of the Second 2010 Convertible Notes was converted into 96,645,052 ordinary shares of HK$0.01 each in the share capital of the Company at the initial conversion price of HK$0.44 per share as set out in note 37(a). As at 31st March, 2009, HK$17.5 million (2008: HK$17.5 million) of the Second 2010 Convertible Notes was outstanding.

Upon full conversion of the outstanding Second 2010 Convertible Notes at 31st March, 2009 at the adjusted conversion price of HK$5.675 per ordinary share of HK$0.01 each in the share capital of the Company, a total of 3,079,502 new ordinary shares, which would fall to be issued by the Company upon the exercise of the conversion rights attached to the Second 2010 Convertible Notes, would be issued.

(c) On 15th June, 2006, the Company issued HK$1,000 million unsecured 1% convertible notes due 2011 (the "2011 Convertible Notes") at an initial conversion price of HK$0.70 per ordinary shares, which was subsequently adjusted to HK$9.025 as a result of the Company's rights issue and capital reorganisation as detailed in notes 37(c) and 37(e) respectively. The 2011 Convertible Notes bear interest at 1% per annum and will mature on 19th June, 2011. The holders of the convertible note payables have the right to convert the 2011 Convertible Notes into shares of HK$0.01 each of the Company at any time during the period from 15th June, 2006 to 19th June, 2011.

Unless previously converted, the Company will redeem the convertible note payables on the maturity date at the redemption amount of 110% of the principal amount of the convertible notes then outstanding.

During the year ended 31st March, 2008, HK$94 million of 2011 Convertible Notes was converted into 134,285,714 ordinary shares of HK$0.01 each in the share capital of the Company at the initial conversion price of HK$0.70 per original share as set out in note 37(a). As at 31st March, 2009, HK$906 million (2008: HK$906 million) of the 2011 Convertible Notes was outstanding.

Upon full conversion of the outstanding 2011 Convertible Notes at 31st March, 2009 at the adjusted conversion price of HK$9.025 per ordinary share of HK$0.01 each in the share capital of the Company, a total of 100,387,795 new ordinary shares, which would fall to be issued by the Company upon the exercise of the conversion rights attached to the 2011 Convertible Notes, would be issued.

Each of the convertible note payables contain two components, liability and equity elements. The equity element is presented in equity under the heading of "convertible loan notes equity reserve". The effective interest rates of the convertible note payables are ranging from 5.85% to 9.16% (2008: 5.85% to 9.16%) per annum.

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

	2009 *HK$'000*	2008 *HK$'000*
Liability component at the beginning of the year	1,243,843	1,368,400
Conversion during the year	–	(212,248)
Effective interest charged *(note 8)*	101,414	97,681
Interest paid	(9,170)	(9,990)
Liability component at the end of the year	1,336,087	1,243,843
Analysed for reporting purposes as:		
Current liability	7,174	7,284
Non-current liability	1,328,913	1,236,559
	1,336,087	1,243,843

34. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2009 *HK$'000*	2008 *HK$'000*	2009 *HK$'000*	2008 *HK$'000*
Amount payable under finance leases:				
Within one year	120	67	90	49
In the second to fifth year inclusive	327	202	282	173
	447	269	372	222
Less: Future finance charges	(75)	(47)	–	–
Present value of lease obligations	372	222	372	222
Less: Amount due within one year shown under current liabilities			(90)	(49)
Amount due after one year			282	173

It is the Group's policy to lease certain furniture, fixtures and equipment under finance leases. The average lease term is approximately five years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 9.11% to 9.18% (2008: 9.15% to 9.16%) per annum.

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

35. BANK BORROWINGS

	2009	2008
	HK$'000	*HK$'000*
Bank loans, secured	123,488	153,643
The maturity profile of the above loans and borrowings is as follows:		
Within one year or on demand	82,830	113,996
More than one year, but not exceeding two years	26,485	12,433
More than two years, but not exceeding three years	13,073	12,837
More than three years but not exceeding four years	1,100	13,254
More than four years but not exceeding five years	–	1,123
	123,488	153,643
Less: Amount due within one year shown under current liabilities	(82,830)	(113,996)
Amount due after one year	40,658	39,647

Bank borrowings comprise	Maturity date	Contractual interest rate	Carrying amount 2009	2008
			HK$'000	*HK$'000*
Variable-rate borrowings:				
HIBOR plus 1% secured HK$ bank loan *(note)*	Revolving	HIBOR + 1%	1,898	1,844
HIBOR plus 1.55% secured HK$ bank loan *(note)*	30th April, 2012	HIBOR + 1.55%	39,605	51,690
Hong Kong Prime Rate minus 0.5% secured HK$ bank loan *(note)*	26th July, 2009	P – 0.5%	47,856	66,850
			89,359	120,384
Fixed-rate borrowings:				
5.67% secured bank loan of RMB12,000,000	25th November, 2010	5.67%	13,651	–
5.31% secured bank loan of RMB18,000,000	10th September, 2009	5.31%	20,478	–
7.47% secured bank loan of RMB12,000,000	22nd December, 2008	7.47%	–	13,304
7.02% secured bank loan of RMB18,000,000	9th September, 2008	7.02%	–	19,955
			34,129	33,259
			123,488	153,643

Note: Interest will be repriced when HIBOR or Hong Kong Prime Rate change.

At the balance sheet date, the Group has the following undrawn borrowing facilities:

	2009	2008
	HK$'000	*HK$'000*
Floating rate		
– expiring within one year	2,190	17,150
– expiring beyond one year	13,702	222,406
	15,892	239,556

The effective interest rates of bank borrowings are ranging from 1.35% to 7.20% (2008: 4.75% to 8.06%) per annum.

36. DEFERRED TAXATION

The following is the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation *HK$'000*	Deferred development costs *HK$'000*	Tax losses *HK$'000*	Total *HK$'000*
At 1st April, 2007	42,469	75	(1,935)	40,609
(Credit) charge to income for the year	(646)	–	1,779	1,133
Exchange realignment	1,067	–	81	1,148
Released on disposal of subsidiaries *(note 42)*	(14,316)	(75)	75	(14,316)
At 31st March, 2008	28,574	–	–	28,574
Credit to income for the year	(685)	–	–	(685)
At 31st March, 2009	27,889	–	–	27,889

At 31st March, 2009, the Group has unused tax losses of HK$700,389,000 (2008: HK$517,627,000) available for offset against future profits. At the balance sheet date, no deferred tax asset has been recognised in respect of such losses. Tax losses of HK$677,940,000 (2008: HK$511,706,000) may be carried forward indefinitely under current tax regulation in Hong Kong and the remaining tax losses of HK$22,449,000 (2008: HK$5,921,000) will expire from 2009 to 2013.

37. SHARE CAPITAL

	Number of shares	Amount *HK$'000*
At HK$0.01 each:		
Authorised:		
At 1st April, 2007, 31st March, 2008 and 31st March, 2009	40,000,000,000	400,000
Issued and fully paid:		
At 1st April, 2007	2,312,314,541	23,123
Conversion of convertible notes *(note a)*	483,203,485	4,832
Placement of shares *(note b)*	300,000,000	3,000
At 31st March, 2008	3,095,518,026	30,955
Rights issue *(note c)*	9,286,554,078	92,866
Share repurchased and cancelled *(note d)*	(609,135,000)	(6,092)
Share consolidation *(note e(i))*	(11,302,019,620)	–
Capital reduction *(note e(iii))*	–	(113,020)
At 31st March, 2009	470,917,484	4,709

Notes:

(a) During the year ended 31st March, 2008, the First 2010 Convertible Notes, the Second 2010 Convertible Notes and the 2011 Convertible Notes with aggregate principal amounts of HK$111,000,000, HK$42,500,000 and HK$94,000,000 were converted into 252,272,723, 96,645,052 and 134,285,710 ordinary shares of HK$0.01 each in the Company at the conversion prices (before adjustment of Rights Issue and Capital Reorganisation) of HK$0.44, HK$0.44 and HK$0.70 per share, respectively.

(b) On 18th May, 2007, the Company entered into a share placing agreement with a placing agent for a placing of 300,000,000 new ordinary shares of HK$0.01 each in the Company at an issue price of HK$0.56 per share (before adjustment of Rights Issues and Capital Reorganisation). The placement was approved by shareholders in a special general meeting held on 1st June, 2008. The net proceeds of approximately HK$163 million would be used to finance the expansion of the property portfolio and the existing property development projects of the Group. The new shares rank pari passu with all the other shares in issue in all respects.

(c) In August 2008, the Company has issued and allotted 9,286,554,078 ordinary shares of HK$0.01 each to the existing qualifying shareholders pursuant to the rights issue on the basis of three rights shares (with warrants in the proportion of four warrants for every fifteen rights shares subscribed) for every share currently held (the "Rights Issue") at a subscription price of HK$0.07 per share. The net proceeds of approximately HK$627 million were used as general working capital of the Group. The new shares rank pari passu with the existing shares in all respects. Details of the Rights Issue were set out in a circular of the Company dated 11th July, 2008.

(d) During the year ended 31st March, 2009, the Company repurchased a total of 609,135,000 ordinary shares of HK$0.01 each in the Company through the Stock Exchange at an aggregate consideration of approximately HK$27 million (including transaction costs), details of which are as follows:

Month of repurchase	No. of ordinary shares of HK$0.01 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	*HK$*	*HK$'000*
September 2008	387,805,000	0.054	0.037	17,506
October 2008	78,330,000	0.058	0.033	4,282
February 2009	143,000,000	0.034	0.034	4,891
	609,135,000			26,679

All of the above shares were cancelled upon repurchase. The nominal value of the cancelled shares was credited to the capital redemption reserve and the aggregate consideration was paid out of the reserves of the Company.

None of the Company's subsidiaries purchased, sold and redeemed any of the Company's listed securities during both years.

(e) On 30th January, 2009, the Company proposed reorganisation of the share capital ("Capital Reorganisation"). The Capital Reorganisation became effective on 16th March, 2009 after approval by the shareholders. The Capital Reorganisation involved the following:

(i) every twenty-five issued shares of HK$0.01 each were consolidated into one share of HK$0.25 ("Share Consolidation").

(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$0.25 to HK$0.01 by cancelling HK$0.24 so as to form a reorganised share of HK$0.01 ("Capital Reduction"); and

(iv) the credit arising in the accounts of the Company from the Capital Reduction 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 and to make a distribution to the shareholders from time to time, without further authorisation from the shareholders.

Warrants

Pursuant to the Rights Issue as detailed in note (c), the Company has issued 2,476,414,328 warrants to the subscribers of the rights shares conferring the rights to the holders thereof to subscribe in cash for 2,476,414,328 warrant shares of the Company of HK$0.01 each at an initial exercise price of HK$0.105 per warrant share (subject to adjustments) at any time during the period from 5th August, 2008 to 4th February, 2010. A total of 2,476,414,420 warrants (of which 92 warrants with fractional entitlement were not issued to the subscribers but have been issued and retained for the benefit of the Company) and the exercise price of HK$0.105 per warrant share were subsequently adjusted to 99,056,576 warrants and HK$2.625 per share, respectively, as a result of the Capital Reorganisation.

At 31st March, 2009, the Company had outstanding 99,056,576 warrants (after adjustment of the Capital Reorganisation), which if exercise in full would result in the issue of 99,056,576 ordinary shares of HK$0.01 each.

The subscription rights attaching to the warrants are measured at fair value of approximately HK$34,571,000 on initial recognition and are recognised in equity in the warrant reserve.

The fair value of the warrants issued during the year was calculated using the Binominal option pricing model. The inputs into the model were as follows:

Date of issue	5th August, 2008
Share price	HK$0.064
Exercise price	HK$0.105
Time to maturity	1.5 years
Expected volatility	75.58%
Expected dividend yield	Nil
Risk free rate	1.981%
Fair value per warrant	HK$0.0140

The variables and assumptions used in computing the fair value of the warrants are based on management's best estimate.

38. SHARE-BASED PAYMENT TRANSACTIONS

Scheme adopted on 26th August, 2002 (the "Scheme")

Following the termination of the scheme adopted on 28th February, 1994, in August 2002, the Scheme was adopted pursuant to a resolution passed on 26th August, 2002 for the primary purpose of providing incentives to eligible persons and will expire on 25th August, 2012. Under the Scheme, the directors of the Company may grant share options to the following eligible persons to subscribe for shares in the Company:

(i) employees including executive directors of the Company, its subsidiaries and any companies in which the Company holds any equity interest; or

(ii) non-executive directors of the Company, its subsidiaries and any companies in which the Company holds any equity interest; or

(iii) suppliers or customers; or

(iv) consultants, advisers or agents.

Share options granted should be accepted within 28 days of the date of grant, upon payment of HK$1 per each grant of share options. The exercise price is determined at the highest of: (i) the closing price of the shares on the date of grant of the share option; or (ii) the average closing price of shares on the five trading days immediately preceding the date of grant; or (iii) the nominal value of shares on the date of grant.

There is no specific requirement that an option must be held for any minimum period before it can be exercised but the directors are empowered to impose at their discretion any such minimum period at the time of grant of any particular option. The period during which an option may be exercised will be determined by the directors at their absolute discretion, save that no option may be exercised more than 10 years from the date of grant.

The maximum number of shares in respect of which share options under the Scheme may be granted when aggregated with the maximum number of shares in respect of which options may be granted under all the other schemes (the "Scheme Limit") is 10% of shares in issue on the adoption date of the Scheme. The Scheme Limit may be refreshed by a resolution in shareholders' meeting such that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes shall not exceed 10% of the shares in issue as at the date of such shareholders' approval. However, the Scheme Limit and any increase in the Scheme Limit shall not result in the number of shares which may be issued upon exercise of all outstanding share options granted under the Scheme and other schemes exceed 30% of the shares in issue from time to time. No person shall be granted a share option, within 12-month period of the date of grant, exceeds 1% of the shares in issue as at the date of grant.

The following table discloses details of the Company's share options held by directors and employees and other participants, and movements in such holdings during the current and prior years:

				Number of share options							
Date of grant	Vesting proportion	Exercisable period	Adjusted exercise price per share *(Note 1)* HK$	Outstanding at 1.4.2007	Granted during the year	Forfeited during the year	Outstanding at 1.4.2008	Adjustment during the year *(Note 1)*	Expired during the year	Forfeited during the year	Outstanding at 31.3.2009
Employees and other participants:											
15.8.2006	50%	15.8.2006 – 14.8.2008	0.315	1,900,000	–	–	1,900,000	1,113,400	(3,013,400)	–	–
	50%	15.8.2007 – 14.8.2008	0.315	1,900,000	–	–	1,900,000	1,113,400	(3,013,400)	–	–
27.7.2007	50%	27.7.2008 – 26.7.2011	10.55	–	10,100,000	–	10,100,000	(6,636,764)	–	(2,946,200)	517,036
	50%	27.7.2009 – 26.7.2011	10.55	–	10,100,000	–	10,100,000	(6,636,764)	–	(2,946,200)	517,036
Former directors *(Note 2)*:											
15.8.2006	50%	15.8.2006 – 14.8.2008	0.315	4,000,000	–	(2,250,000)	1,750,000	586,000	(1,586,000)	(750,000)	–
	50%	15.8.2007 – 14.8.2008	0.315	4,000,000	–	(2,250,000)	1,750,000	586,000	(1,586,000)	(750,000)	–
27.7.2007	50%	27.7.2008 – 26.7.2011	10.55	–	2,250,000	–	2,250,000	(1,404,840)	–	(750,000)	95,160
	50%	27.7.2009 – 26.7.2011	10.55	–	2,250,000	–	2,250,000	(1,404,840)	–	(750,000)	95,160

				Number of share options							
Date of grant	Vesting proportion	Exercisable period	Adjusted exercise price per share *(Note 1)* *HK$*	Outstanding at 1.4.2007	Granted during the year	Forfeited during the year	Outstanding at 1.4.2008	Adjustment during the year *(Note 1)*	Expired during the year	Forfeited during the year	Outstanding at 31.3.2009
Directors:											
15.8.2006	50%	15.8.2006 – 14.8.2008	0.315	9,750,000	–	–	9,750,000	5,713,500	(15,463,500)	–	–
	50%	15.8.2007 – 14.8.2008	0.315	9,750,000	–	–	9,750,000	5,713,500	(15,463,500)	–	–
27.7.2007	50%	27.7.2008 – 26.7.2011	10.55	–	19,500,000	–	19,500,000	(18,262,920)	–	–	1,237,080
	50%	27.7.2009 – 26.7.2011	10.55	–	19,500,000	–	19,500,000	(18,262,920)	–	–	1,237,080
				31,300,000	63,700,000	(4,500,000)	90,500,000	(37,783,248)	(40,125,800)	(8,892,400)	3,698,552
Exercisable at the end of the years							26,800,000				1,849,276
Weighted average exercise price				0.315	10.55	0.315	9,758	N/A	0.315	10,099	10.55

Notes:

1. The exercise price and the number of share options outstanding at 31st March, 2009 have been adjusted to reflect the effect of the Rights Issue and Capital Reorganisation.

