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

If you have sold or transferred all your shares in ITC Properties Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the 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 the transferee.

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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  
INVOLVING ACQUISITION OF SALE SHARES  
AND SALE LOAN**

**Financial adviser to ITC Properties Group 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 on Thursday, 11th December, 2008 at 11:00 a.m. is set out on pages 147 to 148 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 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.

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## DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares and the Sale Loan by the Purchaser from the Vendor pursuant to the terms and conditions of the Agreement
“Advance”	the short-term advance of approximately HK\$19.8 million provided by MPFL to Pine Cheer
“Agreement”	the agreement dated 30th October, 2008 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Sale Shares and the Sale Loan
“Announcement”	the announcement of the Company dated 4th November, 2008 in relation to, among other things, the Acquisition
“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“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
“Completion”	completion of the Acquisition
“Completion Date”	the date of Completion
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules

## DEFINITIONS

“Consideration”	the aggregate consideration for the Sale Shares and the Sale Loan under the Agreement
“Deposit”	the deposit of HK\$75,000,000 paid by the Purchaser to the Vendor on signing of the Agreement
“Directors”	the directors of the Company
“Enlarged Group”	the Group together with Pine Cheer
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	21st November, 2008, 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
“Mandung” or “Purchaser”	Mandung Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
“MPFL”	Macau Prime Finance Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Mr. Wang” or “Vendor”	Mr. George Wang
“Pine Cheer”	Pine Cheer Limited, a company incorporated in Hong Kong with limited liability
“PRC”	The People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, Macau and Taiwan

## DEFINITIONS

“Property”	(i) Ground Floor, (ii) Flat B and Flat Roofs on the First Floor, (iii) Flats A and B on the Second Floor, (iv) Flats A and B on the Third Floor, (v) Flat B on the Fourth Floor, (vi) Flat B on the Fifth Floor, (vii) Flat A on the Sixth Floor, (viii) Flat B on the Seventh Floor, (ix) Flats A and B on the Eighth Floor, (x) Flats A and B (with Flat Roof for Flat B) on the Ninth Floor, (xi) Flat A on the Tenth Floor, (xii) Flat A and Flat Roof on the Eleventh Floor, (xiii) Flats A and B on the Twelfth Floor, and (xiv) Flats A and B on the Thirteenth Floor and the Roofs A and B, No. 19-21 Shelter Street, Causeway Bay, Hong Kong
“Sale Loan”	the entire amount of the shareholder’s loan owing by Pine Cheer to the Vendor on the Completion Date
“Sale Shares”	the entire issued share capital of Pine Cheer, all of which are owned by the Vendor as at the date of the Agreement
“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 Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SP Property”	(i) Flat A and Flat Roofs on the First Floor, (ii) Flat A on the Fourth Floor, (iii) Flat A on the Fifth Floor, (iv) Flat B on the Sixth Floor, (v) Flat A on the Seventh Floor, (vi) Flat B on the Tenth Floor, and (vii) Flat B on the Eleventh Floor and Flat Roof, No. 19-21 Shelter Street, Causeway Bay, Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yuet Wah Property”	collectively the Property and the SP Property
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	percentage

## LETTER FROM THE BOARD



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  
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 November, 2008

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

Dear Sir or Madam,

### **MAJOR TRANSACTION INVOLVING ACQUISITION OF SALE SHARES AND SALE LOAN**

#### **INTRODUCTION**

The Board announced on 4th November, 2008 that after trading hours of the Stock Exchange on 30th October, 2008, the Purchaser, Mandung, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor, Mr. Wang, an independent third party, whereby the Purchaser agreed to purchase and the Vendor agreed to sell the Sale Shares and the Sale Loan for an aggregate consideration of approximately HK\$189.8 million (based on the amount of the Sale Loan as at the date of the Agreement). The Sale Shares represent the entire issued share capital of Pine Cheer, which in turn owns the Property and has entered into agreements to purchase the SP Property.

\* For identification purpose only

## LETTER FROM THE BOARD

The Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the approval of the Shareholders at the SGM. As the Vendor is a third party independent of the Company and its connected persons (as defined in the Listing Rules) and no Shareholder has a material interest in the Acquisition which is different from other Shareholders, no Shareholder is required to abstain from voting in respect of the proposed ordinary resolution to approve the Agreement at the SGM.

The purpose of this circular is to provide you with, among other things, (i) details of the Agreement; (ii) financial information on the Group; (iii) financial information on Pine Cheer; (iv) unaudited pro forma financial information of the Enlarged Group; (v) valuation report on the Yuet Wah Property; (vi) the notice to convene the SGM; and (vii) other information as required under the Listing Rules.

### THE AGREEMENT

**(1) Date:**

30th October, 2008 (after trading hours of the Stock Exchange)

**(2) Parties:**

- (i) Mandung, an indirect wholly-owned subsidiary of the Company, being the Purchaser; and
- (ii) Mr. Wang, the legal and beneficial owner of the entire issued share capital of Pine Cheer, being the Vendor.

In June 2008, MPFL, an indirect wholly-owned subsidiary of the Company, provided the Advance to Pine Cheer for the funding of the acquisition of the Yuet Wah Property. The Advance is unsecured, interest-bearing at the prime rate for Hong Kong dollars from time to time quoted by The Hongkong and Shanghai Banking Corporation Limited and has no fixed repayment date. As at the Latest Practicable Date, the Advance is still outstanding. Accrued interest on the Advance up to 31st October, 2008 amounted to approximately HK\$0.4 million.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Wang is a third party independent of the Company and its connected persons (as defined in the Listing Rules) and is not a connected person of the Company. Apart from the provision of the Advance, there was no prior transaction between the Company, the Vendor and Pine Cheer in the last 12 months prior to the Agreement which may require aggregation under Rule 14.22 of the Listing Rules.

## LETTER FROM THE BOARD

### **(3) Assets to be acquired:**

The assets to be acquired comprise the Sale Shares and the Sale Loan.

The Sale Shares represent the entire issued share capital of Pine Cheer as at the date of the Agreement. Pine Cheer is a company incorporated in Hong Kong with limited liability and a special purpose vehicle established for the purpose of acquiring and holding the Yuet Wah Property.

The Sale Loan represents all amounts which Pine Cheer owes to the Vendor as at the Completion Date, the aggregate amount of which as at 31st October, 2008 was approximately HK\$194.8 million. The Sale Loan is unsecured, non interest-bearing and has no fixed term of repayment. The Sale Loan was incurred from time to time by amounts advanced by the Vendor to Pine Cheer for the purposes of acquiring the Yuet Wah Property and financing the operation of Pine Cheer.

### **(4) Consideration and payment terms:**

The portion of the Consideration attributable to the Sale Shares shall be HK\$100, representing the nominal value of the Sale Shares; and the portion of the Consideration attributable to the Sale Loan shall be equal to the face value of the Sale Loan at the Completion Date.

The Consideration has been/shall be paid in the following manner:

- (i) the Deposit of HK\$75,000,000 has been paid by the Purchaser in cash to the Vendor on signing of the Agreement; and
- (ii) the balance of the Consideration shall be paid by the Purchaser upon Completion.

Based on the outstanding balance of the Sale Loan as at 31st October, 2008 of approximately HK\$194.8 million, the balance payment of the Consideration is estimated to be approximately HK\$119.8 million.

If the Agreement is terminated (other than due to the default of the Purchaser), the Deposit shall be refunded by the Vendor to the Purchaser forthwith without prejudice to any other claims and remedies the Purchaser may have under the Agreement whatsoever.

In consideration of the Purchaser agreeing to pay the Deposit, the Vendor has charged the Sale Shares to the Purchaser as a continuing security for the due and punctual performance and observance of his obligations to refund the Deposit in accordance with the terms and conditions of the Agreement. The share charge shall remain in force and effect until either (i) the Deposit has been returned to the Purchaser pursuant to the terms and conditions of the Agreement; or (ii) Completion has taken place in accordance with the terms of the Agreement, whichever is the earlier.



## LETTER FROM THE BOARD

The Deposit has been settled by internal resources of the Group. It is intended that the balance of the Consideration will be financed by internal resources of the Group.

The Consideration was determined after arm's length negotiations between the parties with reference to, among other things, the audited net shareholders' deficits of Pine Cheer of approximately HK\$0.2 million and the valuation of the Yuet Wah Property of HK\$244 million as at 30th September, 2008 by an independent professional valuer, RHL Appraisal Limited. The Sale Loan amounted to approximately HK\$189.8 million and HK\$194.8 million as at 30th September, 2008 and 31st October, 2008 respectively. The Board considers that the Consideration is fair and reasonable.

### **(5) Conditions precedent:**

Completion is conditional upon the following conditions being fulfilled or waived by the Purchaser:

- (i) the Purchaser being satisfied with the results of a due diligence review on the assets, liabilities, contracts, commitments, business, financial, legal and taxation aspects of Pine Cheer;
- (ii) the representations, warranties and undertakings given by the Vendor remaining true and accurate and not misleading in all material respects as at Completion;
- (iii) the Vendor having shown and given a good title of Pine Cheer to the Property and the SP Property (the latter subject to completion of the relevant sale and purchase agreements);
- (iv) approval by the Shareholders (other than those who are required to abstain from voting under the Listing Rules or the applicable laws, rules and regulations) of the Acquisition and all other transactions contemplated under the Agreement at the SGM in compliance with the requirements of the Listing Rules; and
- (v) all other relevant requirements under the Listing Rules and/or all necessary approvals and processes of the relevant authorities for the entry into and implementation of the Agreement and the transactions contemplated thereunder have been fulfilled, obtained and/or complied with by the Purchaser and/or its holding companies.

The Purchaser may at its absolute discretion waive conditions (i) to (iii). If the conditions are not fulfilled or waived on or before 27th February, 2009 (or any other date as the parties to the Agreement may agree in writing), the rights and obligations of the parties under the Agreement shall lapse and be of no further effect except for antecedent breach, and the Deposit shall be refunded to the Purchaser without interest, claim or compensation.

Neither the Purchaser nor the Vendor shall be obliged to complete the sale and purchase of any of the Sale Shares or the Sale Loan unless completion of the sale and purchase of all the Sale Shares and the Sale Loan takes place simultaneously.

## LETTER FROM THE BOARD

### (6) Completion:

Completion shall take place on the third Business Day after fulfillment (or waiver, if applicable) of the last of the conditions precedent to the Agreement (except condition (ii) which shall remain fulfilled on Completion), or such other date as the parties to the Agreement may agree in writing.

### INFORMATION ON PINE CHEER

Pine Cheer is a special purpose vehicle incorporated in January 2008. Its principal assets are the Property and its interest under the relevant agreements for the acquisition of the SP Property. The Yuet Wah Property together constitutes the parcel of land located at No. 19-21 Shelter Street, Causeway Bay, Hong Kong, with site area of approximately 3,800 square feet and the whole building erected thereon. Portions of the Yuet Wah Property are subject to three tenancies with independent third parties at a total rental income of approximately HK\$27,200 per month. All the remaining portions of the Yuet Wah Property are vacant. One lease can be terminated by giving one month's notice, whereas the other two leases will expire by March 2009 and December 2009 respectively. The ground floor of the Property is for commercial use and the other units of the Yuet Wah Property are for residential use.

As at the date of the Announcement, deposits in the amount of approximately HK\$13.7 million have been paid for the acquisition of the SP Property, for which Pine Cheer has entered into valid and binding sale and purchase agreements. Completion of the acquisition of the SP Property is expected to take place on or before 31st December, 2008 and further payment (including stamp duties) of approximately HK\$29.3 million is required to be made by Pine Cheer for completing the acquisition of the SP Property. If the sale and purchase of the SP Property is completed before the Completion Date, the balance payment for the acquisition of the SP Property will be made by the Vendor in the form of further shareholder's loan to Pine Cheer. In that event, the face value of the Sale Loan will increase. Since the Sale Loan is to be acquired by the Purchaser on a "dollar-for-dollar" basis, any increase in the balance of the Sale Loan will mean a corresponding increase in the Consideration. If the sale and purchase of the SP Property is not completed before the Completion Date, the Group will be responsible for financing the balance payment. Subsequent to the date of the Announcement and up to the Latest Practicable Date, the Vendor has further advanced shareholder's loan to Pine Cheer for the completion of acquisition of Flat A on the Seventh Floor of the SP Property and the Sale Loan was increased to approximately HK\$199.0 million whilst further payment (including stamp duties) of approximately HK\$25.1 million is required to be made by Pine Cheer for completing the acquisition of the remaining SP Property. The Yuet Wah Property is valued by RHL Appraisal Limited, an independent professional valuer, on a redevelopment basis at HK\$244 million as at 30th September, 2008.

For the period from 30th January, 2008 (date of incorporation) to 30th September, 2008, Pine Cheer recorded audited loss before and after taxation of approximately HK\$0.2 million. The audited net shareholders' deficits of Pine Cheer as at 30th September, 2008 were approximately HK\$0.2 million.

## LETTER FROM THE BOARD

Upon Completion, Pine Cheer will become an indirect wholly-owned subsidiary of the Company. The Advance together with the interest on the Advance will be accounted for in the books of Pine Cheer as loan from a fellow subsidiary, i.e. MPFL, and be eliminated on consolidated basis in the Group's accounts.

### REASONS FOR THE ACQUISITION

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 property market in Hong Kong has quiet down since the beginning of the year and the Board believes that it is an opportune time to invest in properties with resale and redevelopment potential at reasonable prices and to further capture future capital gain when the property market recovers. The Board considers that the Acquisition provides a good opportunity for the Group to increase its property portfolio in Causeway Bay, one of the well off districts in Hong Kong, where the Group has recently acquired a nearby property at Moreton Terrace as previously announced. The Board also considers that the terms and conditions of the Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

As stated in Note 2 to the valuation report on Appendix IV to this circular, there are certain notices by the Building Authority under the Buildings Ordinance in relation to the structures erected on the Flat Roofs and main roofs of the Yuet Wah Property. Since the Group intends to hold the Yuet Wah Property for resale as a whole block at their existing state and condition, the cost of rectifying the aforesaid structures, estimated to be not exceeding HK\$200,000, is itself not material which does not have material impact on the value of the Yuet Wah Property. As such, the Board considers that such notices will not have any impact on the Acquisition and the Company. After Completion and the acquisition of the SP Property, the Group would have secured the titles to the entire building and attained the right to redevelop the site. The independent professional valuer, RHL Appraisal Limited, confirmed that there would not be material variation to the valuation of the Yuet Wah Property as a single entity under the assumption of redevelopment by the Group or resale as a whole block for future redevelopment. Nevertheless, as at the Latest Practicable Date, the Group does not have any plan to incur further capital commitment to redevelop the site.

### FINANCIAL EFFECTS OF THE ACQUISITION

Following Completion, the Group would hold 100% shareholding interests in Pine Cheer and the results, assets and liabilities of Pine Cheer would be fully consolidated into the financial statements of the Group.

Your attention is drawn to the unaudited pro forma financial information of the Enlarged Group as set out in section B of Appendix III to this circular. Such unaudited pro forma financial information is prepared as if the Acquisition has been completed at the relevant time and is presented to provide information on the Enlarged Group as a result of the Completion.

## LETTER FROM THE BOARD

### Earnings

Since Pine Cheer only commenced its business in March 2008, there will be little effect on the earnings for this financial year.

### Net assets

As the Acquisition has been/will be financed by internal resources of the Group, there will not be any impact on the Group's net assets.

### Gearing

As extracted from the annual report of the Company for the year ended 31st March, 2008, the gearing ratio of the Group, calculated with reference to the bank and other borrowings from financial institutions amounting to HK\$153.6 million, the fair value of the liability component of convertible notes payables of HK\$1,243.8 million, offsetting with the pledged bank deposits and the bank and cash balances of HK\$294.9 million, and the Group's shareholders' funds of HK\$1,843 million, was 0.6.

As set out in section B of Appendix III to this circular, assuming the Completion had taken place on 31st March, 2008, the gearing ratio of the Group, calculated with reference to the bank and other borrowings from financial institutions amounting to HK\$153.6 million, the fair value of the liability component of convertible notes payables of HK\$1,243.8 million, offsetting with the pledged bank deposits and the bank and cash balances of HK\$85.2 million, and the Group's shareholders' funds of HK\$1,843 million, was 0.7.

### SGM

The Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules which requires approval by the Shareholders at the SGM. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder had any material interest in the Acquisition and therefore no Shareholder is required to abstain from voting at the SGM. The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Acquisition.

Set out on pages 147 to 148 of this circular is a notice of the SGM to be held at Shop B27, Basement, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong, on Thursday, 11th December, 2008 at 11:00 a.m., at which an ordinary resolution will be proposed and, if considered appropriate, passed to approve the Acquisition.

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 the branch share registrar and transfer office of the Company 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 for holding 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.

## LETTER FROM THE BOARD

### PROCEDURE FOR DEMANDING A POLL

Pursuant to bye-law 66 of the bye-laws of the Company, a resolution put to vote at a general meeting shall be decided on a show of hands unless voting by way of a poll is required by the Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of the meeting; or
- (b) by at least three Shareholders present in person or, in the case of a Shareholder being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Shareholder or Shareholders present in person or, in the case of a Shareholder being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person or, in the case of a Shareholder being a corporation, by its duly authorised representative or by proxy and holding Shares conferring a right to vote at the meeting, being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right; or
- (e) if required by the Listing Rules, by any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing five per cent. (5%) or more of the total voting rights at such meeting, and if on a show of hand a meeting votes in the opposite manner to that instructed in those proxies, provided that if it is apparent from the total proxies held that a vote taken on a poll shall not reverse the vote taken on a show of hands, then the Director or Directors shall not be required to demand a poll.

In the event that a poll is demanded, the results of the poll at the SGM will be published by way of an announcement on the websites of the Company and of the Stock Exchange following the SGM in accordance with the requirements of the Listing Rules.

### RECOMMENDATION

The Directors consider that the terms of the Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Acquisition.

## LETTER FROM THE BOARD

### ADDITIONAL INFORMATION

Your attention is drawn to the financial information on the Group and Pine Cheer, the valuation report on the Yuet Wah Property, unaudited pro forma financial information of the Enlarged Group and other information set out in the appendices to this circular and the notice convening 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, 2006, 2007 and 2008 extracted from the Company's relevant annual reports, restated as appropriate:

## RESULTS

	For the year ended 31st March,		
	2006 HK\$'000 (note)	2007 HK\$'000 (note)	2008 HK\$'000
<b>Continuing operations</b>			
Revenue	<u>4,002</u>	<u>93,389</u>	<u>181,944</u>
Property sale and rental income	2,198	5,251	81,792
Golf and leisure income	<u>–</u>	<u>52,367</u>	<u>62,622</u>
	2,198	57,618	144,414
Cost of sales	<u>–</u>	<u>(14,073)</u>	<u>(67,511)</u>
Gross profit	2,198	43,545	76,903
Net income from loan financing	–	21,036	31,789
Net (loss) gain on financial instruments	(2,597)	28,623	76,382
Other income	17,297	105,616	73,206
Administrative expenses	(22,262)	(85,400)	(141,959)
Finance costs	(35,116)	(97,009)	(109,933)
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	–
Impairment loss recognised in respect of goodwill arising from acquisition of subsidiaries	(21,885)	–	–
Share of results of associates	<u>–</u>	<u>40,916</u>	<u>(25,047)</u>
(Loss) profit before taxation	(62,365)	80,697	(122,218)
Taxation	<u>–</u>	<u>(10,004)</u>	<u>(3,475)</u>

	For the year ended 31st March,		
	2006 HK\$'000 (note)	2007 HK\$'000 (note)	2008 HK\$'000
(Loss) profit for the year from continuing operations	(62,365)	70,693	(125,693)
<b>Discontinued operations</b>			
(Loss) profit for the year from discontinued operations	<u>(10,727)</u>	<u>3,408</u>	<u>(18,665)</u>
(Loss) profit for the year	<u><u>(73,092)</u></u>	<u><u>74,101</u></u>	<u><u>(144,358)</u></u>
Attributable to:			
Equity holders of the Company	(72,960)	79,091	(141,853)
Minority interests	<u>(132)</u>	<u>(4,990)</u>	<u>(2,505)</u>
	<u><u>(73,092)</u></u>	<u><u>74,101</u></u>	<u><u>(144,358)</u></u>
(Loss) earnings per share			
From continuing and discontinued operations:			
– Basic (HK cents)	(17.2)	3.7	(4.8)
– Diluted (HK cents)	<u>N/A</u>	<u>3.6</u>	<u>N/A</u>
From continuing operations:			
– Basic (HK cents)	(14.7)	3.6	(4.2)
– Diluted (HK cents)	<u>N/A</u>	<u>3.5</u>	<u>N/A</u>

*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 includes net gain on disposal of investments held-for-trading and excludes interest on unsecured loan due from an associate whereas revenue for years ended 31st March, 2007 and 2006 as previously reported included gross proceeds from disposal of investments held-for-trading of HK\$328.7 million and HK\$502.9 million and interest on unsecured loan due from an associate of HK\$56.2 million and HK\$nil respectively.



	As at 31st March,		
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	38,627	279,956	178,543
Prepaid lease payments of leasehold land	1,375	96,772	20,808
Premium on prepaid lease payments of leasehold land	–	131,527	114,294
Intangible assets	2,986	430	–
Available-for-sale investments	–	130,036	94,570
Interest in properties held for development	–	–	14,745
Interest in associates	–	93,879	135,503
Unsecured loans and interest due from associates	–	1,234,443	1,077,690
Debt portion of convertible bonds	–	–	51,120
Derivatives embedded in convertible bonds	–	–	4,865
Deposit and expenses paid for acquisition of a land use right	–	41,466	47,275
Deposit and expenses paid for acquisition of subsidiaries and associates	253,964	90,675	–
Deposit and expenses paid for acquisition of properties	–	27,125	–
Other loan receivables	4,635	9,634	–
	<u>301,587</u>	<u>2,135,943</u>	<u>1,739,413</u>
<b>Current assets</b>			
Inventories	70,859	76,919	2,161
Properties held for sale	58,536	58,536	252,903
Properties under development	–	11,296	240,853
Financial assets at fair value through profit or loss	9,043	66,725	11,957
Debtors, deposits and prepayments	193,365	473,160	514,795
Other loan receivables	59,314	205,495	243,133
Prepaid lease payments of leasehold land	30	2,480	517
Amounts due from associates	–	68	2,154
Unsecured loans and interest due from related companies	–	54,567	58,251
Tax recoverable	–	1,506	–
Pledged bank deposits	3,000	40,783	51,818
Bank balances and cash	705,480	254,622	243,038
	<u>1,099,627</u>	<u>1,246,157</u>	<u>1,621,580</u>

	As at 31st March,		
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000
<b>Current liabilities</b>			
Creditors, deposits and accrued charges	70,237	158,947	70,392
Amounts due to minority shareholders of subsidiaries	–	1,884	890
Dividend payable to a minority shareholder of a subsidiary	–	2,354	–
Tax payable	1,273	12,340	13,252
Unsecured loans from minority shareholders of subsidiaries	–	4,515	–
Unsecured loan from a related company	–	1,616	–
Convertible note payables			
– due within one year	221	7,945	7,284
Obligations under finance leases			
– due within one year	143	24	49
Bank and other borrowings			
– due within one year	45,170	111,439	113,996
	<u>117,044</u>	<u>301,064</u>	<u>205,863</u>
Net current assets	<u>982,583</u>	<u>945,093</u>	<u>1,415,717</u>
Total assets less current liabilities	<u>1,284,170</u>	<u>3,081,036</u>	<u>3,155,130</u>
<b>Non-current liabilities</b>			
Convertible note payables			
– due after one year	838,241	1,360,455	1,236,559
Obligations under finance leases			
– due after one year	96	71	173
Bank and other borrowings			
– due after one year	–	8,081	39,647
Deferred tax liabilities	–	40,609	28,574
	<u>838,337</u>	<u>1,409,216</u>	<u>1,304,953</u>
	<u>445,833</u>	<u>1,671,820</u>	<u>1,850,177</u>
<b>Capital and reserves</b>			
Share capital	6,314	23,123	30,955
Reserves	438,703	1,598,516	1,812,043
Equity attributable to the equity holders of the Company	445,017	1,621,639	1,842,998
Minority interests	816	50,181	7,179
	<u>445,833</u>	<u>1,671,820</u>	<u>1,850,177</u>

## 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, 2007 and 2008 together with the relevant notes to the consolidated financial statements, contained on pages 48 to 166 of the annual report of the Company for the year ended 31st March, 2008. The auditor's reports as set out in the annual reports of the Group for the year ended 31st March, 2007 and 2008 were unqualified.

