THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

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

A copy of each of the Prospectus Documents, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrars of Companies" in Appendix IV to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance and a copy of each of the Prospectus Documents has been filed with the Registrar of Companies in Bermuda in accordance with the Companies Act. The Registrars of Companies in Hong Kong and Bermuda and the Securities and Futures Commission of Hong Kong take no responsibility for the contents of any of these documents.

Dealings in the Shares, the Rights Shares in their nil-paid form and fully-paid form, the Warrants and the Warrant Shares may be settled through the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited. You should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

ITC PROPERTIES

德祥地產集團有限公司*

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 199)

RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES (WITH WARRANTS IN THE PROPORTION OF FOUR WARRANTS FOR EVERY FIFTEEN RIGHTS SHARES SUBSCRIBED) FOR EVERY SHARE HELD

Financial Advisers to ITC Properties Group Limited

OPTIMA CAPITAL
Optima Capital Limited

KINGSTON CORPORATE FINANCE LIMITED

Underwriter

KINGSTON SECURITIES LIMITED

It should be noted that the Underwriting Agreement in respect of the Rights Issue contains provisions entitling the Underwriter by notice in writing to the Company at any time prior to 4:30 p.m. on the Settlement Date to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure. These events are set out under the section headed "Termination of the Underwriting Agreement" on pages 8 to 9 of this prospectus. If the Underwriter terminates the Underwriting Agreement in accordance with the terms thereof, the Rights Issue will not proceed. In addition, the Rights Issue is conditional on all conditions set out on pages 24 to 25 of this prospectus being fulfilled or waived (as applicable). If such conditions are not fulfilled or waived (as applicable) by the Long Stop Date, the Underwriting Agreement shall terminate and the Rights Issue will not proceed.

Dealings in the Shares were on an ex-rights basis from Thursday, 3rd July, 2008. Dealings in the Rights Shares in their nil-paid form will take place from Tuesday, 15th July, 2008 to Tuesday, 22nd July, 2008 (both dates inclusive). If the Underwriter terminates the Underwriting Agreement, or the conditions of the Rights Issue are not fulfilled or waived (as applicable), the Rights Issue will not proceed.

Any Shareholders or other persons contemplating selling or purchasing Shares and/or Rights Shares in their nil-paid form up to the date when the conditions of the Rights Issue are fulfilled or waived (as applicable) (which is expected to be 4:30 p.m. on Wednesday, 30th July, 2008) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed.

* *For identification purpose only*

11th July, 2008

CONTENTS

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the following meanings:

"2010 Convertible Notes"	the zero coupon convertible notes due 2010 in the aggregate principal amount of HK$1,000 million issued by the Company on 11th August, 2005, of which an aggregate principal amount of HK$471,050,000 remained outstanding as at the Latest Practicable Date
"2011 Convertible Notes"	the 1% convertible notes due 2011 in the aggregate principal amount of HK$1,000 million issued by the Company on 15th June, 2006, of which an aggregate principal amount of HK$906,000,000 remained outstanding as at the Latest Practicable Date
"Acceptance Date"	4:00 p.m. on Friday, 25th July, 2008, being the latest time at which provisional allotments of the Rights Shares (with Warrants) may be validly accepted as described in this prospectus
"Announcement"	the joint announcement of the Company and Hanny dated 6th June, 2008 in relation to, among other things, the proposed Rights Issue
"associate(s)"	has the same meaning ascribed to it in the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (excluding Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above or a "black" rainstorm warning is hoisted or remains hoisted or in effect between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Codes"	The Code on Takeovers and Mergers and Share Repurchases
"Companies Act"	the Companies Act 1981 of Bermuda
"Companies Ordinance"	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong

"Company"	ITC Properties Group Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code : 199)
"concert parties"	has the meanings ascribed to it in the Code on Takeovers and Mergers
"Director(s)"	director(s) of the Company
"Donson Convertible Notes"	the zero coupon convertible notes due 2010 in the aggregate principal amount of HK$60 million issued by the Company on 8th June, 2006, of which an aggregate principal amount of HK$17,476,177 remained outstanding as at the Latest Practicable Date
"Dr. Chan"	Dr. Chan Kwok Keung, Charles, the chairman of ITC and Hanny
"EAF(s)"	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares (with Warrants)
"Excluded Shareholder(s)"	Overseas Shareholder(s) in respect of whom the Directors, based on legal opinions provided by the legal advisers, consider it necessary or expedient not to offer the Rights Shares (with Warrants) to such Overseas Shareholder(s) on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"Executive"	Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
"Exercise Period"	a period of 18 months from the date of issue of the Warrants, which is from 5th August, 2008 to 4th February, 2010 (both dates inclusive)
"Green Label"	Green Label Investments Limited, a company incorporated in the British Virgin Islands with limited liability and the holder of the Donson Convertible Notes, the entire issued share capital of which is beneficially owned by Mr. Lai Tsan Tung David, an executive Director

"Group"	the Company and its subsidiaries
"Hanny"	Hanny Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code : 275)
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"ITC"	ITC Corporation Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code : 372)
"Kingston" or "Underwriter"	Kingston Securities Limited, a company incorporated in Hong Kong with limited liability and a corporation licensed to carry on type 1 (dealing in securities) regulated activity under the SFO
"Last Trading Day"	2nd June, 2008, being the last trading day for the Shares on the Stock Exchange before the suspension of their trading pending the release of the Announcement
"Latest Practicable Date"	8th July, 2008, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained in this prospectus
"Listing Committee"	has the meaning attributed to that term in the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	5:00 p.m. on 2nd October, 2008 or such later time and date as the Underwriter may agree with the Company in writing
"Loyal Concept"	Loyal Concept Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Hanny
"Macau"	the Macau Special Administrative Region of the PRC

"Mr. Cheung"	Mr. Cheung Hon Kit, an executive Director and the chairman of the Company
"Option(s)"	the outstanding share options granted by the Company pursuant to the share option scheme adopted on 26th August, 2002
"Overseas Shareholder(s)"	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is(are) in (a) place(s) outside Hong Kong
"PAL(s)"	the provisional allotment letter(s) in respect of the Rights Issue issued to the Qualifying Shareholders
"PRC"	The People's Republic of China
"Prospectus"	this prospectus issued by the Company to the Shareholders containing details of the Rights Issue
"Prospectus Documents"	this prospectus, PAL and EAF
"Qualifying Shareholder(s)"	Shareholder(s), other than the Excluded Shareholders, whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date
"Record Date"	Friday, 11th July, 2008, being the record date for determining the entitlements of the Shareholders to participate in the Rights Issue
"Rights Issue"	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
"Rights Shares"	9,286,554,078 new Shares to be issued and allotted under the Rights Issue
"Selective Choice"	Selective Choice Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of ITC

"Settlement Date"	Wednesday, 30th July, 2008, being the third Business Day following the Acceptance Date
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"SGM"	the special general meeting of the Company convened on Thursday, 10th July, 2008 at which, *inter alia*, the Rights Issue was approved
"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)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Underwriting Agreement"	the underwriting agreement dated 2nd June, 2008 entered into between the Company and the Underwriter in relation to the underwriting and certain other arrangements in respect of the Rights Issue
"Underwritten Shares"	7,191,197,262 Rights Shares, being the Rights Shares underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
"USA"	United States of America
"Warrants"	2,476,414,420 bonus warrants to be issued by the Company to the subscribers of the Rights Shares pursuant to the Rights Issue, represented by certificates, conferring the rights in their registered form to the holders thereof to subscribe in cash for 2,476,414,420 Warrant Shares at an initial exercise price of HK$0.105 per Warrant Share (subject to adjustments) at any time during the Exercise Period
"Warrant Share(s)"	new Share(s) falling to be issued by the Company upon exercise of the subscription rights attaching to the Warrant(s)
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"%" or "per cent."	percentage or per centum

EXPECTED TIMETABLE

Set out below is an indicative timetable for the implementation of the Rights Issue. **The timetable is subject to change in accordance with the agreement between the Company and the Underwriter. The Company will notify the Shareholders on any changes to the expected timetable as and when appropriate.**

	2008 *(Note i)*
Record Date	Friday, 11th July
Despatch of the Prospectus Documents	Friday, 11th July
Register of members re-opens	Monday, 14th July
First day of dealings in nil-paid Rights Shares	9:30 a.m. on Tuesday, 15th July
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Thursday, 17th July
Last day of dealings in nil-paid Rights Shares	Tuesday, 22nd July
Latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares *(Note ii)*	4:00 p.m. on Friday, 25th July
Latest time for termination of the Underwriting Agreement	4:30 p.m. on Wednesday, 30th July
Announcement of the results of the Rights Issue	Friday, 1st August
Effective date of the change in board lot size of Shares	Monday, 4th August
First day of free exchange of existing certificates for Shares in board lot of 5,000 Shares into new certificates for Shares in board lot of 30,000 Shares	Monday, 4th August
Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of Shares	9:30 a.m. on Monday, 4th August
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares expected to be posted on or before	Tuesday, 5th August

	2008
Certificates for the Rights Shares and the Warrants expected to be despatched on or before	Tuesday, 5th August
Commencement of dealings in fully-paid Rights Shares and Warrants *(Note iii)*	Thursday, 7th August
Designated broker ceases to stand in the market to provide matching services for the sale and purchase of odd lots of Shares	4:10 p.m. on Monday, 25th August
Last day of free exchange of existing certificates for Shares in board lot of 5,000 Shares into new certificates for Shares in board lot of 30,000 Shares	Wednesday, 27th August

Notes:

(i) All references to time in this prospectus refer to Hong Kong time.