2. All former directors are no longer employees of the Group.

The closing price of the Company's shares immediately before 27th July, 2007, the date of grant of the options, was HK$0.67 (before adjustment of Rights Issue and Capital Reorganisation), and the estimated fair value of the options granted was approximately HK$15,269,000 at the date of grant.

The fair values of the share options granted during the year ended 31st March, 2008 were calculated using the Binomial option pricing model. The inputs into the model were as follows:

Date of grant	27th July, 2007
Closing share price at the date of grant	HK$0.63
Initial exercise price (before adjustment of Rights Issue and Capital Reorganisation)	HK$0.67
Expected life of options	1 to 2 years
Expected volatility	59.03%
Expected dividend yield	Nil
Risk free rate	4.28%
Fair value per option (before adjustment of Rights Issue and Capital Reorganisation)	HK$0.2206 & HK$0.2588

The total estimated fair value of the options granted was approximately HK$15,269,000 at the date of grant.

Expected volatility was determined by using the historical volatility of the Company's share price over five years. The expected life used in the model has been estimated, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

As the fair value of the services to be performed by other eligible participants cannot be estimated reliably because it is not possible to measure the fair value of the total remuneration package, the fair value of such services is also measured with reference to the fair value of share options granted using the Binomial option pricing model.

The Group recognised the total expense of HK$5,547,000 for the year (2008: HK$8,342,000) in relation to the share options granted by the Company, of which HK$1,465,000 (2008: HK$2,498,000) was related to options granted to the Group's employees which has been included in staff costs as set out in note 12, and the remaining balance of HK$4,082,000 (2008: HK$5,844,000) was related to options granted to directors which has been included in directors' emoluments as set out in note 13(a).

The Binomial option pricing 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 management' best estimate. The value of an option varies with different variables of certain subjective assumptions.

39. 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 debt, which includes the convertible note payables and borrowings disclosed in notes 33 and 35 respectively, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

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, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

40. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2009	**2008**
	HK$'000	*HK$'000*
Financial assets		
Available-for-sale investments	37,892	94,570
Fair value through profit or loss		
Investments held-for-trading	176,552	11,001
Equity-linked notes	–	956
Derivatives embedded in convertible bonds	–	4,865
Loans and receivables (including cash and cash equivalents)	1,995,950	2,202,185
Financial liabilities		
Amortised cost	1,503,432	1,449,570

(b) Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, debtors, other loan receivables, amounts due from associates, unsecured loans and interest due from associates/related companies, pledged bank deposits, bank balances and cash, creditors, convertible note payables, obligations under finance leases, amounts due to minority shareholders of subsidiaries and bank borrowings. 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.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency bank balances, which expose the Group to foreign currency risk. Management has closely monitored foreign exchange exposure and will undertake procedures should necessary to mitigate the currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		**Liabilities**	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
USD	26,226	31,975	–	–

The functional currency of the respective group entities is Hong Kong dollars. The Group's exposure to the currency risk of USD is limited because Hong Kong dollars are pegged to USD.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to loan to a joint venture, unsecured loans from associates, debt portion of convertible bonds, fixed-rate other loan receivables, fixed-rate bank deposits, convertible note payables and bank borrowings as set out in notes 20, 21, 23, 25, 30, 33 and 35 respectively.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate other loan receivables, unsecured loans due from related companies and bank borrowings as set out in notes 25, 29 and 35 respectively.

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 Hong Kong Prime Rate and HIBOR.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For variable-rate other loan receivables, unsecured loans from related companies and bank borrowings, the analysis is prepared assuming the amount of asset and liability outstanding at the balance sheet date was outstanding for the whole year. A 100 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 100 basis point higher/lower and all other variables were held constant, the Group's loss for the year ended 31st March, 2009 would decrease/increase by HK$1,221,000 (2008: HK$1,325,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate other loan receivables and bank borrowings.

(iii) Other price risk

The Group is exposed to equity price risk arising from available-for-sale investments, derivatives embedded in convertible bonds and investments held-for-trading. Management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on listed equity investments quoted on the Stock Exchange. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. The exposure of the Group to other price risk from the derivatives embedded in convertible bonds (note 23) is limited because the amount at the balance sheet date is insignificant.

If the prices of the respective equity instruments had been 10% higher/lower:

- loss for the year ended 31st March, 2009 would decrease/increase by HK$14,742,000 (2008: HK$2,008,000) as a result of the changes in fair value of investments held-for-trading;
- available-for-sale investment reserve would increase by HK$3,789,000/loss would increase by HK$3,789,000 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
- available-for-sale investment reserve would increase/decrease by HK$9,457,000 as a result of charges in fair value of available-for-sale investments for the year ended 31st March, 2008.

Credit risk

As at 31st March, 2009 and 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet and financial guarantees provided by the Group (note 45).

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt 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 credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in PRC, which accounted for 95% (2008: 75%) of the total debtors as at 31st March, 2009.

The Group does not have any other significant concentration of credit risk, other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, and the unsecured loans and interests due from associates as set in note 21, the debt portion of convertible bonds and derivatives embedded in convertible bonds as set out in note 23, deposits paid for acquisition of subsidiaries as set out in note 43, other loan receivables as set out in note 25, debtors as disclosed above, refundable earnest money as set out in note 28(a) and unsecured loans and interest due from related companies as set out in note 29.

Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As at 31st March, 2009, the Group has available unutilised bank loan facilities of approximately HK$15,892,000 (2008: HK$239,556,000), details of which are set out in note 35.

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

Liquidity and interest risk tables

	Weighted average effective interest rate	Less than 3 months	3 months to 1 year	1-5 years	Total undiscounted cash flows	Carrying amount at 31.3.2009
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2009						
Non-derivative financial liabilities						
Creditors	–	43,462	–	–	43,462	43,462
Amount due to minority shareholders of subsidiaries	–	395	–	–	395	395
Obligations under finance leases	9.15	30	90	327	447	372
Bank borrowings						
– fixed rate	5.45	465	21,243	14,158	35,866	34,129
– variable rate	3.23	5,748	57,927	27,467	91,142	89,359
Convertible note payables	0.62	9,060	–	1,551,802	1,560,862	1,336,087
		59,160	79,260	1,593,754	1,732,174	1,503,804

	Weighted average effective interest rate	Less than 3 months	3 months to 1 year	1-5 years	Total undiscounted cash flows	Carrying amount at 31.3.2008
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008						
Non-derivative financial liabilities						
Creditors	–	51,194	–	–	51,194	51,194
Amount due to minority shareholders of subsidiaries	–	890	–	–	890	890
Obligations under finance leases	9.15	17	51	201	269	222
Bank borrowings						
– fixed rate	7.20	598	34,007	–	34,605	33,259
– variable rate	4.05	6,065	77,311	42,112	125,488	120,384
Convertible note payables	0.62	9,171	–	1,560,862	1,570,033	1,243,843
		67,935	111,369	1,603,175	1,782,479	1,449,792

(c) Fair value

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

- the fair value of financial assets and financial liabilities (excluding derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For an option-based derivative, the fair value is estimated using option pricing model (for example, the Binomial option pricing model and the Black-Scholes option pricing model).

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

41. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

During the year, the Group completed two acquisitions, being the acquisition on 2nd September, 2008 ("1st Acquisition") and the acquisition on 16th December, 2008 ("2nd Acquisition"). Both acquisitions have been accounted for as acquisition of assets and liabilities as the subsidiaries acquired do not constitute businesses.

	1st Acquisition *(note a)* *HK$'000*	2nd Acquisition *(note b)* *HK$'000*	Total *HK$'000*
The assets and liabilities acquired are as follows:			
Properties held for sale	97,743	209,088	306,831
Deposits and expenses paid for acquisition of properties held for sale	20,477	12,077	32,554
Debtors	73	290	363
Creditors, deposits and accrued charges	(936)	(278)	(1,214)
Amount advanced by the Group before 1st Acquisition	(58,599)	–	(58,599)
Loan advanced by the Group before 2nd Acquisition	–	(20,340)	(20,340)
Amount due to a shareholder	(58,758)	(199,006)	(257,764)
	–	1,831	1,831
Loan receivable by the Group set-off on 2nd Acquisition	–	20,340	20,340
Assignment of amount due to a shareholder	–	199,006	199,006
Net assets acquired and cash consideration	–	221,177	221,177
Total consideration satisfied by:			
Cash	–	200,837	200,837
Loan receivable by the Group set-off on 2nd Acquisition	–	20,340	20,340
	–	221,177	221,177
Net cash outflow arising on acquisition:			
Cash consideration paid	–	199,006	199,006
Expense incurred for the acquisition	–	1,831	1,831
	–	200,837	200,837

Notes:

(a) On 2nd September, 2008, the Group acquired the remaining 50% equity interest in Keen Step, which was previously formed between, and owned equally by, a wholly-owned subsidiary of the Company and an independent third party in May 2008 for the purpose of the acquisition and holding of properties and was accounted for as a jointly controlled entity of the Group (note 20) using equity accounting prior to the 1st Acquisition, at a consideration of HK$1.

(b) On 16th December, 2008, the Group acquired the entire issued capital of Pine Cheer Limited ("Pine Cheer") for a consideration of approximately HK$199,006,000 and incurred transaction costs of HK$1,831,000.

The subsidiaries acquired contributed HK$810,000 to the Group's revenue and had a loss of HK$92,391,000 included in the Group's loss for the period from the date of acquisition to 31st March, 2009.

42. DISPOSAL OF SUBSIDIARIES

As detailed to in note 11, the Group discontinued its businesses of manufacturing and trading of medicine and health products and trading of motorcycles through disposal of its subsidiaries, the TFH Group and the King-Tech Group on 31st July, 2007 and 31st March, 2008, respectively.

In addition, the Group entered into several conditional agreements on 28th November, 2007, to dispose of its entire 65%, 64.83% and 65% interest in Panyu Golf, Guangzhou Wei Di Si Golf Property Company Limited ("Wei Di Si") and Guangzhou Lian Chui Property Management Company Limited ("Lian Chui"), respectively, which are engaged in development and operation of golf resort and hotel in the PRC to the acquirer. The disposal was completed on 6th March, 2008, on which date the control of these subsidiaries was passed to the acquirer.

The aggregate net assets of the disposed subsidiaries at the dates of disposals were as follows:

	Continuing operations	Discontinued operations	Total
	HK$'000	*HK$'000*	*HK$'000*
Net assets disposed of:			
Property, plant and equipment	111,501	31,016	142,517
Prepaid lease payments of leasehold land	52,947	1,405	54,352
Intangible assets	–	430	430
Other loan receivables	–	30,314	30,314
Inventories	68	96,153	96,221
Properties under development	14,571	–	14,571
Amount due from immediate holding company	–	1,138	1,138
Debtors, deposits and prepayments	5,534	39,834	45,368
Financial assets at fair value through profit or loss	–	2,500	2,500
Tax recoverable	–	2,045	2,045
Bank balances and cash	3,862	81,629	85,491
Creditors, deposits and accrued charges	(6,389)	(128,765)	(135,154)
Dividend payable to a minority shareholder of a subsidiary	(2,665)	–	(2,665)
Amounts due to minority shareholders of subsidiaries	(521)	–	(521)
Unsecured loan from a minority shareholder of a subsidiary	(14,115)	(980)	(15,095)
Unsecured loan from a related party	(621)	–	(621)
Obligations under finance leases	–	(12)	(12)
Bank borrowings	(17,573)	(25,457)	(43,030)
Tax payable	–	(270)	(270)
Deferred tax liabilities	(14,316)	–	(14,316)
	132,283	130,980	263,263
Minority interests	(43,471)	(504)	(43,975)
Translation reserve released	(17,671)	(3,801)	(21,472)
Revaluation reserve released	(991)	–	(991)
	70,150	126,675	196,825
Loss on disposal of subsidiaries	(19,073)	(18,571)	(37,644)
Total consideration	51,077	108,104	159,181

	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Satisfied by:			
Cash	22,173	20,000	42,173
Amount due from the disposed subsidiary included in debtors, deposits and prepayments	14,669	–	14,669
Other loan receivables	–	90,000	90,000
Interest in a joint venture *(note 20)*	14,745	–	14,745
Expense paid for the disposal of subsidiaries	(510)	(1,896)	(2,406)
	51,077	108,104	159,181
Net cash outflow arising on disposal:			
Cash consideration	22,173	20,000	42,173
Bank balances and cash disposed of	(14,448)	(81,629)	(96,077)
Expense paid for the disposal of subsidiaries	(510)	(1,896)	(2,406)
	7,215	(63,525)	(56,310)

The impacts of the disposed subsidiaries of discontinued operation on the Group's results and cash flows in the current and prior periods are disclosed in note 11.

43. CAPITAL AND OTHER COMMITMENTS

	2009 HK$'000	2008 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	27,807	31,292
Other commitments:		
– acquisition of subsidiaries *(Note)*	210,400	–
– acquisition of a land use right *(note 24)*	5,000	5,000
– loan to an associate *(note 21)*	15,000	15,000
– loan to a joint venture	15,880	–
	246,280	20,000
	274,087	51,292

Note: On 30th December, 2008, a subsidiary of the Company entered into a conditional agreement with Vincent Asset Holdings Limited ("Vincent Asset"), an independent third party to acquire 100% equity interest in Charm Noble Group Limited ("Charm Noble"), Favor Gain Group Limited ("Favor Gain") and Adventura International Limited ("Adventura"), for a consideration of an aggregate amount of HK$10 million and face value of the entire amount of the shareholder's loans owed by Charm Noble, Favor Gain and Adventura to Vincent Asset on the completion date of the acquisition on a dollar-to-dollar basis. As of 31st March, 2009, deposits and expenses amounted to HK$47,244,000 had been paid by the Group. The Group has concentration of credit risk as the whole balance was due from an independent third party. The aforesaid acquisition was completed in June 2009. Details of the acquisition were set out in a circular of the Company dated 18th February, 2009.