**CONSOLIDATED INCOME STATEMENT***(for the year ended 31st March, 2008)*

	NOTES	2008 HK\$'000	2007 HK\$'000
<b>Continuing operations</b>			
Revenue	7	<u>181,944</u>	<u>93,389</u>
Property sale and rental income		81,792	5,251
Golf and leisure income		<u>62,622</u>	<u>52,367</u>
Cost of sales		<u>144,414</u> (67,511)	<u>57,618</u> (14,073)
Gross profit		76,903	43,545
Net income from loan financing		31,789	21,036
Net gain on financial instruments	8	76,382	28,623
Other income	9	73,206	105,616
Administrative expenses		(141,959)	(85,400)
Finance costs	10	(109,933)	(97,009)
Impairment losses on prepaid lease payments of leasehold land and premium on prepaid lease payments of leasehold land	17	(45,000)	–
Loss on disposal of an associate	23(ii)	(39,486)	–
Loss on disposal of subsidiaries	46	(19,073)	–
Compensation for cancellation of call options for acquisition of additional interest in an associate	23(i)	–	23,370
Share of results of associates	23	<u>(25,047)</u>	<u>40,916</u>
(Loss) profit before taxation		(122,218)	80,697
Taxation	11	<u>(3,475)</u>	<u>(10,004)</u>
(Loss) profit for the year from continuing operations		(125,693)	70,693
<b>Discontinued operations</b>			
(Loss) profit for the year from discontinued operations	12	<u>(18,665)</u>	<u>3,408</u>
(Loss) profit for the year	13	<u>(144,358)</u>	<u>74,101</u>

	<i>NOTE</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Attributable to:			
Equity holders of the Company		(141,853)	79,091
Minority interests		<u>(2,505)</u>	<u>(4,990)</u>
		<u><u>(144,358)</u></u>	<u><u>74,101</u></u>
(Loss) earnings per share	15		
<b>From continuing and discontinued operations:</b>			
– Basic (HK cents)		<u>(4.8)</u>	<u>3.7</u>
– Diluted (HK cents)		<u>N/A</u>	<u>3.6</u>
<b>From continuing operations:</b>			
– Basic (HK cents)		<u>(4.2)</u>	<u>3.6</u>
– Diluted (HK cents)		<u>N/A</u>	<u>3.5</u>

**CONSOLIDATED BALANCE SHEET***(as at 31st March, 2008)*

	NOTES	2008 HK\$'000	2007 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	16	178,543	279,956
Prepaid lease payments of leasehold land	17	20,808	96,772
Premium on prepaid lease payments of leasehold land	18	114,294	131,527
Intangible assets	20	–	430
Available-for-sale investments	21	94,570	130,036
Interest in properties held for development	22	14,745	–
Interests in associates	23	135,503	93,879
Unsecured loans and interest due from associates	24	1,077,690	1,234,443
Debt portion of convertible bonds	25	51,120	–
Derivatives embedded in convertible bonds	25	4,865	–
Deposits and expenses paid for acquisition of a land use right	26	47,275	41,466
Deposit and expenses paid for acquisition of an associate	27	–	90,675
Deposits and expenses paid for acquisition of properties	28	–	27,125
Other loan receivables	29	–	9,634
		<u>1,739,413</u>	<u>2,135,943</u>
<b>Current assets</b>			
Inventories	30	2,161	76,919
Properties held for sale		252,903	58,536
Properties under development	19	240,853	11,296
Financial assets at fair value through profit or loss	31	11,957	66,725
Debtors, deposits and prepayments	32	514,795	473,160
Other loan receivables	29	243,133	205,495
Prepaid lease payments of leasehold land	17	517	2,480
Amounts due from associates	24	2,154	68
Unsecured loans and interest due from related companies	33	58,251	54,567
Tax recoverable		–	1,506
Pledged bank deposits	34	51,818	40,783
Bank balances and cash	34	243,038	254,622
		<u>1,621,580</u>	<u>1,246,157</u>

## APPENDIX I

## FINANCIAL INFORMATION ON THE GROUP

	NOTES	2008 HK\$'000	2007 HK\$'000
<b>Current liabilities</b>			
Creditors, deposits and accrued charges	35	70,392	158,947
Amounts due to minority shareholders of subsidiaries	36	890	1,884
Dividend payable to a minority shareholder of a subsidiary		–	2,354
Tax payable		13,252	12,340
Unsecured loans from minority shareholders of subsidiaries	37	–	4,515
Unsecured loan from a related company	38	–	1,616
Convertible note payables – due within one year	39	7,284	7,945
Obligations under finance leases – due within one year	40	49	24
Bank and other borrowings – due within one year	41	113,996	111,439
		<u>205,863</u>	<u>301,064</u>
<b>Net current assets</b>		<u>1,415,717</u>	<u>945,093</u>
<b>Total assets less current liabilities</b>		<u>3,155,130</u>	<u>3,081,036</u>
<b>Non-current liabilities</b>			
Convertible note payables – due after one year	39	1,236,559	1,360,455
Obligations under finance leases – due after one year	40	173	71
Bank and other borrowings – due after one year	41	39,647	8,081
Deferred tax liabilities	42	28,574	40,609
		<u>1,304,953</u>	<u>1,409,216</u>
		<u>1,850,177</u>	<u>1,671,820</u>
<b>Capital and reserves</b>			
Share capital	43	30,955	23,123
Reserves		1,812,043	1,598,516
Equity attributable to the equity holders of the Company		1,842,998	1,621,639
Minority interests		7,179	50,181
		<u>1,850,177</u>	<u>1,671,820</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(for the year ended 31st March, 2008)

	Attributable to equity holders of the Company													Minority interests	Total
	Share capital	Share premium	Convertible loan notes redemption reserve	Convertible loan notes equity reserve	Share-based payment reserve	Available-for-sale investments reserve	Other reserve	Special reserve	Revaluation reserve	Translation reserve	Accumulated profits	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2006	6,314	213,224	646	157,053	-	-	32,308	(8,908)	-	2,296	42,084	445,017	816	445,833	
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	8,068	-	8,068	5,077	13,145	
Gain on fair value changes of available-for-sale investments	-	-	-	-	-	3,481	-	-	-	-	-	3,481	-	3,481	
Net income recognised directly in equity	-	-	-	-	-	3,481	-	-	-	8,068	-	11,549	5,077	16,626	
Profit for the year	-	-	-	-	-	-	-	-	-	-	79,091	79,091	(4,990)	74,101	
Total recognised income for the year	-	-	-	-	-	3,481	-	-	-	8,068	79,091	90,640	87	90,727	
Transfer (note i)	-	-	-	-	-	-	(32,308)	-	-	-	32,308	-	-	-	
Recognition of equity component of convertible notes	-	-	-	274,644	-	-	-	-	-	-	-	274,644	-	274,644	
Conversion of convertible notes	8,953	393,688	-	(63,393)	-	-	-	-	-	-	-	339,248	-	339,248	
Issue of shares	8,334	491,666	-	-	-	-	-	-	-	-	-	500,000	-	500,000	
Expenses incurred in connection with issue of shares	-	(12,908)	-	-	-	-	-	-	-	-	-	(12,908)	-	(12,908)	
Repurchase and cancellation of shares	(478)	(19,615)	478	-	-	-	-	-	-	-	(478)	(20,093)	-	(20,093)	
Recognition of equity-settled share-based payments	-	-	-	-	3,296	-	-	-	-	-	-	3,296	-	3,296	
Dividend payable to a minority shareholder	-	-	-	-	-	-	-	-	-	-	-	-	(2,354)	(2,354)	
Acquired on acquisition of subsidiaries (note 45)	-	-	-	-	-	-	-	-	1,795	-	-	1,795	51,632	53,427	
At 31st March, 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 46)	-	-	-	-	-	-	-	-	(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	

## Notes:

- (i) Other reserve of the Group represents net balance from capital reduction and cancellation of share premium and set-off against the deficit pursuant to the capital reorganisation on 15th April, 2003. Pursuant to a resolution of the Directors passed on 29th September, 2006, the amount of other reserve was transferred to the accumulated profits.
- (ii) 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, 2008)*

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>		
(Loss) profit before taxation	(140,325)	84,156
Adjustments for:		
Finance costs	110,546	98,844
Share of results of associates	25,047	(40,916)
Allowance for amount due from associate	–	1
Amortisation of intangible assets	–	225
Bank interest income	(10,259)	(33,942)
Interest income on convertible bonds	(3,036)	–
Interest on unsecured loan due from an associate	(51,618)	(56,182)
Depreciation of property, plant and equipment	17,569	20,797
Allowance for inventories	5,106	10,870
Allowance for bad and doubtful debts	1,801	145
Amortisation of prepaid lease payments of leasehold land	2,293	1,984
Amortisation of premium on prepaid lease payments of leasehold land	2,914	2,502
Discount on acquisition of subsidiaries	–	(4,207)
Dividend income received from an associate	–	(7,452)
Compensation of cancellation of call options for acquisition of additional interest in an associate	–	(23,370)
Equity-settled share-based payments expense	8,342	3,296
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 property, plant and equipment	127	235
Loss on disposal of subsidiaries	37,644	–
Write-off of intangible assets	–	2,550
Net gain on financial instruments	(71,772)	(18,217)
Operating cash flows before movements in working capital	18,865	41,319
Decrease (increase) in other loan receivables	31,682	(162,180)
Increase in unsecured loans and interest due from related companies	(3,684)	(43,499)
Increase in inventories	(27,652)	(15,178)
(Increase) decrease in properties held for sale	(167,242)	213
Increase in properties under development	(244,128)	(5,696)
Decrease (increase) in financial assets at fair value through profit or loss	63,717	(39,465)
Increase in debtors, deposits and prepayments	(43,677)	(15,086)
Increase in amounts due from associates	(2,086)	(69)
Increase in creditors, deposits and accrued charges	48,562	33,070
Cash used in operations	(325,643)	(206,571)



## APPENDIX I

## FINANCIAL INFORMATION ON THE GROUP

	NOTES	2008 HK\$'000	2007 HK\$'000
Hong Kong Profits Tax paid		(1,568)	(34)
Overseas taxation paid		(203)	(1,930)
Interest paid		(22,855)	(9,744)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<u>(350,269)</u>	<u>(218,279)</u>
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposal of available-for-sale investments		226,428	–
Net proceeds from disposal of associates		136,607	–
Proceeds from disposal of convertible bonds		44,975	–
Proceeds from disposal of property, plant and equipment		188	135
Refundable earnest money received		–	140,000
Interest received		9,331	19,630
Advance to associates		(81,409)	(954,424)
Purchase of available-for-sale investments		(63,258)	(126,555)
Purchase of property, plant and equipment		(39,151)	(44,019)
Refundable earnest money paid		(25,600)	(352,075)
Increase in pledged bank deposits		(11,035)	(37,783)
Deposit and expenses paid for acquisition of an associate		–	(90,675)
Deposit and expenses paid for acquisition of a land use right		(5,809)	(41,466)
Deposit and expenses paid for acquisition of properties		–	(27,125)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	45	–	(120,315)
Disposal of subsidiaries (net of cash and cash equivalents disposed)	46	(56,310)	–
Acquisition of associates		(45,507)	(4,942)
Development cost incurred		–	(219)
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>		<u>89,450</u>	<u>(1,639,833)</u>

	2008 HK\$'000	2007 HK\$'000
<b>FINANCING ACTIVITIES</b>		
New bank borrowings raised	5,741,188	37,815
Proceeds from issue of shares	168,000	500,000
Advance from minority shareholders of subsidiaries	13,493	507
Net proceeds from issue of convertible notes	–	981,730
Unsecured loan from a related company	–	67
Repayment of bank borrowings	(5,668,618)	(10,939)
Expenses paid in connection with issue of shares	(5,114)	(12,908)
Repayment of obligations under finance leases	(23)	(144)
Repayment of loans from minority shareholders of subsidiaries	–	(30,386)
Repayment of unsecured other borrowings	–	(36,565)
Share repurchase and cancellation	–	(20,093)
Repayment of unsecured loan from a director	–	(3,998)
	<hr/>	<hr/>
<b>NET CASH FROM FINANCING ACTIVITIES</b>	248,926	1,405,086
	<hr/>	<hr/>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(11,893)	(453,026)
<b>CASH AND CASH EQUIVALENTS AT 1ST APRIL</b>	254,622	705,480
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	309	2,168
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT 31ST MARCH, representing bank balances and cash</b>	<u>243,038</u>	<u>254,622</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(for the year ended 31st March, 2008)

## 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 investment and loan financing services. During the year, the Group discontinued trading of motorcycles and manufacturing and trading of medicine and health products, details of which are set out in note 12. The activities of its principal subsidiaries are set out in note 55.

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

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1st April, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

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

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

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

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2008

<sup>4</sup> Effective for annual periods beginning on or after 1st July, 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of other new or revised standards, amendments or interpretations will have no material effect on how the results and the financial position of the Group are prepared and presented.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain 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.

#### **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.

*Goodwill arising on acquisitions on or after 1st January, 2005*

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

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.

### **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.

### **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 over the relevant period in which the services are rendered.

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

Sale of properties is 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.

Rental income, including rentals invoiced in advance, from properties under operating leases, is recognised on a straight-line basis over the terms of the relevant lease.

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

#### **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 represents 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.

#### **Intangible assets**

##### *Research and development expenditure*

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. The resultant asset is subsequently amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

#### **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.

**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.

**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.

**Financial instruments**

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

*Financial assets*

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables 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.

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 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 includes 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 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).

#### 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).

#### 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 according to the effective interest method.

#### 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.



#### Effective interest method

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

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

#### *Impairment of financial assets*

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

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

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

- significant financial difficulty of the issuer or counterparty; 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 average credit period of 60 days and the repayment date of 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 a 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.

#### Financial liabilities

Financial liabilities including creditors, amounts due to minority shareholders of subsidiaries, dividend payable to a minority shareholder of a subsidiary, bank and other borrowings, unsecured loans from minority shareholders of subsidiaries and unsecured loan from a related company 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 accumulated profits). No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes 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 called upon repurchase and accordingly, the issued share capital of the Company is diminished by the nominal value thereof. The premium payable on repurchase was charged against the Company's share premium account. An amount equal to the nominal value of the shares repurchased is transferred from accumulated profits to capital redemption reserve.

#### 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.

*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.

**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.

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

### **Taxation**

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable 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.

### **Retirement benefit costs**

Payments to the Mandatory Provident Funds and state-managed retirement benefit schemes are charged as expenses when employees have rendered service entitling them to the contributions.

### **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 or is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share-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 accumulated profits.

*Share options granted to suppliers/consultants*

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

**Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. 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.

**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**

The Group performs ongoing credit evaluations of its borrowers and adjust credit limits based on payment history and the borrowers' current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its borrowers and maintains an allowance for estimated credit losses based upon 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 reprised.

**Estimated impairment on properties under development**

In determining whether impairment on properties under development is required, the Group takes into consideration the intended use of the properties, 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, 2008, no deferred tax asset has been recognised on the tax losses of 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. 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 stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the convertible note payables and borrowings disclosed in notes 39 and 41 respectively, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated profits.

The directors of the Company review the capital structure on a semi-annual 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-back as well as the issue of new debt or the redemption of existing debt.

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

	2008 HK\$'000	2007 HK\$'000
<b>Financial assets</b>		
Available-for-sale investments	94,570	130,036
Fair value through profit or loss		
Investments held-for-trading	11,001	57,089
Equity-linked notes	956	9,636
Derivatives embedded in convertible bonds	4,865	–
Loans and receivables (including cash and cash equivalents)	2,202,185	2,221,123
<b>Financial liabilities</b>		
Amortised cost	<u>1,449,792</u>	<u>1,622,011</u>

**(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, amount due to minority shareholders of subsidiaries and bank and other 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, bank borrowings and available-for-sale investments, which expose the Group to foreign currency risk.

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

	Liabilities		Assets	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
United States dollars (USD)	1,844	–	31,975	6,827

The carrying amounts of the Group's other foreign currency denominated assets at the report date is as follows:

	Assets	
	2008 HK\$'000	2007 HK\$'000
Singapore dollars (SGD)	75,939	75,970

The Group is mainly exposed to the currency of SGD as the foreign currency risk on USD is not significant as Hong Kong dollars are pegged to USD.

*Sensitivity analysis*

The following table details the Group's sensitivity to a 7% increase and decrease in Hong Kong dollars against SGD. 7% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes available-for-sale investments which are denominated in SGD, and adjusted their translation at the year ended for a 7% change in foreign currency rates.

The negative number below indicates a decrease in equity where Hong Kong dollars strengthen 7% against the relevant currency. For a 7% weakening of Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the reserve.

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Impact on equity	<u>(5,316)</u>	<u>(5,318)</u>

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

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to unsecured loans from associates, debt portion of convertible bond, other loan receivables, fixed-rate bank deposits, unsecured loan from a related company, convertible note payables and borrowings as set out in notes 24, 25, 29, 34, 38, 39 and 41 respectively.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate other loan receivables, unsecured loans from related companies, unsecured loans from minority shareholders of subsidiaries and bank and other borrowings as set out in notes 29, 33, 37 and 41 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, HIBOR and prevailing market rate in the PRC arising from the Group's other loan receivables, unsecured loans from minority shareholders of subsidiaries and borrowings denominated in Hong Kong dollars and Renminbi.

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, unsecured loans from minority shareholders of subsidiaries and bank and other 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 points higher/lower and all other variables were held constant, the Group's loss for the year ended 31st March, 2008 would decrease/increase by HK\$1,325,000 (2007: profit for the year increase/decrease by HK\$1,343,000). 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, investments held-for-trading and investments in equity-linked notes. 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 and equity-linked notes quoted by financial institutions. 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 effect of equity-linked notes is insignificant.

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

- loss for the year ended 31st March, 2008 would decrease/increase by HK\$2,008,000 (2007: profit for the year increase/decrease by HK\$5,505,000) as a result of the changes in fair value of investments held-for-trading, derivatives embedded in convertible bonds; and
- available-for-sale investment reserve would increase/decrease by HK\$9,457,000 (2007: increase/decrease by HK\$13,004,000) as a result of the changes in fair value of available-for-sale investments.

*Credit risk*

As at 31st March, 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 and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 47.

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 Hong Kong, which accounted for 75% (2007: 73%) of the total debtors as at 31st March, 2008.

The Group does not have any other significant 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 24, the debt portion of convertible bonds and derivatives embedded in convertible bonds as set out in note 25, other loan receivables as set out in note 29, debtors as disclosed above and unsecured loans and interest due from related companies as set out in note 33.

#### *Liquid 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, 2008, the Group has available unutilised bank loan facilities of approximately HK\$249,866,000 (2007: HK\$277,261,000), details of which are set out in note 41.

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 HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2008 HK\$'000
<b>2008</b>						
<b>Non-derivative financial liabilities</b>						
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 and other 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
		<u>67,935</u>	<u>111,369</u>	<u>1,603,175</u>	<u>1,782,479</u>	<u>1,449,792</u>

	Weighted average effective interest rate %	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2008 HK\$'000
2007						
<b>Non-derivative financial liabilities</b>						
Creditors		123,627	-	-	123,627	123,627
Amount due to minority shareholders of subsidiaries		1,884	-	-	1,884	1,884
Dividend payable to a minority shareholder of a subsidiary		2,354	-	-	2,354	2,354
Unsecured loans from minority shareholders of subsidiaries	4.81	4,515	-	-	4,515	4,515
Unsecured loan from a related company	6.00	1,616	-	-	1,616	1,616
Obligations under finance leases	9.15	7	20	70	97	95
Bank and other borrowings						
– fixed rate	6.98	529	30,549	-	31,078	30,303
– variable rate	6.34	35,276	47,351	8,765	91,392	89,217
Convertible note payables	0.58	10,000	-	1,845,235	1,855,235	1,368,400
		<u>179,808</u>	<u>77,920</u>	<u>1,854,070</u>	<u>2,111,798</u>	<u>1,622,011</u>

**(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 (including derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- the fair value of the equity-linked notes are based on fair values quoted by the respective issuing banks or financial institutions; 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 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.

## 7. REVENUE

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

	2008 HK\$'000	2007 HK\$'000
<b>Continuing operations</b>		
Net gain on disposal of investments held-for-trading	4,610	10,406
Dividend income from financial instruments	1,131	462
Sales of properties	76,619	1,162
Rental income	3,270	2,658
Hotel operations	18,852	11,820
Golf club subscription fees and handling fees	8,174	7,457
Green fees, practice balls and car rental income	19,895	23,717
Food and beverage sales	12,698	7,663
Pro shop sales	3,198	1,727
Property management fee income	1,708	1,414
Loan interest income	31,789	24,903
	<u>181,944</u>	<u>93,389</u>
<b>Discontinued operations</b>		
Sales of motorcycles	17,567	13,125
Sales of medicine and health products	115,741	400,638
	<u>133,308</u>	<u>413,763</u>
	<u><u>315,252</u></u>	<u><u>507,152</u></u>

In the current year, revenue includes net gain on disposal of investments held-for-trading and excludes imputed interest on unsecured loan due from an associate, which are included in other income. In prior years, revenue included gross proceeds from disposal of investments held-for-trading of HK\$328,693,000 for 2007 and interest on unsecured loan due from an associate of HK\$56,182,000 for 2007. Comparative figures are restated to conform with current year presentation.

## 8. NET GAIN ON FINANCIAL INSTRUMENTS

	Continuing operations	
	2008 HK\$'000	2007 HK\$'000
Gain on disposal of available-for-sale investments	60,752	–
Gain on disposal of investments held-for-trading	4,610	10,406
Loss on disposal of convertible bonds	(2,373)	–
Increase (decrease) in fair values of:		
– investments held-for-trading	9,608	17,549
– equity-linked notes	710	206
– derivatives embedded in convertible bonds	1,944	–
Dividend income on available for sales investments	426	462
Dividend income on investments held-for-trading	705	–
	<u>76,382</u>	<u>28,623</u>

## 9. OTHER INCOME

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank interest income	10,168	33,601	91	341	10,259	33,942
Dividend income from an associate ( <i>Note</i> )	-	7,452	-	-	-	7,452
Discount on acquisition of subsidiaries	-	4,207	-	-	-	4,207
Exchange gain, net	2,732	2,773	-	-	2,732	2,773
Interest income on convertible bonds	3,036	-	-	-	3,036	-
Interest on unsecured loan due from an associate	51,618	56,182	-	-	51,618	56,182
Others	5,652	1,401	876	1,673	6,528	3,074
	<u>73,206</u>	<u>105,616</u>	<u>967</u>	<u>2,014</u>	<u>74,173</u>	<u>107,630</u>

*Note:* The amount represents the excess of dividend income from an associate over the carrying amount of interest in that associate.

## 10. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on unsecured loans from:						
Minority shareholders of subsidiaries	734	2,051	-	-	734	2,051
Related companies	94	221	-	-	94	221
A director	-	222	-	-	-	222
Interest on bank and other borrowings wholly repayable within five years	11,416	5,186	613	1,831	12,029	7,017
Interest on obligations under finance leases	8	8	-	4	8	12
Effective interest on convertible note payables	97,681	89,321	-	-	97,681	89,321
	<u>109,933</u>	<u>97,009</u>	<u>613</u>	<u>1,835</u>	<u>110,546</u>	<u>98,844</u>

## 11. TAXATION

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax:						
Hong Kong Profits Tax	1,509	–	–	37	1,509	37
PRC Enterprise Income Tax	<u>833</u>	<u>283</u>	<u>558</u>	<u>14</u>	<u>1,391</u>	<u>297</u>
	<u>2,342</u>	<u>283</u>	<u>558</u>	<u>51</u>	<u>2,900</u>	<u>334</u>
Deferred tax ( <i>note 42</i> ):						
Current year	1,133	3,190	–	–	1,133	3,190
Attributable to a change in tax rate	<u>–</u>	<u>6,531</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>6,531</u>
	<u>1,133</u>	<u>9,721</u>	<u>–</u>	<u>–</u>	<u>1,133</u>	<u>9,721</u>
	<u>3,475</u>	<u>10,004</u>	<u>558</u>	<u>51</u>	<u>4,033</u>	<u>10,055</u>

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits for both years. The provision for PRC Enterprise Income Tax for all PRC subsidiaries is calculated at a range of 15% to 33% of the estimated assessable profits for the period from 1st April, 2007 to 31st December, 2007 and 25% of the estimated assessable profits for the period from 1st January, 2008 to 31st March, 2008, determined in accordance with the relevant income tax rules and regulations in the PRC.

On 16th March, 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% for PRC subsidiaries from 1st January, 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled. Details of deferred taxation are set out in note 42.

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

	2008 HK\$'000	2007 HK\$'000
(Loss) profit before taxation:		
Continuing operations	(122,218)	80,697
Discontinued operations	(18,107)	3,459
	<u>(140,325)</u>	<u>84,156</u>
Tax at the Hong Kong Profits Tax rate at 17.5% (2007: 17.5%)	(24,557)	14,727
Tax effect of expenses not deductible for tax purpose	47,703	20,247
Tax effect of income not taxable for tax purpose	(18,601)	(23,112)
Tax effect of deductible temporary differences not recognised	7,768	7,465
Utilisation of deductible temporary differences previously not recognised	(9,887)	(7,654)
Tax effect of share of results of associates	4,383	(7,160)
Effect of tax exemptions granted to subsidiaries in the PRC	-	(73)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(2,776)	(916)
Effect of change in tax rate	-	6,531
	<u>4,033</u>	<u>10,055</u>
Tax charge for the year	<u>4,033</u>	<u>10,055</u>

## 12. 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.

**APPENDIX I**
**FINANCIAL INFORMATION ON THE GROUP**

The (loss) profit for the year from the discontinued operations is analysed as follows:

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
(Loss) profit for the year from discontinued operations:		
Profit from manufacturing and trading of medicine and health products operation	1,266	3,235
(Loss) profit from trading of motorcycles operation	<u>(1,360)</u>	<u>173</u>
	<u>(94)</u>	<u>3,408</u>
Loss on disposal of discontinued operations:		
Loss on disposal of business of manufacturing and trading of medicine and health products	(18,577)	–
Gain on disposal of business of trading of motorcycles	<u>6</u>	<u>–</u>
	<u>(18,571)</u>	<u>–</u>
	<u>(18,665)</u>	<u>3,408</u>
Attributable to:		
Equity holders of the Company	(18,596)	3,667
Minority interests	<u>(69)</u>	<u>(259)</u>
	<u>(18,665)</u>	<u>3,408</u>



**APPENDIX I**
**FINANCIAL INFORMATION ON THE GROUP**

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		Motorcycles		Total	
	1.4.2007 to 31.7.2007 HK\$'000	1.4.2006 to 31.3.2007 HK\$'000	1.4.2007 to 31.3.2008 HK\$'000	1.4.2006 to 31.3.2007 HK\$'000	1.4.2007 to 31.3.2008 HK\$'000	1.4.2006 to 31.3.2007 HK\$'000
Revenue	115,741	400,638	17,567	13,125	133,308	413,763
Cost of sales	(77,496)	(275,961)	(16,518)	(12,347)	(94,014)	(288,308)
Gross profit	38,245	124,677	1,049	778	39,294	125,455
Net income from loan financing	-	3,001	-	-	-	3,001
Other income	967	2,007	-	7	967	2,014
Distribution and selling expenses	(25,580)	(85,270)	-	-	(25,580)	(85,270)
Administrative expenses	(10,833)	(35,783)	(2,408)	(573)	(13,241)	(36,356)
Other expenses	(363)	(3,550)	-	-	(363)	(3,550)
Finance costs	(612)	(1,833)	(1)	(2)	(613)	(1,835)
Profit (loss) before taxation	1,824	3,249	(1,360)	210	464	3,459
Taxation	(558)	(14)	-	(37)	(558)	(51)
Profit (loss) for the period/year	<u>1,266</u>	<u>3,235</u>	<u>(1,360)</u>	<u>173</u>	<u>(94)</u>	<u>3,408</u>

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

	2008 HK\$'000	2007 HK\$'000
Net cash from operating activities	29,777	19,699
Net cash used in investing activities	(822)	(4,323)
Net cash from financing activities	846	935
	<u>29,801</u>	<u>16,311</u>

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 46.