(ii) The latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take effect if there is:

- a tropical cyclone warning signal number 8 or above, or
- a "black" rainstorm warning

  (i) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day;

  (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take effect on the Acceptance Date, the dates mentioned above may be affected. An announcement will be made by the Company in such event.

(iii) Dealings in the fully-paid Rights Shares and the Warrants will commence as soon as the relevant Shareholders receive the certificates for the Rights Shares and the Warrants.

TERMINATION OF THE UNDERWRITING AGREEMENT

If, prior to 4:30 p.m. on the Settlement Date, one or more of the following events or matters (whether or not forming part of a series of events) shall occur, arise, exist, or come into effect:

(i) the Underwriter shall become aware of the fact that, or shall, in its reasonable opinion, believe that any of the warranties contained in the Underwriting Agreement was untrue, inaccurate, misleading or breached, and in each case the same represents or is likely to represent (in the reasonable opinion of the Underwriter) a material and adverse change in the business, financial or trading position or prospects of the Group as a whole or is otherwise likely to have a material and adverse effect on the Rights Issue;

(ii) the Company commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement;

(iii) (a) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic, currency, epidemic or other nature (whether or not sui generis with any of the foregoing or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict);

(c) any change in local, national or international equity securities or currency markets (including but without limitation, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise);

(d) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;

(e) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere which shall or may materially and adversely affect the Group or a material proportion of the shareholders in their capacity as such;

(f) any withdrawal of the current listing of the Shares or suspension in the trading of the Shares on the Stock Exchange for more than 14 consecutive trading days (save for the purposes of clearing the Announcement or any other announcements or circulars relating to the Underwriting Agreement and the ancillary agreements thereto) or indication being received from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to in connection with the terms of the Underwriting Agreement or for any other reason;

(g) any change occurs in the circumstances of the Company or any member of the Group,

which event or events is or are in the reasonable opinion of the Underwriter:–

(i) likely to have a material adverse effect on the business or financial or trading position or prospects of the Group as a whole; or

(ii) likely to have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares "taken up"; or

(iii) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

then, and in such case the Underwriter may in its absolute discretion, in addition to and without prejudice to any other remedies to which the Underwriter may be entitled, by notice in writing given to the Company on or before 4:30 p.m. on the Settlement Date terminate the Underwriting Agreement.

Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and neither party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter the fees as may then be agreed by the parties. If the Underwriter exercises such right, the Rights Issue will not proceed.

德祥地產集團有限公司*

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 199)

Executive Directors:
Mr. Cheung Hon Kit *(Chairman)*
Mr. Chan Fut Yan *(Managing Director)*
Mr. Wong Kam Cheong, Stanley
(Deputy 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, 31/F
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

11th July, 2008

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

Dear Sir or Madam,

RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES (WITH WARRANTS IN THE PROPORTION OF FOUR WARRANTS FOR EVERY FIFTEEN RIGHTS SHARES SUBSCRIBED) FOR EVERY SHARE HELD

INTRODUCTION

On 6th June, 2008, the Board announced that the Company proposes to raise not less than approximately HK$650.1 million and not more than approximately HK$899.2 million before expenses by way of the Rights Issue of not less than 9,286,554,078 Rights Shares (with Warrants) and not more than 12,845,401,482 Rights Shares (with Warrants) at a subscription price of HK$0.07 per Rights Share.

The Company is provisionally allotting three Rights Shares (with Warrants) in nil-paid form for every Share held to the Qualifying Shareholders on the Record Date. The Rights Issue is not available to the Excluded Shareholders. The Warrants will be issued to the subscribers of the Rights Shares by way of bonus issue in the proportion of four Warrants for every fifteen Rights Shares subscribed.

* *For identification purpose only*

As at the Latest Practicable Date, the issued share capital of the Company comprised 3,095,518,026 Shares. On the basis of the provisional allotment as described above, a total of 9,286,554,078 Rights Shares and 2,476,414,420 Warrants will be issued under the Rights Issue.

Pursuant to the Underwriting Agreement, the Rights Shares (other than the Rights Shares to be provisionally allotted to and subscribed by ITC, Hanny, Dr. Chan and Mr. Cheung and their respective subsidiaries or associates (as the case may be) pursuant to their respective undertakings as described in this prospectus) will be fully underwritten by the Underwriter.

As at the Latest Practicable Date, the Company had outstanding 2010 Convertible Notes, 2011 Convertible Notes and Donson Convertible Notes in the principal amount of HK$471,050,000, HK$906,000,000 and HK$17,476,177 respectively, which are in turn convertible into 1,070,568,183 Shares, 1,294,285,716 Shares and 39,718,584 Shares at the prevailing conversion prices of HK$0.44, HK$0.70 and HK$0.44 per Share (subject to adjustments) respectively. As at the Latest Practicable Date, Hanny, through its wholly-owned subsidiary, was interested in the 2010 Convertible Notes with principal amount of HK$330,000,000, and Hanny and ITC, through their respective wholly-owned subsidiaries, were also interested in the 2011 Convertible Notes with principal amounts of HK$270,000,000 and HK$30,000,000 respectively. Hanny and ITC have undertaken to the Company and the Underwriter that their respective subsidiaries will not exercise any of their conversion rights under the 2010 Convertible Notes and/or the 2011 Convertible Notes (as the case may be), and Green Label has undertaken to the Company and the Underwriter not to exercise its conversion rights under the Donson Convertible Notes, into new Shares until the close of business on the Record Date. As at the Latest Practicable Date, the Company had a total of 26,800,000 vested Options carrying rights to subscribe for 26,800,000 new Shares at the current exercise price of HK$0.50 per new Share at any time until 14th August, 2008. Holders of these Options have undertaken not to exercise their Options until the close of business on the Record Date.

The estimated net proceeds of the Rights Issue will be approximately HK$626.6 million. The net proceeds from the Rights Issue are intended to be used as general working capital of the Group principally for its existing business and for the repurchase of the 2010 Convertible Notes and the 2011 Convertible Notes (other than those held by the respective subsidiaries of Hanny and ITC). Recently, the Company has received requests from certain holders of the 2010 Convertible Notes and the 2011 Convertible Notes (other than the respective subsidiaries of Hanny and ITC) to consider repurchasing their convertible notes in view of the fact that the notes have been out-of-the-money. The Company intends that after the successful completion of the Rights Issue and subject to the Executive confirming compliance with the requirements of the Codes, it will proceed to agreeing the detailed terms with the requesting holders of such convertible notes to repurchase the outstanding amounts owing thereunder. The Company plans to use up to approximately HK$544.1 million of the net proceeds of the Rights Issue for the repurchase. The Company confirms that it will not apply the proceeds of the Rights Issue to repurchase the convertible notes held by the respective subsidiaries of Hanny and ITC. As at the Latest Practicable Date, the other holders of the 2010 Convertible Notes and the 2011 Convertible Notes were not connected persons of the Company. Accordingly, the said repurchase, if proceeds, is not expected to constitute a connected transaction for the Company. If the said repurchase does not proceed, the said entire net proceeds of the Rights Issue will be used as general working capital of the Group. Further announcement will be made by the Company in this regard as and when appropriate.

The purpose of this prospectus is to provide you with information in respect of the Rights Issue, the summary terms of the Warrants and certain financial and other information on the Group.

RIGHTS ISSUE

The Rights Issue statistics are as follows:

Basis of the Rights Issue	:	Three Rights Shares (with four Warrants for every fifteen Rights Shares subscribed) for every Share held on the Record Date
Number of Shares in issue	:	3,095,518,026 Shares as at the Latest Practicable Date
Outstanding convertible securities and Options	:	As at the Latest Practicable Date, the Company had the following outstanding convertible securities and Options:

(i) the 2010 Convertible Notes with principal amount of HK$471,050,000, which are convertible into 1,070,568,183 new Shares at the prevailing conversion price of HK$0.44 each (subject to adjustments). Hanny, through its wholly-owned subsidiary, was interested in the 2010 Convertible Notes with principal amount of HK$330,000,000 which are convertible into 750,000,000 new Shares;

(ii) the 2011 Convertible Notes with principal amount of HK$906,000,000, which are convertible into 1,294,285,716 new Shares at the prevailing conversion price of HK$0.70 each (subject to adjustments). Hanny and ITC, through their respective wholly-owned subsidiaries, were interested in the 2011 Convertible Notes with principal amounts of HK$270,000,000 and HK$30,000,000 which are convertible into 385,714,285 new Shares and 42,857,142 new Shares respectively;

(iii) the Donson Convertible Notes with principal amount of HK$17,476,177, which are convertible into 39,718,584 new Shares at the prevailing conversion price of HK$0.44 each (subject to adjustments);

(iv) a total of 26,800,000 vested Options carrying rights to subscribe for 26,800,000 new Shares at the exercise price of HK$0.50 per new Share at any time until 14th August, 2008;

(v) 31,600,000 Options carrying rights to subscribe for 31,600,000 new Shares at the exercise price of HK$0.67 per new Share during the period from 27th July, 2008 to 26th July, 2011; and

(vi) 31,600,000 Options carrying rights to subscribe for 31,600,000 new Shares at the exercise price of HK$0.67 per new Share during the period from 27th July, 2009 to 26th July, 2011.

Save for the aforesaid, the Company had no outstanding options, warrants or other securities convertible into or giving rights to subscribe for Shares as at the Latest Practicable Date.