44. OPERATING LEASE COMMITMENTS

The Group as lessee

	2009	2008
	HK$'000	*HK$'000*
Property rentals paid by the Group during the year in respect of:		
Minimum lease payments	14,222	13,662
Contingent rents	–	3,167
	14,222	16,829

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

	2009	2008
	HK$'000	*HK$'000*
Within one year	13,731	2,474
In the second to fifth year inclusive	15,020	1,524
Over five years	11,404	10,302
	40,155	14,300

Operating lease payments represent rentals payable by the Group for certain of its office premises and golf course. Leases are negotiated for an average term of three years and rentals are either fixed or, in addition to the fixed rentals, determined based on a fixed percentage of the monthly gross turnover of the outlets, for an average term of three years.

The Group as lessor

The property rental income earned during the year was HK$7,850,000 (2008: HK$3,270,000). The properties which are leased out as at 31st March, 2009 have rental yield of approximately 4% and with committed tenants with the longest tenure within 2 years from the balance sheet date.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2009	2008
	HK$'000	*HK$'000*
Within one year	6,821	805
In the second to fifth year inclusive	7,063	–
	13,884	805

45. PLEDGE OF ASSETS

At 31st March, 2009, the Group's bank borrowings and credit facilities from financial institutions were secured by the following:

(a) bank deposits of HK$44,626,000 (2008: HK$41,268,000);

(b) legal charges over the Group's properties held for sale with a carrying value of HK$223,476,000 (2008: HK$231,818,000);

(c) financial assets at fair value through profit or loss of HK$1,116,000 (2008: HK$1,756,000).

In addition, at 31st March, 2008, the Group had bank deposits of approximately of HK$10,550,000 pledged to banks in respect of banking facilities granted to third parties.

46. RETIREMENT BENEFITS SCHEMES

The Group operates a defined contribution retirement benefits scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") for eligible employees. The assets of the scheme are separately held in funds under the control of trustees.

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

At the balance sheet date, the Group had no significant forfeited contributions, which arose upon employees leaving the retirement benefits scheme and which are available to reduce the contributions payable by the Group in future years.

With effect from 1st December, 2000, the Group has also joined the MPF Scheme for employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme 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 rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. The contributions to the MPF Scheme charged to the consolidated income statement represent contributions paid or payable to the funds by the Group at rates specified in the rules of the scheme. No forfeited contribution is available to reduce the contribution payable in future years.

The employees of the subsidiaries in the PRC are members of state-managed retirement benefits schemes operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes are to make the required contributions under the schemes.

The total cost charged to consolidated income statement of HK$2,094,000 (2008: HK$2,126,000) represents contributions paid or payable to the schemes by the Group during the year.

47. RELATED AND CONNECTED PARTY TRANSACTIONS AND BALANCES

Related party transactions

(a) During the year, the Group had the following transactions with related parties:

Related parties	*Note*	Nature of transactions	2009 *HK$'000*	2008 *HK$'000*
Associates:				
Orient Town Limited		Interest income	14,417	51,618
Concordia		Management fee paid	152	910
Orient Town Project Management Limited		Management fee received	120	250
Other related companies:				
Great Intelligence Holdings Limited ("Great Intelligence")	*(i)*	Rental expenses and management fee paid	2,917	–
Wing On		Interest income	3,660	4,677

Note:

(i) Mr. Chan Fut Yan, an executive director of the Company is also a director of Great Intelligence.

Details of the outstanding balances with related parties are set out in the consolidated balance sheet and in notes 21, 22, 23 and 29.

(b) Compensation of key management personnel

The remuneration of directors during the year was as follows:

	2009 *HK$'000*	2008 *HK$'000*
Short-term benefits	13,745	19,010
Post-employment benefits	395	358
Share-based payments	4,082	5,844
	18,222	25,212

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

Connected party transactions

(a) During the year ended 31st March, 2008, Donson (International) Development Limited ("Donson"), an indirectly wholly-owned subsidiary of the Company, entered into several agreements in relation to:

(i) disposal by Donson of its entire interest in Panyu Golf, Wei Di Si and Lian Chui to 廣州市番禺協誠實業有限公司 ("番禺協誠"), a company incorporated in the PRC with limited liability, which is an investment holding company controlled by the Panyu Municipal Government, the PRC, for an aggregate cash consideration of RMB20 million (equivalent to approximately HK$22.8 million) as set out in note 42;

(ii) the co-operation between Panyu Golf and Donson in the Development Project in which the Group will have the right to share 65% of its residual value. Under the terms of the Development Project Agreement, the Group will provide a loan of RMB40 million (equivalent to approximately HK$45.5 million) to Panyu Golf for use in the Development Project as set out in note 20; and

(iii) the lease of Guangzhou Lotus Hill Golf Resort ("Lease Agreement") which comprises golf course and golf clubhouse within Panyu, Guangzhou, Guangdong Province, the PRC to Guangzhou Donson Hotel Management Limited ("Donson Hotel Management"), a subsidiary of the Company, for three years commencing from the date of the Lease Agreement entered into between Donson Hotel Management as lessee and Panyu Golf as lessor for the lease of the Guangzhou Lotus Hill Golf Resort on 16th April, 2008 at an annual rental of RMB5 million (equivalent to approximately HK$5.7 million) renewable at the option of Donson Hotel Management at successive terms of 3 years up to 20 years.

By virtue of the fact that 番禺協誠 is controlled by the Panyu Municipal Government and 廣州市番禺旅游總公司 ("番禺旅游"), a company established in the PRC which is a substantial shareholder of Panyu Golf, Wei Di Si and Lian Chui, is also controlled by the Panyu Municipal Government, 番禺協誠 and 番禺旅游 are therefore connected persons of the Company. Further details of the transactions are set out in the announcement dated 7th December, 2007. The disposal was completed on 6th March, 2008.

During the year ended 31st March, 2009, lease rental of HK$4,837,000 was paid to Panyu Golf. The rentals were charged in accordance with the Lease Agreement.

(b) During the year ended 31st March, 2009, subsidiaries of the Company entered into tenancy agreements with a subsidiary of a substantial shareholder of the Company and a minority shareholder of subsidiaries. The rental expense paid to the subsidiary of a substantial shareholder of the Company and minority shareholders of subsidiaries were HK$3,721,000 (2008: Nil) and HK$247,000 (2008: HK$231,000), respectively for the year ended 31st March, 2009. The rentals were charged in accordance with the relevant tenancy agreements.

(c) During the year ended 31st March, 2008, Kopola Investment Company Limited ("Kopola") had converted HK$50 million of the convertible note due 2010 issued by the Company into 113,636,363 ordinary shares of HK$0.01 each in the share capital of the Company at a conversion price of HK$0.44 per share. Each of Mr. Ho Hau Chong, Norman (a former non-executive director of the Company who retired on 12th September, 2007), and his brother, Mr. Ho Hau Hay, Hamilton owned 50% interest in Kopola, the conversion of the convertible notes constituted a connected transaction of the Company under the Listing Rules.

48. BALANCE SHEET OF THE COMPANY

The balance sheet of the Company at 31st March, 2009 is as follows:

	Note	2009 *HK$'000*	2008 *HK$'000*
Assets		3,883,915	3,186,076
Liabilities		1,373,451	1,279,538
		2,510,464	1,906,538
Capital and reserves			
Share capital		4,709	30,955
Reserves	*(a)*	2,505,755	1,875,583
		2,510,464	1,906,538

Note:

(a) Reserves

	Share premium *HK$'000*	Contributed surplus *HK$'000* *(Note)*	Capital redemption reserve *HK$'000*	Convertible loan notes equity reserve *HK$'000*	Share-based payment reserve *HK$'000*	Warrant reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
THE COMPANY								
At 31st March, 2007	1,066,055	–	1,124	355,304	3,296	–	28,938	1,454,717
Conversion of convertible notes	268,001	–	–	(47,585)	–	–	–	220,416
Issue of shares	165,000	–	–	–	–	–	–	165,000
Expenses incurred in connection with issue of shares	(5,114)	–	–	–	–	–	–	(5,114)
Recognition of equity-settled share-based payments	–	–	–	–	8,342	–	–	8,342
Profit for the year	–	–	–	–	–	–	32,222	32,222
At 31st March, 2008	1,493,942	–	1,124	307,719	11,638	–	61,160	1,875,583
Profit for the year	–	–	–	–	–	–	1,517	1,517
Rights issue with warrants	522,622	–	–	–	–	34,571	–	557,193
Transfer upon lapse and forfeiture of share options	–	–	–	–	(4,418)	–	1,083	(3,335)
Recognition of equity-settled share-based payments	–	–	–	–	5,547	–	–	5,547
Repurchase and cancellation of shares	(20,587)	–	6,092	–	–	–	(6,092)	(20,587)
Capital Reorganisation *(note 37(e)(iv))*	–	113,020	–	–	–	–	–	113,020
Expenses incurred in connection with rights issue	(23,183)	–	–	–	–	–	–	(23,183)
At 31st March, 2009	1,972,794	113,020	7,216	307,719	12,767	34,571	57,668	2,505,755

Note: The contributed surplus of the Company represents the credit arising from Capital Reduction pursuant to the Capital Reorganisation on 13th March, 2009.

49. SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31st March, 2009 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share/ registered capital	Percentage of issued share/ registered capital held by the Company				Principal activities
			Directly		Indirectly		
			2009 %	2008 %	2009 %	2008 %	
Advance Tech Limited	Hong Kong	HK$1 ordinary share	–	–	100	100	Securities investment
Castle Win International Limited	Hong Kong	HK$1 ordinary share	–	–	100	100	Properties development
Donson	Hong Kong	HK$85,297,692 ordinary shares	–	–	100	100	Investment holding
Hayton Limited	Hong Kong	HK$1 ordinary share	–	–	100	100	Property investment
ITC Properties Management Limited	Hong Kong	HK$2,000 ordinary shares	–	–	100	100	Securities investment and investment holding
		HK$500,000 non-voting deferred shares *(note a)*	–	–	–	–	
Keen Step	Hong Kong	HK$2 ordinary shares	–	–	100	–	Property investment
Linktop Limited	British Virgin Islands	US$1 ordinary share	–	–	100	100	Investment holding
Macau Prime (B.V.I.) Limited	British Virgin Islands	US$50,000 ordinary shares	100	100	–	–	Investment holding
Macau Prime Finance Limited	Hong Kong	HK$2 ordinary shares	–	–	100	100	Money lending
Macau Prime Property (Hong Kong) Limited	British Virgin Islands	US$1 ordinary share	–	–	100	100	Investment holding
Macau Prime Property (Macau) Limited	British Virgin Islands	US$1 ordinary share	–	–	100	100	Investment holding
Master Super Development Limited	Hong Kong	HK$100 ordinary shares	–	–	100	100	Property investment
Million Orient Limited	Hong Kong	HK$1 ordinary share	–	–	100	100	Investment holding
New Smarten Limited	Hong Kong	HK$1 ordinary share	–	–	100	100	Investment holding

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share/ registered capital	Percentage of issued share/ registered capital held by the Company				Principal activities
			Directly		Indirectly		
			2009 %	2008 %	2009 %	2008 %	
Oriental Mind Limited	British Virgin Islands	US$1 ordinary share	–	–	100	100	Investment holding
Pine Cheer	Hong Kong	HK$100 ordinary shares	–	–	100	–	Property investment
Smarteam Limited	Hong Kong	HK$1 ordinary share	–	–	100	100	Property investment
South Step Limited	Hong Kong	HK$1 ordinary share	–	–	100	100	Property investment and development
Teamate Limited	British Virgin Islands	US$1 ordinary share	–	–	100	100	Investment holding
Top Century International Limited	British Virgin Islands	US$1 ordinary share	–	–	100	100	Investment holding
Well Cycle Limited	Hong Kong	HK$2 ordinary shares	–	–	100	100	Letting of motor vehicles
三亞亞龍灣風景高爾夫文化公園有限公司	PRC *(note b)*	RMB35,000,000	–	–	80	80	Development and operation of hotel and golf resort
三亞亞龍灣紅峽谷度假酒店有限公司	PRC *(note b)*	HK$30,000,000	–	–	96	96	Development and operation of hotel
廣州市東迅酒店管理有限公司	PRC *(note b)*	HK$5,000,000	–	–	100	100	Development and operation of hotel

Notes:

(a) The non-voting deferred shares, which are not held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies nor to participate in any distribution on winding up.

(b) The subsidiaries were established in the PRC as a sino-foreign equity joint venture companies.

None of the subsidiaries had any debt securities outstanding at the balance sheet date or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

50. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into five operating divisions. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Property development	–	development of property
Property investment	–	trading of properties
Golf and leisure	–	development and operation of golf resort and hotel
Securities investment	–	trading and investment of securities
Finance	–	loan financing services

The Group was also involved in trading of motorcycles and manufacturing and trading of medicine and health products previously. These operations were discontinued in prior year as set out in note 11.

Segment information about these businesses is presented below. Gross proceeds included in turnover as set out below comprise revenue from property development and investment, golf and leisure operations, loan financing income, dividend income from investments held-for-trading and gross proceeds from disposal of investments held-for-trading.

2009

	Property development	Property investment	Golf and leisure	Securities investment	Finance	Segment total	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009								
TURNOVER								
– Gross proceeds	706	25,045	44,058	53,540	21,772	145,121	–	145,121
REVENUE								
External sales	706	25,045	44,058	1,089	21,772	92,670	–	92,670
Inter-segment sales *(Note)*	–	–	–	–	26,107	26,107	(26,107)	–
Total	706	25,045	44,058	1,089	47,879	118,777	(26,107)	92,670
SEGMENT RESULTS	(68,512)	(91,817)	(5,833)	(169,794)	20,338	(315,618)		(315,618)
Unallocated corporate income						29,955		29,955
Unallocated corporate expenses						(63,649)		(63,649)
Finance costs						(108,357)		(108,357)
Share of result of a jointly-controlled entity	(212)	–	–	–	–	(212)		(212)
Share of results of associates	(4,404)	–	–	–	–	(4,404)		(4,404)
Loss before taxation						(462,285)		(462,285)
Taxation						469		469
Loss for the year						(461,816)		(461,816)

Note: Inter-segment sales were charged at terms determined and agreed between group companies.