## 13. (LOSS) PROFIT FOR THE YEAR

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss) profit for the year has been arrived at after charging (crediting):						
Auditors' remuneration						
– current year	3,391	2,774	262	585	3,653	3,359
– underprovision in previous years	138	305	–	12	138	317
	<u>3,529</u>	<u>3,079</u>	<u>262</u>	<u>597</u>	<u>3,791</u>	<u>3,676</u>
Directors' emoluments (note 14a)	25,212	13,699	–	–	25,212	13,699
Salaries and other benefits	39,754	37,890	16,338	50,058	56,092	87,948
Equity-settled share-based payments expense to employees	2,498	702	–	–	2,498	702
Retirement benefits scheme contributions, net of forfeited contributions of Nil (2007: HK\$251,000)	875	890	893	2,825	1,768	3,715
	<u>68,339</u>	<u>53,181</u>	<u>17,231</u>	<u>52,883</u>	<u>85,570</u>	<u>106,064</u>
Total staff costs	68,339	53,181	17,231	52,883	85,570	106,064
Less: Amount capitalised in intangible assets	–	–	(17)	(43)	(17)	(43)
	<u>68,339</u>	<u>53,181</u>	<u>17,214</u>	<u>52,840</u>	<u>85,553</u>	<u>106,021</u>
Cost of inventories recognised as an expense	55,690	3,203	90,121	288,308	145,811	291,511
Depreciation of property, plant and equipment:						
– assets owned by the Group	15,664	10,998	1,879	9,776	17,543	20,774
– assets held under finance leases	24	21	2	2	26	23
Release of prepaid lease payments of leasehold land	2,283	1,953	10	31	2,293	1,984
Amortisation of premium on prepaid lease payments of leasehold land	2,914	2,502	–	–	2,914	2,502
Amortisation of intangible assets	–	–	–	225	–	225
	<u>20,885</u>	<u>15,474</u>	<u>1,891</u>	<u>10,034</u>	<u>22,776</u>	<u>25,508</u>
Total depreciation and amortisation	20,885	15,474	1,891	10,034	22,776	25,508
Allowance for inventories	–	–	5,106	10,870	5,106	10,870
Research and development costs	–	–	–	304	–	304
Loss on disposal of property, plant and equipment	110	71	17	164	127	235
Write-off of intangible assets	–	–	–	2,550	–	2,550
Net exchange (gain) losses	(2,732)	(2,773)	25	6	(2,707)	(2,767)
Allowance for bad and doubtful debts	1,441	145	360	–	1,801	145
Allowance for amounts due from associates	–	–	–	1	–	1

## 14. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

## (a) Directors' emoluments

The emoluments paid or payable to each of the twelve (2007: ten) directors were as follows:

	Fees HK\$'000	Salaries and other benefits HK\$'000	Discretionary and performance related incentive payments HK\$'000 (Note)	Other emoluments Equity-settled share-based payments expense HK\$'000	Contributions to retirement benefits schemes HK\$'000	Total emoluments HK\$'000
<b>2008</b>						
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
Lai Tsan Tung, David ("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
	<u>659</u>	<u>12,683</u>	<u>5,668</u>	<u>5,844</u>	<u>358</u>	<u>25,212</u>
<b>2007</b>						
Cheung Hon Kit	10	2,640	1,500	1,053	12	5,215
Chan Fut Yan	10	2,400	1,000	632	240	4,282
Wong Kam Cheong, Stanley	3	613	200	39	4	859
Cheung Chi Kit	6	823	300	80	41	1,250
Mr. Lai	150	666	100	-	7	923
Ho Hau Chong, Norman	10	-	-	316	-	326
Lo Lin Shing, Simon	10	-	-	158	-	168
Wong Chi Keung, Alvin	120	-	-	158	-	278
Kwok Ka Lap, Alva	120	-	-	-	-	120
Chui Sai Cheong	120	-	-	158	-	278
	<u>559</u>	<u>7,142</u>	<u>3,100</u>	<u>2,594</u>	<u>304</u>	<u>13,699</u>

*Note:* The amount included performance related incentive payment which is determined by the performance of the Directors for each of the years ended 31st March, 2008 and 2007.

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

**(b) Highest paid individuals**

Of the five individuals with the highest emoluments in the Group, all (2007: all) were directors of the Company whose emoluments are included in (a) above. During the year ended 31st March, 2007, three of these directors were appointed during the year. Their emoluments of HK\$2,278,000 for the period before their appointment as directors were excluded from the amounts disclosed in (a) above. Their emoluments before their appointment as directors were as follows:

	2007 HK\$'000
Salaries and other benefits	1,948
Retirement benefits scheme contributions	29
Equity-settled shared-based payments expense	301
	<u>2,278</u>

For the year ended 31st March, 2007, the emoluments of each of the above directors in their role as employees were below HK\$1,000,000.

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.

**15. (LOSS) EARNINGS PER SHARE****(a) From continuing and discontinued operations**

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

	2008 HK\$'000	2007 HK\$'000
Earnings:		
(Loss) profit for the year attributable to equity holders of the Company and (loss) earnings for the purpose of basic (loss) earnings per share	<u>(141,853)</u>	79,091
Effect of dilutive potential ordinary shares – Interest on convertible note payables		<u>89,321</u>
Earnings for the purpose of diluted earnings per share		<u>168,412</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<u>2,938,675,116</u>	2,119,525,127
Effect of dilutive potential ordinary shares – convertible note payables		<u>2,611,225,804</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share		<u>4,730,750,931</u>

**(b) From continuing operations**

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

Earnings figures are calculated as follows:

	2008 HK\$'000	2007 HK\$'000
(Loss) profit for the year attributable to equity holders of the Company	(141,853)	79,091
Less: (loss) profit for the year from discontinued operations	<u>(18,596)</u>	<u>3,667</u>
(Loss) earnings for the purposes of basic (loss) earnings per share from continuing operations	<u>(123,257)</u>	75,424
Effect of dilutive potential ordinary shares:		
Interest on convertible note payables		<u>89,321</u>
Earnings for the purposes of diluted earnings per share from continuing operations		<u>164,745</u>

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

**(c) From discontinued operations**

Basic loss per share from discontinued operations is 0.6 HK cent per share (2007: earnings per share of 0.1 HK cent per share) and diluted earnings per share for the discontinued operations is 0.1 HK cents per share for the year ended 31st March, 2007, based on the loss for the year from discontinued operations attributable to the equity holders of the Company of HK\$18,596,000 (2007: profit of HK\$3,667,000) and the denominators detailed above for both basic and diluted (loss) earnings per share.

No diluted loss per share was presented for the year ended 31st March, 2008 because assuming the exercise of the share options and the conversion of convertible notes would result in a decrease in the loss per share.

The effect of the outstanding share options of the Company had not been adjusted as the exercise price of the options was higher than the average market price for shares for the year ended 31st March, 2007.

## 16. PROPERTY, PLANT AND EQUIPMENT

	Buildings improvements	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
<b>COST</b>							
At 1st April, 2006	5,826	50,043	14,367	4,872	4,296	-	79,404
Exchange adjustments	6,957	695	1,641	234	323	1,170	11,020
Acquired on acquisition of subsidiaries (note 45)	161,325	16	8,867	307	1,543	37,761	209,819
Additions	288	1,920	3,927	1,662	2,193	34,029	44,019
Transfer	33,892	-	-	1,245	-	(35,137)	-
Disposals	(34)	(801)	(1,535)	(90)	(1,147)	-	(3,607)
At 31st March, 2007 and 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 46)	(129,599)	(51,786)	(28,315)	(6,069)	(3,916)	-	(219,685)
Disposals	-	(438)	(1,096)	(24)	(233)	-	(1,791)
At 31st March, 2008	99,769	189	9,630	4,762	6,214	63,040	183,604
<b>DEPRECIATION</b>							
At 1st April, 2006	187	28,652	10,075	1,381	482	-	40,777
Exchange adjustments	402	224	1,302	193	241	-	2,362
Provided for the year	8,766	7,439	1,946	1,492	1,154	-	20,797
Eliminated on disposals	(2)	(673)	(1,450)	(76)	(1,036)	-	(3,237)
At 31st March, 2007 and 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	(22,747)	(36,322)	(13,915)	(3,230)	(954)	-	(77,168)
Eliminated on disposals	-	(435)	(949)	(22)	(70)	-	(1,476)
At 31st March, 2008	2,332	55	389	1,126	1,159	-	5,061
<b>CARRYING VALUES</b>							
At 31st March, 2008	97,437	134	9,241	3,636	5,055	63,040	178,543
At 31st March, 2007	198,901	16,231	15,394	5,240	6,367	37,823	279,956

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 terms of the relevant lease, if shorter
Leasehold improvements	Over the terms of the leases
Plant and machineries	5% – 15%
Furniture, fixtures and equipment	10% – 33 $\frac{1}{3}$ %
Motor vehicles	10% – 20%

The buildings of the Group were situated on land held under medium-term lease in the PRC.

At 31st March, 2008, the carrying values of property, plant and equipment of the Group included an amount of HK\$215,000 (2007: HK\$101,000) in respect of assets held under finance leases.

#### 17. PREPAID LEASE PAYMENTS OF LEASEHOLD LAND

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

	2008 HK\$'000	2007 HK\$'000
Land use rights in the PRC on medium-term lease	<u>21,325</u>	<u>99,252</u>
Analysed for reporting purposes as:		
Current asset	517	2,480
Non-current asset	<u>20,808</u>	<u>96,772</u>
	<u>21,325</u>	<u>99,252</u>

During the year, 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 46. Prior to the disposal of Panyu Golf, the Group has assessed the recoverable amount of the land by reference to its fair value, and has identified and recognised impairment losses of HK\$30,681,000 (2007: Nil) and HK\$14,319,000 (2007: Nil) in respect of the prepaid lease payments of leasehold land and premium on prepaid lease payments of leasehold land, respectively.

#### 18. 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 Everight Investment Limited ("Everight") and its subsidiaries as set out in note 45, 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:

	<i>HK\$'000</i>
<b>COST</b>	
Acquired on acquisition of subsidiaries and balance at 31st March, 2007	134,029
Disposal of subsidiaries	<u>(14,761)</u>
<b>At 31st March, 2008</b>	<u>119,268</u>
<b>AMORTISATION AND IMPAIRMENT</b>	
Charge for the year and balance at 31st March, 2007	2,502
Charge for the year	2,914
Impairment loss recognised ( <i>note 17</i> )	14,319
Eliminated on disposal of subsidiaries	<u>(14,761)</u>
<b>At 31st March, 2008</b>	<u>4,974</u>
<b>CARRYING VALUE</b>	
At 31st March, 2008	<u><u>114,294</u></u>
At 31st March, 2007	<u><u>131,527</u></u>

#### 19. PROPERTIES UNDER DEVELOPMENT

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
At cost:		
At 1st April	11,296	–
Additions	244,128	11,296
Disposal of subsidiaries ( <i>note 46</i> )	<u>(14,571)</u>	<u>–</u>
At 31st March	<u><u>240,853</u></u>	<u><u>11,296</u></u>

Properties under development under current assets at 31st March, 2007 and 2008 were expected to realise after twelve months from the respective balance sheet dates.



## 20. INTANGIBLE ASSETS

	Development costs HK\$'000
<b>COST</b>	
At 1st April, 2006	3,228
Additions	219
Written-off	<u>(2,927)</u>
At 31st March, 2007	520
Disposal of subsidiaries ( <i>note 46</i> )	<u>(520)</u>
At 31st March, 2008	<u>-</u>
<b>AMORTISATION</b>	
At 1st April, 2006	242
Provided for the year	225
Eliminated on written-off	<u>(377)</u>
At 31st March, 2007	90
Eliminated on disposal of subsidiaries ( <i>note 46</i> )	<u>(90)</u>
<b>At 31st March, 2008</b>	<u>-</u>
<b>CARRYING VALUES</b>	
At 31st March, 2008	<u><u>-</u></u>
At 31st March, 2007	<u><u>430</u></u>

The development costs were amortised, using the straight-line method, over a period of five years from the date of commencement of commercial operation.

## 21. AVAILABLE-FOR-SALE INVESTMENTS

	2008 HK\$'000	2007 HK\$'000
Available-for-sale investments comprise:		
Equity securities listed in Hong Kong	18,631	54,066
Equity securities listed elsewhere	<u>75,939</u>	<u>75,970</u>
	<u><u>94,570</u></u>	<u><u>130,036</u></u>

## 22. INTEREST IN PROPERTIES HELD FOR DEVELOPMENT

The amount represents the Group's interest in a property project involving the development of a parcel of land with a site area of approximately 48,000 sq.m. within the golf resort known as "Guangzhou Lotus Hill Golf Resort" resulting from disposal of its entire 65% interest in Panyu Golf as set out in notes 46 and 52(a). The Group will have the right to share 65% of the residual value of the Development Project as set out in note 52(a).

## 23. INTERESTS IN ASSOCIATES

	2008 HK\$'000	2007 HK\$'000
Cost of investment in associates, unlisted	170,626	6,807
Share of post-acquisition (losses) profits, net of dividend received	(35,123)	87,072
	<u>135,503</u>	<u>93,879</u>

- (i) As at 31st March, 2007, interests in associates included a carrying amount of HK\$5,077,000 which represented 45% equity interest in Orient Town Limited ("Orient Town"). The principal asset of Orient Town is its indirect shareholdings interest in a subsidiary, namely Empresa De Fomento Industrial E Comercial Concórdia, S.A. ("Concordia"), a company incorporated in Macau, which held the leasehold interests of 14 parcels of land (the "Leasehold Interests") situated in Estrada de Seac Pai Van, Macau. During the year ended 31st March, 2007, the Group obtained and recognised a compensation of HK\$23,370,000 in connection with the reduction of half of the share options held by the Group. As at 31st March, 2007, 35 share options were held by the Group representing 5% shareholding of Orient Town.

On 25th January, 2007, the Group entered into an acquisition agreement with Forever Charm Group Limited ("Forever Charm") to acquire 8.7% of the registered capital of Concordia (the "Concordia Acquisition") and a shareholder's loan and interests accrued thereon due by Concordia to Forever Charm of MOP114,346,000 (equivalent to approximately HK\$111,016,000) at an aggregate consideration of approximately HK\$245,700,000, of which HK\$90,000,000 was paid and included in deposits paid for acquisition of associates at 31st March, 2007. The amount of HK\$90,000,000 has been transferred to interests in associates during the year ended 31st March, 2008 upon the completion of the Concordia Acquisition.

According to the Macau Gazette published on 31st October, 2007, the Chief Executive of Macau had endorsed, and Concordia had accepted, the offer for the granting of a new land lease concession of the Leasehold Interests in August 2007 at an additional land premium of approximately MOP578.4 million (equivalent to approximately HK\$561.6 million).

The Group will develop the Leasehold Interests with other shareholders of Concordia. The Concordia Acquisition results in an acquisition of additional 8.7% interest in the Leasehold Interests. Accordingly, the value of the cost of acquiring additional interests in Concordia is recognised at the consideration paid for the Concordia Acquisition (including transaction costs) of HK\$136,182,000.

The Concordia Acquisition was completed during the year ended 31st March, 2008. Upon the completion, the Group's effective interest in the registered capital of Concordia increased from 26.8% at 31st March, 2007 to 35.5% at 31st March, 2008 and Concordia remains as an associate of the Group.

- (ii) On 6th October, 2006, the Group entered into a subscription agreement to subscribe for 4,000 new ordinary shares of US\$1 each in More Profit International Limited ("More Profit") for a cash consideration of US\$4,000 (equivalent to approximately HK\$32,000), representing 40% of the issued share capital of More Profit as enlarged by the subscription shares of 5,000 new shares at US\$1 each in More Profit, and to provide a shareholder's loan of HK\$248,000,000 to More Profit. More Profit was an investment holding company incorporated in the British Virgin Islands with limited liability. On the same date, More Profit entered into an acquisition agreement to acquire 50% interest in Great China Company Limited which was a company incorporated in Macau with limited liability and was the owner of a land situated in Su da Marina Taipa-Sul Junto a Rotunda do Dique-Oeste, Macau and a hotel complex erected on the land. The acquisition was completed on 1st February, 2007.

On 26th June, 2007, the Group disposed of its entire 40% equity interest in More Profit, through disposal of a subsidiary, Dragon Rainbow Limited ("Dragon Rainbow"), together with the shareholder's loan due from Dragon Rainbow to the Group amounting to HK\$260,412,000, to Get Nice Holdings Limited, a company incorporated in Cayman Islands and listed on the Stock Exchange ("Get Nice") (the "Disposal").

The total consideration for the Disposal amounted to HK\$350 million, which was satisfied as to (i) HK\$150 million in cash; (ii) 126,262,626 shares of Get Nice at market price of HK\$0.66 each; and (iii) HK\$100 million 5% convertible bonds due 2010 issued by Get Nice ("Get Nice Bonds") as set out in note 25.

The Disposal was completed in September 2007, resulting in a loss of the Disposal of approximately HK\$39,486,000 which has been charged to the consolidated income statement during the year. Details of the Disposal were disclosed in the circular of the Company dated 24th August, 2007.

- (iii) On 31st July, 2007, 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 12 and 46.

Included in the cost of interests in associates at 31st March, 2007 was goodwill of HK\$1,701,000 arising on acquisition of associates during the year ended 31st March, 2007. The goodwill was released and included in the determination of loss on disposal of an associate as set out in (ii) above.

**APPENDIX I**
**FINANCIAL INFORMATION ON THE GROUP**

At 31st March, 2008, the Group had interest in the following major associates:

Name of associate	Form of business structure	Place of incorporation/ operation	Class of shares held	Nominal value of issued and fully paid share capital		Proportion of nominal value of issued share capital indirectly held by the Group	Principal activity
				2008	2007		
Best Profit Holdings Limited	Incorporated	Hong Kong	Ordinary	HK\$1,000	HK\$1,000	31.5	Investment holding
Concordia	Incorporated	Macau	Quota Capital	MOP100,000,000	MOP100,000,000	35.5	Property development
Orient Town	Incorporated	Hong Kong	Ordinary	HK\$700	HK\$700	45	Investment holding
Orient Town Project Management Limited	Incorporated	Macau	Quota Capital	MOP25,000	MOP25,000	45	Project and construction management services
San Lun Mang Investimentos, Limitada	Incorporated	Macau	Quota Capital	MOP100,000	MOP100,000	31.5	Investment holding

*Note:* Quota capital represents the Portuguese equivalence of registered capital as Portuguese is the official language of Macau.

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

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

	2008 HK\$'000	2007 HK\$'000
Total assets	2,662,736	3,145,540
Total liabilities	(2,585,912)	(3,067,243)
Minority interest	(64,384)	–
Net assets	<u>12,440</u>	<u>78,297</u>
Group's share of net assets of associates	<u>135,503</u>	<u>92,178</u>
Revenue	–	–
(Loss) profit for the year	<u>(54,201)</u>	<u>99,569</u>
Group's share of (loss) profit of associates for the year	<u>(25,047)</u>	<u>40,916</u>

During the year ended 31st March, 2007, the Group 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, for the year ended and cumulatively, are set out below. These associates of 2007 were disposed of during the year.

	2008 HK\$'000	2007 HK\$'000
Unrecognised share of losses of associates for the year	<u>(2,451)</u>	<u>(1,353)</u>
Accumulated unrecognised share of losses of associates	<u>(2,451)</u>	<u>(1,353)</u>
<b>24. UNSECURED LOANS AND INTERESTS DUE FROM ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES</b>		

**(a) Unsecured loans and interests due from associates**

	2008 HK\$'000	2007 HK\$'000
Loans to associates	1,021,508	1,226,237
Interest receivables	<u>56,182</u>	<u>59,288</u>
	1,077,690	1,285,525
Less: Loss allocated in excess of cost of investment	<u>–</u>	<u>(51,082)</u>
	<u>1,077,690</u>	<u>1,234,443</u>

In 2007, the interest on loans to associates of HK\$1,226,237,000 is ranging from 7.75% to 8% per annum. In the opinion of the directors of the Company, the amount will not be repaid within twelve months from the balance sheet date and was therefore classified as non-current asset.

In 2008, the loans to associates are unsecured and non-interest bearing, except for an amount of approximately HK\$281,150,000 which carries interest at rates ranging from 5.25% to 7.75% per annum and interest income of HK\$23,677,000 is received during the year. The effective interest rate on the interest free loans of HK\$740,358,000 was 8% per annum.

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. 100% of the loans to associates are neither past due nor impaired and of good credit quality.

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

## (b) Amounts due from associates

	2008 HK\$'000	2007 HK\$'000
Amounts due from associates	2,154	83
Less: Allowance	–	(15)
	<u>2,154</u>	<u>68</u>

The amounts due from associates are unsecured, interest free and repayable within one year from the balance sheet date (2007: within one year).

## 25. DEBT PORTION OF CONVERTIBLE BONDS AND DERIVATIVES EMBEDDED IN CONVERTIBLE BONDS

As detailed in note 23(ii), the Get Nice Bonds in the principal amount of HK\$100 million with maturity on 20th September, 2010 was issued to the Group as part of consideration for the disposal of Dragon Rainbow in September 2007. The Group is entitled to convert the Get Nice Bonds into shares in Get Nice at an initial conversion price of HK\$0.924 per share, which was subsequently adjusted to HK\$0.907 per share as a result of share placement of Get Nice on 19th July, 2007 and further adjusted to HK\$0.901 per share as a result of share placement of Get Nice on 8th November, 2007. Both Get Nice and the Group may at any time after the expiry of the 18th month following the date of issue of the Get Nice Bonds and prior to the maturity date redeem or require Get Nice to redeem the outstanding Get Nice Bonds at par together with 5% interest accrued thereon.

The Group classified the debt portion of the Get Nice Bonds as loans and receivables and the embedded derivative component as financial assets at fair value through profit or loss on initial recognition. The fair value of each component of the Get Nice Bonds 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 valuers. The effective interest rate of the debt portion of Get Nice Bonds is 9.75% per annum.

At 31st March, 2008, the fair value of the embedded derivative component of the Get Nice Bonds with initial recognition amount of approximately HK\$12,092,000, was approximately HK\$4,865,000 after the disposal of convertible bonds with the principal amount of HK\$43 million during the year.

The fair value of the Get Nice Bonds during the year ended 31st March, 2008 was calculated using the Black-Scholes option pricing model. The inputs used in the model adopted by the management in determining the fair values at the respective dates were as follows:

	Disposal date 1st November, 2007	Disposal date 6th November, 2007	31st March, 2008
Closing share price at date of valuation	HK\$0.84	HK\$0.93	HK\$0.59
Conversion price	HK\$0.907	HK\$0.907	HK\$0.901
Expected volatility ( <i>note a</i> )	52.78%	54.78%	53.43%
Risk-free interest rate ( <i>note b</i> )	3.179%	2.806%	1.385%
Expected annual dividend yield	4.93%	4.93%	4.93%
Fair value per option	<u>HK\$0.182</u>	<u>HK\$0.231</u>	<u>HK\$0.077</u>

## Notes:

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

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

Accrued interest on the convertible bonds was calculated using the effective interest method by applying the effective interest rate of 9% to the liability component.

The Group has concentration of credit risk as all (2007: nil) of the convertible bonds held by the Group was due from an independent third party which is publicly listed in Hong Kong.

**26. DEPOSIT AND EXPENSES PAID FOR ACQUISITION OF A LAND USE RIGHT**

The amount represents deposit and expenses paid for the acquisition of a land use right in the PRC for a cash consideration of RMB50,964,000 (equivalent to HK\$51,479,000) under an acquisition agreement dated 22nd March, 2007.

**27. DEPOSIT AND EXPENSES PAID FOR ACQUISITION OF AN ASSOCIATE**

The amount at 31st March, 2007, represented deposit paid of HK\$90,000,000 and expenses incurred of HK\$675,000 for the Concordia Acquisition. The amount has been transferred to interests in associates upon the completion of the Concordia Acquisition during the year as set out in note 23(i).

**28. DEPOSITS AND EXPENSES PAID FOR ACQUISITION OF PROPERTIES**

The amount at 31st March, 2007, represented deposits paid of HK\$26,556,000 and expenses incurred of HK\$569,000 for the acquisition of 44 residential units in Macau at a consideration of approximately HK\$88,520,000. The acquisition was completed during the year and the amount has been transferred to properties held for sale.