Hanny and ITC have undertaken to the Company and the Underwriter that they will procure their respective subsidiaries not to exercise any of their conversion rights under the 2010 Convertible Notes and/or the 2011 Convertible Notes (as the case may be), and Green Label has undertaken to the Company and the Underwriter not to exercise its conversion rights under the Donson Convertible Notes, into new Shares until the close of business on the Record Date. Holders of the Options which are already vested have also undertaken to the Company and the Underwriter not to exercise their Options until the close of business on the Record Date. For details, please refer to the section headed "Undertakings and underwriting arrangements" below.

Number of Rights Shares	:	9,286,554,078 Rights Shares
Number of Warrants	:	2,476,414,420 Warrants
Number of Warrant Shares to be issued upon exercise of Warrants	:	2,476,414,420 Warrant Shares at the exercise price of HK$0.105 per Warrant Share, subject to adjustments
Subscription price	:	HK$0.07 per Rights Share (with Warrant)
Enlarged issued share capital immediately upon completion of the Rights Issue	:	12,382,072,104 Shares

The nil-paid Rights Shares provisionally allotted represent:

(i) 300% of the Company's existing issued share capital; and

(ii) 75% of the Company's issued share capital as enlarged by the issue of the Rights Shares.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and must be a Qualifying Shareholder.

The Company has sent the Prospectus Documents to the Qualifying Shareholders. For the Excluded Shareholders, the Company has sent copies of the Prospectus to them for their information only, excluding any PAL and EAF.

Subscription price

The subscription price for the Rights Shares is HK$0.07 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares (with Warrants) and, where applicable, application for excess Rights Shares (with Warrants) under the Rights Issue or when a transferee of nil-paid Rights Shares applies for Rights Shares (with Warrants). The subscription price represents:

(i) a discount of approximately 62.8% to the closing price of HK$0.188 (before taking into account of the effect of the ex-rights prices from 3rd July, 2008) per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 63.6% to the average closing price of HK$0.192 (before taking into account of the effect of the ex-rights prices from 3rd July, 2008) per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 64.8% to the average closing price of HK$0.199 (before taking into account of the effect of the ex-rights prices from 3rd July, 2008) per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 29.6% to the theoretical ex-rights price of HK$0.0995 based on the closing price of HK$0.188 (before taking into account of the effect of the ex-rights prices from 3rd July, 2008) per Share as quoted on the Stock Exchange on the Last Trading Day;

(v) a discount of approximately 88.5% to the unaudited consolidated net asset value per Share as at 30th September, 2007 of approximately HK$0.61 per Share;

(vi) a discount of approximately 88.3% to the audited consolidated net asset value per Share as at 31st March, 2008 of approximately HK$0.6 per Share; and

(vii) a discount of approximately 31.4% to the closing price of HK$0.102 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The subscription price for the Rights Shares was determined after arm's length negotiations between the Company and the Underwriter with reference to the current market price of the Shares. As the Rights Shares are offered to all Qualifying Shareholders, the Directors believe that the subscription price is set at a level which could attract the Qualifying Shareholders to participate in the Rights Issue. Accordingly, the Directors consider that the terms of the Rights Issue, including the subscription price and the issue of Warrants, are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Terms of the Warrants

The terms of the Warrants are as follows:

Exercise price

The exercise price for the Warrants is HK$0.105 per Warrant Share (subject to adjustments), which represents:

(i) a discount of approximately 44.1% to the closing price of HK$0.188 (before taking into account of the effect of the ex-rights prices from 3rd July, 2008) per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 45.3% to the average closing price of HK$0.192 (before taking into account of the effect of the ex-rights prices from 3rd July, 2008) per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 47.2% to the average closing price of HK$0.199 (before taking into account of the effect of the ex-rights prices from 3rd July, 2008) per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;

(iv) a premium of approximately 5.5% over the theoretical ex-rights price of HK$0.0995 per Share based on the closing price of HK$0.188 (before taking into account of the effect of the ex-rights prices from 3rd July, 2008) per Share as quoted on the Stock Exchange on the Last Trading Day;

(v) a discount of approximately 82.8% to the unaudited consolidated net asset value per Share as at 30th September, 2007 of approximately HK$0.61 per Share;

(vi) a discount of approximately 82.5% to the audited consolidated net asset value per Share as at 31st March, 2008 of approximately HK$0.6 per Share; and

(vii) a premium of approximately 2.9% over the closing price of HK$0.102 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The exercise price for the Warrants was determined with reference to the current market price of the Shares. The Directors consider that the terms of the Warrants, including the exercise price, are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

The exercise price for the Warrants is subject to anti-dilutive adjustments under certain circumstances, including consolidation or subdivision of Shares, capitalisation of profits or reserves or capital distribution. The adjustment to the exercise price of the Warrants will be verified by the auditors of the Company or an approved merchant bank pursuant to the terms of the Warrants and an announcement on such adjustment will be made as and when appropriate in accordance with the requirements of the Listing Rules.

Exercise Period

The subscription rights attaching to the Warrants may be exercised in whole or in part(s) within the Exercise Period. Based on the number of Warrants that may be issued under the Rights Issue, 2,476,414,420 Warrant Shares may fall to be issued upon the exercise of the subscription rights attached to the Warrants, representing approximately 80% of the existing issued share capital of the Company and approximately 20% of the issued share capital of the Company as enlarged by the issue of 9,286,554,078 Rights Shares. Any subscription rights attaching to the Warrants which have not been exercised on or before the last day of the Exercise Period will lapse and the Warrants will cease to be valid for all purposes. The Warrants are freely transferable.

The Warrant Shares proposed to be issued upon full exercise of the subscription rights attached to the Warrants, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights, will not exceed 20% of the total issued share capital of the Company at the time the Warrants are issued. The Exercise Period for the Warrants is 18 months from the date of issue of the Warrants and the expected market capitalisation of the Warrants will be approximately HK$23.3 million, which is calculated based on, among others, the premium determined by the Directors with reference to common market practice. Accordingly, the proposed issue of the Warrants complies with Rules 8.09(4) and 15.02 of the Listing Rules. The Company also confirms that the issue of the Warrants is in conformity with the laws of Bermuda and the bye-laws of the Company pursuant to Rule 8.14 of the Listing Rules.

Cost of subscription of the Rights Shares (with Warrants)

The Warrants will be issued to the subscribers of the Rights Shares by way of bonus issue. On the basis that four Warrants will be issued for every fifteen Rights Shares subscribed for, and the subscription price of HK$0.07 per Rights Share and the exercise price of HK$0.105 per Warrant, the aggregate subscription moneys payable by the Qualifying Shareholders for 9,286,554,078 Rights Shares and 2,476,414,420 Warrant Shares (upon exercise in full of the subscription rights attached to the Warrants) would be approximately HK$910,082,300 or an average of approximately HK$0.0774 per Share, which represents:

(i) a discount of approximately 58.8% to the closing price of HK$0.188 (before taking into account of the effect of the ex-rights prices from 3rd July, 2008) per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 22.2% to the theoretical ex-rights price of approximately HK$0.0995 per Share based on the closing price of HK$0.188 (before taking into account of the effect of the ex-rights prices from 3rd July, 2008) per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 59.7% to the average of the closing price of HK$0.192 (before taking into account of the effect of the ex-rights prices from 3rd July, 2008) per Share for the 5 consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 61.1% to the average of the closing price of HK$0.199 (before taking into account of the effect of the ex-rights prices from 3rd July, 2008) per Share for the 10 consecutive trading days up to and including the Last Trading Day; and

(v) a discount of approximately 24.1% to the closing price of HK$0.102 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Basis of provisional allotment

The basis of the provisional allotment shall be three Rights Shares (with Warrants in the proportion of four Warrants for every fifteen Rights Shares subscribed) for every Share held, being 9,286,554,078 Rights Shares, at a subscription price of HK$0.07 per Rights Share. Acceptance of all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being accepted. The Company will not allot fractions of Warrants. The issue of the Warrants is one or none case. Accordingly, if a Shareholder holds 14 Rights Shares, he is not entitled to any bonus issue of Warrants.

Status of the Rights Shares and the Warrant Shares

The Rights Shares and the Warrant Shares, when allotted and fully paid, will rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Rights Shares and the Warrant Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares or the Warrant Shares (as the case may be).

Rights of the Excluded Shareholders

According to the register of members of the Company as at the Record Date, there were three Overseas Shareholders with registered addresses located in the British Virgin Islands and Canada. The Directors have, in compliance with Rule 13.36(2)(a) of the Listing Rules, conducted enquiries regarding the feasibility of extending the Rights Issue to such Overseas Shareholders. Based on the legal opinion provided by the Company's legal advisers on Canadian laws, the Directors consider that it is necessary or expedient not to offer the Rights Shares (with Warrants) to the Overseas Shareholder in Canada on account either of the legal restrictions under the laws of Canada or the requirements of the relevant regulatory body or stock exchange in Canada. Accordingly, the Overseas Shareholder whose registered address is in Canada will be the Excluded Shareholder and the Rights Issue will not be available to such Overseas Shareholder. Based on the legal opinion provided by the Company's legal advisers on British Virgin Islands laws, the Directors have been advised that it would be lawful for the Company to offer the Rights Shares (with Warrants) to the two Overseas Shareholders in the British Virgin Islands even though the Prospectus Documents will not be registered in such jurisdiction. Therefore, the Overseas Shareholders whose registered addresses are in the British Virgin Islands will be the Qualifying Shareholders and the Rights Issue will be available to such Overseas Shareholders. The Company has sent a copy of the Prospectus to the Excluded Shareholder for his information only, excluding PAL and EAF.