	Property development HK$'000	Property investment HK$'000	Golf and leisure HK$'000	Securities investment HK$'000	Finance HK$'000	Consolidated HK$'000
CONSOLIDATED BALANCE SHEET AT 31ST MARCH, 2009						
ASSETS						
Segment assets	306,108	544,820	306,337	251,491	320,702	1,729,458
Interest in a joint venture	44,759	–	–	–	–	44,759
Interest in associates	134,809	–	–	–	–	134,809
Unsecured loans and interest due from associates	1,073,982	–	–	–	–	1,073,982
Unallocated corporate assets						598,362
Consolidated total assets						3,581,370
LIABILITIES						
Segment liabilities	1,202	5,045	41,071	820	20	48,158
Unallocated corporate liabilities						1,523,976
Consolidated total liabilities						1,572,134

	Property development HK$'000	Property investment HK$'000	Golf and leisure HK$'000	Securities investment HK$'000	Finance HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
OTHER INFORMATION								
Depreciation of property, plant and equipment	429	170	8,898	–	–	9,497	2,010	11,507
Amortisation of prepaid lease payments of leasehold land	–	–	525	–	–	525	–	525
Amortisation of premium on prepaid lease payments of leasehold land	–	–	2,736	–	–	2,736	–	2,736
Loss on disposal of property, plant and equipment	–	–	27	–	–	27	144	171
Allowance for bad and doubtful debts	56	4,440	817	–	–	5,313	–	5,313
Decrease in fair value of financial assets at fair value through profit or loss	–	–	–	114,477	–	114,477	–	114,477
Decrease in fair value of derivatives embedded in convertible bonds	–	–	–	–	–	–	3,247	3,247
Capital additions	2,553	4,624	3,979	–	–	11,156	4,688	15,844
Equity-settled share-based payment expenses	–	–	–	–	–	–	5,547	5,547
Impairment loss on available-for-sales investment	–	–	–	53,037	–	–	–	53,037
Impairment loss on property interests	54,121	92,591	–	–	–	146,712	–	146,712
Loss on disposal of available-for-sales investment	–	–	–	4,299	–	–	–	4,299
Dividend income on available-for-sales investment	–	–	–	970	–	–	–	970

2008

	Continuing operations								Discontinued operations			
	Property development	Property investment	Golf and leisure	Securities investment	Finance	Segment total	Elimination	Total	Motorcycles	Medicine and health products	Total	Consoli-dated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008												
TURNOVER												
– Gross proceeds	2,500	79,292	62,622	424,641	31,789	600,844	–	600,844	17,567	115,741	133,308	734,152
REVENUE												
External sales	2,500	79,292	62,622	5,741	31,789	181,944	–	181,944	17,567	115,741	133,308	315,252
Inter-segment sales *(Note)*	–	–	–	–	25,842	25,842	(25,842)	–	–	–	–	–
Total	2,500	79,292	62,622	5,741	57,631	207,786	(25,842)	181,944	17,567	115,741	133,308	315,252
SEGMENT RESULTS	(2,136)	27,906	(56,461)	59,141	7,469	35,919		35,919	(1,359)	1,747	388	36,307
Unallocated corporate income						39,018		39,018	–	689	689	39,707
Unallocated corporate expenses						(58,762)		(58,762)	–	–	–	(58,762)
Unallocated finance costs						(54,787)		(54,787)			(613)	(55,400)
Loss on disposal of an associate	–	(39,486)	–	–	–	(39,486)		(39,486)	–	–	–	(39,486)
Loss on disposal of subsidiaries	–	–	(19,073)	–	–	(19,073)		(19,073)	–	–	–	(19,073)
Share of results of associates	(30,047)	5,000	–	–	–	(25,047)		(25,047)	–	–	–	(25,047)
Loss before taxation and gain (loss) on disposal of discontinued operations						(122,218)		(122,218)			464	(121,754)
Taxation						(3,475)		(3,475)			(558)	(4,033)
Gain (loss) on disposal of discontinued operations						–		–	6	(18,577)	(18,571)	(18,571)
Loss for the year						(125,693)		(125,693)			(18,665)	(144,358)

Note: Inter-segment sales were charged at terms determined and agreed between group companies.

2008

	Continuing operations						Discontinued operations			
	Property development	Property investment	Golf and leisure	Securities investment	Finance	Total	Motor-cycles	Medicine and health products	Total	Consoli-dated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CONSOLIDATED BALANCE SHEET AT 31ST MARCH, 2008										
ASSETS										
Segment assets	322,814	274,111	320,619	162,513	322,178	1,402,235	–	–	–	1,402,235
Interest in a joint venture	14,745	–	–	–	–	14,745	–	–	–	14,745
Interest in associates	135,503	–	–	–	–	135,503	–	–	–	135,503
Unsecured loans and interest due from associates	1,077,690	–	–	–	–	1,077,690				1,077,690
Unallocated corporate assets						730,820				730,820
Consolidated total assets						3,360,993				3,360,993
LIABILITIES										
Segment liabilities	885	5,168	58,250	920	36	65,259	–	–	–	65,259
Unallocated corporate liabilities						1,445,557				1,445,557
Consolidated total liabilities						1,510,816				1,510,816

2008

	Continuing operations								Discontinued operations			
	Property development	Property investment	Golf and leisure	Securities investment	Finance	Segment total	Unallocated	Total	Motor -cycles	Medicine and health products	Total	Consoli-dated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OTHER INFORMATION												
Depreciation of property, plant and equipment	20	–	14,882	–	–	14,902	786	15,688	–	1,881	1,881	17,569
Amortisation of prepaid lease payments of leasehold land	–	–	2,283	–	–	2,283	–	2,283	–	10	10	2,293
Amortisation of premium on prepaid lease payments of leasehold land	–	–	2,914	–	–	2,914	–	2,914	–	–	–	2,914
Allowance for inventories	–	–	–	–	–	–	–	–	–	5,106	5,106	5,106
Loss on disposal of property, plant and equipment	–	–	77	–	–	77	33	110	–	17	17	127
Allowance for bad and doubtful debts	–	–	1,441	–	–	1,441	–	1,441	–	360	360	1,801
Increase in fair value of financial assets at fair value through profit or loss	–	–	10,318	–	–	10,318	–	10,318	–	–	–	10,318
Increase in fair value of derivatives embedded in convertible bonds	–	–	–	–	–	–	1,944	1,944	–	–	–	1,944
Capital additions	958	–	36,727	–	–	37,685	918	38,603	–	710	710	39,313
Equity-settled share-based payment expenses	–	–	–	–	–	–	8,342	8,342	–	–	–	8,342
Gain on disposal of available-for-sales investments	–	–	–	60,752	–	–	–	60,752	–	–	–	60,752
Dividend income on available-for-sales investments	–	–	–	426	–	–	–	426	–	–	–	426

Geographical segments

The Group's operations are principally located in Macau, Hong Kong and the PRC. The Group's administrative functions are carried out in Macau, Hong Kong and the PRC.

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

	Revenue by geographical market	
	2009	**2008**
	HK$'000	*HK$'000*
Hong Kong	24,605	188,549
PRC	49,459	89,657
Macau	11,356	15,260
Others**	7,250	21,786
	92,670	315,252

** *No single location included in this category constituted 10% or above of total revenue from sales to all external customers.*

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets				
Macau	1,308,034	1,375,889	–	–
Hong Kong	1,001,926	607,606	4,624	710
PRC	376,827	374,277	6,532	37,685
Others	78,386	122,153	–	–
	2,765,173	2,479,925	11,156	38,395
Other corporate assets	816,197	881,068	4,688	918
	3,581,370	3,360,993	15,844	39,313

3. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The following is the reproduction of the unaudited condensed consolidated financial statements of the Group for the six months ended 30th September, 2009 together with the relevant notes to the condensed consolidated financial statements, contained on pages 6 to 32 of the interim report of the Company for the six months ended 30th September, 2009.

CONDENSED CONSOLIDATED INCOME STATEMENT

(For the six months ended 30th September, 2009)

		Six months ended 30th September	
		2009	**2008**
		(unaudited)	(unaudited)
	NOTES	*HK$'000*	*HK$'000*
Turnover			
– Gross proceeds	*3*	92,396	100,213
Revenue	*3*	68,688	51,834
Property sales and rental income		4,317	21,878
Golf and leisure income		14,933	16,367
		19,250	38,245
Cost of sales		(4,751)	(18,907)
Gross profit		14,499	19,338
Income from loan financing		7,833	11,784
Net gain (loss) on financial instruments	*4*	96,553	(44,533)
Other income		10,936	16,802
Increase in fair value of investment properties		31,758	–
Reversal of write-down on properties held for sale	*5*	92,591	–
Impairment loss recognised on advance to a jointly controlled entity	*13*	(10,700)	–
Administrative expenses		(65,516)	(67,123)
Share of results of associates		(2,894)	(1,507)
Share of result of a jointly controlled entity		–	(212)
Finance costs	*6*	(60,561)	(53,673)
Profit (loss) before taxation		114,499	(119,124)
Taxation	*7*	342	342
Profit (loss) for the period	*8*	114,841	(118,782)
Profit (loss) for the period attributable to:			
Owners of the Company		114,841	(118,782)
Minority interests		–	–
		114,841	(118,782)
Earnings (loss) per share	*10*		
– Basic (HK dollars)		0.24	(0.41)
– Diluted (HK dollars)		0.23	(0.41)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(For the six months ended 30th September, 2009)

	Six months ended 30th September	
	2009	**2008**
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Profit (loss) for the period	114,841	(118,782)
Other comprehensive income		
Net gain (loss) on fair value changes of available-for-sale investments	19,223	(23,232)
Reclassification adjustments on:		
– impairment losses recognised on available-for-sale investments	–	31,171
– disposal of available-for-sale investments	(2,038)	4,299
Exchange difference arising on translation of foreign operations	(239)	2,321
Other comprehensive income for the period	16,946	14,559
Total comprehensive income (expense) for the period	131,787	(104,223)
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	131,787	(104,223)
Minority interests	–	–
	131,787	(104,223)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(At 30th September, 2009)

	NOTES	**30.9.2009** (unaudited) *HK$'000*	**31.3.2009** (audited) *HK$'000*
Non-current assets			
Property, plant and equipment	*11*	183,958	186,224
Prepaid lease payments of leasehold land		20,557	20,822
Premium on prepaid lease payments of leasehold land		110,190	111,558
Investment properties	*12*	221,000	–
Properties under development	*12*	–	189,000
Available-for-sale investments		51,568	37,892
Interests in joint ventures	*13*	51,771	44,759
Advance to a jointly controlled entity	*13*	1,300	–
Interests in associates	*14*	212,210	134,809
Unsecured loans and interest due from associates	*14*	993,687	1,073,982
Debt portion of convertible bonds		38,984	36,320
Deposits and expenses paid for acquisition of a land use right		47,275	47,275
Deposits and expenses paid for acquisition of subsidiaries		–	47,244
Other loan receivables		3,852	–
		1,936,352	1,929,885
Current assets			
Inventories		2,545	3,143
Properties held for sale		948,380	539,388
Debt portion of convertible bonds		1,179	727
Financial assets at fair value through profit or loss		189,522	176,552
Debtors, deposits and prepayments	*15*	560,613	503,148
Other loan receivables		173,014	208,727
Prepaid lease payments of leasehold land		530	530
Amounts due from associates		2,426	2,172
Unsecured loans and interest due from a related company		49,841	48,437
Pledged bank deposits		42,200	44,626
Bank balances and cash		145,730	124,035
		2,115,980	1,651,485

	NOTES	30.9.2009 (unaudited) HK$'000	31.3.2009 (audited) HK$'000
Current liabilities			
Creditors, deposits and accrued charges	16	97,769	72,047
Amount due to a minority shareholder of a subsidiary		256	395
Tax payable		11,626	11,856
Convertible note payables – due within one year		513,795	7,174
Obligations under finance leases – due within one year		83	90
Bank and other borrowings – due within one year	17	12,729	82,830
		636,258	174,392
Net current assets		1,479,722	1,477,093
Total assets less current liabilities		3,416,074	3,406,978
Non-current liabilities			
Convertible note payables – due after one year		867,097	1,328,913
Obligations under finance leases – due after one year		200	282
Bank and other borrowings – due after one year	17	378,999	40,658
Deferred tax liabilities		27,547	27,889
		1,273,843	1,397,742
		2,142,231	2,009,236
Capital and reserves			
Share capital	18	4,709	4,709
Reserves		2,130,337	1,997,342
Equity attributable to owners of the Company		2,135,046	2,002,051
Minority interests		7,185	7,185
		2,142,231	2,009,236

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(For the six months ended 30th September, 2009)

	Attributable to owners of the Company														
	Share capital	Share premium	Contribution surplus	Capital redemption reserve	Convertible loan notes equity reserve	Share-based payment reserve	Available-for-sale investments reserve	Special reserve	Revaluation reserve	Translation reserve	Warrant reserve	Accumulated profits (losses)	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April, 2008 (audited)	30,955	1,493,942	–	1,124	307,719	11,638	(12,900)	(8,908)	804	7,472	–	11,152	1,842,998	7,179	1,850,177
Total comprehensive income (expense) for the period	–	–	–	–	–	–	12,238	–	–	2,321	–	(118,782)	(104,223)	–	(104,223)
Rights issue with warrants	92,866	522,622	–	–	–	–	–	–	–	–	34,571	–	650,059	–	650,059
Expenses incurred in connection with issue of shares	–	(23,183)	–	–	–	–	–	–	–	–	–	–	(23,183)	–	(23,183)
Recognition of equity-settled share-based payments	–	–	–	–	–	3,999	–	–	–	–	–	–	3,999	–	3,999
Transfer on lapse of share options	–	–	–	–	–	(4,242)	–	–	–	–	–	4,242	–	–	–
Repurchase and cancellation of shares	(3,878)	(13,628)	–	3,878	–	–	–	–	–	–	–	(3,878)	(17,506)	–	(17,506)
At 30th September, 2008 (unaudited)	119,943	1,979,753	–	5,002	307,719	11,395	(662)	(8,908)	804	9,793	34,571	(107,266)	2,352,144	7,179	2,359,323
At 1st April, 2009 (audited)	4,709	1,972,794	113,020	7,216	307,719	12,767	23	(8,908)	804	9,674	34,571	(452,338)	2,002,051	7,185	2,009,236
Total comprehensive income (expense) for the period	–	–	–	–	–	–	17,185	–	–	(239)	–	114,841	131,787	–	131,787
Recognition of equity-settled share-based payments	–	–	–	–	–	1,208	–	–	–	–	–	–	1,208	–	1,208
At 30th September, 2009 (unaudited)	4,709	1,972,794	113,020	7,216	307,719	13,975	17,208	(8,908)	804	9,435	34,571	(337,497)	2,135,046	7,185	2,142,231

Note: Special reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired and the nominal amount of the share capital of the Company issued as consideration under the group reorganisation in 1994.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(For the six months ended 30th September, 2009)

		Six months ended 30th September	
		2009	**2008**
		(unaudited)	(unaudited)
	NOTE	*HK$'000*	*HK$'000*
Operating cash flows before movements in working capital		(33,692)	(4,561)
Decrease (increase) in financial assets at fair value through profit or loss		64,877	(167,448)
Decrease (increase) in other loan receivables		31,861	(65,837)
(Increase) decrease in debtors, deposits and prepayments		(1,622)	26,977
(Increase) decrease in properties held for sale		(353)	10,515
Other operating cash flows		3,344	(11,663)
Net cash from (used in) operating activities		64,415	(212,017)
Net cash used in investing activities			
Refundable earnest monies paid		(47,800)	(20,670)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	*19*	(36,035)	–
Advance to a jointly controlled entity		(12,000)	(58,577)
Loan advance to a joint venture		(7,012)	(18,905)
Purchase of available-for-sale investments		(581)	(5,633)
Proceeds from redemption of convertible bonds		–	57,000
Other investing cash flows		21,509	14,786
		(81,919)	(31,999)
Net cash from financing activities			
New bank and other borrowings raised		200,145	20,247
Repayment of bank and other borrowings		(160,783)	(35,202)
Proceeds from issue of shares		–	650,059
Repayment to a former joint venturer		–	(58,758)
Expenses paid in connection with issue of shares		–	(23,183)
Share repurchase and cancellation		–	(17,506)
Other financing cash flows		(229)	(28)
		39,133	535,629
Net increase in cash and cash equivalents		21,629	291,613
Cash and cash equivalents at beginning of the period		124,035	243,038
Effect of foreign exchange rate changes		66	(684)
Cash and cash equivalents at end of the period, representing bank balances and cash		145,730	533,967

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(For the six months ended 30th September, 2009)

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2009.