**29. OTHER LOAN RECEIVABLES**

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Fixed-rate loan receivables	13,133	9,634
Variable-rate loan receivables	230,000	205,495
	<u>243,133</u>	<u>215,129</u>
Carrying amount analysed for reporting purposes:		
Current assets	243,133	205,495
Non-current assets	–	9,634
	<u>243,133</u>	<u>215,129</u>

The following is an analysis of the aging of other loan receivables at the balance sheet date:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Within one year	93,500	169,681
More than one year, but not exceeding two years	144,998	24,948
More than two years, but not exceeding three years	4,635	20,500
	<u>243,133</u>	<u>215,129</u>

The Group's fixed-rate loan receivables of HK\$8,499,000 carries interest at 8% and are secured by 40,000,000 (2007: 25,000,000) shares of a private limited company incorporated in Malaysia, with a nominal value of RM0.25 per share. The remaining fixed-rate loan receivables of HK\$4,635,000 are denominated in United States Dollars, which is not the functional currencies of the relevant group entities, carries interest at 3% and are unsecured. All the fixed-rate loan receivables are due before December, 2008.

At 31st March, 2008, all variable-rate loans are unsecured, carry interest at Hong Kong Prime Rate plus 2% per annum and are repayable within one year. At 31st March, 2007, except for a loan of HK\$20,000,000 which carried interest at the higher of Hong Kong Prime Rate or 4% per annum and was secured by the borrower's investment in convertible note with a principal amount of HK\$20,000,000 issued by a company whose shares were listed on the Stock Exchange and was repayable on 28th September, 2007, all remaining variable-rate loans were unsecured, carried interest at Hong Kong Prime Rate plus 2% per annum and were repayable within one year. The effective interest rates of other loan receivables are ranging from 7.25% to 10% per annum for both years.

Before offering any new loans, the Director of the Company 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. 100% of the other loan receivables are neither past due nor impaired and in the opinion of the directors they are of good credit quality.

The Group's has concentration of credit risk in the above loans as five borrowers accounted for 95% (2007: 75%) of the total borrowings as at 31st March, 2008.

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

### 30. INVENTORIES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Raw materials	–	20,185
Work in progress	–	829
Finished goods	341	54,559
Consumables	1,820	1,346
	<u>2,161</u>	<u>76,919</u>



## 31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2008 HK\$'000	2007 HK\$'000
Investments held-for-trading:		
Equity securities listed in Hong Kong	9,245	44,369
Equity securities listed elsewhere	1,756	12,720
	11,001	57,089
Financial assets designated at fair value through profit or loss:		
Equity-linked notes	956	9,636
	11,957	66,725

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.

## 32. DEBTORS, DEPOSITS AND PREPAYMENTS

	2008 HK\$'000	2007 HK\$'000
Trade Receivables	27,685	53,349
Less: Allowance for doubtful debts	–	(3,315)
	27,685	50,034
Refundable earnest money (Note)	365,791	362,075
Other receivable (note 45)	–	17,721
Other debtors, deposits and prepayments	121,319	43,330
	514,795	473,160

The Group allows credit period ranging from 0 to 60 days to its trade customers.

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

	2008 HK\$'000	2007 HK\$'000
0 – 60 days	16,977	35,555
61 – 90 days	124	1,118
Over 90 days	10,584	13,361
	27,685	50,034

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. 61% (2007: 73%) of the trade receivables 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\$10,708,000 (2007: HK\$14,479,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 120 days (2007: 120 days). The aging of trade debtors which are past due but not impaired is as follows:

	2008 HK\$'000	2007 HK\$'000
61 – 90 days	124	1,118
Over 90 days	10,584	13,361
	<u>10,708</u>	<u>14,479</u>

The Group has provided fully for all receivables over 180 days because historical experience is such that receivables that are past due beyond 180 days are generally not recoverable.

Movement in the allowance for doubtful debts is as follows:

	2008 HK\$'000	2007 HK\$'000
Balance at beginning of the year	3,315	3,026
Exchange realignment	305	144
Impairment losses recognised on receivables	1,801	145
Amount written off as uncollectible	(992)	–
Eliminated on disposal of subsidiaries	(4,429)	–
	<u>–</u>	<u>3,315</u>

*Note:* 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 (2007: HK\$10,000,000) was paid by the Group as refundable earnest money.

In March 2007, a wholly-owned subsidiary of the Company and an independent third party ("Vendor B") signed a non-binding letter of intent with a view of negotiating a possible acquisition from Vendor B and a party as procured by Vendor B ("Vendor C") of their aggregate interests of 67.5% in a company which was established in the PRC and is engaged in development and operation of golf resort (the "PRC Company"), and of shareholders' loans due by the PRC Company to Vendor B and Vendor C of approximately US\$14,000,000 (equivalent to approximately HK\$109,200,000). Upon signing of the letter of intent, an amount of US\$2,800,000 (equivalent to approximately HK\$21,884,000) was paid by the Group as refundable earnest money. The amount was fully refunded to the Group during the year ended 31st March, 2008.

On 28th December, 2006 and 21st March, 2007, further amounts of refundable earnest money of approximately HK\$170,000,000 and HK\$160,191,000, respectively, were paid by the Group through Wing On Travel (Holdings) Limited ("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 will procure to return the earnest money to the Group within three months upon conclusion of the negotiations unless the fund is applied towards any payment for acquisition of the property interest. Up to the date of this report, the negotiations have not yet been concluded.

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.

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 refundable earnest money mainly concentrated on vendors of 4 projects and 90% of total refundable earnest money are arised from one project. The Company has continuously assessed the recoverability of the money invested and the progress of the project and consider the vendors of good credit quality.

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.

### 33. UNSECURED LOANS AND INTEREST DUE FROM RELATED COMPANIES

The amounts represented loans to Wing On and one of its subsidiaries. The amounts are unsecured, carry interest at Hong Kong Prime Rate plus 2% and repayable within one year from the balance sheet date (2007: within one year).

The effective interest rate is 7.2% (2007: 9.5%) per annum.

The Group has concentration of credit risk as all (2007: all) of the unsecured loans were due from two related companies.

### 34. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The pledged bank deposits amount represents deposits pledged to banks to secure general banking facilities granted to the Group. The deposits carry interest at 2.9% (2007: 4.2%) per annum.

The bank balances carry interest at rates ranging from 0.01% to 4.5% (2007: 2.5% to 5.1%) per annum.

### 35. CREDITORS, DEPOSITS AND ACCRUED CHARGES

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

	2008 HK\$'000	2007 HK\$'000
Trade creditors aged:		
0 – 60 days	1,420	61,825
61 – 90 days	355	8,956
Over 90 days	360	9,245
	<hr/>	<hr/>
	2,135	80,026
Other creditors, deposits and accrued charges ( <i>note</i> )	68,257	78,921
	<hr/>	<hr/>
	70,392	158,947
	<hr/> <hr/>	<hr/> <hr/>

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 approximately HK\$30,423,000 which has been included in other creditors at 31st March, 2008.

**36. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES**

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

**37. UNSECURED LOANS FROM MINORITY SHAREHOLDERS OF SUBSIDIARIES**

The amount at 31st March, 2007 was unsecured, repayable on demand and interest free, except for a loan of HK\$3,535,000 which carried interest at prevailing market rate of 6.14% per annum in the PRC. The loans was settled upon the disposal of subsidiaries.

**38. UNSECURED LOAN FROM A RELATED COMPANY**

The loan at 31st March, 2007 was borrowed from 番禺高爾夫球協會 in which Mr. Lai, an executive director of the Company, was the Chairman. The loan was unsecured, carried interest at 6% per annum and was repayable on demand. The loan was settled upon the disposal of subsidiaries.

**39. CONVERTIBLE NOTE PAYABLES**

(a) In April 2005, the Company entered into nine subscription agreements with seven subscribers. Of the nine subscribers, seven of them were subscribers who were funds managed by global asset management firms (the "Fund Subscribers"), with the remaining two subscribers being Loyal Concept Limited ("Loyal Concept") and Kopola Investment Company Limited ("Kopola"). Pursuant to the subscription agreements, the Fund Subscribers in aggregate, Loyal Concept and Kopola had agreed to subscribe by cash for HK\$956 million unsecured zero coupon convertible notes due 2010 issued by the Company pursuant to the subscription agreements (the "First 2010 Convertible Notes") with principal amounts of HK\$356 million, HK\$450 million and HK\$150 million, respectively (the "Subscription"). Loyal Concept is an indirect wholly-owned subsidiary of Hanny Holdings Limited ("Hanny"), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange. Kopola was 50% held by each of Mr. Ho Hau Chong, Norman ("Mr. Ho"), the former deputy chairman and non-executive director of the Company and his brother, Mr. Ho Hau Hay, Hamilton, and therefore an associate of Mr. Ho.

Pursuant to a placing agreement, the placing agent would procure not less than six placees to subscribe by cash for HK\$44 million unsecured zero coupon convertible notes due 2010 proposed to be issued by the Company (the "Placing Convertible Notes") pursuant to the placing agreement with a principal amount of HK\$44 million (the "Placing"). The terms of the First 2010 Convertible Notes and Placing Convertible Notes were identical. None of the placees would be the subscribers.

Upon full conversion of the First 2010 Convertible Notes at the initial conversion price of HK\$0.44 per share (subject to anti-dilutive adjustments), a total of 2,172,727,272 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.

Upon full conversion of the Placing Convertible Notes at the initial conversion price of HK\$0.44 per share (subject to anti-dilutive adjustments), a total of 100,000,000 new ordinary shares, which would fall to be issued by the Company upon the exercise of the conversion rights attached to the Placing Convertible Notes, would be issued.

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

The Subscription and the Placing were completed on 11th August, 2005. The total gross proceeds from the Subscription and the Placing amounted to HK\$956 million and HK\$44 million, respectively. Therefore, the total gross proceeds from the Subscription and the Placing amounted to HK\$1,000 million. After deducting related expenses of approximately HK\$11 million, approximately HK\$989 million would be used to finance the expansion of the investment property portfolio of the Group.

During the year, HK\$111 million (2007: HK\$354 million) of the First 2010 Convertible Notes was converted into 252,272,727 (2007: 804,431,812) ordinary shares of HK\$0.01 each in the share capital of the Company at the conversion price of HK\$0.44 as set out in note 43(iv). In addition, HK\$40 million of the Placing Convertible Notes was converted into 90,909,000 ordinary shares of HK\$0.01 each in the share capital of the Company at the conversion price of HK\$0.44 during the year ended 31st March, 2007 as set out in note 43(i), whereas no such conversion was noted during the year ended 31st March, 2008. The remaining HK\$469.5 million (2007: HK\$580.5 million) and HK\$1.5 million (2007: HK\$1.5 million) of the First 2010 Convertible Notes and the Placing Convertible Notes, respectively, were outstanding at 31st March, 2008.

- (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 (subject to anti-dilutive adjustments) for settlement of consideration on acquisition of Everright as set out in note 45. The Second 2010 Convertible Notes is non-interest bearing and will mature on 11th August, 2010. The holders of the convertible notes have the right to convert the Second 2010 Convertible Notes into shares of HK\$0.01 each in the share capital 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 notes on the maturity date at the redemption amount of 108.3% of the principal amount of the convertible notes then outstanding.

Upon full conversion of the Second 2010 Convertible Notes at the initial conversion price of HK\$0.44 per share (subject to anti-dilutive adjustments), a total of 136,363,636 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.

During the year, HK\$42.5 million (2007: Nil) of the Second 2010 Convertible Notes was converted into 96,645,052 (2007: Nil) ordinary shares of HK\$0.01 each in the share capital of the Company at the conversion price of HK\$0.44 per share. The remaining HK\$17.5 million of the Second 2010 Convertible Notes was outstanding at 31st March, 2008.

- (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 (subject to anti-dilutive adjustments). The 2011 Convertible Notes bear interest at 1% per annum and will mature on 15th June, 2011. The holders of the convertible notes have the right to convert the 2011 Convertible Notes into shares of HK\$0.01 each in the share capital of the Company at any time during the period from 15th June, 2006 to 15th June, 2011.

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

Upon full conversion of the 2011 Convertible Notes at the initial conversion price of HK\$0.70 per share (subject to anti-dilutive adjustments), a total of 1,428,571,429 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.

During the year, HK\$94 million (2007: Nil) of the 2011 Convertible Notes was converted into 134,285,714 (2007: Nil) ordinary shares of HK\$0.01 each in the share capital of the Company at the conversion price of HK\$0.70 per share. The remaining HK\$906 million of 2011 Convertible Notes was outstanding as at 31st March, 2008.

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 notes are ranging from 5.85% to 9.58% (2007: 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:

	2008 HK\$'000	2007 HK\$'000
Liability component at the beginning of the year	1,368,400	838,462
Issue of convertible notes	–	780,086
Conversion during the year	(212,248)	(339,248)
Interest charge ( <i>note 10</i> )	97,681	89,321
Interest paid	(9,990)	(221)
	<u>1,243,843</u>	<u>1,368,400</u>
Liability component at the end of the year	<u>1,243,843</u>	<u>1,368,400</u>
Analysed for reporting purposes as:		
Current liability	7,284	7,945
Non-current liability	1,236,559	1,360,455
	<u>1,243,843</u>	<u>1,368,400</u>

#### 40. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Amount payable under finance leases:				
Within one year	67	36	49	24
In the second to fifth year inclusive	<u>202</u>	<u>91</u>	<u>173</u>	<u>71</u>
	269	127	222	95
<i>Less:</i> Future finance charges	<u>(47)</u>	<u>(32)</u>	<u>–</u>	<u>–</u>
Present value of lease obligations	<u>222</u>	<u>95</u>	222	95
<i>Less:</i> Amount due within one year shown under current liabilities			<u>(49)</u>	<u>(24)</u>
Amount due after one year			<u>173</u>	<u>71</u>

It is the Group's policy to lease certain 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 9.15% to 9.16% (2007: 7.5% to 9.2%) per annum.

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

## 41. BANK AND OTHER BORROWINGS

	2008 HK\$'000	2007 HK\$'000
Bank loans, secured	153,643	93,902
Trust receipt and import loans, secured	–	25,618
	<u>153,643</u>	<u>119,520</u>
The maturity profile of the above loans and borrowings is as follows:		
Within one year or on demand	113,996	111,439
More than one year, but not exceeding two years	12,433	4,040
More than two years, but not exceeding three years	12,837	2,021
More than three years but not exceeding four years	13,254	2,020
More than four years but not exceeding five years	1,123	–
	<u>153,643</u>	<u>119,520</u>
Less: Amount due within one year shown under current liabilities	<u>(113,996)</u>	<u>(111,439)</u>
Amount due after one year	<u>39,647</u>	<u>8,081</u>

Bank borrowings comprise	Maturity date	Contractual interest rate	Carrying amount	
			2008 HK\$'000	2007 HK\$'000
Variable-rate borrowings:				
HIBOR plus 1.75% secured HK\$ bank loan (note i)	31st July, 2007	HIBOR + 1.75%	–	24,500
HIBOR plus 0.75% secured HK\$ bank loan (note i)	11th May, 2007	HIBOR + 0.75%	–	3,787
HIBOR plus 1% secured HK\$ bank loan (note i)	Revolving	HIBOR + 1%	1,844	5,009
HIBOR plus 1.55% secured HK\$ bank loan (note i)	30th April, 2012	HIBOR + 1.55%	51,690	–
Hong Kong Prime Rate minus 0.5% secured HK\$ bank loan (note i)	25th July, 2008	P – 0.5%	66,850	–
Secured bank loan of RMB12,000,000 at prevailing market rate in the PRC (note ii)	31st October, 2010	Prevailing market rate in the PRC	–	12,121
Secured bank loan of RMB18,000,000 at prevailing market rate in the PRC	10th September, 2007	Prevailing market rate in the PRC	–	18,182
			<u>120,384</u>	<u>63,599</u>

**APPENDIX I**
**FINANCIAL INFORMATION ON THE GROUP**

Bank borrowings comprise	Maturity date	Contractual interest rate	Carrying amount	
			2008 HK\$'000	2007 HK\$'000
Fixed-rate borrowings:				
6.696% secured bank loan of RMB11,000,000	13th September, 2007	6.696%	–	11,111
6.728% secured bank loan of RMB13,000,000	19th July, 2007	6.728%	–	13,132
8.064% secured bank loan of RMB6,000,000	4th August, 2007	8.064%	–	6,060
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	–
			33,259	30,303
			153,643	93,902

*Notes:*

- (i) Interest will be repriced when HIBOR, Hong Kong Prime Rate or prevailing market rate in the PRC was changed.
- (ii) The loan was early repaid during the year.

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

	2008 HK\$'000	2007 HK\$'000
Floating rate		
– expiring within one year	17,150	–
– expiring beyond one year	222,406	277,261
	239,556	277,261

Secured trust receipt and import loans are repayable within one year from the balance sheet date and carry interest at rates ranging from HIBOR plus 1% per annum to HIBOR plus 1.75% per annum (2007: HIBOR plus 1% per annum to HIBOR plus 1.75% per annum). Interest is repricing monthly or quarterly.

The effective interest rates of bank and other borrowings are ranging from 4.75% to 8.06% (2007: 4.48% to 6.38%) per annum.



## 42. DEFERRED TAXATION

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

	Accelerated tax depreciation <i>HK\$'000</i>	Deferred development costs <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2006	–	540	(540)	–
Charge (credit) to income for the year	3,352	(465)	303	3,190
Effect of change in tax rate charged to income for the year	7,275	–	(744)	6,531
Arising on acquisition of subsidiaries ( <i>note 45</i> )	<u>31,842</u>	<u>–</u>	<u>(954)</u>	<u>30,888</u>
At 31st March, 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 ( <i>note 46</i> )	<u>(14,316)</u>	<u>(75)</u>	<u>75</u>	<u>(14,316)</u>
<b>At 31st March, 2008</b>	<b><u>28,574</u></b>	<b><u>–</u></b>	<b><u>–</u></b>	<b><u>28,574</u></b>

At 31st March, 2008, the Group has unused tax losses of HK\$517,627,000 (2007: HK\$702,486,000) available for offset against future profits. At the balance sheet date, a deferred tax asset has been recognised in respect of HK\$nil (2007: HK\$8,554,000) of such losses. No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK\$517,627,000 (2007: HK\$693,932,000). The tax losses of HK\$511,706,000 (2007: HK\$667,840,000) may be carried forward indefinitely under current tax regulation in Hong Kong and the remaining tax losses of HK\$5,921,000 (2007: HK\$34,646,000) will expire from 2008 to 2011.

At 31st March, 2007, the Group had deductible temporary differences associated with property, plant and equipment of HK\$11,622,000. No deferred tax asset had been recognised in respect of such deductible temporary differences due to the unpredictability of future profit streams. At 31st March, 2008, there is no deductible temporary differences due to disposal of subsidiaries.

## 43. SHARE CAPITAL

	Number of shares	Amount HK\$'000
At HK\$0.01 each:		
Authorised:		
At 1st April, 2006, 31st March, 2007 and 31st March, 2008	40,000,000,000	400,000
Issued and fully paid:		
At 1st April, 2006	631,436,639	6,314
Conversion of convertible notes (note i)	895,340,902	8,953
Placement of shares (note ii)	833,332,000	8,334
Repurchase and cancellation of shares (note iii)	(47,795,000)	(478)
At 31st March, 2007	2,312,314,541	23,123
Conversion of convertible notes (note iv)	483,203,485	4,832
Placement of shares (note v)	300,000,000	3,000
<b>At 31st March, 2008</b>	<b>3,095,518,026</b>	<b>30,955</b>

## Note:

- (i) In April 2006 and May 2006, the First 2010 Convertible Notes and Placing Convertible Notes with aggregate principal amounts of HK\$354,000,000 and HK\$40,000,000 were converted into 804,431,812 and 90,909,090 ordinary shares of HK\$0.01 each, respectively, in the share capital of the Company at the conversion price of HK\$0.44 per share. The new shares rank pari passu with all the other shares in issue in all respects.
- (ii) On 27th April, 2006, the Company entered into a share placing agreement with a placing agent for a placing of 833,332,000 new ordinary shares of HK\$0.01 each in the share capital of the Company at an issue price of HK\$0.60 per share. The placement was approved by shareholders in a special general meeting held on 8th June, 2006. The net proceeds of approximately HK\$487 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.
- (iii) During the year ended 31st March, 2007, the Company repurchased a total of 47,795,000 ordinary shares of HK\$0.01 each in the share capital of the Company through the Stock Exchange at an aggregate consideration of approximately HK\$20 million, details of which are as follows:

Month of repurchase	No. of ordinary shares of HK\$0.01 each	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
July 2007	4,505,000	0.490	0.350	2,011
August 2007	26,425,000	0.465	0.390	11,795
September 2007	16,865,000	0.405	0.345	6,287
	<b>47,795,000</b>			<b>20,093</b>

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.

- (iv) During the year, 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 share capital of the Company at the conversion prices of HK\$0.44, HK\$0.44 and HK\$0.70 per share, respectively.
- (v) 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 share capital of the Company at an issue price of HK\$0.56 per share. The placement was approved by shareholders in a special general meeting held on 1st June, 2007. 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.

#### 44. 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:

Date of grant	Vesting proportion	Exercisable period	Exercise price per share HK\$	Number of share options					
				Outstanding at 1.4.2006	Granted during the year	Outstanding at 1.4.2007	Granted during the year	Cancelled during the year	Outstanding at 31.3.2008
Employees:									
15.8.2006	50%	15.8.2006 – 14.8.2008	0.50	-	750,000	750,000	-	-	750,000
	50%	15.8.2007 – 14.8.2008	0.50	-	750,000	750,000	-	-	750,000
27.7.2007	50%	27.7.2008 – 26.7.2011	0.67	-	-	-	7,600,000	-	7,600,000
	50%	27.7.2009 – 26.7.2011	0.67	-	-	-	7,600,000	-	7,600,000
Other participants:									
15.8.2006	50%	15.8.2006 – 14.8.2008	0.50	-	1,150,000	1,150,000	-	-	1,150,000
	50%	15.8.2007 – 14.8.2008	0.50	-	1,150,000	1,150,000	-	-	1,150,000
27.7.2007	50%	27.7.2008 – 26.7.2011	0.67	-	-	-	2,500,000	-	2,500,000
	50%	27.7.2009 – 26.7.2011	0.67	-	-	-	2,500,000	-	2,500,000
Directors:									
15.8.2006 (Note)	50%	15.8.2006 – 14.8.2008	0.50	-	13,750,000	13,750,000	-	(4,500,000)	9,250,000
	50%	15.8.2007 – 14.8.2008	0.50	-	13,750,000	13,750,000	-	-	13,750,000
27.7.2007	50%	27.7.2008 – 26.7.2011	0.67	-	-	-	21,750,000	-	21,750,000
	50%	27.7.2009 – 26.7.2011	0.67	-	-	-	21,750,000	-	21,750,000
				-	31,300,000	31,300,000	63,700,000	(4,500,000)	90,500,000
Exercisable at the end of the years						15,650,000			26,800,000

*Note:* The share options included 4,000,000 options granted to two executive directors of the Company before their appointment as executive directors.

The closing prices of the Company's shares immediately before 15th August, 2006 and 27th July, 2007, the dates of grant of the options, were HK\$0.445 and HK\$0.66, respectively, and the estimated fair values of the options granted were approximately HK\$4,050,000 and HK\$15,269,000 at the dates of grant, respectively.

The fair values of the share options granted during the current and prior years were calculated using the Binomial option pricing model. The inputs into the model were as follows:

	2008	2007
Date of grant	27.7.2007	15.8.2006
Share price	HK\$0.63	HK\$0.44
Exercise price	HK\$0.67	HK\$0.50
Expected life of options	1 to 2 years	2 years
Expected volatility	59.03%	56.21%
Expected dividend yield	Nil	Nil
Risk free rate	4.28%	4.21%
Fair value per option	HK\$0.2206 & HK\$0.2588	HK\$0.1294

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 the management's best estimate. The value of an option varies with different variables of certain subjective assumptions. 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, the fair value of such services is also measured with reference to the fair value of share options granted using the Black-Scholes pricing model.

The Group recognised the total expense of HK\$8,342,000 for the year (2007: HK\$3,296,000) in relation to the share options granted by the Company, of which HK\$2,498,000 (2007: HK\$702,000) was related to options granted to the Group's employees which has been included in staff costs as set out in note 13, and the remaining balance of HK\$5,844,000 (2007: HK\$2,594,000) was related to options granted to directors which has been included in directors' remuneration as set out in note 14(a).

#### 45. ACQUISITION OF SUBSIDIARIES

During the year ended 31st March, 2007:

- (a) The Group acquired the entire equity interest in Everight (the "First Acquisition"), a company engaged in the development and operation of golf resort and hotel and property management, for a consideration of HK\$141,993,000. Everight owned 63.03% interest in Smart Sharp Investment Limited ("Smart Sharp") which owned 88.17% interest in Donson.
- (b) Everight acquired the remaining 11.83% interest in Donson ("the Second Acquisition") for a consideration of HK\$19,529,000. After the completion of the Second Acquisition, the Group owned 67.40% effective interest in Donson.
- (c) Everight acquired the remaining 36.97% interest of Smart Sharp through the acquisition of the entire interest in Braniff Developments Limited ("Braniff") (the "Third Acquisition") for a consideration of HK\$35,730,000. After the completion of the Third Acquisition, the Group owns the entire interest in Smart Sharp and Donson.

The transaction (a) had been accounted for using the purchase method of accounting.