Arrangements will be made for the Rights Shares (with Warrants) which would otherwise have been provisionally allotted to the Excluded Shareholder to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and before dealings in the nil-paid Rights Shares end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK$100 will be paid pro-rata to the Excluded Shareholder. The Company will retain individual amounts of HK$100 or less for its own benefit. Any unsold entitlements of the Excluded Shareholder, together with any Rights Shares (with Warrants) provisionally allotted but not accepted, will be made available for excess application on EAFs by the Qualifying Shareholders.

Share certificates

Subject to the fulfilment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares and the Warrants are expected to be posted to those entitled thereto by ordinary post at their own risk to their registered addresses on or before Tuesday, 5th August, 2008.

Procedure for acceptance and transfer

A PAL is enclosed with this prospectus which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of the Rights Shares shown therein. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PAL, they must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Company's branch share registrar and transfer office in Hong Kong, by not later than 4:00 p.m. on Friday, 25th July, 2008. All remittances must be made in Hong Kong dollars and cheques must be drawn on an account with, or cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "**ITC Properties Group Limited – Rights Issue (PAL)**" and crossed "**Account Payee Only**". It should be noted that unless the PAL, together with the appropriate remittance, has been lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by 4:00 p.m. on Friday, 25th July, 2008, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If the Qualifying Shareholders wish to accept only part of their provisional allotment or transfer a part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or to transfer their rights to more than one person, the entire PAL must be surrendered and lodged for cancellation by not later than 4:30 p.m. on Thursday, 17th July, 2008 to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, who will cancel the original PAL and issue new PALs in the denominations required.

All cheques or cashier's orders will be presented for payment following receipt and all interest earned on such moneys will be retained for the benefit of the Company. Any PAL in respect of which the cheque or cashier's order is dishonoured on first presentation is liable to be rejected, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

Save as described under the paragraph headed "Rights of the Excluded Shareholders" above, no action has been taken to permit the offering of the Rights Shares or the distribution of the Prospectus Documents in any territory other than Hong Kong. Accordingly, no person receiving this prospectus, a PAL or EAF in any territory outside

Hong Kong may treat it as an offer or invitation to apply for the Rights Shares or excess Rights Shares, unless in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. Subject as referred to below, it is the responsibility of anyone outside Hong Kong wishing to make an application for the Rights Shares to satisfy itself/himself/herself before acquiring any rights to subscribe for the provisionally allotted Rights Shares or excess Rights Shares, as to the observance of the laws and regulations of all relevant territories, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such territory in connection therewith. The Company reserves the right to refuse to accept any application for the Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction. No application for the Rights Shares will be accepted from any person who is an Excluded Shareholder (if any).

If the Underwriter exercises the right to terminate or rescind the Underwriting Agreement or if the conditions of the Rights Issue are not fulfilled or waived (as applicable), the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched in the ordinary post at the risk of such Qualifying Shareholders or such other persons to their registered addresses on or before Tuesday, 5th August, 2008.

Application for excess Rights Shares (with Warrants)

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Excluded Shareholder and for any Rights Shares (with Warrants) provisionally allotted but not accepted by the Qualifying Shareholders.

If the Qualifying Shareholders wish to apply for any Rights Shares in addition to their provisional allotment, they must complete and sign the enclosed EAF in accordance with the instructions printed thereon and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Friday, 25th July, 2008. All remittances must be made in Hong Kong dollars and cheques must be drawn on an account with, or cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "**ITC Properties Group Limited – Rights Issue (EAF)**" and crossed "**Account Payee Only**". The branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, will notify the

Qualifying Shareholders of any allotment of excess Rights Shares made to them, which will be at the discretion of the Directors on a fair and equitable basis on the following principles:

(1) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with intention to abuse this mechanism; and

(2) subject to the availability of excess Rights Shares after allocation under principle (1) above, the excess Rights Shares will be allocated to the Qualifying Shareholders based on a sliding scale with reference to the number of excess Rights Shares applied by them (i.e. Qualifying Shareholders applying for smaller number of Rights Shares are allocated with a higher percentage of successful application but will receive less number of Rights Shares; whereas Qualifying Shareholders applying for larger number of Rights Shares are allocated with a smaller percentage of successful application but will receive greater number of Rights Shares) and with board lot allocations to be made on a best effort basis.

If no excess Rights Shares are allotted to the Qualifying Shareholders, the amount tendered on application is expected to be returned to such Qualifying Shareholders in full by ordinary post at their own risk to their registered addresses on or before Tuesday, 5th August, 2008. If the number of excess Rights Shares allotted to the Qualifying Shareholders is less than that applied for, the surplus application moneys are also expected to be returned to them by ordinary post at their own risk to their registered addresses on or before Tuesday, 5th August, 2008. All cheques or cashier's orders will be presented for payment following receipt and all interest earned on such moneys will be retained for the benefit of the Company. Any EAF in respect of which a cheque or cashier's order is dishonoured on first presentation is liable to be rejected.

The EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including cheques or cashier's orders for amounts due, will be sent at the risk of the persons entitled thereto to their registered addresses by the branch share registrar and transfer office of the Company in Hong Kong.

Save as described under the paragraph headed "Rights of the Excluded Shareholders" above, no action has been taken to permit the offering of the Rights Shares or the distribution of the Prospectus Documents in any territory other than Hong Kong. Accordingly, no person receiving a copy of the EAF in any territory outside Hong Kong may treat it as an offer or invitation to apply for the excess Rights Shares, unless in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. It is the responsibility of anyone outside Hong Kong wishing to make an application for the excess Rights Shares to satisfy itself/himself/herself before acquiring any rights to subscribe for the excess Rights Shares as to the observance of the laws and regulations of all relevant territories, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such territory in connection therewith. The Company reserves the right to refuse to accept any application for the excess Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction.

If the Underwriter exercises the right to terminate or rescind the Underwriting Agreement or if the conditions of the Rights Issue are not fulfilled or waived (as applicable), the monies received in respect of application for excess Rights Shares will be returned to the Qualifying Shareholders or, in the case of joint applicants, to the first-named person without interest, by means of cheques despatched in the ordinary post at the risk of such Qualifying Shareholders to their registered addresses on or before Tuesday, 5th August, 2008.

Application for listing

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms), the Warrants and the Warrant Shares to be allotted and issued pursuant to the Rights Issue.

The Company will ensure the compliance of the listing of the Warrants with the relevant requirements under Rule 8.08(2) of the Listing Rules. Subject to the granting of the listing of, and permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms), the Warrants and the Warrant Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms), the Warrants and the Warrant Shares will be accepted as eligible securities by HKSCC for deposit, clearing and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares (in both their nil-paid and fully-paid forms), the Warrants and the Warrant Shares or such other dates as may be determined by HKSCC.

Dealings in the Rights Shares, in both their nil-paid and fully-paid forms, both in board lots of 5,000, which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty in Hong Kong. The Warrants, upon issue, will be listed on the Stock Exchange and traded in board lots of 240,000.

No part of the securities of the Company is listed on or dealt on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

UNDERTAKINGS AND UNDERWRITING ARRANGEMENTS

Undertakings

As at the Latest Practicable Date, (i) Hanny (through its wholly-owned subsidiary) was interested in 477,517,272 Shares, representing approximately 15.43% of the existing issued share capital of the Company; (ii) ITC (through its wholly-owned subsidiaries) was interested in 202,125,000 Shares, representing approximately 6.53% of the existing issued share capital of the Company; (iii) Dr. Chan was interested in 3,810,000 Shares, representing approximately 0.12% of the existing issued share capital of the Company; and (iv) Mr. Cheung was interested in 15,000,000 Shares, representing approximately 0.48% of the existing issued share capital of the Company. Each of Hanny, ITC, Dr. Chan and Mr. Cheung has irrevocably undertaken to the Company and the Underwriter that the Shares beneficially owned by it or its subsidiaries or his associates (as the case may be) will not be disposed of from the date of the undertaking, being 2nd June, 2008, up to and including the Business Day immediately after the Acceptance Date. Each of Hanny, ITC, Dr. Chan and Mr. Cheung has further irrevocably undertaken to the Company and the Underwriter that it/he will take up, or procure the taking up of (as the case may be), its/his provisional entitlements under the Rights Issue in full, representing (a) in the case of Hanny, 1,432,551,816 Rights Shares (with Warrants); (b) in the case of ITC, 606,375,000 Rights Shares (with Warrants); (c) in the case of Dr. Chan, 11,430,000 Rights Shares (with Warrants); and (d) in the case of Mr. Cheung, 45,000,000 Rights Shares (with Warrants).

As at the Latest Practicable Date, the Company had a total of 26,800,000 vested Options carrying rights to subscribe for 26,800,000 new Shares at the current exercise price of HK$0.50 per new Share at any time until 14th August, 2008. Holders of these Options have undertaken not to exercise their Options until the close of business on the Record Date.

As at the Latest Practicable Date, (i) Loyal Concept was interested in the 2010 Convertible Notes and the 2011 Convertible Notes with principal amounts of HK$330,000,000 and HK$270,000,000 respectively; and (ii) Selective Choice was interested in the 2011 Convertible Notes with a principal amount of HK$30,000,000. Each of ITC and Hanny has further undertaken to the Company and the Underwriter that Loyal Concept and Selective Choice (as the case may be) shall not exercise any of their conversion rights under the 2010 Convertible Notes and/or the 2011 Convertible Notes (as the case may be) from the date of such undertaking to the close of business on the Record Date.

As at the Latest Practicable Date, Green Label was interested in all the outstanding Donson Convertible Notes. Green Label has irrevocably undertaken to the Company and the Underwriter that Green Label shall not exercise any of the conversion rights under the outstanding Donson Convertible Notes from the date of the undertaking to the close of business on the Record Date.