Adoption of new and revised Hong Kong Financial Reporting Standards effective in current period

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

Except as disclosed below, the adoption of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 *Segment Reporting*, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

HKAS 40 Investment Property

HKAS 40 *Investment Property* has been amended to include within its scope properties under construction or development for future use as investment properties and to require such properties to be measured at fair value (where the fair value is reliably determinable). In the past, the leasehold land and building element of properties under construction were accounted for separately. The leasehold land element was accounted for as an operating lease and the building element was carried at cost less accumulated impairment losses. The Group has applied the amendment to HKAS 40 prospectively from 1st April, 2009 in accordance with the relevant transitional provision. As a result of the application of the amendment, the Group's properties under construction for future use as investment properties that include the leasehold land and building element have been classified as investment properties and measured at fair values as at 30th September, 2009, with the fair value gain being recognised in profit or loss for the six months ended 30th September, 2009. The carrying amount of the properties under development as at 1st April, 2009 approximates to its fair value on that date.

In addition, the Group has applied the following accounting policy during the current interim period for its investment properties:

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 expenses. 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 year in which they arise.

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

New and revised HKFRSs issued but not yet effective

The Group has not early applied any new or revised standards, amendments or interpretations that have been issued but are not yet effective. The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are 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 (the "Directors") anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the condensed consolidated financial statements of the Group.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1st April, 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. The application of HKFRS 8 has resulted in redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

In previous year, the Group's primary reporting format was business segments and was organised into five operating divisions, namely property development, property investment, golf and leisure, securities investment and finance. However, for the property operations, the CODM (i.e. the executive directors and certain senior management) reviews the financial information of the property development and investment projects altogether. Therefore, the property operations are disclosed as one reportable segment. The principal locations of the Group's property projects as at 30th September, 2009 are Hong Kong and Macau.

The Group's reportable segments under HKFRS 8 are therefore as follows:

Property	–	development of and investment in properties
Golf and leisure	–	development and operation of golf resort and hotel
Securities investment	–	trading and investment of securities
Finance	–	loan financing services

The CODM assesses the performance of the operating segments based on the profit (loss) before taxation of the group entities engaged in the respective segment activities which represents the segment result. Financial information provided to the CODM is measured in a manner consistent with the accounting policies adopted in the preparation of the condensed consolidated financial statements.

Information regarding these segments is reported below. Amounts reported for the prior period have been restated to conform to the requirements of HKFRS 8.

For the six months ended 30th September, 2009

	Turnover HK$'000 (Note 1)	Revenue HK$'000 (Note 2)	Operating profit (loss) HK$'000	Share of results of associates HK$'000	Share of result of a jointly controlled entity HK$'000	Finance costs HK$'000	Profit (loss) before taxation HK$'000
Property							
Macau	–	–	(4,068)	(2,894)	–	(1,840)	(8,802)
Hong Kong	1,134	1,134	124,080	–	–	(3,964)	120,116
Property total	1,134	1,134	120,012	(2,894)	–	(5,804)	111,314
Golf and leisure *(Note 3)*							
PRC	18,116	18,116	(19,568)	–	–	(833)	(20,401)
Securities investments	65,313	41,605	96,160	–	–	(2)	96,158
Finance	7,833	7,833	10,820	–	–	–	10,820
SEGMENT TOTAL	92,396	68,688	207,424	(2,894)	–	(6,639)	197,891
Corporate expenses	–	–	(29,470)	–	–	(53,922)	(83,392)
GROUP TOTAL	92,396	68,688	177,954	(2,894)	–	(60,561)	114,499

For the six months ended 30th September, 2008

	Turnover HK$'000 (Note 1)	Revenue HK$'000 (Note 2)	Operating profit (loss) HK$'000	Share of results of associates HK$'000	Share of result of a jointly controlled entity HK$'000	Finance costs HK$'000	Profit (loss) before taxation HK$'000
Property							
Macau	11,356	11,356	9,226	(1,507)	–	(2,532)	5,187
Hong Kong	7,944	7,944	3,065	–	(212)	(25)	2,828
Property total	19,300	19,300	12,291	(1,507)	(212)	(2,557)	8,015
Golf and leisure *(Note 3)*							
PRC	18,945	18,945	(7,445)	–	–	(1,114)	(8,559)
Securities investments	50,184	1,805	(44,471)	–	–	(14)	(44,485)
Finance	11,784	11,784	13,970	–	–	–	13,970
SEGMENT TOTAL	100,213	51,834	(25,655)	(1,507)	(212)	(3,685)	(31,059)
Corporate expenses	–	–	(38,077)	–	–	(49,988)	(88,065)
GROUP TOTAL	100,213	51,834	(63,732)	(1,507)	(212)	(53,673)	(119,124)

Notes:

(1) Turnover as set out above comprise rental income and sales proceeds of properties, revenue from golf and leisure operations, loan financing income, dividend income from investments held-for-trading and gross proceeds from disposal of investments held-for-trading.

(2) Revenue as set out above comprise rental income and sales proceeds of properties, revenue from golf and leisure operations, loan financing income, dividend income from investments held-for-trading and net gain from disposal of investments held-for-trading.

(3) Turnover and revenue of golf and leisure segment as set out above comprise rental income and other revenue from golf and leisure operations.

4. NET GAIN (LOSS) ON FINANCIAL INSTRUMENTS

	Six months ended 30th September	
	2009	**2008**
	HK$'000	*HK$'000*
Increase (decrease) in fair values of:		
– investments held-for-trading	36,482	(10,724)
– derivatives embedded in convertible bonds	–	(3,247)
Dividend income on		
– available-for-sale investments	16,426	1,533
– investments held-for-trading	242	272
Gain (loss) on disposal of available-for-sale investments	2,040	(4,299)
Net gain on disposal of investments held-for-trading	41,363	–
Gain on disposal of convertible bonds	–	3,103
Impairment losses on available-for-sale investments	–	(31,171)
	96,553	(44,533)

5. REVERSAL OF WRITE-DOWN ON PROPERTIES HELD FOR SALE

During the period, the directors conducted a review of the Group's properties held for sale and determined that the carrying amount of the asset should be increased back to the original cost of the asset, due to increase of market values based on the valuation report conducted by RHL Appraisal Limited, an independent professional valuer. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions and have taken into account the cost expended and to be expended to complete the development. Accordingly, a reversal of impairment losses of HK$92,591,000 have been recognised as income immediately.

6. FINANCE COSTS

	Six months ended 30th September 2009 HK$'000	2008 HK$'000
Interest on:		
Bank and other borrowings wholly repayable within five years	6,707	3,685
Obligations under finance leases	14	12
Effective interest on convertible note payables	53,840	49,976
	60,561	53,673

7. TAXATION

The tax credit represents deferred tax credit on accelerated tax depreciation for both periods. No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements for both periods as the Company's subsidiaries either incurred tax losses or utilised the tax losses brought forward to offset the assessable profits.

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the six months ended 30th September, 2009.

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

8. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30th September 2009 HK$'000	2008 HK$'000
Profit (loss) for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	6,029	5,439
Release of prepaid lease payments of leasehold land	262	262
Amortisation of premium on prepaid lease payments of leasehold land	1,368	1,368
Equity-settled share-based payments expenses	1,208	3,999
Loss on disposal of property, plant and equipment	73	117
Interest income	(18,217)	(25,073)

9. DIVIDENDS

No dividends were paid, declared or proposed during both periods.

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30th September, 2009 (1.4.2008 to 30.9.2008: Nil).

10. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30th September 2009 HK$'000	2008 HK$'000
Earnings (loss):		
Earnings (loss) for the purpose of basic earnings (loss) per share – profit (loss) for the period attributable to the owners of the Company	114,841	(118,782)
Effect of dilutive potential ordinary shares – interest on convertible note payables	14,516	–
Earnings (loss) for the purpose of diluted earnings (loss) per share	129,357	(118,782)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	470,917,484	293,239,510
Effect of dilutive potential ordinary shares – convertible note payables	86,083,901	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	557,001,385	293,239,510

Note: The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the prior period has been adjusted for the effect of capital reorganisation effective on 16th March, 2009.

The calculation of diluted earnings (loss) per share for the six months ended 30th September, 2009 and 2008 has not assumed the exercise of the share options and warrants as the exercise prices of those options and warrants are higher than the average market price for shares during both periods.

The calculation of diluted loss per share for the six months ended 30th September, 2008 has not assumed the conversion of the Company's convertible note payables as these potential ordinary shares are anti-dilutive during that period.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$3,951,000 (1.4.2008 to 30.9.2008: HK$12,517,000) on acquisition of property, plant and equipment.

In addition, the Group disposed of certain property, plant and equipment with a carrying amount of HK$159,000 (1.4.2008 to 30.9.2008: HK$242,000) for proceeds of HK$86,000 (1.4.2008 to 30.9.2008: HK$125,000), resulting in a loss on disposal of HK$73,000 (1.4.2008 to 30.9.2008: HK$117,000).

12. INVESTMENT PROPERTIES/PROPERTIES UNDER DEVELOPMENT

As detailed in note 2, as a result of the adoption of amendments to HKAS 40 Investment Property, the Group's properties under development has been reclassified to investment properties at 1st April, 2009.

The fair value of the Group's investment properties at 30th September, 2009 and 1st April, 2009 have been arrived at on a basis of valuations carried out on that date by RHL Appraisal Limited, an independent professional valuer. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions and have taken into account the cost expended and to be expended to complete the development. The resulting increase in fair value of investment properties of HK$31,758,000 has been recognised directly in profit or loss for the six months ended 30th September, 2009 (2008: Nil).

13. INTEREST IN JOINT VENTURES

Jointly controlled entity:

During the period, Surplus Win Enterprises Limited ("Surplus Win"), a jointly controlled entity of the Group, entered into a sale and purchase agreement with a third party to acquire 80% of share capital in Double Diamond International Limited ("Double Diamond") at a consideration of HK$24 million. Double Diamond is a company incorporated in the British Virgin Islands and its principal activity is operating a pier located in Macau.

The Group has advanced HK$12 million to Surplus Win to finance the acquisition of Double Diamond. The advance was unsecured and interest free. In the opinion of the directors, the amount will not be repaid within twelve months from the end of the reporting period and is therefore classified as non-current asset. As the recoverable amount of the advance to Surplus Win is expected to be less than its carrying value, an impairment loss of approximately HK$10,700,000 was recognised for the period. The recoverable amount of this advance is determined based on the net cash flows from operations estimated by management for the coming five years.

Jointly controlled operation:

	30.9.2009	**31.3.2009**
	HK$'000	*HK$'000*
Interest in properties held for development	15,130	15,130
Loan to a joint venture	36,641	29,629
	51,771	44,759

The loan is unsecured, interest bearing at prevailing market rate in the People's Republic of the China (the "PRC") with an effective interest rate of 5.4% (31.3.2009: 5.4%) per annum and will not be repaid until completion of the development project. In the opinion of the directors, the loan will not be repaid within twelve months from the end of the reporting period and is therefore classified as non-current asset.

14. INTERESTS IN ASSOCIATES/UNSECURED LOANS AND INTEREST DUE FROM ASSOCIATES

	30.9.2009	31.3.2009
	HK$'000	*HK$'000*
Cost of investment in associates, unlisted	249,497	169,202
Share of post-acquisition losses, net of dividend received	(37,287)	(34,393)
	212,210	134,809
Loans and interests due from associates	1,049,903	1,130,198
Less: Loss allocated in excess of cost of investment	(56,216)	(56,216)
	993,687	1,073,982

The loans to associates are unsecured, have no fixed repayment terms and are non-interest bearing except for an amount of approximately HK$281,150,000 (31.3.2009: HK$281,150,000) which carries interest at 5% (31.3.2009: 5% to 5.25%) per annum. The effective interest rate on the interest-free amounts was 5% (31.3.2009: 8%) per annum. In the opinion of the directors, the amounts will not be repaid within twelve months from the end of the reporting period and are therefore classified as non-current asset.

15. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows credit period ranging from 0 to 30 days to its trade customers. The following is an analysis of trade debtors by age, presented based on the invoice date:

	30.9.2009	31.3.2009
	HK$'000	*HK$'000*
Trade debtors aged:		
0 – 60 days	694	864
61 – 90 days	111	431
Over 90 days	2,962	4,117
	3,767	5,412
Refundable earnest monies	436,261	388,461
Other debtors, deposits and prepayments	120,585	109,275
	560,613	503,148

The refundable earnest monies represent monies paid for acquisition of interests in properties located in the PRC, Macau and Vietnam. Included in the balance is an amount of HK$362,191,000 (31.3.2009: HK$342,191,000) paid by the Group for the negotiation of possible acquisition of ownership interest in properties located in the PRC. Subsequent to the end of the reporting period, a sale and purchase agreement has been signed. Details of the acquisition are set out in note 22(ii).

16. **CREDITORS, DEPOSITS AND ACCRUED CHARGES**

The following is an analysis of trade creditors by age, presented based on the invoice date:

	30.9.2009	31.3.2009
	HK$'000	*HK$'000*
Trade creditors aged:		
0 – 60 days	921	763
61 – 90 days	282	447
Over 90 days	872	799
	2,075	2,009
Other creditors, deposits and accrued expenses	95,694	70,038
	97,769	72,047

17. **BANK AND OTHER BORROWINGS**

During the period, the Group obtained new bank and other loans amounting to HK$374,753,000 (1.4.2008 to 30.9.2008: HK$20,247,000) of which a loan note of HK$174,608,000 (1.4.2008 to 30.9.2008: Nil) was issued as partial consideration for the acquisition of subsidiaries. The new loans carry interest at variable market rates ranging from 2.14% to 6.00% per annum and are repayable in year 2010 to 2013. The Group repaid bank and other borrowings of HK$160,783,000 during the period (1.4.2008 to 30.9.2008: HK$35,202,000).

18. **SHARE CAPITAL**

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1st April, 2009 and 30th September, 2009	40,000,000,000	400,000
Issued and fully paid:		
At 1st April, 2009 and 30th September, 2009	470,917,484	4,709

19. **ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES**

On 5th June, 2009, the Group completed the acquisition of the entire share capital and shareholders' loans of Favor Gain Group Limited, Charm Noble Group Limited and Adventura International Limited at a total consideration of HK$257,887,000 and incurred transaction cost of HK$2,448,000.

The assets and liabilities acquired are as follows:

	HK$'000
Assets and liabilities acquired:	
Properties held for sale	316,047
Debtors	924
Creditor, deposits and accrued charge	(4,814)
Other loan	(54,270)
Loans from shareholders	(245,439)
	12,448
Assignment of loans from shareholders	245,439
Net assets acquired	257,887
Total consideration satisfied by:	
Cash	36,035
Loan note	174,608
Deposit paid in prior period	47,244
	257,887
Net cash outflow arising on acquisition during the period:	
Cash consideration paid	33,587
Expense incurred for the acquisition	2,448
	36,035

20. CAPITAL AND OTHER COMMITMENTS

	30.9.2009 *HK$'000*	**31.3.2009** *HK$'000*
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	33,741	27,807
Other commitments:		
– acquisition of a land use right	5,000	5,000
– acquisition of subsidiaries	–	210,400
– loan to an associate	15,000	15,000
– loan to a joint venture	8,868	15,880
	28,868	246,280
	62,609	274,087

21. RELATED PARTY DISCLOSURES

(i) Compensation of key management personnel:

The remunerations of directors in respect of the period are as follows:

	Six months ended 30th September 2009 HK$'000	2008 HK$'000
Short-term benefits	6,556	7,584
Share-based payments	808	2,826
	7,364	10,410

The remunerations of directors were determined by the remuneration committee having regard to the performance of individuals and market trends.