The net assets acquired in the acquisitions and the discount arising on acquisition are as follows:

	Acquiree's carrying amount before combination HK\$'000	2007	
		Adjustments HK\$'000	Fair values HK\$'000
Net assets acquired:			
Property, plant and equipment	209,819	–	209,819
Prepaid lease payments of leasehold land	101,139	–	101,139
Premium on prepaid lease payments of leasehold land	–	134,029 (note i)	134,029
Inventories	1,752	–	1,752
Properties held for sale	213	–	213
Debtors, deposits and prepayments	19,985	–	19,985
Tax recoverable	258	–	258
Bank balances and cash	9,559	–	9,559
Creditors, deposits and accrued charges	(55,640)	–	(55,640)
Tax payable	(11,443)	–	(11,443)
Amounts due to minority shareholders of subsidiaries	(1,377)	–	(1,377)
Unsecured loans from minority shareholders of subsidiaries	(34,901)	–	(34,901)
Unsecured loans from related parties	(8,303)	–	(8,303)
Unsecured loan from a director	(16,427)	–	(16,427)
Unsecured other borrowings	(17,382)	–	(17,382)
Bank borrowings	(45,507)	–	(45,507)
Deferred tax liabilities	(7,119)	(23,769) (note i)	(30,888)
	144,626	110,260	254,886
Minority interests	(103,522)	51,890 (note ii)	(51,632)
Revaluation reserve	–	(1,795)	(1,795)
	<u>41,104</u>	<u>160,355</u>	201,459
Discount on acquisition			<u>(4,207)</u>
			<u>197,252</u>

Notes:

- (i) The amount represented fair value adjustment on acquisition of prepaid lease payments of leasehold land and the related deferred tax liabilities.
- (ii) The amount represented the fair values of net assets of HK\$100,812,000 acquired from minority shareholders in the Second Acquisition and Third Acquisition, net of share of fair value adjustment of HK\$48,922,000 by minority shareholders in relation to the premium on acquisition of prepaid lease payments of leasehold land and the related deferred tax liabilities.

2007  
HK\$'000

Satisfied by:

Deposit and expenses paid for acquisition of subsidiaries	12,099
Cash	128,233
Issue of Second 2010 Convertible Notes	73,000
Expenditure incurred for the acquisition of subsidiaries	1,641
Other receivable ( <i>note</i> )	(17,721)
	197,252

Net cash outflow arising on acquisition:

Cash consideration	(129,874)
Bank balances and cash acquired	9,559
	(120,315)

*Note:* The other receivable represented an amount due from the vendor in respect of tax indemnity given by the vendor pursuant to the sale and purchase agreement for acquisition of Everight. The amount is included in other receivable as set out in note 32.

The subsidiaries acquired during the year ended 31st March, 2007 contributed HK\$54,960,000 to the Group's revenue and had a loss of HK\$5,727,000 included in the Group's profit after taxation for the period between the date of acquisition and 31st March, 2007. Had the acquisition had been completed on 1st April, 2006, the Group's revenue for the year would have been HK\$890,230,000, and profit for the year ended 31st March, 2007 would have been HK\$68,267,000.

The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of the Group that actually would have been achieved had the acquisition been completed on 1st April, 2006, nor is it intended to be a projection of future results.

#### 46. DISPOSAL OF SUBSIDIARIES

As detailed to in note 12, 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 Panyu 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 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:

	<b>Continuing operations</b> <i>HK\$'000</i>	<b>Discontinued operations</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
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 and other 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	<u>51,077</u>	<u>108,104</u>	<u>159,181</u>



	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 prepayment	14,669	–	14,669
Other loan receivables	–	90,000	90,000
Interest in properties held for development (note 22)	14,745	–	14,745
Expense paid for the disposal of subsidiaries	(510)	(1,896)	(2,406)
	<u>51,077</u>	<u>108,104</u>	<u>159,181</u>
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)
	<u>7,215</u>	<u>(63,525)</u>	<u>(56,310)</u>

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 12.

#### 47. CONTINGENT LIABILITIES

At 31st March, 2007, the Group had given an indemnity to the purchaser relating to unrecorded taxation liabilities, if any, and warranties relating to the affairs and businesses of a subsidiary disposed of in the previous year. The maximum aggregate liability of the Group in respect of all claims for breach of the warranties shall, when taken together with the aggregate liability of the Group in respect of all claims under the indemnity, not exceed the sum of HK\$60,000,000. All related claims may be brought against the Group up to the expiry of 10 years from 31st March, 1998. The contingent liabilities were released on 31st March, 2008.

In addition, the financial guarantee given to a bank in respect of banking facilities utilised by an associate amounted to HK\$250,000,000 at 31st March, 2007. The financial guarantee has been released through the disposal of More Profit as set out in note 23(ii).

## 48. CAPITAL AND OTHER COMMITMENTS

	2008 HK\$'000	2007 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	31,292	35,080
– acquisition of properties (Note 28)	–	61,964
	<u>31,292</u>	<u>97,044</u>
Other commitments:		
– acquisition of an associate (Note 27)	–	155,700
– acquisition of a land use right (Note 26)	5,000	10,013
– loan to an associate (Note 23)	15,000	70,000
	<u>20,000</u>	<u>235,713</u>
	<u>51,292</u>	<u>332,757</u>

## 49. OPERATING LEASE COMMITMENTS

## The Group as lessee

	2008 HK\$'000	2007 HK\$'000
Property rentals paid by the Group during the year in respect of:		
Minimum lease payments	13,422	30,407
Contingent rents	3,167	9,572
	<u>16,589</u>	<u>39,979</u>

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

	2008 HK\$'000	2007 HK\$'000
Within one year	1,960	27,492
In the second to fifth year inclusive	323	12,805
	<u>2,283</u>	<u>40,297</u>

Operating lease payments represent rentals payable by the Group for certain of its office premises and outlets. 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\$3,270,000 (2007: HK\$2,658,000). The properties are expected to generate rental yield of 1% on an ongoing basis. All of the properties held have committed tenants within one year.

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

	2008 HK\$'000	2007 HK\$'000
Within one year	<u>805</u>	<u>-</u>

**50. PLEDGE OF ASSETS**

At 31st March, 2008, the Group's bank and other borrowings and credit facilities from financial institutions were secured by the following:

- (a) bank deposits of HK\$41,268,000 (2007: HK\$40,783,000);
- (b) legal charges over the Group's properties held for sale with a carrying value of HK\$231,818,000 (2007: HK\$58,536,000);
- (c) financial assets at fair value through profit or loss of HK\$1,756,000 (2007: HK\$29,599,000).

In addition, at 31st March, 2008, the Group had bank deposits of approximately of HK\$10,550,000 (2007: Nil) pledged to banks in respect of banking facilities granted to third parties.

Other than the above, the Group's bank and other borrowings and credit facilities from financial institutions at 31st March, 2007 were also secured by the following:

- (a) prepaid lease payments of leasehold land of HK\$143,211,000; and
- (b) available-for-sale investments of HK\$75,970,000.

**51. 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 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 dates, 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 a Mandatory Provident Fund Scheme (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\$2,126,000 (2007: HK\$4,019,000) represents contributions paid or payable to the schemes by the Group during the year.

## 52. 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	Notes	Nature of transactions	2008 HK\$'000	2007 HK\$'000
<i>Director:</i>				
Mr. Lai		Interest expense	–	222
<i>Minority shareholders of subsidiaries:</i>				
Braniff	(i)	Interest expense	–	1,785
廣州市番禺旅游總公司	(ii)	Interest expense	734	266
		Management fee paid	295	295
三亞博后經濟開發有限公司	(ii)	Rental paid	231	84
<i>Associates:</i>				
Orient Town		Interest income	51,618	56,182
Concordia		Management fee paid	910	–
Orient Town Project Management Limited		Management fee received	250	–
<i>Other related companies:</i>				
Wing On	(iii)	Interest income	4,677	3,690
Mr. Chang Rong Wu	(iv)	Interest expense	–	11
L.F. Sam (HK) Ltd.	(v)	Interest expense	–	92

### Notes:

- (i) Minority shareholders of subsidiaries of Smart Sharp which become a wholly-owned subsidiary of the Company on 28th February, 2007 as set out in (d) below.
- (ii) Minority shareholders of subsidiaries of Everight.
- (iii) Mr. Cheung Hon Kit, an executive director of the Company is also a director of Wing On.
- (iv) A former director of a subsidiary of Everight.
- (v) Mr. Chan Jink Chou, Eric, a former director of a subsidiary of Everight, is also a director and a shareholder of the related company.

Details of the outstanding balances with related parties are set out in the consolidated balance sheet and in notes 23, 24, 33, 35, 36, 37 and 38.

- (b) As stated in the announcement on 5th January, 2007, Everight entered into an agreement with AIM Pacific Limited (“AIM”) which was owned as to 65% by Mr. Lai and 35% by Mr. Chan Jink Chou, Eric. Pursuant to the agreement, Everight agreed to acquire the entire interest in Braniff which was owned as to 67% and 33% by AIM and Mr. Chang Rong Wu, respectively, and aggregate amount of shareholders’ loans owing by Braniff to AIM and Mr. Chang Rong Wu and the interests accrued thereon up to the completion of the agreement for an aggregate consideration of approximately HK\$98 million (the “Braniff Acquisition”). The principal asset of Braniff was its indirect holding of 36.97% effective interest in the issued share capital of Donson and the guarantors of the Braniff Acquisition were Mr. Lai and Mr. Chan Jink Chou, Eric.

In addition, Everight should, immediately after the completion of the Braniff Acquisition, repaid on behalf of Donson or procure Donson to repay loans due to Mr. Lai and L.F. Sam (HK) Ltd. of approximately HK\$1.3 million and HK\$1.6 million, respectively, and interest accrued thereon.

Mr. Lai, Mr. Chan Jink Chou, Eric and Mr. Chang Rong Wu were directors of certain subsidiaries of the Company and Mr. Lai was the executive director of the Company. Mr. Chan Jink Chou, Eric and Mr. Chang Rong Wu have been resigned as directors of these subsidiaries during the year ended 31st March, 2007.

- (c) On 15th June, 2006, Hanny, four fund subscribers who were funds managed by Stark Investments (Hong Kong) Limited., an investment manager of the fund subscribers (“Stark Funds”), ITC Corporation Limited (“ITC”), and the eleven other note subscribers which were funds managed by global asset management firms had in aggregate conditionally agreed to subscribe for an aggregate of HK\$1,000 million 1% convertible notes due 2011 issued by the Company pursuant to the subscription agreements with principal amount of HK\$270 million, HK\$123 million, HK\$30 million and HK\$577 million, respectively. Hanny and ITC were companies incorporated in Bermuda with limited liability and their shares were listed on the Stock Exchange. The 2011 Convertible Notes had been issued during the year ended 31st March, 2007 as explained in note 39(c).

Hanny and Stark Funds held 20.71% and 17.26% interest in the total issued ordinary shares of HK\$0.01 each in the share capital of the Company, respectively, as at the date of the note subscription agreements entered. No conversion of 2011 Convertible Notes held by Hanny and Stark Funds noted during both years.

- (d) *Compensation of key management personnel*

The remuneration of directors during the year was as follows:

	2008 HK\$'000	2007 HK\$'000
Short-term benefits	19,368	11,105
Share-based payments	5,844	2,594
	<u>25,212</u>	<u>13,699</u>

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

**Connected party transactions**

- (a) As stated in the announcement on 7th December, 2007, on 28th November, 2007, Donson entered into several agreements in relation to:
- (i) the 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\$22.2 million) as set out in note 46;
  - (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\$44.3 million) to Panyu Golf for use in the development project as set out in note 22; and
  - (iii) the lease of the golf resort known as “Guangzhou Lotus Hill Golf Resort” which comprises golf course and golf clubhouse within Panyu, Guangzhou, Guangdong Province, the PRC by Panyu Golf 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\$5.2 million) renewable at an option of Donson Hotel Management at the 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. 廣州市番禺旅游總公司(「番禺旅游」), a company incorporated 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. Details of the above-mentioned transactions are set out in the announcement dated 7th December, 2007. The disposal was completed on 6th March, 2008.

- (b) During the year ended 31st March, 2008, Kopola had converted HK\$50 million (2007: HK\$100 million) of the First 2010 Convertible Notes into 113,636,363 (2007: 227,272,727) ordinary shares of HK\$0.01 each in the share capital of the Company at a conversion price of HK\$0.44 per share.

**53. POST BALANCE SHEET EVENTS**

- (a) As stated in the announcement dated 28th April, 2008, ITC Properties Management Limited (the “Tenant”), an indirect wholly-owned subsidiary of the Company, entered into a tenancy agreement with Island Town Limited (the “Landlord”), an indirect wholly-owned subsidiary of Hanny for renting Unit 3102, 31/F., Bank of America Tower, 12 Harcourt Road, Central, from 28th April, 2008 to 27th April, 2011 with a fixed rental of HK\$311,340 per month and management fee and air-conditioning charges of HK\$23,927 per month. The annual caps for total rental and other charges payable by the Tenant to the Landlord will not exceed HK\$3,900,000 for the financial year ending 31st March, 2009 and HK\$4,200,000 for each of the financial years ending 31st March, 2010 and 31st March, 2011.

As at 28th April, 2008, Hanny was indirectly interested in approximately 16.72% of the issued share capital of the Company and is a substantial shareholder. Accordingly, the Landlord is a connected person of the Company. The tenancy, which will be carried out on a continuing basis and in the ordinary and usual course of business of the Company, constitutes a continuing connected transaction of the Company under Rule 14A.14 of the Listing Rules.

- (b) Pursuant to the announcement dated 6th June, 2008, the Company proposed to issue 9,286,554,078 shares (with up to 2,476,414,420 bonus warrants to be issued by the Company to the successful applicants of the Right Shares pursuant to the rights issue at an initial exercise price of HK\$0.105 per warrant share (subject to adjustments) at any time during a period of 18 months from the date of issue of the warrants (the "Warrants")) at a subscription price of HK\$0.07 each in the capital of the Company, by way of rights issue in the proportion of three rights shares per every ordinary share of HK\$0.01 each in the share capital of the Company (the "Right Shares") (with the Warrants to be issued in the proportion of four Warrants for every fifteen Rights Shares subscribed) held to the shareholders other than the excluded shareholders as defined in the announcement, whose names appear on the register of members of the Company at the close of business on the record date for determining the entitlements of the shareholders to participate in the rights issue.

The rights issue is conditional upon the approval of the shareholders of the Company at the special general meeting of the Company and the transaction has not yet been completed up to the date of this report. The estimated net proceeds of the rights issue will be approximately HK\$626.6 million. The net proceeds are intended to be used as general working capital of the Group principally for its existing business and for the repurchase of the First 2010 Convertible Notes and the 2011 Convertible Notes. The Rights Shares, credited as fully paid, rank pari pass in all respects with the then existing issued shares.

#### 54. BALANCE SHEET OF THE COMPANY

The balance sheet of the Company at 31st March, 2008 is as follows:

	<i>Note</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Non-current asset		<u>1,117,096</u>	<u>1,189,481</u>
Current assets		2,034,061	1,657,490
Current liabilities		<u>8,060</u>	<u>8,676</u>
Net current assets		<u>2,026,001</u>	<u>1,648,814</u>
Total assets less current liabilities		3,143,097	2,838,295
Non-current liabilities		<u>1,236,559</u>	<u>1,360,455</u>
		<u>1,906,538</u>	<u>1,477,840</u>
Capital and reserves			
Share capital		30,955	23,123
Reserves	<i>(a)</i>	<u>1,875,583</u>	<u>1,454,717</u>
		<u>1,906,538</u>	<u>1,477,840</u>

Note:

(a) Reserves

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Convertible loan notes equity reserve HK\$'000	Share-based payment reserve HK\$'000	Contributed surplus HK\$'000 (Note)	Accumulated (losses) profits HK\$'000	Total HK\$'000
THE COMPANY							
At 31st March, 2006	213,224	646	157,053	-	206,177	(181,664)	395,436
Recognition of equity component of convertible notes	-	-	261,644	-	-	-	261,644
Conversion of convertible notes	393,688	-	(63,393)	-	-	-	330,295
Transfer	-	-	-	-	(206,177)	206,177	-
Issue of shares	491,666	-	-	-	-	-	491,666
Expenses incurred in connection with issue of shares	(12,908)	-	-	-	-	-	(12,908)
Repurchase and cancellation of shares	(19,615)	478	-	-	-	(478)	(19,615)
Recognition of equity-settled share-based payments	-	-	-	3,296	-	-	3,296
Profit for the year	-	-	-	-	-	4,903	4,903
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	<u>1,493,942</u>	<u>1,124</u>	<u>307,719</u>	<u>11,638</u>	<u>-</u>	<u>61,160</u>	<u>1,875,583</u>

Note: The contribution surplus of the Company represents:

- (i) the difference between the underlying net assets of the subsidiaries acquired by the Company at the date of the group reorganisation in 1994 less any dividends distributed from the pre-reorganisation reserves and the nominal amount of the Company's share capital issued as consideration for the acquisition; and
- (ii) net balance from capital reduction, cancellation of share premium and set-off against the deficit pursuant to the capital reorganisation on 15th April, 2003.

Pursuant to a resolution of the directors of the Company passed on 29th September, 2006, the amount of contribution surplus was transferred to the accumulated losses.



## 55. SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31st March, 2008 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		
			2008 %	2007 %	2008 %	2007 %	
Advance Tech Limited	Hong Kong	HK\$1 ordinary share	-	-	100	100	Securities investment
Asia Progress Investments Limited	British Virgin Islands	US\$1 ordinary share	-	-	100	100	Investment holding
Champion Palace Development Limited	Hong Kong	HK\$2 ordinary shares	-	-	-	100	Properties holding in the PRC
Castle Win International Limited	Hong Kong	HK\$2 ordinary shares	-	-	100	-	Property development
Cheung Tai Hong Holdings (Motor Vehicle) Limited	Hong Kong	HK\$10,000 ordinary shares	-	-	-	100	Trading of motorcycles and spare parts
Donson	Hong Kong	HK\$85,297,692 ordinary shares	-	-	100	100	Investment holding
Dragon Rainbow Limited	British Virgin Islands	US\$1 ordinary share	-	-	-	100	Investment holding
Exalt Investment Limited	Hong Kong	HK\$10,000 ordinary shares	-	-	-	100	Investment holding
Handsworth Investments Limited	British Virgin Islands	US\$1 ordinary share	-	-	100	100	Investment holding
Hayton Limited	Hong Kong	HK\$1 ordinary share	-	-	100	100	Property investment
ITC Properties Management Limited (formerly known as Macau Prime Management Limited)	Hong Kong	HK\$2,000 ordinary shares	-	-	100	100	Securities investment and investment holding
		HK\$500,000 non-voting deferred shares (note 1)	-	-	-	-	
Jean-Marie Pharmocal Company Limited	Hong Kong	HK\$812,600 ordinary shares	-	-	-	100	Manufacture and sale of pharmaceutical products
Jean-Marie Pharmocal Management Limited	Hong Kong	HK\$2 ordinary shares	-	-	-	100	Investment holding

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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		
			2008 %	2007 %	2008 %	2007 %	
Jumbo Ever Limited	Hong Kong	HK\$2 ordinary shares	-	-	-	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 (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 holding and sale
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
Pacific Essence Limited	British Virgin Islands	US\$1 ordinary share	-	-	-	100	Investment holding
Pacific Wins Development Ltd.	British Virgin Islands	US\$1,000 ordinary shares	-	-	-	100	Investment holding
Smarteam Limited	Hong Kong	HK\$2 ordinary shares	-	-	100	-	Property investment
Sound Advice Investments Limited	British Virgin Islands	US\$100 ordinary shares	-	-	100	100	Investment holding
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
Total Pacific Limited	Hong Kong	HK\$2 ordinary shares	-	-	-	100	Investment holding
Tung Fong Hung Investment Limited	British Virgin Islands	US\$10,000 ordinary shares	-	-	-	100	Investment holding

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**FINANCIAL INFORMATION ON THE GROUP**

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		
			2008 %	2007 %	2008 %	2007 %	
Tung Fong Hung Nominees Limited	British Virgin Islands	US\$2 ordinary shares	-	-	-	100	Provision of nominee services
Tung Fong Hung (China) Limited	Hong Kong	HK\$2 ordinary shares	-	-	-	100	Distribution of Chinese medicine and health products
Tung Fong Hung Foods Limited	Hong Kong	HK\$2 ordinary shares	-	-	-	100	Distribution of health food
Tung Fong Hung Foods Company, B.C. Limited	Canada	CAD360 common shares	-	-	-	100	Retail of herbal products and dried seafood
Tung Fong Hung Medicine (BVI) Limited	British Virgin Islands	HK\$0.2 ordinary share	-	-	-	100	Investment holding
Tung Fong Hung Medicine Company Limited	Hong Kong	HK\$1,001 ordinary shares	-	-	-	100	Retailing of Chinese medicine and foodstuffs
Tung Fong Hung Medicine Company (Macau) Limited	Macau	MOP100,000 quota capital	-	-	-	100	Retailing of Chinese medicine and foodstuffs
TFH Management Limited	Hong Kong	HK\$2 ordinary shares	-	-	-	100	Provision of management services
TFH Manufacturing Company Limited	Hong Kong	HK\$2 ordinary shares	-	-	-	100	Processing, packaging and distribution of Chinese medicine and foodstuffs
TFH (China) Holdings Limited	Hong Kong	HK\$2 ordinary shares	-	-	-	100	Investment holding
Universal Focus Limited	British Virgin Islands	US\$1 ordinary share	-	-	-	100	Investment holding
Well Cycle Limited	Hong Kong	HK\$2 ordinary shares	-	-	100	100	Letting of motor vehicles
Vintage Hotel Limited	British Virgin Islands	HK\$23,595,000 ordinary shares	-	-	100	100	Development and operation of hotel and golf resort
三亞亞龍灣風景高爾夫文化公園有限公司	PRC (note 2)	RMB35,000,000 ordinary shares	-	-	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 2)	HK\$30,000,000	-	-	100	100	Development and operation of hotel

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		
			2008 %	2007 %	2008 %	2007 %	
深圳市東方聖恒貿易有限公司	PRC (note 2)	RMB2,000,000	-	-	-	51	Distribution of Chinese medicine and health food
東方紅(中山)保健食品廠有限公司	PRC (note 3)	US\$1,000,000	-	-	-	100	Processing and wholesaling of health food
黑龍江金保華農業有限公司	PRC (note 3)	HK\$14,000,000	-	-	-	100	Cultivation and sales of potatoes
哈爾濱東方綠種業有限公司	PRC (note 4)	RMB1,100,000	-	-	-	100	Sales of potatoes seeds

*Notes:*

- (1) 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.
- (2) The subsidiaries were established in the PRC as a sino-foreign equity joint venture companies.
- (3) The subsidiaries are wholly-owned foreign enterprises.
- (4) The subsidiaries are wholly-owned domestic enterprises.

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.

## 56. 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 of securities
Finance	-	loan financing services

The Group was also involved in trading of motorcycles and manufacturing and trading of medicine and health products in prior year. These operations were discontinued during the year as set out in note 12.

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**FINANCIAL INFORMATION ON THE GROUP**

Segment information about these businesses is presented below:

2008

	Continuing operations							Discontinued operations				Consolidated HK\$'000
	Property development	Property investment	Golf and leisure	Securities investment	Finance	Segment total	Elimination/ adjustments	Total	Motor-cycles	Medicine and health products	Total	
	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												
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*	-	-	-	-	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	(16,303)	59,141	7,469	76,077	-	76,077	(1,359)	1,747	388	76,465
Unallocated corporate income						43,860	-	43,860	-	689	689	44,549
Unallocated corporate expenses						(58,762)	-	(58,762)	-	-	-	(58,762)
Share of results of associates	(30,047)	5,000	-	-	-	(25,047)	-	(25,047)	-	-	-	(25,047)
Impairment losses on prepaid lease payments of leasehold land and premium on prepaid lease payments of leasehold land	-	-	(45,000)	-	-	(45,000)	-	(45,000)	-	-	-	(45,000)
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)
Unallocated finance costs						(54,787)	-	(54,787)			(613)	(55,400)
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)

\* Inter-segment sales were charged at terms determined and agreed between group companies.

# APPENDIX I

# FINANCIAL INFORMATION ON THE GROUP

2008

	Continuing operations							Discontinued operations				
	Property development	Property investment	Golf and leisure	Securities investment	Finance	Segment total	Elimination/adjustments	Total	Motor-cycles	Medicine and health products	Total	Consolidated
	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 BALANCE SHEET												
AT 31ST MARCH, 2008												
ASSETS												
Segment assets	322,814	274,111	320,619	162,513	1,399,868	2,479,925	-	2,479,925	-	-	-	2,479,925
Interest in properties held for development	14,745	-	-	-	-	14,745	-	14,745	-	-	-	14,745
Interests in associates	135,503	-	-	-	-	135,503	-	135,503	-	-	-	135,503
Unallocated corporate assets	-	-	-	-	-	-	-	-	-	-	-	732,820
Consolidated total assets												<u>3,360,993</u>
LIABILITIES												
Segment liabilities	885	5,168	58,250	920	1,269,058	1,334,281	(1,269,022)	65,259	-	-	-	65,259
Unallocated corporate liabilities	-	-	-	-	-	-	-	-	-	-	-	<u>1,445,557</u>
Consolidated total liabilities												<u>1,510,816</u>

	Continuing operations							Discontinued operations				
	Property development	Property investment	Golf and leisure	Securities investment	Finance	Segment total	Elimination/adjustments	Total	Motor-cycles	Medicine and health products	Total	Consolidated
	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
Decrease 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

**APPENDIX I**
**FINANCIAL INFORMATION ON THE GROUP**
**2007**

	Continuing operations							Discontinued operations				Consolidated
	Property development	Property investment	Golf and leisure	Securities investment	Finance	Segment total	Elimination/adjustments	Total	Motor-cycles	Medicine and health products	Total	
	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, 2007												
Gross Proceeds	3,690	1,561	52,367	329,155	24,903	411,676	-	411,676	13,125	400,638	413,763	825,439
REVENUE												
External sales	3,690	1,561	52,367	10,868	24,903	93,389	-	93,389	13,125	400,638	413,763	507,152
Inter-segment sales*	-	-	-	-	37,702	37,702	(37,702)	-	-	-	-	-
Total	3,690	1,561	52,367	10,868	62,605	131,091	(37,702)	93,389	13,125	400,638	413,763	507,152
SEGMENT RESULTS												
Unallocated corporate income						41,741	-	41,741	698	42,439		
Unallocated corporate expenses						(43,015)	-	(43,015)	(3)	(43,018)		
Discount on acquisition of subsidiaries	-	-	4,207	-	-	4,207	-	4,207	-	-	-	4,207
Compensation for cancellation of call options for acquisition of additional interest in an associate						23,370	-	23,370	-	-	-	23,370
Share of results of associates	-	40,916	-	-	-	40,916	-	40,916	-	-	-	40,916
Unallocated finance costs						(24,059)	-	(24,059)			(1,835)	(25,894)
Profit before taxation						80,697		80,697			3,459	84,156
Taxation						(10,004)		(10,004)			(51)	(10,055)
Profit for the year						70,693		70,693			3,408	74,101

\* Inter-segment sales were charged at terms determined and agreed between group companies.