Underwriting Agreement

Date

2nd June, 2008

Parties

(i) the Company; and

(ii) Kingston.

Kingston and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Underwriting arrangements

The Underwriter has conditionally agreed to fully underwrite not less than 7,191,197,262 Rights Shares (with Warrants) and not more than 10,750,044,666 Rights Shares (with Warrants) at a subscription price of HK$0.07 per Rights Share. The Underwriting Agreement provides that the Underwriter shall be obliged to subscribe or procure subscribers for any untaken Rights Shares.

As at the Latest Practicable Date, there were 3,095,518,026 Shares in issue. Given there is no conversion of any convertible notes and exercise of any Options between the date of the Announcement and the Record Date due to the closure of the register of members from Monday, 7th July, 2008 to Friday, 11th July, 2008 (both dates inclusive), the Underwriter shall underwrite 7,191,197,262 Rights Shares (with Warrants) pursuant to the terms of the Underwriting Agreement.

Conditions of the Rights Issue

The Rights Issue is conditional on, among other things, each of the following conditions being fulfilled or waived (as applicable) on or before 2nd October, 2008 (or such later time and date as the Underwriter may agree with the Company in writing):

(i) the passing of the relevant resolution(s) by the Shareholders approving the Rights Issue and authorisation of the allotment and issue of the Rights Shares; and the creation, issue and grant of the Warrants and authorisation of the allotment and issue of the Warrant Shares at the SGM in accordance with the requirements of, inter alia, the bye-laws of the Company and the Listing Rules;

(ii) the delivery to the Stock Exchange and the filing with and registration by the Registrar of Companies in Hong Kong respectively of one copy of each of the Prospectus Documents in compliance with the Listing Rules and the Companies Ordinance;

(iii) the filing of the Prospectus Documents with the Registrar of Companies in Bermuda in compliance with the Companies Act;

(iv) the posting of the Prospectus Documents to the Qualifying Shareholders and of the Prospectus marked "For information only" to the Excluded Shareholders;

(v) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms, the Warrants and the Warrant Shares either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) and not having withdrawn or revoked such listing and permission;

(vi) the due execution of the undertakings by Dr. Chan, Mr. Cheung, Green Label, each of the directors and the former director of the members of the Group and Hanny who is the holder of the outstanding vested Options, ITC and Hanny in accordance with their respective undertaking letters;

(vii) the obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms of the Underwriting Agreement; and

(viii) if necessary, the consent or permission from the Bermuda Monetary Authority in respect of the issue of the Rights Shares and the Warrant Shares.

The Underwriter may waive the condition (vii) by notice in writing given to the Company.

If the conditions of the Rights Issue have not been satisfied or waived (as applicable) in accordance with the Underwriting Agreement on or before the Long Stop Date, all obligations of the parties thereto shall cease and determine and neither party shall have any claim against the other save that all such reasonable costs, fees and other out-of-pocket expenses (excluding sub-underwriting fees and related expenses) as have been reasonably and properly incurred by the Underwriter in connection with the underwriting of the Underwritten Shares by the Underwriter shall, to the extent agreed by the Company, be borne by the Company, and the Rights Issue will not proceed.

Commission

The Company will pay the Underwriter an underwriting commission of 2.5% of the sum resulting from multiplying the subscription price of the Underwritten Shares by the maximum number of Underwritten Shares as determined on the Record Date, out of which the Underwriter will pay sub-underwriting fees. The Company and the Underwriter consider the underwriting commission is in line with the market rate. The Directors consider the rate of the underwriting commission is fair and reasonable.

Termination of the Underwriting Agreement

If, prior to 4:30 p.m. on the Settlement Date, one or more of the following events or matters (whether or not forming part of a series of events) shall occur, arise, exist, or come into effect:

(i) the Underwriter shall become aware of the fact that, or shall, in its reasonable opinion, believe that any of the warranties contained in the Underwriting Agreement was untrue, inaccurate, misleading or breached, and in each case the same represents or is likely to represent (in the reasonable opinion of the Underwriter) a material and adverse change in the business, financial or trading position or prospects of the Group as a whole or is otherwise likely to have a material and adverse effect on the Rights Issue;

(ii) the Company commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement;

(iii) (a) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic, currency, epidemic or other nature (whether or not sui generis with any of the foregoing or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict);

(c) any change in local, national or international equity securities or currency markets (including but without limitation, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise);

(d) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;

(e) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere which shall or may materially and adversely affect the Group or a material proportion of the shareholders in their capacity as such;

(f) any withdrawal of the current listing of the Shares or suspension in the trading of the Shares on the Stock Exchange for more than 14 consecutive trading days (save for the purposes of clearing the Announcement or any other announcements or circulars relating to the Underwriting Agreement and the ancillary agreements thereto) or indication being received from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to in connection with the terms of the Underwriting Agreement or for any other reason;

(g) any change occurs in the circumstances of the Company or any member of the Group,

which event or events is or are in the reasonable opinion of the Underwriter:–

(i) likely to have a material adverse effect on the business or financial or trading position or prospects of the Group as a whole; or

(ii) likely to have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares "taken up"; or

(iii) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

then, and in such case the Underwriter may in its absolute discretion, in addition to and without prejudice to any other remedies to which the Underwriter may be entitled, by notice in writing given to the Company on or before 4:30 p.m. on the Settlement Date terminate the Underwriting Agreement.

Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and neither party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter the fees as may then be agreed by the parties. If the Underwriter exercises such right, the Rights Issue will not proceed.

WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND THE RIGHTS SHARES IN THEIR NIL-PAID FORM

The Rights Issue is conditional upon, among other things, the fulfillment of the conditions set out under the paragraph headed "Conditions of the Rights Issue" above. In particular, the Rights Issue is subject to the Underwriter not terminating the Underwriting Agreement in accordance with its terms. Accordingly, the Rights Issue may or may not proceed.

Any dealing in the Shares from the date of this prospectus up to the date on which all the conditions of the Rights Issue are fulfilled or waived (as applicable), and any dealing in the Rights Shares in their nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or the Rights Shares in their nil-paid form are recommended to consult their own professional advisers.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

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 estimated net proceeds of the Rights Issue will be approximately HK$626.6 million. The net proceeds from the Rights Issue are intended to be used as general working capital of the Group principally for its existing business and for the repurchase of the 2010 Convertible Notes and the 2011 Convertible Notes (other than those held by the respective subsidiaries of Hanny and ITC). The Company intends to apply an amount of approximately HK$82.5 million as general working capital of the Group principally for its existing business and future property development and investment in Macau, the PRC and Hong Kong. Recently, the Company has received requests from certain holders of the 2010 Convertible

Notes and the 2011 Convertible Notes (other than the respective subsidiaries of Hanny and ITC) to consider repurchasing their convertible notes in view of the fact that the notes have been out-of-the-money. The Company intends that after the successful completion of the Rights Issue and subject to the Executive confirming compliance with the requirements of the Codes, it will proceed to agreeing the detailed terms with the requesting holders of such convertible notes to repurchase the outstanding amounts owing thereunder. The Company intends to apply an amount of not more than HK$544.1 million for the repurchase of the 2010 Convertible Notes and the 2011 Convertible Notes. The repurchase of the 2010 Convertible Notes and the 2011 Convertible Notes will be formally considered after completion of the Rights Issue. There is at present no agreement or arrangement with any holders of the 2010 Convertible Notes and/or the 2011 Convertible Notes regarding the repurchase which is dependent on the Rights Issue. The Company confirms that it will not apply the proceeds of the Rights Issue to repurchase the convertible notes held by the respective subsidiaries of Hanny and ITC. If the said repurchase does not proceed, the said entire net proceeds of the Rights Issue will be used as general working capital of the Group. Further announcement will be made by the Company in this regard as and when appropriate.

The intended use of the estimated net proceeds of the Rights Issue is more particularly set out below:

	HK$'million
Working capital *(Note)*	82.5
Repurchase of 2010 Convertible Notes and 2011 Convertible Notes	544.1
Total estimated net proceeds	626.6

Note: Principally for use in the existing business of the Group and for future property development and investment in Macau, the PRC and Hong Kong.

Upon full exercise of Warrants, the Company will receive approximately HK$260 million before expenses (assuming that the exercise price per Warrant is not adjusted). The Company intends to apply the proceeds raised from the exercise of the Warrants towards future acquisitions in Macau, the PRC and Hong Kong and for general working capital of the Group.

The Directors believe that the Rights Issue is in the interests of the Group and the Shareholders as a whole given that the Rights Issue will increase the capital base of the Group and provide the Company with funding to repurchase the 2010 Convertible Notes and the 2011 Convertible Notes. The Qualifying Shareholders are given the opportunity to maintain their respective pro-rata shareholding interests in the Company by participating in the Rights Issue.

CHANGE IN BOARD LOT SIZE OF SHARES

The Shares are currently traded in board lots of 5,000 Shares each. In order to raise the board lot value, the Company announced that the board lot size of the Shares for trading on the Stock Exchange is expected to be changed from 5,000 Shares to 30,000 Shares with effect from 4th August, 2008.

Assuming the change in board lot size becomes effective on 4th August, 2008, the Shares will be traded in board lots of 30,000 Shares and the estimated market value per board lot of the Shares will be approximately HK$2,985, based on the theoretical ex-rights price of HK$0.0995 per Share (based on the closing price of HK$0.188 (before taking into account of the effect of the ex-rights prices from 3rd July, 2008) per Share as quoted on the Stock Exchange on the Last Trading Day).