(ii) Related party transactions:

During the period, the Group had the following transactions with related parties:

Related parties	*Notes*	Nature of transactions	Six months ended 30th September 2009 HK$'000	2008 HK$'000
Associates:				
Orient Town Limited		Interest income	7,117	7,312
Empresa De Fomento Industrial E Comercial Concórdia S.A.		Management fee paid	–	152
Orient Town Project Management Limited		Management fee received	60	60
Other related companies:				
Great Intelligence Holdings Limited ("Great Intelligence")	*(a)*	Rental and related building management fee paid	1,577	1,341
Wing On Travel (Holdings) Limited ("Wing On") and its subsidiary	*(b)*	Interest income	1,404	1,866

Notes:

(a) The ultimate holding company of Great Intelligence has significant influence on the Group.

(b) Mr. Cheung Hon Kit, an executive director of the Company is also a director of Wing On.

22. EVENTS AFTER THE END OF THE REPORTING PERIOD

(i) On 5th November, 2009, a subsidiary of the Company entered into an agreement with an independent third party (the "JV partner") in relation to the formation of a joint venture company (the "JV Company"). It is intended that the JV Company will be principally engaged in the development and management of a hot spring and resort project in Guiyang, the provincial capital of Guizhou, the PRC. The registered capital of the JV Company is RMB100.0 million (equivalent to approximately HK$113.6 million), to which the Group and the JV partner have contributed RMB45.0 million (equivalent to approximately HK$51.1 million) and RMB55.0 million (equivalent to approximately HK$62.5 million) respectively by way of cash in proportion to their respective equity interests of 45% and 55% in the JV Company. Upon the establishment of the JV company, it becomes an associate of the Group. Please refer to the Company's announcement dated 5th November, 2009 for further details.

(ii) In December 2009, the Group entered into two sale and purchase agreements (the "Agreements") to acquire a company which owns a parcel of land in Guangzhou, the PRC, for property development purpose. The consideration for the acquisition is approximately HK$960.0 million. Details of the Agreements will be disclosed in an announcement to be released by the Company.

4. FINANCIAL AND TRADING PROSPECTS

With the stable economic growth and the national policy of stimulating internal consumptions, the demand for resorts and leisure hospitality is anticipated to continue to soar in the near future in the PRC. The Board believes it is an opportune time to further invest in the JV Company which engages in the development and management of a hot spring and resort project in Guiyang. Together with the Group's know-how and solid experience in resorts and leisure business and the continued stable growth of the economy, the management of the Group is confident that this investment will have a positive impact on the earnings and the cashflow of the Group in near future when the opportune time comes.

5. INDEBTEDNESS STATEMENT

(a) Borrowings

At the close of business on 30th November, 2009, being the latest practicable date for the purpose of preparing this indebtedness statement, the Group had the following borrowings:

	HK$'000
Secured bank borrowings	514,938
Obligations under finance leases	269
	515,207

The secured bank borrowings and obligations under finance leases were secured by the Group's property, plant and equipment, investment properties, properties held for sale and bank deposits with an aggregate carrying amount of approximately HK$1,138.8 million at 30th November, 2009.

(b) Debt securities

At the close of business on 30th November, 2009, the Group had the following outstanding convertible notes:

	Principal amount	Carrying amount of debt component at 30th November, 2009	Conversion price
	HK$'000	*HK$'000*	*HK$*
Convertible notes issued on:			
– 11th August, 2005	471,050	498,316	5.675
– 8th June, 2006	17,476	17,836	5.675
– 15th June, 2006	906,000	883,316	9.025
	1,394,526	1,399,468	

Save as aforesaid and apart from intra-group liabilities and normal trade payables and bills payable, as at the close of business on 30th November, 2009, none of the companies of the Group had any outstanding mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities.

For the purpose of the above statement of indebtedness, foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 30th November, 2009.

6. WORKING CAPITAL

The Directors are of the opinion that, after taking into account of its presently available financial resources and the available banking facilities, the Group will have sufficient working capital for its business for the next twelve months from the date of this circular in the absence of unforeseen circumstances.

1. ACCOUNTANTS' REPORT ON THE JV COMPANY

The following is the text of a report, prepared for inclusion in this circular, received from Deloitte Touche Tohmatsu, the independent reporting accountants.

Deloitte.
德勤

德勤 · 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

25th January, 2010

The Directors
ITC Properties Group Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding 貴州宏德置業有限公司 (Guizhou Hong De Real Estate Co., Ltd.) (formerly known as 貴州宏德商務咨詢有限公司 (Guizhou Hong De Business Consulting Co., Ltd.)) (the "JV Company") for the period from 18th November, 2009 (date of establishment) to 31st December, 2009 (the "Relevant Period") for inclusion in the circular of ITC Properties Group Limited (the "Company") dated 25th January, 2010 (the "Circular") issued in connection with the maximum additional capital contribution to the JV Company.

The JV Company is a sino-foreign joint venture company with limited liability established in the People's Republic of China (the "PRC") on 18th November, 2009. Its registered office and principal place of business is located at 中國貴州省貴陽市烏當區新添大道310號 and is principally engaged in the development and management of a hot spring and resort project in Guiyang, the PRC.

The joint venture partners of the JV Company are ITC (China) Properties Group Limited ("ITC China"), an indirect wholly-owned subsidiary of the Company, and 貴州宏能溫泉旅游開發有限公司 (Guizhou Hong Neng Hot Spring Resort Tourism Development Company Limited) ("Hong Neng"), a company incorporated in the PRC with limited liability. Hong Neng and ITC China owned 55% and 45% registered capital of the JV Company respectively.

For the purpose of this report, the directors of the JV Company have prepared the financial statements of the JV Company for the Relevant Period ("Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements. No adjustments are considered necessary to adjust the Underlying Financial Statements for the preparation of the Financial Information.

The preparation of the Underlying Financial Statements is the responsibility of the directors of the JV Company. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the JV Company as at 31st December, 2009 and of its loss and cash flows for the Relevant Period.

A. FINANCIAL INFORMATION

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 18TH NOVEMBER, 2009 (DATE OF ESTABLISHMENT) TO 31ST DECEMBER, 2009

	NOTE	*RMB'000*
Bank interest income		16
Administrative expenses		(371)
Loss and total comprehensive expense for the period	*7*	(355)

STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER, 2009

	NOTES	RMB'000
Non-current assets		
Equipment	9	14
Prepayment for a land use right	10	110,298
		110,312
Current assets		
Deposits and prepayments		1,214
Bank balances and cash		619
		1,833
Current liabilities		
Other payables	11	(11,500)
Amount due to a venturer	12	(1,000)
		(12,500)
Net current liabilities		(10,667)
		99,645
Capital and reserve		
Paid-up capital	13	100,000
Accumulated loss		(355)
		99,645

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 18TH NOVEMBER, 2009 (DATE OF ESTABLISHMENT) TO 31ST DECEMBER, 2009

	Paid-up capital	**Accumulated loss**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Capital injection upon establishment	100,000	–	100,000
Loss and total comprehensive expense for the period	–	(355)	(355)
At 31st December, 2009	100,000	(355)	99,645

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 18TH NOVEMBER, 2009 (DATE OF ESTABLISHMENT) TO 31ST DECEMBER, 2009

	RMB'000
OPERATING ACTIVITIES	
Loss for the period	(355)
Adjustment for:	
Interest income	(16)
Operating cash flows before working capital changes	(371)
Increase in deposits and prepayments	(1,214)
NET CASH USED IN OPERATING ACTIVITIES	(1,585)
INVESTING ACTIVITIES	
Prepayment for a land use right	(110,298)
Purchase of equipment	(14)
Interest received	16
NET CASH USED IN INVESTING ACTIVITIES	(110,296)
FINANCING ACTIVITIES	
Proceeds from paid-up capital	100,000
Advances from independent third parties	11,500
Advance from a venturer	1,000
NET CASH FROM FINANCING ACTIVITIES	112,500
NET INCREASE IN CASH AND CASH EQUIVALENTS	619
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	619

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Financial Information is presented in Renminbi, which is the same as the functional currency of the JV Company.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The Financial Information has been prepared on a going concern basis because the venturers agreed to contribute an additional RMB100.0 million as registered capital of the JV Company pursuant to the Registered Capital Increase (as defined in note 13 below) and the directors of the JV Company considered that external financing can be obtained by pledging the JV Company's assets (after obtaining the legal title of the land use right) to enable the JV Company to meet in full its financial obligations as they fall due for the foreseeable future. Furthermore, additional funding of RMB300.0 million will be contributed by the venturers to support the operation of the JV Company after the proposed increases in the total investment amount and the registered capital under the memorandum dated 6th January, 2010 (as disclosed in Part B) approved.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA, which are effective for the JV Company's financial period beginning on 18th November, 2009.

At the date of this report, the HKICPA has issued the following new and revised standards, amendments or interpretations ("new HKFRSs") that are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[1]
HKAS 24 (Revised)	Related Party Disclosures[2]
HKAS 32 (Amendment)	Classification of Right Issues[3]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[1]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[1]
HKFRS 9	Financial Instruments[4]
HK(IFRIC) – Int 14 (Amendment)	Prepayment of a Minimum Funding Requirement[2]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1st January, 2010
2 Effective for annual periods beginning on or after 1st January, 2011
3 Effective for annual periods beginning on or after 1st February, 2010
4 Effective for annual periods beginning on or after 1st January, 2013
5 Effective for annual periods beginning on or after 1st July, 2010

The JV Company has not early adopted the new HKFRSs in the preparation of the Financial Information. The directors of the JV Company anticipate that the application of the new HKFRSs will have no material effect on the financial statements of the JV Company.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis as explained in the accounting policies set out below.

Revenue recognition

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

Equipment

Equipment held for administrative purposes is stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

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

Taxation

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

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items that are never taxable or deductible. The JV Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the 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 the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the JV Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly to equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets are recognised on the statement of financial position when the JV Company becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value.

Financial assets

The JV Company's financial asset is bank balances and cash.

Bank balances and cash are carried at amortised cost using the effective interest method.

Effective interest method

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

Financial liabilities and equity

Financial liabilities and equity instruments issued by the JV Company 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 JV Company after deducting all of its liabilities.

The JV Company's financial liabilities include other payables and amount due to a venturer which are measured at amortised cost.

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.

Equity instruments

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

5. CAPITAL RISK MANAGEMENT

The JV Company manages its capital to ensure that the JV Company 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 capital structure of the JV Company consists of its equity, comprising paid-up capital.

Directors of the JV Company review the capital structure on a regular basis. As part of this review, directors of the JV Company consider the cost of capital and the risks associated with the capital. Based on recommendations of the directors, the JV Company will balance its overall capital structure through new capital injection as well as the raise of new debt.

6. FINANCIAL INSTRUMENT

(a) Category of financial instrument

	RMB'000
Financial assets	
Loans and receivables	619
Financial liabilities	
Amortised cost	12,500

(b) Financial risk management objectives and policies

The JV Company's major financial instruments are bank balances, other payables and amount due to a venturer. The risks associated with this financial instrument and the policies on how to mitigate these risks are set out below.

Market risk

Interest rate risk

The JV Company's bank balances carry floating-rate interest and expose the JV Company to cash flow interest rate risk due to the fluctuation of the prevailing market interest rates. The directors of the JV Company consider the JV Company's exposure is not significant.

The JV Company currently does not have any interest rate hedging policy in relation to interest rate risks. The directors monitor the JV Company's exposure on an ongoing basis and will consider hedging significant interest rate risks should the needs arise.

No sensitivity analysis is presented since in the opinion of the directors, the cash flow interest rate risk arising from floating-rate bank balances only exposes the JV Company to minimal interest rate risk.

Credit risk

At 31st December, 2009, the JV Company does not have significant exposure to credit risk as the directors of the JV Company consider that the counterparties are banks with high credit rating assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the JV Company monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the JV Company's operations and mitigate the effects of fluctuations in cash flows.

The JV Company's financial liabilities (comprising other payables and amount due to a venturer) are repayable on demand. The undiscounted cash flows of the financial liabilities based on the earliest date on which the JV Company can be required to pay approximate its carrying amount at the end of the reporting period.

(c) *Fair value*

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

Directors of the JV Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair value.

7. LOSS FOR THE PERIOD

	RMB'000
Loss for the period has been arrived at after charging:	
Auditor's remuneration	10
Directors' remuneration	–

8. TAXATION

No provision for PRC Profits Tax has been made in the Financial Information as the JV Company has no assessable profit for the period.

The taxation for the period can be reconciled to the loss for the period per the statement of comprehensive income as follows:

	RMB'000
Loss for the period	(355)
Tax at PRC Enterprise Income Tax rate of 25%	(89)
Tax effect of income not taxable for tax purpose	(4)
Tax effect of tax losses not recognised	93
Taxation for the period	–

9. EQUIPMENT

	RMB'000
COST	
At 18th November, 2009 (date of establishment)	–
Additions	14
At 31st December, 2009	14
DEPRECIATION	
At 18th November, 2009 (date of establishment) and 31st December, 2009	–
CARRYING VALUE	
At 31st December, 2009	14

The above items of equipment are depreciated on a straight-line basis at 18% per annum.

10. PREPAYMENT FOR A LAND USE RIGHT

The amount represents consideration of approximately RMB104.5 million paid to the local government for the acquisition of a land use right in Guiyang, the PRC pursuant to a sale and purchase agreement dated 11th December, 2009 and other directly related expenses. In order to obtain the legal title of the land use right, the JV Company has to complete the demolition of the existing structure on the land and resettlement of the existing occupants before 11th December, 2010. After the satisfactory completion of the demolition and resettlement works, the approval certificate for land development (建設用地批准書) will be granted to the JV Company and the legal title of the land use right will be transferred to the JV Company. The JV Company has commenced the demolition and resettlement works subsequent to 31st December, 2009.

11. OTHER PAYABLES

The amounts, which represent the advances from independent third parties, are unsecured, interest-free and repayable on demand.

12. AMOUNT DUE TO A VENTURER

The amount is unsecured, interest-free and repayable on demand.

13. PAID-UP CAPITAL

The JV Company was established on 18th November, 2009 with a registered and paid-up capital of RMB100,000,000. On 13th January, 2010, approval was obtained from the relevant government authority to increase the registered capital of the JV Company from RMB100,000,000 to RMB200,000,000 (the "Registered Capital Increase"). Up to the latest practicable date prior to the printing of this circular, the paid-up capital was RMB100,000,000 as the additional capital has not yet been injected by the venturers. The Registered Capital Increase shall be contributed by ITC China and Hong Neng in accordance with their respective equity interests in the JV Company, i.e. RMB45.0 million contributed by ITC China and RMB55.0 million contributed by Hong Neng, 20% of which is payable on the filing and registration of the Registered Capital Increase with the relevant PRC authorities and the balance is payable within two years of the issue of the new business licence of the JV Company reflecting the Registered Capital Increase.

14. CAPITAL COMMITMENT

As at 31st December, 2009, capital expenditure in respect of the development of the hot spring and resort development project currently named 樂灣國際溫泉城建設項目 (Le Bay International Hot Spring City Development Project) (the "Project") contracted for but not provided in the financial statements amounted to approximately RMB4.8 million.

15. OTHER COMMITMENT

The JV Company has agreed to reimburse Hong Neng the expenditure incurred by Hong Neng, subject to verification by ITC China, in relation to the preliminary work of the Project up to a maximum of RMB160.0 million.

B. EVENT AFTER THE REPORTING PERIOD

On 6th January, 2010, a memorandum was entered into by the two venturers to increase the total investment amount of the JV Company to RMB500.0 million and to further increase the registered capital to RMB400.0 million. The increase in the total investment amount and registered capital is conditional upon, amongst others, the approval by the government authority and the shareholders of the Company at its forthcoming special general meeting.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis on the JV Company for the period from 18th November, 2009 (date of incorporation) to 31st December, 2009.