**APPENDIX I**
**FINANCIAL INFORMATION ON THE GROUP**
**2007**

	Continuing operations							Discontinued operations				
	Property development	Property investment	Golf and leisure	Securities investment	Finance	Segment total	Elimination/adjustments	Total	Motor-cycles	Medicine and health products	Total	Consolidated
	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 BALANCE SHEET												
AT 31ST MARCH, 2007												
ASSETS												
Segment assets	71,662	-	509,581	194,265	1,518,647	2,294,155	-	2,294,155	1,859	164,145	166,004	2,460,159
Interests in associates	93,879	-	-	-	-	93,879	-	93,879	-	-	-	93,879
Unallocated corporate assets						795,651		795,651	-	32,411	32,411	828,062
Consolidated total assets						<u>3,183,685</u>		<u>3,183,685</u>			<u>198,415</u>	<u>3,382,100</u>
LIABILITIES												
Segment liabilities	13,600	-	41,248	720	1,318,822	1,374,390	(1,318,822)	55,568	50	94,874	94,924	150,492
Unallocated corporate liabilities						1,559,788		1,559,788	-	-	-	1,559,788
Consolidated total liabilities						<u>2,934,178</u>		<u>1,615,356</u>			<u>94,924</u>	<u>1,710,280</u>
OTHER INFORMATION												
Depreciation of property, plant and equipment	-	-	10,390	-	-	10,390	629	11,019	-	9,778	9,778	20,797
Amorisation of prepaid lease payments of leasehold land	-	-	1,953	-	-	1,953	-	1,953	-	31	31	1,984
Amorisation of premium on prepaid lease payments of leasehold land	-	-	2,502	-	-	2,502	-	2,502	-	-	-	2,502
Amorisation of intangible assets	-	-	-	-	-	-	-	-	-	225	225	225
Increase in fair value of financial assets at fair value through profit or loss	-	-	-	17,755	-	17,755	-	17,755	-	-	-	17,755
Allowance for inventories	-	-	-	-	-	-	-	-	-	10,870	10,870	10,870
Write-off of intangible assets	-	-	-	-	-	-	-	-	-	2,550	2,550	2,550
Capital additions	-	-	247,373	-	-	247,373	856	248,229	-	5,609	5,609	253,838
Development cost incurred	-	-	-	-	-	-	-	-	-	219	219	219
Equity-settled share-based payment expense	-	-	-	-	-	-	3,296	3,296	-	-	-	3,296



**Geographical segments**

The Group's operations are principally located in Macau, Hong Kong, the PRC and other countries including Canada, Taiwan and Singapore. 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 sales by geographical market, irrespective of the origin of the goods:

	<b>Sales revenue by geographical market</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	188,549	335,502
PRC	89,657	136,306
Other countries	37,046	35,344
	<u>315,252</u>	<u>507,152</u>

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

	<b>Carrying amount of segment assets</b>		<b>Additions to property, plant and equipment and intangible assets</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets				
Macau	1,375,889	1,242,017	–	–
Hong Kong	607,606	646,703	1,628	4,954
PRC	374,277	565,284	37,685	248,904
Other countries	122,153	6,155	–	199
	<u>2,479,925</u>	<u>2,460,159</u>	<u>39,313</u>	<u>254,057</u>
Other assets	881,068	921,941	–	–
	<u>3,360,993</u>	<u>3,382,100</u>	<u>39,313</u>	<u>254,057</u>

### 3. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is a reproduction of the management discussion and analysis as contained in the annual report of the Company for the year ended 31st March, 2008.

#### **Business Review**

In the current year, revenue includes net gain on disposal of investments held-for-trading and excludes interest on unsecured loan due from an associate whereas revenue for 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. The Group's gross proceeds from continuing operations for the year ended 31st March, 2008 was approximately HK\$600.8 million, representing an increase of 46% as compared with last year of HK\$411.7 million, primarily attributable to increase in securities investment transactions and sale of properties during the year. As a result, the Group achieved a gross profit for the year of approximately HK\$76.9 million, showing an improvement from HK\$43.5 million last year.

Income from loan financing amounted to HK\$31.8 million for the year as compared to HK\$21 million last year. Other income, including interest of HK\$51.6 million charged on shareholder's loan to Orient Town Limited ("Orient Town", together with its subsidiaries the "Orient Town Group"), an associate of the Group, amounted to HK\$73.2 million, showing a decrease as compared with HK\$105.6 million last year mainly because there was less bank interest income in current year due to the lower interest rate.

Since Concordia Land (as defined below) was still in the development stage, the Orient Town Group incurred a loss during the year as a result of the effective interest charged on shareholders' loans which was included in share of results of associates of a loss of HK\$25 million.

The Group recorded a loss for the year of HK\$144.4 million, as compared to the profit of HK\$74.1 million last year, mainly due to the following non-recurring items from the corporate exercises during the year:

1. a loss on disposal of an associate of HK\$39.5 million as a result of the disposal of the Group's effective 20% interest in Grand Waldo Hotel, details of which are included in "Property Development and Investment" paragraph below;
2. an impairment loss of HK\$45 million was recognised in view of an estimated loss on disposal of the Group's entire interest in the Lotus Hill Golf Resort due to the change in regulations of the PRC, details of which are included in "Golf and Leisure" paragraph below. Together with the further recognition of a loss on disposal of HK\$19.1 million of the Lotus Hill Golf Resort and the related businesses, the aggregate loss incurred in this respect amounted to HK\$64.1 million; and

3. a loss on disposal of the Group's entire interest in Tung Fong Hung Investment Limited ("TFH") of HK\$18.6 million.

*Property Development and Investment*

Macau:

In April 2007, the Group acquired 44 residential units in Zhu Kuan Mansion, a residential/office/commercial complex nearby the Sands casino-hotel. These properties have been upgraded with major renovation and improvements which are currently held for the purpose of resale at an opportune time. The total gross floor area of the units is approximately 57,432 sq. ft. with an average cost of approximately HK\$2,070/sq. ft.

In July 2007, the Group further acquired another 18 residential units and 18 car parking spaces in Pearl on the Lough, a luxury residential building on the waterfront of Taipa, which are also currently held for resale purpose. The total gross floor area of the units is approximately 44,046 sq. ft. with an average cost of approximately HK\$2,690/sq. ft. In March 2008, 2 residential units and 2 car parking spaces were sold. In May 2008, another residential unit and car parking space were sold at close to HK\$4,000/sq. ft.

The Group has an effective 35.5% interest in Empresa De Fomento Industrial E Comercial Concórdia, S.A. ("Concordia"). In October 2007, the Government of Macau has granted to Concordia the new concession of 14 parcels of leased land situated in Estrada de Seac Pai Van, Macau for a 25-year plus 25-year time from 2007 ("Concordia Land"), which absolutely confirmed the value of the Group's investment in Concordia. The planned total gross floor area of Concordia is approximately 8,000,000 sq. ft. with an average cost of approximately HK\$430/sq. ft. as based on the Group's investment in Concordia of HK\$1,213 million. Development plans are being submitted to the Government of Macau for approval and other preparatory works for the development and marketing are being actively taken out.

In September 2007, the Group disposed of its effective 20% interest in Grand Waldo Hotel in Macau for an aggregate consideration of HK\$350 million, of which HK\$150 million was paid in cash, HK\$100 million was settled by 126,262,626 shares in Get Nice Holdings Limited ("Get Nice") at HK\$0.792 each ("Get Nice Consideration Shares") and remaining HK\$100 million was settled by convertible bonds issued by Get Nice. Upon the completion of the disposal, the market price of the Get Nice Consideration Shares was considerably below HK\$0.792 and as a result, a loss on disposal of an associate of HK\$39.5 million was recorded mainly attributable to the shortfall in the fair value of the Get Nice Consideration Shares as partial consideration. This loss was substantially compensated by the net gain on financial instruments since all the Get Nice Consideration Shares were subsequently disposed of at market prices above HK\$0.792 each and HK\$43 million of the convertible bonds issued by Get Nice was also disposed of at a price above its face value. Taking into account the share of profit from Grand Waldo Hotel of approximately HK\$92.1 million recognised in last year, there is a reasonably good return from this investment.

## PRC:

The Group has entered into an agreement to acquire in Hengqin, Zhuhai a plot of land in the area of approximately 26,000 m<sup>2</sup> located right on the waterfront across from Cotai, Macau, at the consideration of approximately RMB51 million which permitted uses under town planning guidelines are commercial, residential, hotel and retail. The plot ratio is 1.6. Consideration had substantially been paid up and title transfer is pending upon lifting of moratorium for land transfer within the Hengqin area imposed by local government.

## Hong Kong:

In January 2008, the Group has acquired 2 adjacent blocks of building located at the junction of Nathan Road and Fife Street for approximately HK\$229 million which aggregate re-developable gross floor area is approximately 29,000 sq. ft. It is currently intended that the properties will be held for re-development into a retail and office complex for investment purpose.

During the current year, some units at Talon Tower on Connaught Road West were sold at a profit. As at 31st March, 2008, 7 residential units and 1 commercial unit remained unsold.

*Golf and Leisure*

The sales revenue from the golf and leisure business during the year was HK\$62.6 million (2007: HK\$52.4 million) with a segmental loss of HK\$16.3 million (2007: segmental profit of HK\$3.4 million). The construction of additional 9 holes in Sun Valley Golf Resort has been completed and opened to golfers in November 2007. The enlarged hotel development plan has been approved by the local government.

In November 2007, the National Commission of Development and Reform and the Ministry of Commerce of the PRC have jointly announced that foreign investors are prohibited to take part in golf business in the PRC unless consent has been obtained prior to 1st December, 2007. The joint venture for the Sun Valley Golf Resort in Sanya will expire in 2049 and therefore shall not be affected by this new regulation in the foreseeable future. However, this new regulation had significant impact on the joint venture for the Lotus Hill Golf Resort in Guangzhou since its contract period expired in September 2007 which had been temporarily extended by further 6 months in order to facilitate the negotiation with the PRC joint venture partner for a practical re-arrangement of the joint venture. In November 2007, the Group entered into agreements to dispose of its entire interest in the

Lotus Hill Golf Resort to an associate of the PRC joint venture partner. Simultaneously, the Group:

- (a) remains as a lessee of the golf resort to maintain revenue from guests for using facilities in the golf resort;
- (b) remains as a partner to the development of villas of saleable area of about 23,000 m<sup>2</sup> within the golf resort; and
- (c) has the first right to participate in any new business opportunities within the golf resort, including property developments.

Details of this transaction have been included in the circular of the Company dated 17th January, 2008.

#### *Securities Investment*

As part of its treasury management to obtain better return from the surplus cash, the Group has increased its activities in securities investment. During the year, gross proceeds and segmental profit from securities investment were HK\$424.6 million (2007: HK\$329.2 million) and HK\$59.1 million (2007: HK\$26.8 million) respectively. As at 31st March, 2008, the Group had available-for-sale investments and financial assets at fair value through profit or loss in an aggregate sum of HK\$106.5 million, mainly comprised of shares listed in Hong Kong and Singapore.

#### *Manufacturing and Trading of Medicine and Health Products*

Following the disposal of entire interest in TFH in July 2007, the Group has discontinued the operation of manufacturing and trading of medicine and health products. The segmental turnover for the year up to the date of disposal was HK\$115.7 million (2007: HK\$400.6 million) with a pre-tax profit contribution of HK\$1.8 million (2007: HK\$3.2 million).

#### *Financing*

During the year, the Group had interest income from unsecured loans due from associates, convertible bonds, related companies and other loan receivables of HK\$86.4 million of which HK\$31.8 million was included as revenue while the remaining HK\$54.6 million was included in other income. As at 31st March, 2008, unsecured loans and interest due from associates, debt portion of convertible bonds, unsecured loan and interest due from related companies and other loan receivables of the Group amounted to HK\$1,077.7 million, HK\$51.1 million, HK\$58.3 million and HK\$243.1 million respectively.

### Financial Review

During the year, convertible notes in an aggregate principal amount of HK\$247.5 million were converted into approximately 483.2 million shares of the Company and the outstanding principal amount of the convertible notes as at 31st March, 2008 was approximately HK\$1,394.5 million.

To further strengthen the Group's resources, the Company had entered into a placing and subscription agreement for the issue of 300,000,000 new shares at HK\$0.56 each ("Top-Up Placing") which was completed in June 2007. The net proceeds of approximately HK\$163 million were retained as general working capital.

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. In addition to the above convertible note payables, a variety of credit facilities is maintained so as to meet its working capital requirements.

During the year, the Group has obtained additional bank loans of approximately HK\$144 million to partially finance the acquisition of properties in Macau. As at 31st March, 2008, total borrowings from financial institutions amounted to HK\$153.6 million, of which HK\$39.6 million was repayable after one year. The net gearing ratio of the Group, calculated with reference to the bank and other borrowings of HK\$153.6 million and the fair value of the liability component of convertible note payables of HK\$1,243.8 million, offsetting with the pledged bank deposits and the bank and cash balances of HK\$294.9 million, and the Group's shareholders' funds of HK\$1,843 million, was 0.6 as at 31st March, 2008, showing some decreases from 0.74 as at 31st March, 2007.

About HK\$120.4 million of the borrowings from financial institutions were interest-bearing with variable rates while interest of the remaining balance was calculated on fixed rate. The management anticipates that interest rate remains stable in the capital market and therefore no hedge is to be made against any unfavourable fluctuation in interest rate. Most of the assets and liabilities of the Group were denominated in Hong Kong dollars, Renminbi and Macau Pataca, and hence the Directors considered that the Group was not subject to any material adverse exchange rate exposure.

### Number of Employees, Remuneration Policies and Share Option Scheme

As at 31st March, 2008, the number of employees of the Group was 1,003 (2007: 1,726). Employees are remunerated according to their qualifications and experience, job nature and performance, under the pay scales aligned with market conditions. Other benefits to employees include medical, insurance cover and retirement schemes. On 15th August, 2006 and 27th July, 2007, the Company had granted share options with an exercise price of HK\$0.50 per share and HK\$0.67 per share respectively, to certain directors, senior management and employees of the Group pursuant to the terms and conditions of the share option scheme adopted by the Company on 26th August, 2002.

## Outlook

In September 2007, the name of the Company has been changed from Macau Prime Properties Holdings Limited to ITC Properties Group Limited so as to reflect that in addition to Macau being a major geographical market, the Group has considerable investments in the PRC and the interests of ITC Corporation Limited in the Group.

Further to the real growth in the GDP of 16.6% recorded in full year 2006, the GDPs of Macau for the full year 2007 further accelerated with a strong real growth of 27.3%. Unemployment rate remains low at around 3.1% with enviable increases in household income which drives the local demand for better living condition. Most of the properties recently put on the market are well received with wide attraction to the international investors. As a result, the Macau property market has been strong in all sectors, including residential, shops, office and hotels. The opening of Venetian Macao Resort Hotel, the Crown Macau, the MGM Grand Macau, the convention and exhibition facilities as well as scheduled opening of more exciting leisure and entertainment facilities stage the area in Cotai Strip, Macau as an international focal spot. The Group's investment in the luxury and large-scale residential development over the Concordia Land, superiorly located at the south end of Cotai Strip, enjoys a magnificent view of Venetian Macao Resort Hotel and other surrounding deluxe entertainment developments. The Group believes that once this development is marketed for pre-sale, it will be one of the most popular luxury residential projects in Macau.

After the termination and cancellation of the acquisition of an effective 25% in the Shanghai Tianma Country Club, the Group will focus on the development of leisure facilities including hotels within Sun Valley Golf Resort in Sanya, where is one of the most preferred spot for vacation within the PRC.

The Group has been closely studying the property market in Vietnam to explore lucrative investment opportunities in light of the current market slump. The Group has targeted and touched base with certain party in relation to a developable site of about 1 sq. kilometre in Greater Ho Chi Minh City to be developed into residential houses and units with amenity facilities.

In June 2008, the Company proposes to raise HK\$650.1 million before expenses by way of the rights issue of 9,286,554,078 rights shares (with warrants) at a subscription price of HK\$0.07 per rights share on the basis of three rights shares (with warrants in the proportion of four warrants for every fifteen rights shares subscribed) for every share held (the "Rights Issue"). The net proceeds from the Rights Issue and the exercise of the warrants are intended to be used (i) as a general working capital of the Group for its existing business; and (ii) for possible repurchase of the convertible notes (other than those held by the respective subsidiaries and/or associate of ITC Corporation Limited, Hanny Holdings Limited and a director of the Company) issued by the Company; and (iii) future acquisitions. The details of the Rights Issue have been disclosed in the Company's circular dated 24th June, 2008.



In the recent years, the Group has proactively enlarged its portfolio of property investments by acquiring property interests in Macau and Hong Kong including the aspiring substantial interest in Concordia Land. In addition, the Group has on one hand extended its business to the PRC market by developing quality leisure properties within its golf resorts while on the other hand, streamlined its operations by disposing the non-core businesses including the medicine and health products segment. The management of the Group is confident that these investments will contribute substantial rewards to the Group in the coming years. Continuing with the same strategy, the Group will be looking for new opportunities in Macau, the PRC, Hong Kong and the surrounding area with a view to expanding its investments in quality properties.

### **Pledge of Assets**

As at 31st March, 2008, general credit facilities granted to the Group by banks and financial institutions were secured by pledges of the Group's property held for sale in an aggregate value of approximately HK\$231.8 million, bank balances of HK\$41.3 million, and financial assets at fair value through profit or loss of approximately HK\$1.8 million.

### **Securities in Issue**

During the year, the Company had issued a total of 483,203,485 shares upon conversion of convertible notes including 348,917,775 shares at the conversion price of HK\$0.44 per share and 134,285,710 shares at the conversion price of HK\$0.70 per share. In addition, the Company had issued 300,000,000 new shares at the price of HK\$0.56 per share by way of Top-Up Placing on 1st June, 2007.

As at 31st March, 2008, there were 3,095,518,026 shares in issue and a total of outstanding share options of 90,500,000 shares including 26,800,000 shares at an exercise price of HK\$0.50 per share and 63,700,000 shares at an exercise price of HK\$0.67 per share. Save as disclosed above, there was no movement in the issued share capital during the year.

### **Purchase, Sale or Redemption of the Company's Listed Securities**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31st March, 2008.



#### 4. FINANCIAL AND TRADING PROSPECTS

Due to the financial turmoil, the property market in Hong Kong has quiet down recently. The Board believes that it is an opportune time to invest in properties with resale and redevelopment potential at reasonable prices and that the Acquisition provides a good opportunity for the Enlarged Group to increase its property portfolio in Causeway Bay, one of the well off districts in Hong Kong, where the Enlarged Group has recently acquired a nearby property at Moreton Terrace. The management of the Enlarged Group is confident that this investment will have a positive impact on the earnings of the Enlarged Group when the market recovers.

The rights issue in August 2008 has further enlarged the Company's capital base and strengthened the financial position of the Enlarged Group by reducing its gearing ratio.

#### 5. INDEBTEDNESS STATEMENT

##### (a) Borrowings

At the close of business on 30th September, 2008 being the latest practicable date for the purpose of preparing this indebtedness statement, the Enlarged Group had the following borrowings:

	<b>The Enlarged Group</b> <i>HK\$'000</i>
Secured borrowings	
– Banks	137,716
– A security broker	1,769
	<hr/>
	139,485
Obligations under finance leases	253
	<hr/>
	<b>139,738</b>
	<hr/> <hr/>

The secured bank borrowings, secured borrowings from a security broker and obligations under finance leases in respect of three copying machines were secured by certain of the Enlarged Group's property, plant and equipment, properties held for sale, investments held-for-trading and bank deposits with an aggregate carrying amounts of approximately HK\$271.9 million at 30th September, 2008.

**(b) Debt securities**

At the close of business on 30th September, 2008, the Enlarged Group had the following outstanding convertible notes:

	<b>Principal amount</b> <i>HK\$'000</i>	<b>Carrying amount of debt component at 30th September, 2008</b> <i>HK\$'000</i>	<b>Conversion price</b> <i>HK\$</i>
Convertible notes issued on 11th August, 2005	471,050	466,271	0.227
Convertible notes issued on 8th June, 2006	17,476	16,147	0.227
Convertible notes issued on 15th June, 2006	906,000	802,230	0.361

Save as aforesaid and apart from intra-group liabilities and normal trade payables and bills payable, as at the close of business on 30th September, 2008, none of the companies of the Enlarged 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.

**6. WORKING CAPITAL**

The directors are of the opinion that, after taking into account of its present available financial resources and the available banking facilities, the Enlarged 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 PINE CHEER

*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**

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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 November, 2008

The Directors  
ITC Properties Group Limited

Dear Sirs,

We set out below our report on the financial information ("Financial Information") regarding Pine Cheer Limited ("Pine Cheer") for the period from 30th January, 2008 (date of incorporation) to 30th September, 2008 (the "Relevant Period") for inclusion in the circular of ITC Properties Group Limited ("ITC Properties") dated 25th November, 2008 issued in connection with the major transaction involving acquisition of the entire issued share capital of, and shareholder's loan to, Pine Cheer (the "Circular").

Pine Cheer is a private limited company incorporated in Hong Kong on 30th January, 2008. The registered office and principal place of business of Pine Cheer is located at Unit 904, 9th Floor, Yip Fung Building, Nos. 2-18 D'Aguilar Street, Central, Hong Kong. Pine Cheer holds properties for resale purpose.

For the purpose of this report, the sole director of Pine Cheer has prepared the financial statements of Pine Cheer for the Relevant Period (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("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 sole director of Pine Cheer. The directors of ITC Properties 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 Pine Cheer's affairs as at 30th September, 2008 and of its loss for the Relevant Period.

## A. FINANCIAL INFORMATION

## INCOME STATEMENT

For the period from 30th January, 2008 to 30th September, 2008

	<i>Notes</i>	<i>HK\$</i>
Other income	6	144,437
Administrative expenses		(17,819)
Interest on other loan repayable on demand		<u>(298,200)</u>
Loss for the period	7	<u><u>(171,582)</u></u>

## BALANCE SHEET

As at 30th September, 2008

	<i>Notes</i>	<i>HK\$</i>
Current assets		
Properties held for sale		193,836,945
Deposits paid for acquisition of properties to be held for sale	9	15,704,000
Cash held by a solicitor		<u>323,285</u>
		<u>209,864,230</u>
Current liabilities		
Deposits received and receipts in advance		82,345
Loan from the shareholder	10	189,818,307
Other loan	11	<u>20,135,060</u>
		<u>210,035,712</u>
Net current liabilities		<u><u>(171,482)</u></u>
Capital and reserve		
Share capital	12	100
Accumulated loss		<u>(171,582)</u>
		<u><u>(171,482)</u></u>

## STATEMENT OF CHANGES IN EQUITY

For the period from 30th January, 2008 to 30th September, 2008

	Share capital HK\$	Accumulated loss HK\$	Total HK\$
Issue of share on date of incorporation	1	–	1
Issue of shares on 10th March, 2008	99	–	99
Loss for the period	–	(171,582)	(171,582)
	<u>100</u>	<u>(171,582)</u>	<u>(171,482)</u>
At 30th September, 2008	<u>100</u>	<u>(171,582)</u>	<u>(171,482)</u>

## NOTES TO THE FINANCIAL INFORMATION

## 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Financial Information is presented in Hong Kong dollars, which is the same as the functional currency of Pine Cheer.

No cash flow statement has been presented as Pine Cheer did not have any cash transaction during the period. During the period, Pine Cheer acquired properties held for sale for approximately HK\$194,000,000. Payment for this and other transactions was made by the sole shareholder on behalf of Pine Cheer. Rental income from properties letting was received by the sole shareholder on behalf of Pine Cheer.

The Financial Information has been prepared on a going concern basis because the sole shareholder has agreed to provide adequate funds to enable Pine Cheer to meet its financial obligation as they fall due for the foreseeable future and not to request repayment of the amounts owed to shareholder until such time as Pine Cheer is in a position to repay the amounts without impairing its equity position and/or trading capabilities.

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

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA.

At the date of this report, the HKICPA has issued the revised or amended standards and interpretations that have been issued but not yet effective. Pine Cheer has not early adopted the new HKFRS in the preparation of the Financial Information.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets <sup>3</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combination <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>4</sup>
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation <sup>5</sup>

- <sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009
- <sup>2</sup> Effective for annual periods beginning on or after 1st July, 2009
- <sup>3</sup> Effective from 1st July, 2008
- <sup>4</sup> Effective for annual periods beginning on or after 1st July, 2008
- <sup>5</sup> Effective for annual periods beginning on or after 1st October, 2008

The sole director of Pine Cheer anticipates that the application of the new or revised standards, amendments or interpretations will have no material effect on how the results and the financial position of Pine Cheer are prepared and presented.