In order to alleviate the difficulties arising from the existence of odd lots of the Shares as a result of the change in board lot size of the Shares, the Company has procured Kingston to stand in the market to provide matching services for the odd lots of the Shares on a best effort basis, during the period from 4th August, 2008 to 25th August, 2008 (both dates inclusive). Holders of the Shares in odd lots (i.e. board lots which are not in integral multiples of 30,000 Shares) who wish to take advantage of this matching facility, please contact Ms. Rosita Kiu of Kingston at telephone number (852) 2298-6215 during office hours. Holders of the Shares in odd lots should note that successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. Shareholders are advised to consult their professional advisers if they are in doubt about the above arrangement.

FREE EXCHANGE OF SHARE CERTIFICATES

Shareholders may submit their existing certificates for the Shares in board lot of 5,000 Shares to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for exchange during business hours from Monday, 4th August, 2008 to Wednesday, 27th August, 2008 (both dates inclusive), at the expense of the Company for new certificates for the Shares in board lot of 30,000 Shares. Thereafter, certificates for the Shares will be accepted for exchange only on payment of a fee of HK$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each certificate for the Shares cancelled or each new certificate for the Shares issued, whichever number of certificates for the Shares cancelled/issued is higher. Nevertheless, all existing certificates for the Shares will continue to be good evidence of legal title and will be valid for dealings, trading and settlement purposes after the change in board lot size of the Shares has become effective and may be exchanged for certificates for the Shares at any time in accordance with the foregoing.

FINANCIAL AND TRADING PROSPECTS

In recent years, the Group has proactively enlarged its portfolio of property investments by acquiring property interests in Macau and Hong Kong and a substantial interest in Empresa De Fomento Industrial E Comercial Concórdia, S.A., which is the owner of one of the largest residential development projects in Macau. 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 health and medicine 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 and the surrounding area with a view to expanding its investments in quality properties.

The Directors consider the Rights Issue can enlarge the Company's capital base and strengthen the financial position of the Group by reducing its gearing ratio.

POSSIBLE ADJUSTMENT TO THE 2010 CONVERTIBLE NOTES, THE 2011 CONVERTIBLE NOTES, THE DONSON CONVERTIBLE NOTES AND THE OPTIONS

Completion of the Rights Issue may lead to adjustments to the exercise price and/or number of Shares to be issued upon conversion of the 2010 Convertible Notes, the 2011 Convertible Notes and the Donson Convertible Notes, and upon exercise of the Options. The Company will notify the holders of the convertible notes and the Options regarding adjustments to be made (if any) pursuant to the terms of the convertible notes and the relevant share option scheme by way of announcement(s) in early August 2008. Such adjustments will be certified by an approved merchant bank or the auditors of the Company (as and when appropriate).

PREVIOUS FUND RAISING EXERCISE OF THE COMPANY

There has not been any fund raising exercise conducted by the Company in the past 12 months immediately preceding the date of the Announcement.

SHAREHOLDING STRUCTURES

The shareholding structures of the Company (i) as at the Latest Practicable Date, (ii) immediately upon completion of the Rights Issue and (iii) after completion of the Rights Issue and assuming full exercise of the Warrants are as follows (assuming no change in shareholding between the Latest Practicable Date, completion of the Rights Issue and full exercise of the Warrants):

Shareholders	As at the Latest Practicable Date and prior to completion of the Rights Issue		Upon completion of the Rights Issue				After completion of the Rights Issue and assuming full exercise of Warrants			
			100% acceptance by public Shareholders *(Note 1)*		0% acceptance by public Shareholders *(Note 2)*		100% acceptance by public Shareholders *(Note 1)*		0% acceptance by public Shareholders *(Note 2)*	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
Hanny	477,517,272	15.43	1,910,069,088	15.43	1,910,069,088	15.43	2,292,082,905	15.43	2,292,082,905	15.43
ITC	202,125,000	6.53	808,500,000	6.53	808,500,000	6.53	970,200,000	6.53	970,200,000	6.53
Dr. Chan	3,810,000	0.12	15,240,000	0.12	15,240,000	0.12	18,288,000	0.12	18,288,000	0.12
Mr. Cheung	15,000,000	0.48	60,000,000	0.48	60,000,000	0.48	72,000,000	0.48	72,000,000	0.48
	698,452,272	22.56	2,793,809,088	22.56	2,793,809,088	22.56	3,352,570,905	22.56	3,352,570,905	22.56
Underwriter	–	–	–	–	7,191,197,262	58.08	–	–	9,108,849,865	61.31
Stark Investments (Hong Kong) Limited (“Stark”) *(Note 3)*	220,267,725	7.12	881,070,900	7.12	220,267,725	1.78	1,057,285,080	7.12	220,267,725	1.48
Other holders of 2010 Convertible Notes	–	–	–	–	–	–	–	–	–	–
Other holders of 2011 Convertible Notes	–	–	–	–	–	–	–	–	–	–
Other public Shareholders	2,176,798,029	70.32	8,707,192,116	70.32	2,176,798,029	17.58	10,448,630,539	70.32	2,176,798,029	14.65
Total public Shareholders	2,397,065,754	77.44	9,588,263,016	77.44	9,588,263,016	77.44	11,505,915,619	77.44	11,505,915,619	77.44
Total	3,095,518,026	100.00	12,382,072,104	100.00	12,382,072,104	100.00	14,858,486,524	100.00	14,858,486,524	100.00

Notes:

1. Assuming all the Qualifying Shareholders take up all the Rights Shares provisionally allotted to them respectively.

2. Assuming no Qualifying Shareholders take up the Rights Shares provisionally allotted to them (other than the Rights Shares to be provisionally allotted to and accepted by ITC, Hanny, Dr. Chan and Mr. Cheung or their respective subsidiaries or associates (as the case may be) on pro-rata basis). Kingston will take up the untaken Rights Shares.

3. To the best of the knowledge, information and belief of the Directors, Stark is the investment manager of Centar Investments (Asia) Ltd., Shepherd Investments International, Ltd., Stark Asia Master Fund, Ltd. and Stark International, all of which are not connected with Hanny, ITC, Dr. Chan or connected persons of the Company. All the aforesaid parties have direct interests in the Shares, the 2010 Convertible Notes and the 2011 Convertible Notes.

Kingston proposes to sub-underwrite its underwriting obligations under the Underwriting Agreement to sub-underwriters. Kingston has undertaken to the Company that (i) it will ensure that the subscribers or purchasers of the Underwritten Shares procured by it or by the sub-underwriters are third parties independent of and not acting in concert with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates; and (ii) no such subscriber or purchaser of the Underwritten Shares shall be procured by it or by the sub-underwriters if allotment and issue of any Rights Shares (with Warrants) to it would result in it and its associates and concert parties, when aggregated with the Shares (if any) already held by them holding 30% or more of the enlarged issued share capital of the Company immediately after completion of the Rights Issue.

In performing its undertaking obligations under the Underwriting Agreement, Kingston expects that immediately after completion of the Rights Issue, no subscriber or purchaser of the Underwritten Shares will become a substantial Shareholder.

ADDITIONAL INFORMATION

Your attention is drawn to the financial information and other information of the Group set out in the appendices to this prospectus.

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	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
	(note)	*(note)*	
Continuing operations			
Revenue	4,002	93,389	181,944
Property sale and rental income	2,198	5,251	81,792
Golf and leisure income	–	52,367	62,622
	2,198	57,618	144,414
Cost of sales	–	(14,073)	(67,511)
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	–	40,916	(25,047)
(Loss) profit before taxation	(62,365)	80,697	(122,218)
Taxation	–	(10,004)	(3,475)
(Loss) profit for the year from continuing operations	(62,365)	70,693	(125,693)
Discontinued operations			
(Loss) profit for the year from discontinued operations	(10,727)	3,408	(18,665)
(Loss) profit for the year	(73,092)	74,101	(144,358)

	For the year ended 31st March,		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
	(note)	*(note)*	
Attributable to:			
Equity holders of the Company	(72,960)	79,091	(141,853)
Minority interests	(132)	(4,990)	(2,505)
	(73,092)	74,101	(144,358)
(Loss) earnings per share			
From continuing and discontinued operations:			
– Basic (HK cents)	(17.2)	3.7	(4.8)
– Diluted (HK cents)	N/A	3.6	N/A
From continuing operations:			
– Basic (HK cents)	(14.7)	3.6	(4.2)
– Diluted (HK cents)	N/A	3.5	N/A

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	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
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	–
	301,587	2,135,943	1,739,413
Current assets			
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
	1,099,627	1,246,157	1,621,580

	As at 31st March,		
	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
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
	117,044	301,064	205,863
Net current assets	982,583	945,093	1,415,717
Total assets less current liabilities	1,284,170	3,081,036	3,155,130
Non-current liabilities			
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
	838,337	1,409,216	1,304,953
	445,833	1,671,820	1,850,177
Capital and reserves			
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
	445,833	1,671,820	1,850,177

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 accounts, 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
Continuing operations			
Revenue	7	181,944	93,389
Property sale and rental income		81,792	5,251
Golf and leisure income		62,622	52,367
		144,414	57,618
Cost of sales		(67,511)	(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	(25,047)	40,916
(Loss) profit before taxation		(122,218)	80,697
Taxation	11	(3,475)	(10,004)
(Loss) profit for the year from continuing operations		(125,693)	70,693
Discontinued operations			
(Loss) profit for the year from discontinued operations	12	(18,665)	3,408
(Loss) profit for the year	13	(144,358)	74,101

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

CONSOLIDATED BALANCE SHEET

At 31st March, 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
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
		1,739,413	2,135,943
Current assets			
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
		1,621,580	1,246,157