Business review

The sole business of the JV Company is the development of the Project.

On 4th December, 2009, the JV Company succeeded in bidding the Land which is situated in the southern part of Dong Feng County, Wudang District, Guiyang City, Guizhou Province, the PRC. The Land is proposed to be developed for residential, commercial, cultural, recreational and resort uses. As at the Latest Practicable Date, the Project is in the design and planning stage and construction is anticipated to commence in or around May 2010.

Liquidity and capital resources

Financial Position

Since the JV Company was only incorporated on 18th November, 2009, its working capital as at 31st December, 2009 was mainly financed by capital contributions from its equity holders of RMB100.0 million (equivalent to approximately HK$113.6 million).

Securities and Guarantees

As at 31st December, 2009, the JV Company had not made any pledge of or created any security over its assets and had not provided any corporate guarantee.

Contingent Liabilities

As at 31st December, 2009, the JV Company did not have any contingent liability.

Capital Commitment

As at 31st December, 2009, the JV Company had capital expenditure in respect of the Project contracted for but not provided in the financial statements amounted to approximately RMB4.8 million (equivalent to approximately HK$5.5 million).

Other Commitment

The JV Company shall reimburse Hong Neng the expenditure incurred by Hong Neng, subject to verification by ITC China, in relation to the preliminary work of the Project up to a maximum amount of RMB160.0 million (equivalent to approximately HK$181.8 million), of which approximately RMB60.0 million (equivalent to approximately HK$68.2 million) will only be reimbursed to the extent of the refund, set-off or waiver received or enjoyed by the JV Company from the government authorities for the acquisition of the Land.

Exchange Rate Risk

The sole operations of the JV Company are the development of the Project, which is still in design and planning stage but it is expected that most transactions to be entered into in relation to the development of the Project will be denominated in Renminbi. The JV Company did not have any foreign exchange exposure as at 31st December, 2009 and currently does not have a foreign currency hedging policy.

Credit Risk

The JV Company's credit risk is primarily attributable to the deposit paid in respect of the agreement for the development of the hot spring under the Project. The JV Company has no significant concentrations of credit risk. As at 31st December, 2009, the JV Company's rights to the deposit paid are well protected under the relevant agreement and sufficient follow-up actions are taken so as to minimise the credit risk.

Acquisition/Disposal of Subsidiary

During the period under review, there was no acquisition and/or disposal of subsidiary by the JV Company.

Staff and remuneration policy

As at 31st December, 2009, the JV Company did not have any employees.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

A. INTRODUCTION

On 5th November, 2009, ITC (China) Properties Group Limited ("ITC China"), an indirect wholly-owned subsidiary of the Company, entered into an agreement (the "Agreement") with Guizhou Hong Neng Hot Spring Resort Tourism Development Company Limited ("Hong Neng"), an independent third party, in respect of the formation of a sino-foreign joint venture company, namely Guizhou Hong De Real Estate Co., Ltd. (formerly known as Guizhou Hong De Business Consulting Co., Ltd.) (the "JV Company") which would be principally engaged in the development and management of a hot spring and resort project in Guiyang, the People's Republic of China (the "PRC"). Under the Agreement, the approved total investment amount of the JV Company is RMB200.0 million (equivalent to approximately HK$227.3 million) of which its registered capital is RMB100.0 million (equivalent to approximately HK$113.6 million). ITC China and Hong Neng would contribute RMB45.0 million (equivalent to approximately HK$51.1 million) and RMB55.0 million (equivalent to approximately HK$62.5 million) in cash in proportion to their respective equity interests of 45% and 55% as the registered capital of the JV Company. For ITC China, the total capital commitment is RMB90.0 million (equivalent to approximately HK$102.3 million) of which RMB45.0 million (equivalent to approximately HK$51.1 million) has been paid on 25th November, 2009. The remaining RMB45.0 million which represents the difference between the total investment amount and the registered capital would be contributed by ITC China and Hong Neng by way of shareholders' loans in proportion to their respective equity interests in the JV Company or, if both parties agree, would be funded by external financing.

On 13th January, 2010, approval was obtained from the relevant government authority to increase the registered capital of the JV Company to RMB200.0 million (equivalent to approximately HK$227.3 million) (the "First Increase"). The First Increase shall be contributed by ITC China and Hong Neng in accordance with their respective equity interests in the JV Company, i.e. RMB45.0 million (equivalent to approximately HK$51.1 million) by ITC China and RMB55.0 million (equivalent to approximately HK$62.5 million) by Hong Neng, 20% of which is payable on the filing and registration of the First Increase with the relevant PRC authorities and the balance is payable within two years of the issue of the new business licence of the JV Company reflecting the First Increase. Up to the latest practicable date prior to the printing of this circular, the commitments under the First Increase has not yet been paid.

On 6th January, 2010, ITC China and Hong Neng entered into a memorandum (the "Memorandum") proposing to increase the total investment amount of the JV Company from RMB200.0 million (equivalent to approximately HK$227.3 million) to RMB500.0 million (equivalent to approximately HK$568.2 million) (the "Investment Amount Increase") and to further increase the registered capital of the JV Company from RMB200.0 million (equivalent to approximately HK$227.3 million) to RMB400.0 million (equivalent to approximately HK$454.6 million) (the "Registered Capital Increase"). The Registered

Capital Increase is to be contributed in cash by ITC China and Hong Neng, in proportion to their respective equity interests of 45% and 55% in the JV Company, in the amount of RMB90.0 million (equivalent to approximately HK$102.3 million) and RMB110.0 million (equivalent to approximately HK$125.0 million), respectively, 20% of which is payable upon the filing and registration of the Registered Capital Increase and the Investment Amount Increase with the relevant PRC authorities and the balance is payable within two years from the date of the issue of a new business licence of the JV Company reflecting the Registered Capital Increase and the Investment Amount Increase. The difference between the new total investment amount and the new increased registered capital is to be made up in such manner and at such time as ITC China and Hong Neng shall agree, and may be by way of external financing. If external financing is not available or is not available on terms acceptable to both ITC China and Hong Neng within four years from the date of the issue of the new business licence of the JV Company, the difference shall be contributed by ITC China and Hong Neng in the form of shareholders' loans in proportion to their respective equity interests in the JV Company, in which case such shareholders' loans shall be interest-free, unsecured and have no fixed terms of repayment. The maximum additional capital contribution under the Memorandum on the part of ITC China is RMB135.0 million (equivalent to approximately HK$153.4 million) (the "Maximum Further Contribution").

The unaudited pro forma consolidated statement of assets and liabilities of the Group has been prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30th September, 2009, as extracted from the Company's interim report for the six months then ended 30th September, 2009, and adjusted in accordance with the pro forma adjustments described in notes thereto as if the Maximum Further Contribution had been completed on 30th September, 2009.

The unaudited pro forma financial information is prepared, based on a number of assumptions, estimates and uncertainties and currently available information, to provide information on the Group as a result of completion of the Maximum Further Contribution. As it is prepared for illustrative purposes only, it does not purport to present the financial position of the Group upon the implementation of the Maximum Further Contribution or at any future date.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP AS AT 30TH SEPTEMBER, 2009

	The Group	Pro forma adjustments		The Group
	HK$'000	*HK$'000*	*Notes*	*HK$'000*
Non-current assets				
Property, plant and equipment	183,958			183,958
Prepaid lease payments of leasehold land	20,557			20,557
Premium on prepaid lease payments of leasehold land	110,190			110,190
Investment properties	221,000			221,000
Available-for-sale investments	51,568			51,568
Interests in joint ventures	51,771			51,771
Advance to a jointly controlled entity	1,300			1,300
Interests in associates	212,210	114,687	*1*	326,897
Unsecured loans and interest due from associates	993,687	38,722	*2*	1,032,409
Debt portion of convertible bonds	38,984			38,984
Deposits and expenses paid for acquisition of a land use right	47,275			47,275
Other loan receivables	3,852			3,852
	1,936,352			2,089,761
Current assets				
Inventories	2,545			2,545
Properties held for sale	948,380			948,380
Debt portion of convertible bonds	1,179			1,179
Financial assets at fair value through profit or loss	189,522			189,522
Debtors, deposits and prepayments	560,613			560,613
Other loan receivables	173,014			173,014
Prepaid lease payments of leasehold land	530			530
Amounts due from associates	2,426			2,426
Unsecured loans and interest due from a related company	49,841			49,841
Pledged bank deposits	42,200			42,200
Bank balances and cash	145,730	(145,730)	*1 and 2*	–
	2,115,980			1,970,250

	The Group	Pro forma adjustments		The Group
	HK$'000	*HK$'000*	*Note*	*HK$'000*
Current liabilities				
Creditors, deposits and accrued charges	97,769			97,769
Contribution payable	–	7,679	3	7,679
Amount due to a minority shareholder of a subsidiary	256			256
Tax payable	11,626			11,626
Convertible note payables – due within one year	513,795			513,795
Obligations under finance leases – due within one year	83			83
Bank and other borrowings – due within one year	12,729			12,729
	636,258			643,937
Net current assets	1,479,722			1,326,313
Total assets less current liabilities	3,416,074			3,416,074
Non-current liabilities				
Convertible note payables – due after one year	867,097			867,097
Obligations under finance leases – due after one year	200			200
Bank and other borrowings – due after one year	378,999			378,999
Deferred tax liabilities	27,547			27,547
	1,273,843			1,273,843
Net assets	2,142,231			2,142,231

C. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

1. The adjustment reflects (i) the capital contribution of RMB90,000,000 (approximately HK$102,273,000) under the Registered Capital Increase arrangement and (ii) the additional investment cost of RMB10,925,000 (approximately HK$12,414,000) resulted from adjusting the interest-free advance to the JV Company to its fair value at initial recognition (see note 2).

2. The Memorandum provided that the difference between the new total investment amount of RMB500,000,000 (approximately HK$568,182,000) and the new registered capital of RMB400,000,000 (approximately HK$454,545,000) may be made up by way of external financing. If external financing is not available or is not available on terms acceptable to both ITC China and Hong Neng within four years from the date of the issue of the new business licence of the JV Company, the aforesaid difference shall be contributed by ITC China and Hong Neng in the form of interest-free, unsecured shareholders' loans in proportion to their respective equity interests in the JV Company.

   The adjustment reflects the shareholders' loan advanced to the JV Company (on the basis that external financing is not available) of a principal amount of RMB45,000,000 (approximately HK$51,136,000) which is interest-free, unsecured and have no fixed terms of repayment. The shareholders' loan is adjusted to its fair value of RMB34,075,000 (approximately HK$38,722,000) which is estimated by reference to a discount rate of 7.2% and an expected repayment term of four years. The fair value of the shareholders' loan shall be estimated at initial recognition by reference to the applicable market interest rate and repayment schedule at the date the advance is made and is therefore subject to change.

   If external financing is available, ITC China and Hong Neng will not be required to provide shareholders' loans to the JV Company and this adjustment will not be required then.

3. Currently, the Group does not have any bank overdraft facility. Therefore, the difference between the Maximum Further Contribution of RMB135,000,000 (approximately HK$153,409,000) and bank balances of HK$145,730,000 is presented as contribution payable for illustrative purpose.

2. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for inclusion in this circular, received from Deloitte Touche Tohmatsu, the independent reporting accountants.

Deloitte.
德勤

TO THE DIRECTORS OF ITC PROPERTIES GROUP LIMITED

We report on the unaudited pro forma financial information of ITC Properties Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the maximum additional capital contribution to Guizhou Hong De Real Estate Co., Ltd., a sino-foreign joint venture company established in the People's Republic of China, might have affected the financial information presented, for inclusion in Appendix III of the circular of the Company dated 25th January, 2010 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on pages III-1 to III-5 of Appendix III to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

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

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

Basis of opinion

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

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

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 30th September, 2009 or any future date.

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 25th January, 2010

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of the Directors or chief executive of the Company

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

(i) Interests in the Shares and underlying Shares under equity derivatives (as defined in Part XV of the SFO)

Name of Director	Long position/ Short position	Capacity	Number of issued Shares	Number of underlying Shares (under equity derivatives of the Company)	Aggregate interest	Approximate percentage of the issued share capital of the Company (%)
Mr. Cheung Hon Kit ("Mr. Cheung")	Long position	Beneficial owner	11,679,000	1,312,000 *(Note 1)*	12,991,000	2.76
Mr. Lai Tsan Tung, David ("Mr. Lai")	Long position	Interest of controlled corporation	–	3,079,502 *(Note 2)*	3,079,502	0.65

Notes:

1. Mr. Cheung, the chairman and an executive director of the Company, was the holder of 1,312,000 warrants of the Company which were issued by the Company on 5th August, 2008 and exercisable from 5th August, 2008 to 4th February, 2010 at the adjusted exercise price of HK$2.625 per warrant share.

2. Mr. Lai, an executive director of the Company, was deemed to be interested in 3,079,502 underlying Shares in respect of a principal amount of HK$17,476,177 zero coupon convertible notes due 2010 issued by the Company on 8th June, 2006 at the adjusted conversion price of HK$5.675 per share held by Green Label Investments Limited ("Green Label") by virtue of his beneficial interest in the entire issued share capital of Green Label.

(ii) Interests in the share options of the Company

Name of Director	Date of grant	Option period	Adjusted exercise price per Share *HK$*	Number of share options	Approximate percentage of the issued share capital of the Company *(%)*
Mr. Cheung	27th July, 2007	27th July, 2007 – 26th July, 2011	10.55	761,280	0.16
Mr. Chan Fut Yan ("Mr. Chan")	27th July, 2007	27th July, 2007 – 26th July, 2011	10.55	444,080	0.09
Mr. Cheung Chi Kit	27th July, 2007	27th July, 2007 – 26th July, 2011	10.55	317,200	0.06
Mr. Lai	27th July, 2007	27th July, 2007 – 26th July, 2011	10.55	190,320	0.04
Mr. Ma Chi Kong, Karl	27th July, 2007	27th July, 2007 – 26th July, 2011	10.55	570,960	0.12
Mr. Wong Chi Keung, Alvin	27th July, 2007	27th July, 2007 – 26th July, 2011	10.55	95,160	0.02
Mr. Kwok Ka Lap, Alva	27th July, 2007	27th July, 2007 – 26th July, 2011	10.55	95,160	0.02
				2,474,160	

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to the Model Code adopted by the Company, to be notified to the Company and the Stock Exchange.