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

#### **Recognition on rental income**

Rental income, including rentals invoiced in advance, from properties under operating leases, is recognised on a straight-line basis over the terms of the relevant lease.

#### **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 director's estimates based on prevailing market conditions.

#### **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 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. Pine Cheer'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 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.

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

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

#### **Financial instruments**

Financial assets and financial liabilities are recognised on the balance sheet when Pine Cheer becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

*Financial assets*

Pine Cheer's financial assets are classified as loans and receivables.

## 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 (representing cash held by a solicitor) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in impairment loss on financial assets below).

## 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.

## Impairment of financial assets

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

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

For financial assets 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.

*Financial liabilities and equity*

Financial liabilities and equity instruments issued by Pine Cheer 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 Pine Cheer after deducting all of its liabilities.

## Financial liabilities

Pine Cheer's financial liabilities (including loan from the shareholder and other loan) are subsequently measured at amortised cost, using the effective interest method.

#### Equity instruments

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

#### 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.

#### *Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and Pine Cheer 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.

#### **Leasing**

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

Rental income from operating leases is recognised in the 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.

#### **4. CAPITAL RISK MANAGEMENT**

Pine Cheer manages its capital to ensure that Pine Cheer will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the debt and equity balance.

The capital structure of Pine Cheer consists of debt, which includes loan from shareholder and other loan as disclosed in notes 10 and 11, respectively, and equity attributable to equity holder of Pine Cheer, comprising issued share capital.

The sole director of Pine Cheer reviews the capital structure on a regular basis. As part of this review, the sole director of Pine Cheer considers the cost of capital and the risks associated with each class of capital. Pine Cheer will balance its overall capital structure through new share issues as well as the raising of new debt.



## 5. FINANCIAL INSTRUMENTS

## (a) Categories of financial instruments

	<i>HK\$</i>
<b>Financial assets</b>	
Loans and receivables	323,285
<b>Financial liabilities</b>	
Amortised cost	<u>209,953,367</u>

## (b) Financial risk management objectives and policies

Pine Cheer's major financial instruments include cash held by a solicitor, loan from the shareholder and other loan. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

*Interest rate risk*

Pine Cheer is exposed to cash flow interest rate risk in relation to other loan which is affected by the fluctuation of Best Lending Rate quoted by The Hongkong and Shanghai Banking Corporation Limited arising therefrom.

The sensitivity analysis below has been determined based on the exposure to interest rates for the outstanding variable-rate financial liabilities at the balance sheet date. 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 points higher/lower and all other variables were held constant, Pine Cheer's loss for the period would increase/decrease by approximately HK\$56,000.

*Credit risk*

At 30th September, 2008, Pine Cheer does not have significant exposure to credit risk as the sole director of Pine Cheer considers that the counterparty is of good reputation.

*Liquidity risk*

Pine Cheer relies on loan from the shareholder and other loan as significant sources of liquidity, details of which are set out in notes 10 and 11, respectively. In addition, the sole shareholder of Pine Cheer has agreed to provide adequate funds to Pine Cheer to maintain its liquidity position and, accordingly, Pine Cheer's liquidity risk is minimal.

## (c) Fair value

The fair values of financial assets and financial liabilities Pine Cheer 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.

The sole director of Pine Cheer considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the balance sheet approximate their fair values.

**6. OTHER INCOME**

Other income represents gross rental income received or receivable from properties letting during the Relevant Period.

**7. LOSS FOR THE PERIOD**

HK\$

Loss for the period has been arrived at after charging:

Auditor's remuneration	–
Directors' remuneration	–

and after crediting:

Rental income from properties, net of negligible outgoings	144,437
--	---------

**8. TAXATION**

No provision for Hong Kong Profits Tax has been made in the Financial Information as Pine Cheer has no assessable profit for the Relevant Period.

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

HK\$

Loss for the period	(171,582)
---------------------	-----------

Tax at Hong Kong Profits Tax rate of 16.5%	(28,311)
Tax effect of tax loss not recognised	28,311

Taxation for the period	–
-------------------------	---

At 30th September, 2008, Pine Cheer has unused tax loss of approximately HK\$171,000 available for offset against future profits. No deferred tax asset has been recognised in respect of the tax loss due to the unpredictability of future profit streams. The tax loss may be carried forward indefinitely.

**9. DEPOSITS PAID FOR ACQUISITION OF PROPERTIES TO BE HELD FOR SALE**

The amounts represent deposits paid for acquisition of the remaining units of the properties held for sale. The balance of the purchase consideration of HK\$32,676,000 is payable by Pine Cheer on or before 31st December, 2008.

**10. LOAN FROM THE SHAREHOLDER**

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

**11. OTHER LOAN**

The loan is advanced by a wholly-owned subsidiary of ITC Properties and is unsecured, bears interest at the Best Lending Rate quoted by The Hongkong and Shanghai Banking Corporation Limited and repayable on demand.

## 12. SHARE CAPITAL

	Authorised HK\$	Issued and fully paid HK\$
Ordinary share of HK\$1 each:		
At 30th January, 2008 (date of incorporation)	10,000	1
Issue of shares on 10th March, 2008	<u>–</u>	<u>99</u>
At 30th September, 2008	<u>10,000</u>	<u>100</u>

Pine Cheer was incorporated with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1 each. At the date of incorporation, 1 ordinary share of HK\$1 was issued at par to the subscriber to provide the initial capital of Pine Cheer.

On 10th March, 2008, an additional 99 ordinary shares of HK\$1 each were issued at par to the shareholder to provide additional capital to Pine Cheer.

## 13. OPERATING LEASE COMMITMENTS

**Pine Cheer as lessor**

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

	HK\$
Within one year	119,400
In the second to fifth year inclusive	<u>21,600</u>
	<u>141,000</u>

**B. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of Pine Cheer has been prepared in respect of any period subsequent to 30th September, 2008.

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 Pine Cheer for the period from 30th January, 2008 (the date of incorporation) to 30th September, 2008.

### **Business review**

Pine Cheer was incorporated as a special purpose vehicle with the sole business purpose of acquiring the Yuet Wah Property. Since its date of incorporation on 30th January, 2008, Pine Cheer has not carried on any other business. Starting from April 2008, Pine Cheer entered into various agreements with the owners of the Yuet Wah Property to acquire the same for a total consideration of approximately HK\$235.6 million. As at 30th September, 2008, approximately HK\$193.8 million (including stamp duties amounting to approximately HK\$6.6 million) has been paid for the completion of the acquisition of the Property while approximately HK\$15.7 million has been paid as deposits for the acquisition of the SP Property with balance consideration of approximately HK\$32.7 million payable by Pine Cheer upon their completions.

From 30th January, 2008 (date of incorporation) to 30th September, 2008, Pine Cheer earned rental income of approximately HK\$0.1 million from the Property, which was inadequate to cover the interest expenses on a loan from MPFL of approximately HK\$0.3 million. As a result, a net loss of approximately HK\$0.2 million was incurred. As at the Latest Practicable Date, there are three tenancies with various expiry dates up to December 2009 at a rental income of approximately HK\$27,200 per month. The Yuet Wah Property is currently intended for resale or redevelopment purpose, was situated on the land held under long-term lease in Hong Kong.

### **Liquidity and capital resources**

#### *Financial Position*

Since Pine Cheer only commenced its operation in March 2008, its working capital as at 30th September, 2008 was financed by advance from MPFL and shareholder's loan of approximately HK\$20.1 million (including accrued interest) and HK\$189.8 million respectively.

#### *Securities and Guarantees*

As at 30th September, 2008, Pine Cheer had not made any pledge of or created any security over its assets and had not provided any corporate guarantee.

#### *Contingent Liabilities*

As at 30th September, 2008, Pine Cheer did not have any contingent liability.

*Capital Commitment*

Other than the anticipated commitment for the completion of the SP Property in the amount of approximately HK\$34.3 million, Pine Cheer did not have any capital commitment as at 30th September, 2008.

*Exchange Rate Risk*

Pine Cheer operates solely in Hong Kong and all transactions are denominated in Hong Kong dollars. Pine Cheer did not have any foreign exchange exposure as at 30th September, 2008 and currently does not have a foreign currency hedging policy as all assets and liabilities are denominated in Hong Kong dollars.

*Credit Risk*

Pine Cheer's credit risk is primarily attributable to deposit paid in respect of its interest under the relevant agreements for the acquisition of the SP Property. Pine Cheer has no significant concentrations of credit risk. As at 30th September, 2008, Pine Cheer's rights to the deposit paid are well protected under the relevant agreements and sufficient follow-up actions are taken so as to minimize the credit risk.

*Acquisition/Disposal of Subsidiary*

During the period under review, there is not any acquisition or/and disposal of subsidiary.

**Staff and remuneration policy**

As at 30th September, 2008, Pine Cheer did not have any employees.

**1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP****A. BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**

The following unaudited pro forma consolidated balance sheet of the Enlarged Group (the "Unaudited Pro Forma Consolidated Balance Sheet") has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the proposed acquisition of the entire issue share capital (the "Sale Shares") and shareholder's loan of Pine Cheer Limited ("Pine Cheer") (the "Sale Loan") (the "Acquisition") on the Group as if the Acquisition had been completed on 31st March, 2008.

The Unaudited Pro Forma Consolidated Balance Sheet is prepared based on (i) the audited consolidated balance sheet of the Group as at 31st March, 2008 which has been extracted from the Company's annual report for the year then ended as set out in Appendix I to this circular; and (ii) the audited balance sheet of Pine Cheer as at 30th September, 2008 as extracted from the accountants' report thereon set out in Appendix II to this circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition; and (ii) factually supportable as if the Acquisition had been completed on 31st March, 2008 (the "Completion").

The Unaudited Pro Forma Consolidated Balance Sheet has been prepared by the Directors for illustrative purposes only and is based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Consolidated Balance Sheet does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 31st March, 2008, nor purport to predict the future financial position of the Enlarged Group.

**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE ENLARGED GROUP**
**B. UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET**

	The Group as at 31st March, 2008 HK\$'000	Pine Cheer as at 30th September, 2008 HK\$'000	Subtotal HK\$'000	Pro Forma Adjustments HK\$'000	Enlarged Group HK\$'000
<b>Non-current Assets</b>					
Property, plant and equipment	178,543	–	178,543		178,543
Prepaid lease payments of leasehold land	20,808	–	20,808		20,808
Premium on prepaid lease payments of leasehold land	114,294	–	114,294		114,294
Available-for-sale investments	94,570	–	94,570		94,570
Interest in properties held for development	14,745	–	14,745		14,745
Interests in associates	135,503	–	135,503		135,503
Unsecured loans and interest due from associates	1,077,690	–	1,077,690		1,077,690
Debt portion of convertible bonds	51,120	–	51,120		51,120
Derivatives embedded in convertible bonds	4,865	–	4,865		4,865
Deposit and expenses paid for acquisition of a land use right	47,275	–	47,275		47,275
	<u>1,739,413</u>	<u>–</u>	<u>1,739,413</u>		<u>1,739,413</u>
<b>Current Assets</b>					
Inventories	2,161	–	2,161		2,161
Properties held for sale	252,903	193,837	446,740	171 <sup>(a)</sup>	446,911
Deposit paid for acquisition of properties held for sale	–	15,704	15,704		15,704
Properties under development	240,853	–	240,853		240,853
Financial assets at fair value through profit or loss	11,957	–	11,957		11,957
Debtors, deposits and prepayments	514,795	–	514,795		514,795
Other loan receivables	243,133	–	243,133		243,133
Prepaid lease payments of leasehold land	517	–	517		517
Amounts due from associates	2,154	–	2,154		2,154
Unsecured loans and interest due from related companies	58,251	–	58,251		58,251
Cash held by a solicitor	–	323	323		323
Pledged bank deposits	51,818	–	51,818		51,818
Bank balances and cash	243,038	–	243,038	(209,655) <sup>(b)</sup>	33,383
	<u>1,621,580</u>	<u>209,864</u>	<u>1,831,444</u>		<u>1,621,960</u>

**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE ENLARGED GROUP**

	The Group as at 31st March, 2008 HK\$'000	Pine Cheer as at 30th September, 2008 HK\$'000	Subtotal HK\$'000	Pro Forma Adjustments HK\$'000	Enlarged Group HK\$'000
<b>Current Liabilities</b>					
Creditors, deposits and accrued charges	70,392	82	70,474		70,474
Amounts due to minority shareholders of subsidiaries	890	–	890		890
Other loan	–	20,135	20,135	(20,135) <sup>(b)</sup>	–
Shareholder's loan	–	189,818	189,818	(189,818) <sup>(a)</sup>	–
Tax payable	13,252	–	13,252		13,252
Convertible note payables – due within one year	7,284	–	7,284		7,284
Obligations under finance leases – due within one year	49	–	49		49
Bank and other borrowings – due within one year	113,996	–	113,996		113,996
	<u>205,863</u>	<u>210,035</u>	<u>415,898</u>		<u>205,945</u>
<b>Net current assets (liabilities)</b>	<u>1,415,717</u>	<u>(171)</u>	<u>1,415,546</u>		<u>1,416,015</u>
<b>Total asset less current liabilities</b>	<u>3,155,130</u>	<u>(171)</u>	<u>3,154,959</u>		<u>3,155,428</u>
<b>Non-current Liabilities</b>					
Convertible note payables – due after one year	1,236,559	–	1,236,559		1,236,559
Obligations under finance leases – due after one year	173	–	173		173
Bank and other borrowings – due after one year	39,647	–	39,647		39,647
Deferred tax liabilities	28,574	–	28,574		28,574
	<u>1,304,953</u>	<u>–</u>	<u>1,304,953</u>		<u>1,304,953</u>
	<u>1,850,177</u>	<u>(171)</u>	<u>1,850,006</u>		<u>1,850,475</u>



*Note:*

- (a) The Acquisition relates to acquisition of assets (including properties held for sale with carrying amount of HK\$193,837,000, a deposit paid for the acquisition of properties to be held for sale with carrying amount of HK\$15,704,000 and a shareholder's loan of Pine Cheer of HK\$189,818,000). Therefore, the excess of the consideration for the Acquisition over the carrying amount of the net liabilities of Pine Cheer (excluding the carrying amount of the Sale Loan) of HK\$171,000 is included as part of cost for the acquisition of the properties held for sale.
- (b) "Other loan" of Pine Cheer of HK\$20,135,000 represents a loan advanced by a subsidiary of the Company with a principal amount of HK\$19,837,000 and an interest payable of HK\$298,000. Such amount has been eliminated fully for the purpose of the preparation of pro forma financial information. The adjustment to "bank balance and cash" of approximately HK\$209,655,000 represents (i) elimination of "other loan" advanced to Pine Cheer by a wholly-owned subsidiary of the Company with a principal amount of HK\$19,837,000 and (ii) a consideration to the shareholder of Pine Cheer for the Acquisition of HK\$189,818,000.

**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.*

**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 proposed acquisition of the entire issued share capital of, and shareholder's loan to, Pine Cheer Limited might have affected the financial information presented, for inclusion in Appendix I of the circular dated 25th November, 2008 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on page 116 to the Circular.

**Respective responsibilities of directors of the Company and reporting accountants**

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

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

**Basis of opinion**

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

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

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 31st March, 2008 or any future date.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong, 25th November, 2008



永利行評值顧問有限公司  
**RHL Appraisal Limited**  
*Corporate Valuation & Advisory*

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Room 1010, 10/F, Star House  
Tsimshatsui, Hong Kong

25th November, 2008

**ITC Properties Group Limited**

Unit 3102, 31/F., Bank of America Tower  
12 Harcourt Road  
Central, Hong Kong

**Re: Valuation of Nos. 19–21 Shelter Street, Hong Kong**

**1. INSTRUCTION**

In accordance with the instruction from the **ITC Properties Group Limited** (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) to value the property interest in Nos. 19–21 Shelter Street, Hong Kong (the “Yuet Wah Property”), for public documentation purpose, we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing our opinion of the market value of the Yuet Wah Property as at 30th September, 2008 (the “Valuation Date”).

**2. BASIS OF VALUATION**

The valuation is our opinion of the market value which we would define as intended to mean the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably prudently and without compulsion.

**3. VALUATION METHODOLOGY**

In valuing the Yuet Wah Property, “Direct Comparison Method” is adopted where comparison based on price information of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive a fair comparison of capital values.

#### **4. ASSUMPTIONS**

Our valuation has been made on the assumption that the owner sells the Yuet Wah Property in the market in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of the Yuet Wah Property.

Unless stated as otherwise, we have assumed that the Yuet Wah Property has been constructed, occupied and used in full compliance with, and without contravention of all Ordinances, except only where otherwise stated. We have further assumed that, for any use of the Yuet Wah Property upon which this report is based, all required licenses, permit, certificates, and authorizations have been obtained.

Other special assumptions of the Yuet Wah Property, if any, have been stated in the footnote of the valuation certificate of the Yuet Wah Property.

#### **5. VALUATION CONSIDERATIONS**

In valuing the property interest, we have complied with all the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors effective from 1st January, 2005.

#### **6. SOURCE OF INFORMATION**

We have relied to a very considerable extent on the information provided by the Group and those obtained from the Land Registry in Hong Kong. Dimensions, measurements and areas included in the valuation certificate is based on information contained in copies of documents provided to us and are therefore only approximations. Our valuations are totally dependent on the adequacy and accuracy of the information supplied and/or subsequent assumptions made. Should these prove to be incorrect or inadequate, the accuracy of our valuations may be affected.

#### **7. TITLE INVESTIGATION**

We have carried out searches at the Land Registry for the Yuet Wah Property in Hong Kong. However, we have not verified ownership of the Yuet Wah Property or to verify the existence of any lease amendments which do not appear on the copies handed to us. All documents have been used for reference only.

#### **8. LIMITING CONDITIONS**

We have inspected the external of the Yuet Wah Property but no structural survey has been made. Therefore we are unable to report that the Yuet Wah Property is free from rot, infestation or any other structural defects. Further, no test has been carried out on any of the services. All dimensions, measurements and areas are only approximations.

We have relied to a considerable extent, on the information provided by the Company and have accepted advice given to us by the Company on such matters as statutory notices, easements, tenure, occupation, tenancy details, site and floor areas and in the identification of the Yuet Wah Property.

## APPENDIX IV VALUATION REPORT ON THE YUET WAH PROPERTY

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which are material to the valuation. We have also been advised by the Company that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of the legal advisers of instructing party. Neither have we verified the correctness of any information supplied to us concerning the Yuet Wah Property.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the Yuet Wah Property but have assumed that the site area shown on the documents are correct. All documents have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

No allowance has been made in our valuation for any charges, mortgages, or amount owing on the Yuet Wah Property nor for any expense or taxation which may be incurred in effecting a sale. We have assumed that the Yuet Wah Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its values.

Liability in connection with this valuation report is limited to the client to whom this report is addressed and for the purpose for which it is carried out only. We will accept no liability to any other parties or any other purposes.

This report is to be used only for the purpose stated herein, any use or reliance for any other purpose, by you or third parties, is invalid. No reference to our name or our report in whole or in part, in any document you prepare and/or distribute to third parties may be made without written consent.

We enclose herewith the valuation certificate.

Yours sincerely,  
For and on behalf of  
**RHL Appraisal Limited**

**Shirley Y. F. Yeung**  
*MEcon BSc(Surveying) MHKIS MRICS RPS(GP)*  
*Associate Director*

**Doris W. S. Tse**  
*MHKIS MRICS*  
*Associate Director*

*Ms. Shirley Y. F. Yeung is a Registered Professional Surveyors with over 9 years' experience in valuation of properties in HKSAR, mainland China and the Asia Pacific Region. Ms. Yeung is a Professional Member of The Hong Kong Institute of Surveyors as well as a chartered surveyor of The Royal Institution of Chartered Surveyors.*

*Ms. Doris W. S. Tse has over 11 years' experience in valuation of properties in HKSAR. Ms. Tse is a Professional Member of The Hong Kong Institute of Surveyors as well as a chartered surveyor of The Royal Institution of Chartered Surveyors.*

# APPENDIX IV VALUATION REPORT ON THE YUET WAH PROPERTY

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30th September, 2008
<p>Nos. 19-21 Shelter Street, Hong Kong.</p> <p>All undivided shares of and in the Remaining Portion of Sub-Section 1 of Section A of Inland Lot No. 1580 and the Remaining Portion of Sub-Section 2 of Section A of Inland Lot No. 1580 and the building erected thereon</p> <p>(the "Yuet Wah Property")</p>	<p>Erected upon the subject site is a composite building which comprises shops on G/F and residential units on upper floors of reinforced concrete construction. The building was completed in 1982.</p> <p>As scaled off from the registered floor plans and the information from Rating and Valuation Department, the area of the existing building of the Yuet Wah Property is:</p>	<p>Please refer to Note 4 for occupancy details.</p>	<p>HK\$244,000,000 (Hong Kong Dollars Two Hundred and Forty Four Million Only).</p>

	Saleable Area (sq. ft.) (About)	Ancillary Area (sq. ft.) (About)
G/F Shop	1,888	
Yard		637
Flat A on 1/F	463	
Flat Roofs		805
Flat B on 1/F	610	
Flat Roofs		562
Flat A on each of 2/F to 8/F	463	
Flat B on each of 2/F to 8/F	610	
Flat A on each of 9/F and 10/F	463	
Flat B 9/F	463	
Flat Roof		147
Flat B on 10/F	463	
Flat A on 11/F	290	
Flat Roof		143
Flat B on 11/F	290	
Flat Roof		143
Flat A on each of 12/F and 13/F	290	
Flat B on each of 12/F and 13/F	290	
TOTAL	14,064	2,437

\* Ancillary Area is excluded from Saleable Area

According to the plans registered vide Memorial Nos. UB212692 and UB212693, the site areas of the Remaining Portion of Sub-Section 1 of Section A of Inland Lot No. 1580 and the Remaining Portion of Sub-Section 2 of Section A of Inland Lot No. 1580 are 1,879.87 sq. ft. and 1,962.72 sq. ft. respectively.

The Yuet Wah Property is held under Government Lease for a term of 75 years renewable for 75 years commencing from 29th January, 1900.

## APPENDIX IV VALUATION REPORT ON THE YUET WAH PROPERTY

*Notes:*

1. As at the Valuation Date, the registered owners of the Yuet Wah Property are as follows:

**a. Ground Floor:**

Pine Cheer Limited

Assignment in favour of the above owner for the consideration of \$82,368,000.00 vide Memorial No. 08062001310175 dated 3rd June, 2008.

**b. Flat A on 1/F and Flat Roofs:**

Chan Pik Hung Josephine (Tenant in Common 9/10) and

Lam Jimmy Kai Yip (Tenant in Common 1/10)

Assignment in favour of the above owners for the consideration of \$3,420,000.00 vide Memorial No. 07100201660071 dated 3rd September, 2007.

**c. Flat B on 1/F and Flat Roofs:**

Pine Cheer Limited

Assignment in favour of the above owner for the consideration of \$7,800,000.00 vide Memorial No. 08071801200142 dated 18th June, 2008.

**d. Flat A on 2/F:**

Pine Cheer Limited

Assignment in favour of the above owner for the consideration of \$5,130,000.00 vide Memorial No. 08062001310187 dated 6th June, 2008.

**e. Flat B on 2/F:**

Pine Cheer Limited

Assignment in favour of the above owner for the consideration of \$6,780,000.00 vide Memorial No. 08062001310197 dated 3rd June, 2008.

**f. Flat A on 3/F:**

Pine Cheer Limited

Assignment in favour of the above owner for the consideration of \$5,200,000.00 vide Memorial No. 08062701300093 dated 20th June, 2008.

**g. Flat B on 3/F:**

Pine Cheer Limited

Assignment in favour of the above owner for the consideration of \$6,780,000.00 vide Memorial No. 08062001310202 dated 10th June, 2008.

**h. Flat A on 4/F:**

Yip Youn Bong (Joint Tenant) and Ho Sai Chu (Joint Tenant)

Assignment in favour of the above owners for the consideration of \$1,780,000.00 vide Memorial No. 05051303030011 dated 19th April, 2005.



## APPENDIX IV VALUATION REPORT ON THE YUET WAH PROPERTY

**i. Flat B on 4/F:**

Lee Yiu Lam (Tenant in Common 1/2) and Kwan Chi Wing (Tenant in Common 1/2)

Assignment in favour of the above owners for the consideration of \$660,000.00 vide Memorial No. UB3413964 dated 28th May, 1987. (Remarks: Kwan Cheung died see Memorial No. 08070902370109)

**j. Flat A on 5/F:**

Choi Lai Chun (Joint Tenant), Choi Mei Ling (Joint Tenant) and Choi Mei Chun Minnie (Joint Tenant)

Assignment in favour of the above owners for the consideration of \$1,600,000.00 vide Memorial No. 05061002480221 dated 20th April, 2005.

**k. Flat B on 5/F:**

Pine Cheer Limited

Assignment in favour of the above owner for the consideration of \$6,800,000.00 vide Memorial No. 08070401150152 dated 18th June, 2008.

**l. Flat A on 6/F:**

Pine Cheer Limited

Assignment in favour of the above owner for the consideration of \$5,200,000.00 vide Memorial No. 08062601480110 dated 18th June, 2008.

**m. Flat B on 6/F:**

Leung Kwok Keung

Assignment in favour of the above owner for the consideration of \$2,660,000.00 vide Memorial No. UB6466831 dated 16th November, 1995.