	Notes	2008 HK$'000	2007 HK$'000
Current liabilities			
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
		205,863	301,064
Net current assets		1,415,717	945,093
Total assets less current liabilities		3,155,130	3,081,036
Non-current liabilities			
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
		1,304,953	1,409,216
		1,850,177	1,671,820
Capital and reserves			
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
		1,850,177	1,671,820

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2008

	Attributable to equity holders of the Company													
	Share capital *HK$'000*	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Convertible loan notes equity reserve *HK$'000*	Share-based payment reserve *HK$'000*	Available-for-sale investments reserve *HK$'000*	Other reserve *HK$'000* *(note i)*	Special reserve *HK$'000* *(note ii)*	Revaluation reserve *HK$'000*	Translation reserve *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total *HK$'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

	2008	2007
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
(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)

	Notes	2008 HK$'000	2007 HK$'000
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)
Hong Kong Profits Tax paid		(1,568)	(34)
Overseas taxation paid		(203)	(1,930)
Interest paid		(22,855)	(9,744)
NET CASH USED IN OPERATING ACTIVITIES		(350,269)	(218,279)
INVESTING ACTIVITIES			
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)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		89,450	(1,639,833)

	2008	2007
	HK$'000	*HK$'000*
FINANCING ACTIVITIES		
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)
NET CASH FROM FINANCING ACTIVITIES	248,926	1,405,086
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,893)	(453,026)
CASH AND CASH EQUIVALENTS AT 1ST APRIL	254,622	705,480
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	309	2,168
CASH AND CASH EQUIVALENTS AT 31ST MARCH, representing bank balances and cash	243,038	254,622

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 HM11, 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[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 12	Service Concession Arrangements[3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

1 Effective for annual periods beginning on or after 1st January, 2009
2 Effective for annual periods beginning on or after 1st July, 2009
3 Effective for annual periods beginning on or after 1st January, 2008
4 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	**2007**
	HK$'000	*HK$'000*
Financial assets		
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
Financial liabilities		
Amortised cost	1,449,792	1,622,011

(b) Financial risk management objectives and polices

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	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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	**2007**
	HK$'000	*HK$'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	**2007**
	HK$'000	*HK$'000*
Impact on equity	(5,316)	(5,318)

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.

Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As at 31st March, 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	3 months to 1 year	1-5 years	Total undiscounted cash flows	Carrying amount at 31.3.2008
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008						
Non-derivative financial liabilities						
Creditors		51,194	–	–	51,194	51,194
Amount due to minority shareholders of subsidiaries		890	–	–	890	890
Obligations under finance leases	9.15	17	51	201	269	222
Bank 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
		67,935	111,369	1,603,175	1,782,479	1,449,792
2007						
Non-derivative financial liabilities						
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
		179,808	77,920	1,854,070	2,111,798	1,622,011

(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	**2007**
	HK$'000	*HK$'000*
Continuing operations		
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
	181,944	93,389
Discontinued operations		
Sales of motorcycles	17,567	13,125
Sales of medicine and health products	115,741	400,638
	133,308	413,763
	315,252	507,152

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	2007
	HK$'000	*HK$'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	–
	76,382	28,623

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 *(Note)*	–	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
	73,206	105,616	967	2,014	74,173	107,630

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
	109,933	97,009	613	1,835	110,546	98,844

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	833	283	558	14	1,391	297
	2,342	283	558	51	2,900	334
Deferred tax *(note 42)*:						
Current year	1,133	3,190	–	–	1,133	3,190
Attributable to a change in tax rate	–	6,531	–	–	–	6,531
	1,133	9,721	–	–	1,133	9,721
	3,475	10,004	558	51	4,033	10,055

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	2007
	HK$'000	*HK$'000*
(Loss) profit before taxation:		
Continuing operations	(122,218)	80,697
Discontinued operations	(18,107)	3,459
	(140,325)	84,156
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
Tax charge for the year	4,033	10,055

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.

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

	2008	2007
	HK$'000	*HK$'000*
(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	(1,360)	173
	(94)	3,408
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	6	–
	(18,571)	–
	(18,665)	3,408
Attributable to:		
Equity holders of the Company	(18,596)	3,667
Minority interests	(69)	(259)
	(18,665)	3,408

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	1.4.2006 to 31.3.2007	1.4.2007 to 31.3.2008	1.4.2006 to 31.3.2007	1.4.2007 to 31.3.2008	1.4.2006 to 31.3.2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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	1,266	3,235	(1,360)	173	(94)	3,408

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

	2008	2007
	HK$'000	*HK$'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
	29,801	16,311

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
	3,529	3,079	262	597	3,791	3,676
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
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)
	68,339	53,181	17,214	52,840	85,553	106,021
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
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:

		Other emoluments				
	Fees	Salaries and other benefits	Discretionary and performance related incentive payments	Equity-settled share-based payments expense	Contributions to retirement benefits schemes	Total emoluments
	HK$'000	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*
2008						
Cheung Hon Kit	10	2,640	2,500	1,670	12	6,832
Chan Fut Yan	10	2,400	1,750	978	240	5,378
Wong Kam Cheong, Stanley	10	2,002	334	406	12	2,764
Cheung Chi Kit	10	1,430	500	644	72	2,656
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
	659	12,683	5,668	5,844	358	25,212
2007						
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
	559	7,142	3,100	2,594	304	13,699

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
	2,278

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	**2007**
	HK$'000	*HK$'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	(141,853)	79,091
Effect of dilutive potential ordinary shares – Interest on convertible note payables		89,321
Earnings for the purpose of diluted earnings per share		168,412
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	2,938,675,116	2,119,525,127
Effect of dilutive potential ordinary shares – convertible note payables		2,611,225,804
Weighted average number of ordinary shares for the purpose of diluted earnings per share		4,730,750,931

(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	2007
	HK$'000	*HK$'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	(18,596)	3,667
(Loss) earnings for the purposes of basic (loss) earnings per share from continuing operations	(123,257)	75,424
Effect of dilutive potential ordinary shares:		
Interest on convertible note payables		89,321
Earnings for the purposes of diluted earnings per share from continuing operations		164,745

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	Leasehold improvements	Plant and machineries	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1st April, 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
DEPRECIATION							
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
CARRYING VALUES							
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% – $33^1/_3$%
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	**2007**
	HK$'000	*HK$'000*
Land use rights in the PRC on medium-term lease	21,325	99,252
Analysed for reporting purposes as:		
Current asset	517	2,480
Non-current asset	20,808	96,772
	21,325	99,252

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:

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

19. PROPERTIES UNDER DEVELOPMENT

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

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
COST	
At 1st April, 2006	3,228
Additions	219
Written-off	(2,927)
At 31st March, 2007	520
Disposal of subsidiaries *(note 46)*	(520)
At 31st March, 2008	–
AMORTISATION	
At 1st April, 2006	242
Provided for the year	225
Eliminated on written-off	(377)
At 31st March, 2007	90
Eliminated on disposal of subsidiaries *(note 46)*	(90)
At 31st March, 2008	–
CARRYING VALUES	
At 31st March, 2008	–
At 31st March, 2007	430

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

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	2007
	HK$'000	*HK$'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
	135,503	93,879

(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.

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 2008	Nominal value of issued and fully paid share capital 2007	Proportion of nominal value of issued share capital indirectly held by the Group	Principal activity
Best Profit Holdings Limited	Incorporated	Hong Kong	Ordinary	HK$1,000	HK$1,000	31.5	Investment holding
Concordia	Incorporated	Macau	Quota Capital	MOP 100,000,000	MOP 100,000,000	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	**2007**
	HK$'000	*HK$'000*
Total assets	2,662,736	3,145,540
Total liabilities	(2,585,912)	(3,067,243)
Minority interest	(64,384)	–
Net assets	12,440	78,297
Group's share of net assets of associates	135,503	92,178
Revenue	–	–
(Loss) profit for the year	(54,201)	99,569
Group's share of (loss) profit of associates for the year	(25,047)	40,916

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	2007
	HK$'000	*HK$'000*
Unrecognised share of losses of associates for the year	(2,451)	(1,353)
Accumulated unrecognised share of losses of associates	(2,451)	(1,353)

24. UNSECURED LOANS AND INTERESTS DUE FROM ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES

(a) Unsecured loans and interests due from associates

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

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	2007
	HK$'000	*HK$'000*
Amounts due from associates	2,154	83
Less: Allowance	–	(15)
	2,154	68

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 potion 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 *(note a)*	52.78%	54.78%	53.43%
Risk-free interest rate *(note b)*	3.179%	2.806%	1.385%
Expected annual dividend yield	4.93%	4.93%	4.93%
Fair value per option	HK$0.182	HK$0.231	HK$0.077

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

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

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

	2008	**2007**
	HK$'000	*HK$'000*
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
	243,133	215,129

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	**2007**
	HK$'000	*HK$'000*
Raw materials	–	20,185
Work in progress	–	829
Finished goods	341	54,559
Consumables	1,820	1,346
	2,161	76,919

31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2008	**2007**
	HK$'000	*HK$'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	**2007**
	HK$'000	*HK$'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	**2007**
	HK$'000	*HK$'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	**2007**
	HK$'000	*HK$'000*
61 – 90 days	124	1,118
Over 90 days	10,584	13,361
	10,708	14,479

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	2007
	HK$'000	*HK$'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)	–
Balance at end of the year	–	3,315

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

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 Everight 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	2007
	HK$'000	*HK$'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 *(note 10)*	97,681	89,321
Interest paid	(9,990)	(221)
Liability component at the end of the year	1,243,843	1,368,400
Analysed for reporting purposes as:		
Current liability	7,284	7,945
Non-current liability	1,236,559	1,360,455
	1,243,843	1,368,400