(b) Interests of Shareholders discloseable pursuant to the SFO

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or had any option in respect of such capital:

(i) Interests in the Shares

Name of Shareholder	Long position/ Short position	Capacity	Number of issued Shares	Approximate percentage of the issued share capital of the Company *(%)*
Loyal Concept Limited ("Loyal Concept")	Long position	Beneficial owner	76,402,763 *(Note 1)*	16.22
Hanny Magnetics (B.V.I.) Limited ("Hanny Magnetics")	Long position	Interest of controlled corporation	76,402,763 *(Note 1)*	16.22
Hanny Holdings Limited ("Hanny")	Long position	Interest of controlled corporation	76,402,763 *(Note 1)*	16.22
Famex Investment Limited ("Famex")	Long position	Interest of controlled corporation	76,402,763 *(Note 1)*	16.22
Mankar Assets Limited ("Mankar")	Long position	Interest of controlled corporation	76,402,763 *(Note 1)*	16.22
Selective Choice Investments Limited ("Selective Choice")	Long position	Beneficial owner	36,593,400 *(Note 1)*	7.77

Name of Shareholder	Long position/ Short position	Capacity	Number of issued Shares	Approximate percentage of the issued share capital of the Company *(%)*
ITC Investment Holdings Limited ("ITC Investment")	Long position	Interest of controlled corporations	112,996,163 *(Note 1)*	23.99
ITC Corporation Limited ("ITC")	Long position	Interest of controlled corporations	112,996,163 *(Note 1)*	23.99
Dr. Chan Kwok Keung, Charles ("Dr. Chan")	Long position	Interest of controlled corporations	112,996,163 *(Note 1)*	23.99
	Long position	Beneficial owner	6,066,400 *(Note 1)*	1.29
			119,062,563	25.28
Ms. Ng Yuen Lan, Macy ("Ms. Ng")	Long position	Interest of spouse	119,062,563 *(Note 1)*	25.28
Stark Master Fund, Ltd. ("Stark Master")	Long position	Beneficial owner	22,802,210 *(Note 2)*	4.84
Stark Investments (UK) Limited ("Stark UK")	Long position	Investment manager	30,420,633 *(Note 3)*	6.46

(ii) *Interests in the underlying Shares under equity derivatives (as defined in Part XV of the SFO)*

Name of Shareholder	**Long position/ Short position**	**Capacity**	**Number of underlying Shares (under equity derivatives of the Company)**	**Approximate percentage of the issued share capital of the Company** *(%)*
Loyal Concept	Long position	Beneficial owner	103,347,228 *(Note 1)*	21.95
Hanny Magnetics	Long position	Interest of controlled corporation	103,347,228 *(Note 1)*	21.95
Hanny	Long position	Interest of controlled corporation	103,347,228 *(Note 1)*	21.95
Famex	Long position	Interest of controlled corporation	103,347,228 *(Note 1)*	21.95
Mankar	Long position	Interest of controlled corporation	103,347,228 *(Note 1)*	21.95
Selective Choice	Long position	Beneficial owner	9,792,099 *(Note 1)*	2.08
ITC Investment	Long position	Interest of controlled corporations	113,139,327 *(Note 1)*	24.03
ITC	Long position	Interest of controlled corporations	113,139,327 *(Note 1)*	24.03
Dr. Chan	Long position	Interest of controlled corporations	113,139,327 *(Note 1)*	24.03
	Long position	Beneficial owner	761,920 *(Note 1)*	0.16
			113,901,247	24.19

Name of Shareholder	Long position/ Short position	Capacity	Number of underlying Shares (under equity derivatives of the Company)	Approximate percentage of the issued share capital of the Company *(%)*
Ms. Ng	Long position	Interest of spouse	113,901,247 *(Note 1)*	24.19
Stark Master	Long position	Beneficial owner	23,875,536 *(Note 2)*	5.07
Stark UK	Long position	Investment manager	26,743,137 *(Note 3)*	5.68

Notes:

1. Hanny and Hanny Magnetics were taken to have interest in 179,749,991 Shares (of which 103,347,228 Shares relate to their derivative interests) which were held by Loyal Concept, being a wholly-owned subsidiary of Hanny Magnetics which, in turn, was a wholly-owned subsidiary of Hanny, the issued shares of which are listed on the Stock Exchange. Famex, a wholly-owned subsidiary of Mankar, was the controlling shareholder of Hanny. Mankar was a wholly-owned subsidiary of ITC Investment which, in turn, was a wholly-owned subsidiary of ITC. Famex and Mankar were deemed to be interested in 179,749,991 Shares (of which 103,347,228 Shares relate to their derivative interests) which were held by Loyal Concept. Selective Choice, a wholly-owned subsidiary of ITC Investment which, in turn, was a wholly-owned subsidiary of ITC, owned 46,385,499 Shares (of which 9,792,099 Shares relate to its derivative interest). ITC Investment and ITC were deemed to be interested in 226,135,490 Shares (of which 113,139,327 Shares relate to their derivative interests) which were held by Loyal Concept and Selective Choice. Dr. Chan was the controlling shareholder of ITC. Ms. Ng is the spouse of Dr. Chan. Dr. Chan owned 6,828,320 Shares (of which 761,920 Shares relate to his derivative interest) and was deemed to be interested in 226,135,490 Shares (of which 113,139,327 Shares relate to his derivative interest) which were held by Loyal Concept and Selective Choice. Ms. Ng was deemed to be interested in 232,963,810 Shares (of which 113,901,247 Shares relate to her derivative interest) which were held by Dr. Chan, Loyal Concept and Selective Choice.

2. Stark Master owned 46,677,746 Shares (as restated taking into account the effects of the rights issue and the capital reorganisation) (of which 23,875,536 Shares relate to its derivative interest).

3. Stark UK was taken to have an interest as an investment manager in 57,163,770 Shares (of which 26,743,137 Shares relate to its derivative interest).

(iii) Other member of the Group

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the other member of the Group:

Name of subsidiary	Name of shareholder	Approximate percentage of the existing issued share capital/ registered capital *(%)*
三亞亞龍灣風景高爾夫文化公園有限公司 (Sanya Yalong Bayview Golf Garden Co., Ltd.)	三亞博后經濟開發有限公司	20
Fame State Investment Limited	Banh Dinh Huy	20
	Chan Siu Chi	10
Forever Fame Corporation Limited	Banh Dinh Huy	20
	Chan Siu Chi	10
Guangdong International Marina Club Limited	Pui Mung Ying	20

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, no other persons (not being a Director or chief executive of the Company) had, or deemed to have, any interests or short positions in the shares or underlying shares which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, nor were there any persons, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or held any option in respect of such capital.

(c) Competing interests

As at the Latest Practicable Date, interests of a Director and his respective associates in competing businesses of the Group were as follows:

Name of Director	Name of company	Nature of competing business	Nature of interest
Mr. Cheung	Wing On Travel (Holdings) Limited and its subsidiaries	Property business and hotel operation in Hong Kong and the PRC	As the chairman

Name of Director	Name of company	Nature of competing business	Nature of interest
Mr. Cheung	China Development Limited	Property investment in Hong Kong	As a director and shareholder
	Artnos Limited	Property investment in Hong Kong	As a director and shareholder
	Co-Forward Development Ltd.	Property investment in Hong Kong	As a director and shareholder
	Orient Centre Limited	Property investment in Hong Kong	As a shareholder
	Super Time Limited	Property investment in Hong Kong	As a director and shareholder
	Asia City Holdings Ltd.	Property investment in Hong Kong	As a director and shareholder
	Supreme Best Ltd.	Property investment in Hong Kong	As a shareholder
	Orient Holdings Limited	Property investment in Hong Kong	As a director and shareholder
	Link Treasure International Limited	Property investment in Hong Kong	As a director and shareholder
	Silver City Limited	Property investment in Hong Kong	As a director and shareholder

Mr. Cheung is the chairman of the Company who is principally responsible for the Group's strategic planning and management of the operations of the Board. His role is clearly separated from that of the managing Director, Mr. Chan, who is principally responsible for the Group's operation and business development.

In addition, any significant business decision of the Group is to be determined by the Board. A Director who has interest in the subject matter being resolved will abstain from voting. In view of the above, the Board considers that the interests of Mr. Cheung in other companies will not prejudice his capacity as Director nor compromise the interests of the Group and the Shareholders.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

(d) Other interests

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31st March, 2009 (being the date to which the latest published audited accounts of the Company were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

Save as disclosed above, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

3. MATERIAL CONTRACTS

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by the Group within the two years immediately preceding the Latest Practicable Date and which are or may be material:

1. the termination agreement dated 28th March, 2008 entered into between Mr. Gilbert Bing Mar and Chain Key Limited in relation to the termination of the sale and purchase agreement dated 17th July, 2007 in connection with the acquisition of an effective 25% indirect interest in Shanghai Tianma Country Club Co., Ltd.;

2. the development project agreement dated 16th April, 2008 entered into between Donson (International) Development Limited and Guangzhou Panyu Lotus Golf and Country Club Co., Ltd. ("Panyu Golf") in relation to the co-operation arrangement for the development of a parcel of land with a site area of approximately 48,000 sq. m. within Guangzhou Lotus Hill Golf Resort;

3. the lease agreement dated 16th April, 2008 entered into between Guangzhou Donson Hotel Management Limited as lessee and Panyu Golf as lessor in relation to the lease of Guangzhou Lotus Hill Golf Resort for three years at an annual rental of RMB5 million (equivalent to approximately HK$5.2 million) renewable at an option of Guangzhou Donson Hotel Management Limited at the successive terms of three years up to 20 years;

4. the underwriting agreement dated 2nd June, 2008 entered into between the Company and Kingston Securities Limited in relation to the underwriting and certain other arrangements in respect of the issue of shares by way of rights on the basis of three rights shares (with warrants to be issued in the proportion of four warrants for every fifteen rights shares subscribed) for every share held on the record date at a subscription price of HK$0.07 per rights share;

5. the shareholders' agreement entered into among Maxter Limited ("Maxter"), United Sun Investments Limited ("United Sun") and Keen Step Corporation Limited ("Keen Step") on 31st July, 2008 in relation to their rights and obligations in Keen Step;

6. the sale and purchase agreement dated 2nd September, 2008 entered into between Maxter and United Sun in relation to the purchase of 50% interest in Keen Step by Maxter at a cash consideration of HK$1;

7. the agreement dated 30th October, 2008 entered into between Mr. George Wang and Mandung Limited in relation to the sale and purchase of the entire issued share capital of Pine Cheer Limited and the entire amount of the shareholder's loan owing by Pine Cheer Limited to Mr. George Wang on the date of completion of the said acquisition (the "Pine Cheer Sale Loan"), at an aggregate consideration of approximately HK$189.8 million (based on the amount of the Pine Cheer Sale Loan as at the date of the agreement);

8. the agreement dated 30th December, 2008 entered into between Vincent Asset Holdings Limited ("Vincent Asset") and Macau Prime Property (Hong Kong) Limited ("Macau Prime (HK)") in relation to the sale and purchase of the entire issued share capital of and shareholder's loan due by Adventura International Limited;

9. the agreement dated 30th December, 2008 entered into between Vincent Asset and Macau Prime (HK) in relation to the sale and purchase of the entire issued share capital of and shareholder's loans owed by Charm Noble Group Limited and Favor Gain Group Limited;

10. the agreement dated 15th December, 2009 entered into between Macau Prime Property (China) Limited ("Macau Prime (China)"), Bright Sino Profits Limited, the Company and Mr. Tang Chi Ming in relation to the sale and purchase of 92% issued share capital of and (if any) the shareholder's loan owed by Newskill Investments Limited ("Newskill");

11. the agreement dated 15th December, 2009 entered into between Macau Prime (China) and Cango Trading Limited in relation to the sale and purchase of 8% issued share capital of and (if any) the shareholder's loan owed by Newskill;

12. the Agreement;

13. the joint venture agreement dated 23rd December, 2009 entered into between ITC China and Hong Neng; and

14. the Memorandum.

4. CLAIMS AND LITIGATION

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

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given opinion or advice which is contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu ("DTT")	Certified public accountants

DTT has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, DTT did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, DTT did not have any direct or indirect interests in any assets which have been, since 31st March, 2009 (being the date to which the latest published audited accounts of the Company were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial and trading position of the Group since 31st March, 2009, being the date to which the latest published audited accounts of the Company were made up.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Unit 3102, 31/F., Bank of America Tower, 12 Harcourt Road, Central, Hong Kong, from the date of this circular and up to and including the date of the SGM:

– the memorandum of association of the Company and the Bye-laws;

– the material contracts referred to in the paragraph headed "Material contracts" in this appendix;

– the published annual reports of the Company for each of the two financial years ended 31st March, 2008 and 2009 and the published interim report of the Company for the six months ended 30th September, 2009;

– the accountants' report on the JV Company, the text of which is set out in Appendix II to this circular;

– the accountants' report on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix III to this circular;

– the letter of consent referred to in the paragraph headed "Expert and consent" in this appendix; and

– a copy of each circular of the Company issued pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules since 31st March, 2009.

9. MISCELLANEOUS

– The company secretary of the Company is Ms. Yan Ha Hung, Loucia. She holds a master's degree in business administration *(MBA)*. She is an Associate Member (Practitioner's Endorsement) of both The Hong Kong Institute of Chartered Secretaries *(ACS)* and The Institute of Chartered Secretaries and Administrators *(ACIS)*.

– The registered office of the Company is at Clarendon House, Church Street, Hamilton HM 11, Bermuda.

– The Company's principal place of business in Hong Kong is situated at Unit 3102, 31st Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

– The Hong Kong branch share registrar of the Company is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

– The English texts of this circular, the notice of the SGM and the accompanying form of proxy prevail over their respective Chinese texts.

德祥地產集團有限公司*

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 199)

(Warrant Code : 490)

NOTICE IS HEREBY GIVEN that the special general meeting of **ITC Properties Group Limited** (the "Company") will be held at Shop B27, Basement, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong, at 11:00 a.m. on Wednesday, 10th February, 2010 for the purpose of considering and, if thought fit, passing with or without modifications the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**,

(a) the memorandum of understanding dated 6th January, 2010 (the "Memorandum") (a copy of which, signed by the Chairman of the meeting for the purpose of identification, has been produced to the meeting marked "A") entered into between ITC (China) Properties Group Limited ("ITC China") and 貴州宏能溫泉旅游開發有限公司 (Guizhou Hong Neng Hot Spring Resort Tourism Development Company Limited) pursuant to which the parties agreed to increase the total investment amount and registered capital of 貴州宏德置業有限公司 (Guizhou Hong De Real Estate Co., Ltd.) (formerly known as 貴州宏德商務咨詢有限公司 (Guizhou Hong De Business Consulting Co., Ltd.)) (the "JV Company") and the maximum capital contribution to the JV Company up to RMB135.0 million on the part of ITC China pursuant to the Memorandum and the execution of the Memorandum be and is hereby approved, confirmed and ratified; and

(b) the board of directors of the Company (the "Board") be and is hereby authorised to do all such acts and things and execute all such documents and to take such steps as it considers necessary or expedient or desirable in connection with or to give effect to the Memorandum and to implement the transactions contemplated thereunder and to agree to such variation, amendments or waivers of matters relating thereto as are, in the opinion of the Board, in the interest of the Company."

By order of the Board
Yan Ha Hung, Loucia
Company Secretary

Hong Kong, 25th January, 2010

* *For identification purpose only*

Registered office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
Unit 3102, 31st Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

Notes:

1. Any shareholder of the Company entitled to attend and vote at the meeting of the Company may appoint another person as his proxy to attend and vote instead of him. A shareholder of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the meeting. A proxy need not be a shareholder of the Company. In addition, a proxy or proxies representing either a shareholder of the Company who is an individual or a shareholder of the Company which is a corporation shall be entitled to exercise the same power on behalf of the shareholder of the Company which he or they represent as such shareholder of the Company could exercise.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.

3. The instrument appointing a proxy and (if required by the board of directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting thereof at which the person named in the instrument proposes to vote and, in default, the instrument of proxy shall not be treated as valid.

4. Completion and return of an instrument appointing a proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting or on the poll concerned and, in such event, the instrument appointing a proxy shall be deemed to have been revoked.

5. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

As at the date of this notice, the directors of the Company are:

Executive Directors:
Mr. Cheung Hon Kit *(Chairman)*
Mr. Chan Fut Yan *(Managing Director)*
Mr. Cheung Chi Kit
Mr. Lai Tsan Tung, David

Non-executive Director:
Mr. Ma Chi Kong, Karl

Independent non-executive Directors:
Mr. Qiao Xiaodong *(Vice Chairman)*
Mr. Wong Chi Keung, Alvin
Mr. Kwok Ka Lap, Alva