**n. Flat A on 7/F:**

Yu Yuk Shing (Joint Tenant) and Yu Chan Kun Ying (Joint Tenant)

Assignment in favour of the above owners for the consideration of \$650,000.00 vide Memorial No. UB3586438 dated 3rd December, 1987.

**o. Flat B on 7/F:**

Pine Cheer Limited

Assignment in favour of the above owner for the consideration of \$6,820,000.00 vide Memorial No. 08072201320029 dated 30th June, 2008.

**p. Flat A on 8/F:**

Pine Cheer Limited

Assignment in favour of the above owner for the consideration of \$5,200,000.00 vide Memorial No. 08081101160170 dated 30th June, 2008.

## APPENDIX IV VALUATION REPORT ON THE YUET WAH PROPERTY

**q. Flat B on 8/F:**

Pine Cheer Limited

Assignment in favour of the above owner for the consideration of \$7,000,000.00 vide Memorial No. 08062601480120 dated 13th June, 2008.

**r. Flat A on 9/F:**

Pine Cheer Limited

Assignment in favour of the above owner for the consideration of \$5,300,000.00 vide Memorial No. 08081101160196 dated 14th July, 2008.

**s. Flat B on 9/F and Flat Roof:**

Pine Cheer Limited

Assignment in favour of the above owner for the consideration of \$6,030,000.00 vide Memorial No. 08082001320118 dated 11th August, 2008.

**t. Flat A on 10/F:**

Pine Cheer Limited

Assignment in favour of the above owner for the consideration of \$5,300,000.00 vide Memorial No. 08090201050031 dated 4th August, 2008.

**u. Flat B on 10/F:**

Yu Suet Mui (Joint Tenant) and Leung Shuk Fun (Joint Tenant)

Assignment in favour of the above owners for the consideration of \$2,398,000.00 vide Memorial No. 07061600660100 dated 31st May, 2007.

**v. Flat A on 11/F and Flat Roof:**

Pine Cheer Limited

Assignment in favour of the above owner for the consideration of \$3,700,000.00 vide Memorial No. 08071801200167 dated 18th June, 2008.

**w. Flat B on 11/F and Flat Roof:**

Kwan Wai Ming (Joint Tenant) and Kwan Chi Wing (Joint Tenant)

Assignment in favour of the above owners for the consideration of \$1,100,000.00 vide Memorial No. 06040400010012 dated 30th March, 2006.

**x. Flat A on 12/F:**

Pine Cheer Limited

Assignment in favour of the above owner for the consideration of \$4,000,000.00 vide Memorial No. 08070401150172 dated 5th June, 2008.

## APPENDIX IV VALUATION REPORT ON THE YUET WAH PROPERTY

**y. Flat B on 12/F:**

Pine Cheer Limited

Assignment in favour of the above owner for the consideration of \$3,350,000.00 vide Memorial No. 08062601480132 dated 18th June, 2008.

**z. Flat A on 13/F:**

Pine Cheer Limited

Assignment in favour of the above owner for the consideration of \$6,633,000.00(pt.) vide Memorial No. 08062001310210 dated 3rd June, 2008.

**aa. Flat B on 13/F:**

Pine Cheer Limited

Assignment in favour of the above owner for the consideration of \$3,360,000.00 vide Memorial No. 08062001310222 dated 30th May, 2008.

**bb. Roof A:**

Pine Cheer Limited

Assignment in favour of the above owner for the consideration of \$6,633,000.00(pt.) vide Memorial No. 08062001310210 dated 3rd June, 2008.

**cc. Roof B:**

Pine Cheer Limited

Assignment in favour of the above owner for the consideration of \$6,633,000.00(pt.) vide Memorial No. 08062001310210 dated 3rd June, 2008.

**2. The Yuet Wah Property is subject to following incumbrances:**

**a. Flat A on 1/F and Flat Roofs:**

- i) Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited for the consideration of all moneys vide Memorial No. 07100201660086 dated 3rd September, 2007.
- ii) Notice No. WNZ/U09-04/0001/04 by the Building Authority under S. 24C(1) of the Buildings Ordinance vide Memorial No. 08012100900095 dated 11th July, 2007.
- iii) Provisional Agreement for Sale and Purchase in favour of Pine Cheer Limited for the consideration of \$6,500,000.00 vide Memorial No. 08091901090020 dated 26th March, 2008.

**b. Flat B on 1/F with Flat Roofs:**

Notice No. WNZ/U09-04/0002/04 by the Building Authority under S. 24C(1) of the Buildings Ordinance vide Memorial No. 08011602140093 dated 11th July, 2007.

**c. Flat A on 4/F:**

Agreement for Sale and Purchase in favour of Pine Cheer Limited for the consideration of \$6,060,000.00 vide Memorial No. 08052101320093 dated 15th May, 2008.

## APPENDIX IV VALUATION REPORT ON THE YUET WAH PROPERTY

**d. Flat B on 4/F:**

- i) Agreement for Sale and Purchase in favour of Pine Cheer Limited for the consideration of \$6,790,000.00 vide Memorial No. 08052101320103 dated 15th May, 2008. (Remarks: by Lee Yiu Lam and Kwan Chi Wing)
- ii) Certificate of Exemption from Estate Duty vide Memorial No. 08070902370093 dated 21st November, 2002. (Remarks: in the Estate of Kwan Cheung "Deceased")
- iii) Death Certificate vide Memorial No. 08070902370109 dated 20th March, 2008. (Remarks: of Kwan Cheung "Deceased")

**e. Flat A on 5/F:**

- i) Legal Charge in favour of Industrial and Commercial Bank of China (Asia) Limited for the consideration of all moneys vide Memorial No. 05051903110906 dated 20th April, 2005. (Remarks: by Choi Lai Chun, Choi Mei Ling & Choi Mei Chun Minnie)
- ii) Agreement for Sale and Purchase in favour of Pine Cheer Limited for the consideration of \$5,200,000.00 vide Memorial No. 08051901710102 dated 2nd May, 2008.

**f. Flat B on 6/F:**

- i) Mortgage in favour of Hang Seng Bank Limited for the consideration of all moneys vide Memorial No. UB8784415 dated 12th September, 2002.
- ii) A Sealed Copy of Bankruptcy Order on Debtor's Petition in favour of Ng Lan Chu The Spouse of Leung Kwok Keung "Bankrupt", The Official Receiver and Receiver of the Property of Ng Lan Chu The Spouse of Leung Kwok Keung and "Receiver of the Property of Ng Lan Chu the Spouse of Leung Kwok Keung" vide Memorial No. UB8882292 dated 16th January, 2003. (Remarks: in bankruptcy proceedings no. 24301 of 2002 with attachment notice)
- iii) Certified True Copy of Memorandum to Court of Resolutions in favour of Ng Lan Chu (Bankrupt), The Official Receiver (Official Receiver) and Fred Lee and Chow Wai Lan Christine (Trustee) vide Memorial No. 06010701060018 dated 7th March, 2003. (Remarks: in bankruptcy proceedings no. 24301 of 2002)
- iv) Notice of Claim by Trustee in favour of Ng Lan Chu (Bankrupt), Leung Kwok Keung (Owner) and Fred Lee and Chow Wai Lan Christine (Trustee) vide Memorial No. 06010701060024 dated 6th January, 2006. (Remarks: in bankruptcy proceedings no. 24301 of 2002)
- v) Deeds Pending Registration:  
  
Agreement for Sale and Purchase in favour of Pine Cheer Limited for the consideration of \$6,900,000.00 vide Memorial No. 08092501340017 dated 17th September, 2008. (Registration Withheld)

**g. Flat A on 7/F:**

Agreement for Sale and Purchase in favour of Pine Cheer Limited for the consideration of \$5,300,000.00 vide Memorial No. 08052101320120 dated 9th May, 2008.

**h. Flat B on 9/F and Flat Roof:**

Notice No. WNZ/U09-04/0003/04 by the Building Authority under S. 24C(1) of the Buildings Ordinance vide Memorial No. 08011602140108 dated 11th July, 2007.

## APPENDIX IV VALUATION REPORT ON THE YUET WAH PROPERTY

**i. Flat B on 10/F:**

Agreement for Sale and Purchase in favour of Pine Cheer Limited for the consideration of \$5,600,000.00 vide Memorial No. 08053001170104 dated 19th May, 2008.

**j. Flat A on 11/F and Flat Roof:**

Notice No. WNZ/U09-04/0004/04 by the Building Authority under S. 24C(1) of the Buildings Ordinance vide Memorial No. 08011602140117 dated 11th July, 2007.

**k. Flat B on 11/F and Flat Roof:**

i) Notice No. WNZ/U09-04/0005/04 by the Building Authority under S. 24C(1) of the Buildings Ordinance vide Memorial No. 08011602140120 dated 11th July, 2007.

ii) Agreement for Sale and Purchase in favour of Pine Cheer Limited for the consideration of \$3,530,000.00 vide Memorial No. 08052101320019 dated 15th May, 2008.

**l. Roof A:**

Notice No. WNZ/U09-04/0006/04 by the Building Authority under S. 24C(1) of the Buildings Ordinance vide Memorial No. 08011602140135 dated 11th July, 2007.

**m. Roof B:**

Notice No. WNZ/U09-04/0007/04 by the Building Authority under S. 24C(1) of the Buildings Ordinance vide Memorial No. 08011602140143 dated 11th July, 2007.

3. The Yuet Wah Property is also subject to Deed of Mutual Covenant vide Memorial No. UB3240984 dated 18th March, 1983. (Remarks: Previously registered by Memorial No. UB2398851)

4. According to the information provided by the instructing party, some units of the Yuet Wah Property are tenanted with tenancy details as follow:

Unit	Tenant	Rental period	Monthly rental (HK\$)
1. Flat B, 1/F	Cheung Chun Fan Steve	monthly tenancy	14,500.00
2. Flat A, 12/F	黃文豪	01/04/07 to 31/03/09	5,500.00
3. Flat A, 13/F	梁寶琴	01/01/08 to 31/12/09	7,200.00
			27,200.00

We are given to understand that the remaining units of the Yuet Wah Property are vacant.

## APPENDIX IV VALUATION REPORT ON THE YUET WAH PROPERTY

5. With reference to the existing use value of individual units, the apportionment of the above market value should be as followings:

Ground Floor	HK\$193,900,000.00
Flat B on 1/F and Flat Roofs	(Hong Kong Dollars One Hundred Ninety Three
Flats A and B on 2/F, 3/F, 8/F, 9/F, 12/F, 13/F	Million and Nine Hundred Thousand Only)
Flat A on 6/F, 10/F and 11/F	
Flat B on 5/F and 7/F	
Roofs A and B	
Flat A on 1/F and Flat Roofs	HK\$50,100,000.00
Flat A on 4/F, 5/F, 7/F	(Hong Kong Dollars Fifty Million and One Hundred
Flat B on 4/F, 6/F, 10/F and 11/F	Thousand Only)

6. In our valuation, we have not taken into account the effect of the notices under the Buildings Ordinance by the Building Authority as stated in Note 2 in regard of the structures erected on the Flat Roofs and main roofs of the existing building and their effect on the value of the Yuet Wah Property is not reflected on our valuation.
7. There would not be material variation to our valuation of the Yuet Wah Property as a single entity under the assumption of redevelopment by the Company or resale as a whole block for future redevelopment.

## 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	160,260,000	32,800,000	193,060,000	1.62
Mr. Lai Tsan Tung, David ("Mr. Lai")	Long position	Interest of controlled corporation	–	76,987,563	76,987,563	0.65

*Note:* Mr. Lai, an executive Director, was interested in 76,987,563 underlying Shares in respect of the 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\$0.227 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	0.422	19,032,000	0.16
Mr. Chan Fut Yan (“Mr. Chan”)	27th July, 2007	27th July, 2007 – 26th July, 2011	0.422	11,102,000	0.09
Mr. Cheung Chi Kit	27th July, 2007	27th July, 2007 – 26th July, 2011	0.422	7,930,000	0.07
Mr. Lai	27th July, 2007	27th July, 2007 – 26th July, 2011	0.422	4,758,000	0.04
Mr. Ma Chi Kong, Karl	27th July, 2007	27th July, 2007 – 26th July, 2011	0.422	14,274,000	0.12
Mr. Wong Chi Keung, Alvin	27th July, 2007	27th July, 2007 – 26th July, 2011	0.422	2,379,000	0.02
Mr. Kwok Ka Lap, Alva	27th July, 2007	27th July, 2007 – 26th July, 2011	0.422	2,379,000	0.02

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 Enlarged 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	1,910,069,088 (Note 1)	16.03
Hanny Magnetics (B.V.I.) Limited ("Hanny Magnetics")	Long position	Interest of controlled corporation	1,910,069,088 (Note 1)	16.03
Hanny Holdings Limited ("Hanny")	Long position	Interest of controlled corporation	1,910,069,088 (Note 1)	16.03
Famex Investment Limited ("Famex")	Long position	Interest of controlled corporations	1,910,069,088 (Note 1)	16.03
Mankar Assets Limited ("Mankar")	Long position	Interest of controlled corporations	1,910,069,088 (Note 1)	16.03
Selective Choice Investments Limited ("Selective Choice")	Long position	Beneficial owner	914,835,000 (Note 1)	7.68

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	2,824,904,088 (Note 1)	23.71
ITC Corporation Limited ("ITC")	Long position	Interest of controlled corporations	2,824,904,088 (Note 1)	23.71
Dr. Chan Kwok Keung, Charles ("Dr. Chan")	Long position	Interest of controlled corporations	2,824,904,088 (Note 1)	23.71
	Long position	Beneficial owner	151,660,000 (Note 1)	1.27
			2,976,564,088	24.98
Ms. Ng Yuen Lan, Macy ("Ms. Ng")	Long position	Interest of spouse	2,976,564,088 (Note 1)	24.98
Stark Master Fund, Ltd. ("Stark Master")	Long position	Beneficial owner	570,055,268	4.78
Stark Investments (Hong Kong) Limited ("Stark")	Long position	Investment manager	930,870,900 (Note 2)	7.81

(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	2,583,680,747 (Note 1)	21.68
Hanny Magnetics	Long position	Interest of controlled corporation	2,583,680,747 (Note 1)	21.68
Hanny	Long position	Interest of controlled corporation	2,583,680,747 (Note 1)	21.68
Famex	Long position	Interest of controlled corporation	2,583,680,747 (Note 1)	21.68
Mankar	Long position	Interest of controlled corporation	2,583,680,747 (Note 1)	21.68
Selective Choice	Long position	Beneficial owner	244,802,493 (Note 1)	2.05
ITC Investment	Long position	Interest of controlled corporations	2,828,483,240 (Note 1)	23.74
ITC	Long position	Interest of controlled corporations	2,828,483,240 (Note 1)	23.74

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 (%)
Dr. Chan	Long position	Interest of controlled corporations	2,828,483,240 (Note 1)	23.74
	Long position	Beneficial owner	19,048,000 (Note 1)	0.16
			<u>2,847,531,240</u>	<u>23.90</u>
Ms. Ng	Long position	Interest of spouse	2,847,531,240 (Note 1)	23.90
Stark Master	Long position	Beneficial owner	596,888,402	5.01
Stark	Long position	Investment manager	902,344,389 (Note 2)	7.57
Gandhara Master Fund Limited	Long position	Investment manager	648,199,447	5.44

## Notes:

- Hanny and Hanny Magnetics were taken to have interest in 4,493,749,835 Shares (of which 2,583,680,747 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. 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 4,493,749,835 Shares (of which 2,583,680,747 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 1,159,637,493 Shares (of which 244,802,493 Shares relate to its derivative interest). ITC Investment and ITC were deemed to be interested in 5,653,387,328 Shares (of which 2,828,483,240 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 170,708,000 Shares (of which 19,048,000 Shares relate to his derivative interest) and was deemed to be interested in 5,653,387,328 Shares (of which 2,828,483,240 Shares relate to his derivative interest) which were held by Loyal Concept and Selective Choice. Ms. Ng was deemed to be interested in 5,824,095,328 Shares (of which 2,847,531,240 Shares relate to her derivative interest) which were held by Dr. Chan, Loyal Concept and Selective Choice.
- Stark was taken to have an interest as an investment manager in 1,833,215,289 Shares (of which 902,344,389 Shares relate to its derivative interest) which were held by Centar Investments (Asia) Ltd., Shepherd Investments International, Ltd., Stark Asia Master Fund, Ltd. and Stark International.

*(iii) Other member of the Enlarged Group*

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

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 Enlarged 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 associates in competing businesses of the Enlarged 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 managing director

<b>Name of Director</b>	<b>Name of company</b>	<b>Nature of competing business</b>	<b>Nature of interest</b>
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 Enlarged 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 Enlarged Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Enlarged 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, since 31st March, 2008 (being the date to which the latest published audited accounts of the Company were made up), been (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 Enlarged 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 Enlarged Group.

**3. MATERIAL CONTRACTS**

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

1. the promissory sale and purchase agreement dated 11th December, 2006 and the sale and purchase deed dated 30th April, 2007 entered into between The First International Property Planning & Management Company Limited as vendor, and Hayton Limited, a wholly-owned subsidiary of the Company, as purchaser in relation to the acquisition of 44 residential units at Zhu Kuan Mansion, Macau at a total consideration of approximately HK\$88.5 million;
2. the agreement dated 5th January, 2007 entered into between AIM Pacific Limited and Mr. Chang Rong Wu as vendors, Mr. Chan Jink Chou, Eric and Mr. Lai as guarantors, and Everight Investment Limited ("Everight") as purchaser in relation to the acquisition of the entire issued share capital of Braniff Developments Limited at a total consideration of approximately HK\$98.1 million;

3. the agreement dated 5th January, 2007 entered into between Cheerview Development Limited as vendor, and Everight as purchaser in relation to the acquisition of 3.28% of the issued share capital of Donson (International) Development Limited (“Donson”) at a consideration of HK\$4.92 million;
4. the agreement dated 5th January, 2007 entered into between Great Honest Investment Limited as vendor and Everight as purchaser in relation to the acquisition of 7.59% of the issued share capital of Donson at a consideration of approximately HK\$12.1 million;
5. the agreement dated 25th January, 2007 entered into between Forever Charm Group Limited as vendor and Top Century International Limited as purchaser in relation to the acquisition of 8.7% of the registered share capital of Empresa De Fomento Industrial E Comercial Concórdia, S.A. (聯生發展股份有限公司) at a total consideration of HK\$245.7 million;
6. the conditional sale and purchase agreement dated 27th February, 2007 as supplemented by a supplemental agreement dated 26th June, 2007 entered into between Macau Prime (B.V.I.) Limited as vendor and Master Journal Limited as purchaser in relation to the disposal of the entire issued capital of, and loan to, Tung Fong Hung Investment Limited at a total consideration of HK\$110 million;
7. the promissory sale and purchase agreements dated 9th May, 2007 and the sale and purchase deed dated 26th July, 2007 entered into between six individuals as vendors and Smarteam Limited as purchaser in relation to the acquisition of the 18 residential units and 18 car parking spaces in Ilha da Taipa, junto a Estrada Nordeste da Taipa Aterro da Baia de Pac On, Macau (澳門氹仔北安灣P05地段海明灣畔1座), registered with the Real Estate Registry of Macau under no. 22143 at an aggregate consideration of HK\$118,592,800;
8. the placing and subscription agreement dated 18th May, 2007 entered into among Loyal Concept as vendor, the Company and Kingston Securities Limited (“Kingston”) as placing agent in relation to the top-up placing of 300,000,000 Shares at HK\$0.56 per Share;
9. the sale and purchase agreement dated 26th June, 2007 entered into between Macau Prime Property (Macau) Limited as vendor, Gainventure Holdings Limited as purchaser, the Company and Get Nice Holdings Limited as warrantors in relation to the sale and purchase of the entire issued share capital in Dragon Rainbow Limited and all the shareholder’s loan due from Dragon Rainbow Limited to the Company at an aggregate consideration of HK\$350 million;



10. the agreement dated 17th July, 2007 entered into between Mr. Gilbert Bing Mar as vendor and Chain Key Limited (“Chain Key”) as purchaser in relation to the acquisition of an effective 25% indirect interest in Shanghai Tianma Country Club Co., Ltd. (上海天馬鄉村俱樂部有限公司) (“Tianma”) at a consideration of US\$17 million (equivalent to approximately HK\$132.6 million);
11. three agreements all dated 28th November, 2007 entered into between Donson as vendor and 廣州市番禺協誠實業有限公司 as purchaser in relation to (i) the disposal of Donson’s entire interest in Guangzhou Panyu Lotus Golf & Country Club Co., Ltd. (“Panyu Golf”); (ii) the disposal of Donson’s entire interest in Guangzhou Panyu Wei Di Si Golf Property Company Limited; (iii) the disposal of Donson’s entire interest in Guangzhou Lian Chui Property Management Company Limited, at an aggregate cash consideration of RMB20 million (equivalent to approximately HK\$22.2 million);
12. the provisional agreement for sale and purchase dated 10th December, 2007 entered into between Castle Win International Limited (“Castle Win”) as purchaser and Lucky Resources Investments Limited as vendor in relation to the acquisition of the parcel of land registered in the Land Registry as Section B of Kowloon Inland Lot No. 1263 and all the buildings erected thereon, being 703 Nathan Road, Mongkok, Kowloon, Hong Kong, at a consideration of HK\$166,300,000;
13. the provisional agreement for sale and purchase dated 11th December, 2007 entered into between Castle Win as purchaser and Pour Special Limited as vendor in relation to the acquisition of the parcel of land registered in the Land Registry as The Remaining Portion of Inland Lot No. 1263 and all the buildings erected thereon, being 705 Nathan Road, Mongkok, Kowloon, Hong Kong, at a consideration of HK\$63,500,000;
14. the termination agreement dated 28th March, 2008 entered into between Mr. Gilbert Bing Mar and Chain Key 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 Tianma;
15. the development project agreement dated 16th April, 2008 entered into between Donson and 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 square metre within Guangzhou Lotus Hill Golf Resort;
16. 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) renewal at an option of Guangzhou Donson Hotel Management Limited at the successive terms of three years up to twenty years;

17. the underwriting agreement dated 2nd June, 2008 entered into between the Company and Kingston in relation to the underwriting and certain other arrangements in respect of the issue 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 (the "Rights Issue");
18. 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;
19. 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; and
20. the Agreement.

#### 4. CLAIMS AND LITIGATION

As at the Latest Practicable Date, no member of the Enlarged 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 Enlarged 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 Enlarged Group which does not expire or is not determinable by the Enlarged Group within one year without payment of compensation (other than statutory compensation).

#### 6. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given opinions or advice which are contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu ("DTT")	Certified public accountants
RHL Appraisal Limited ("RHL")	Professional valuer

Each of DTT and RHL 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, none of DTT and RHL had any shareholding, directly or indirectly, in any member of the Enlarged 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 Enlarged Group.

As at the Latest Practicable Date, none of DTT and RHL had any direct or indirect interests in any assets which had been, since 31st March, 2008 (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 Enlarged 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, 2008, 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 and bye-laws of the Company;
- 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, 2007 and 2008;
- the accountants' report on Pine Cheer, 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 Enlarged Group, the text of which is set out in Appendix III to this circular;
- the valuation report on the Yuet Wah Property, the text of which is set out in Appendix IV to this circular;
- the letters of consent referred to in the paragraph headed "Experts and consents" in this appendix;
- the prospectus of the Company dated 11th July, 2008 in respect of the Rights Issue;
- the circular of the Company dated 18th August, 2008 in respect of the provision of financial assistance to a joint venture; and
- the circular of the Company dated 16th September, 2008 in respect of the acquisition of further interest in a joint venture.

## 9. MISCELLANEOUS

- The qualified accountant of the Company is Mr. Cheung Chi Kit. He is a member of The Hong Kong Institute of Certified Public Accountants (*CPA*), The Hong Kong Institute of Chartered Secretaries (*ACS*) and The Institute of Chartered Secretaries and Administrators (*ACIS*).
- 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 branch share registrar and transfer office of the Company in Hong Kong 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.

## NOTICE OF THE SGM



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 a special general meeting of ITC Properties Group Limited (the "Company") will be held on Thursday, 11th December, 2008 at 11:00 a.m. at Shop B27, Basement, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong, for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution of the Company:

### ORDINARY RESOLUTION

**"THAT:**

- (a) the sale and purchase agreement dated 30th October, 2008 (the "Agreement"), a copy of which, signed by the Chairman of the meeting for the purpose of identification, has been produced to the meeting marked "A", made between Mr. George Wang as vendor (the "Vendor") and Mandung Limited as purchaser (the "Purchaser") pursuant to which the Purchaser agreed to acquire the entire issued share capital of and shareholder's loan due by Pine Cheer Limited to the Vendor and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) the board of directors of the Company be and is hereby generally and unconditionally authorised to do all such acts and things and execute all such documents as it considers necessary or expedient or desirable in connection with or to give effect to the Agreement 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 of directors of the Company, in the interest of the Company."

Yours faithfully,  
By order of the Board  
**ITC Properties Group Limited**  
**Yan Ha Hung, Loucia**  
*Company Secretary*

Hong Kong, 25th November, 2008

\* For identification purpose only

## NOTICE OF THE SGM

*Registered office:*  
Clarendon House  
Church Street  
Hamilton HM 11  
Bermuda

*Principal place of business in Hong Kong:*  
Unit 3102, 31/F  
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 forty-eight (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 as follows:

*Executive Directors:*

Mr. Cheung Hon Kit (*Chairman*)  
Mr. Chan Fut Yan (*Managing Director*)  
Mr. Cheung Chi Kit  
Mr. Lai Tsan Tung, David  
Mr. Ma Chi Kong, Karl

*Independent non-executive Directors:*

Mr. Qiao Xiaodong (*Vice Chairman*)  
Mr. Wong Chi Keung, Alvin  
Mr. Kwok Ka Lap, Alva