40. OBLIGATIONS UNDER FINANCE LEASES

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

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
	153,643	119,520
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	–
	153,643	119,520
Less: Amount due within one year shown under current liabilities	(113,996)	(111,439)
Amount due after one year	39,647	8,081

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
			120,384	63,599
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	2007
	HK$'000	*HK$'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	Deferred development costs	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
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 *(note 45)*	31,842	–	(954)	30,888
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 *(note 46)*	(14,316)	(75)	75	(14,316)
At 31st March, 2008	28,574	–	–	28,574

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
At 31st March, 2008	3,095,518,026	30,955

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$0.01 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	*HK$*	*HK$'000*
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
	47,795,000			20,093

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:

				Number of share options					
Date of grant	Vesting proportion	Exercisable period	Exercise price per share *HK$*	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:

	2007		
	Acquiree's carrying amount before combination	**Adjustments**	**Fair values**
	HK$'000	*HK$'000*	*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)
	41,104	160,355	201,459
Discount on acquisition			(4,207)
			197,252

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 *(note)*	(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:

	Continuing operations *HK$'000*	Discontinued operations *HK$'000*	Total *HK$'000*
Net assets disposed of:			
Property, plant and equipment	111,501	31,016	142,517
Prepaid lease payments of leasehold land	52,947	1,405	54,352
Intangible assets	–	430	430
Other loan receivables	–	30,314	30,314
Inventories	68	96,153	96,221
Properties under development	14,571	–	14,571
Amount due from immediate holding company	–	1,138	1,138
Debtors, deposits and prepayments	5,534	39,834	45,368
Financial assets at fair value through profit or loss	–	2,500	2,500
Tax recoverable	–	2,045	2,045
Bank balances and cash	3,862	81,629	85,491
Creditors, deposits and accrued charges	(6,389)	(128,765)	(135,154)
Dividend payable to a minority shareholder of a subsidiary	(2,665)	–	(2,665)
Amounts due to minority shareholders of subsidiaries	(521)	–	(521)
Unsecured loan from a minority shareholder of a subsidiary	(14,115)	(980)	(15,095)
Unsecured loan from a related party	(621)	–	(621)
Obligations under finance leases	–	(12)	(12)
Bank 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	51,077	108,104	159,181

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

The impacts of the disposed subsidiaries of discontinued operation on the Group's results and cash flows in the current and prior periods are disclosed in note 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	2007
	HK$'000	*HK$'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
	31,292	97,044
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
	20,000	235,713
	51,292	332,757

49. OPERATING LEASE COMMITMENTS

The Group as lessee

	2008	2007
	HK$'000	*HK$'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
	16,589	39,979

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	2007
	HK$'000	*HK$'000*
Within one year	1,960	27,492
In the second to fifth year inclusive	323	12,805
	2,283	40,297

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	**2007**
	HK$'000	*HK$'000*
Within one year	805	–

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
Director:				
Mr. Lai		Interest expense	–	222
Minority shareholders of subsidiaries:				
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
Associates:				
Orient Town		Interest income	51,618	56,182
Concordia		Management fee paid	910	–
Orient Town Project Management Limited		Management fee received	250	–
Other related companies:				
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 Stock Funds noted during both years.

(d) *Compensation of key management personnel*

The remuneration of directors during the year was as follows:

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

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 Rule14A.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:

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

Note:

(a) Reserves

	Share premium	Capital redemption reserve	Convertible loan notes equity reserve	Share-based payment reserve	Contributed surplus	Accumulated (losses) profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*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	1,493,942	1,124	307,719	11,638	–	61,160	1,875,583

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, 2007 and 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: Directly 2008 %	Directly 2007 %	Indirectly 2008 %	Indirectly 2007 %	Principal activities
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 Pharmacal Company Limited	Hong Kong	HK$812,600 ordinary shares	–	–	–	100	Manufacture and sale of pharmaceutical products
Jean-Marie Pharmacal Management Limited	Hong Kong	HK$2 ordinary shares	–	–	–	100	Investment holding
Jumbo Ever Limited	Hong Kong	HK$2 ordinary shares	–	–	–	100	Investment holding

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share/ registered capital	Percentage of issued share/ registered capital held by the Company				Principal activities
			Directly		Indirectly		
			2008 %	2007 %	2008 %	2007 %	
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 Pacifc 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
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

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 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
深圳市東方聖貿易有限公司	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

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	
			%	%	%	%	
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.

Segment information about these businesses is presented below:

Consolidated Income Statement
For the year ended 31st March, 2008

	Continuing operations								Discontinued operations			
	Property develop-ment *HK$'000*	Property invest-ment *HK$'000*	Golf and leisure *HK$'000*	Securities invest-ment *HK$'000*	Finance *HK$'000*	Segment total *HK$'000*	Elimination/ adjust-ments *HK$'000*	Total *HK$'000*	Motor-cycles *HK$'000*	Medicine and health products *HK$'000*	Total *HK$'000*	Con-solidated *HK$'000*
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.*

Consolidated Balance Sheet
As at 31st March, 2008

	Continuing operations								Discontinued operations			
	Property development	Property investment	Golf and leisure	Securities investment	Finance	Segment total	Elimination/ adjustments	Total	Motorcycles	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
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												3,360,993
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												1,445,557
Consolidated total liabilities												1,510,816

	Continuing operations								Discontinued operations			
	Property development HK$'000	Property investment HK$'000	Golf and leisure HK$'000	Securities investment HK$'000	Finance HK$'000	Segment total HK$'000	Unallocated HK$'000	Total HK$'000	Motorcycles HK$'000	Medicine and health products HK$'000	Total HK$'000	Consolidated HK$'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 inventorie	–	–	–	–	–	–	–	–	–	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

Consolidated Income Statement
For the year ended 31st March, 2007

	Continuing operations								Discontinued operations			
	Property development	Property investment	Golf and leisure	Securities investment	Finance	Segment total	Elimination/ adjustments	Total	Motorcycles	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
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	1,963	1,040	3,428	26,837	4,269	37,537	–	37,537	4,384	215	4,599	42,136
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.*

Consolidated Balance Sheet
As at 31st March, 2007

	Continuing operations								Discontinued operations			
	Property development	Property investment	Golf and leisure	Securities investment	Finance	Segment total	Elimination/ adjustments	Total	Motorcycles	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*
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						3,183,685		3,183,685			198,415	3,382,100
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						2,934,178		1,615,356			94,924	1,710,280

	Continuing operations								Discontinued operations			
	Property development	Property investment	Golf and leisure	Securities investment	Finance	Segment total	Unallocated	Total	Motorcycles	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	–	–	10,390	–	–	10,390	629	11,019	–	9,778	9,778	20,797
Amortisation of prepaid lease payments of leasehold land	–	–	1,953	–	–	1,953	–	1,953	–	31	31	1,984
Amortisation of premium on prepaid lease payments of leasehold land	–	–	2,502	–	–	2,502	–	2,502	–	–	–	2,502
Amortisation 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:

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

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:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
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
	2,479,925	2,460,159	39,313	254,057
Other assets	881,068	921,941	–	–
	3,360,993	3,382,100	39,313	254,057

3. STATEMENT OF INDEBTEDNESS

(a) Borrowings

At the close of business on 30th April, 2008, being the latest practicable date for the purpose of ascertaining certain information relating to this indebtedness statement, the Group had the following borrowings:

	HK$'000
Secured borrowings	
– banks	150,652
– other financial institution	1,844
	152,496
Obligations under finance leases	277
	152,773

The secured bank borrowings, secured borrowings from a security broker and obligations under finance leases were secured by certain of the Group's property, plant and equipment, properties held for sale, investments held-for-trading and bank deposits with an aggregate carrying amount of approximately HK$275.1 million at 30th April, 2008.

(b) Debt securities

As at the close of business on 30th April, 2008, the Group had the following outstanding convertible notes:

	Principal amount *HK$'000*	**Carrying amount of debt component at 30th April 2008** *HK$'000*	**Conversion price** *HK$*
Convertible notes issued on 11th August, 2005	471,050	455,354	0.44
Convertible notes issued on 8th June, 2006	17,476	15,777	0.44
Convertible notes issued on 15th June, 2006	906,000	780,787	0.70

Save as aforesaid and apart from intra-group liabilities and normal trade payables and bills payable, as at the close of business on 30th April, 2008, none of the members of the Group had any outstanding mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptable credits or any guarantees or other material contingent liabilities.

4. WORKING CAPITAL

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

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31st March, 2008, being the date to which latest audited financial statements of the Group were made up.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma adjusted consolidated net tangible assets (the "Unaudited Pro Forma Financial Information") of the Group attributable to the equity holders of the Company prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate effect of the Rights Issue on the consolidated net tangible assets of the Group as if the Rights Issue had been completed on 31st March, 2008.

This Unaudited Pro Forma Financial Information is prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Group as at the date to which it is made up or at any future date.

This Unaudited Pro Forma Financial Information is prepared based on the audited consolidated balance sheet of the Group as at 31st March, 2008, extracted from the published annual report of the Group as set out in Appendix I to this prospectus with adjustments described below:

	Audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31st March, 2008	Pro forma Adjustments	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company
	HK$'000	*HK$'000*	*HK$'000*
Issue of Rights Shares but before issue of Warrant Shares assuming no conversion of the outstanding convertible notes before the Record Date	1,842,998	626,559[(1)]	2,469,557[(4)]
Issue of Rights Shares and Warrant Shares assuming no conversion of the outstanding convertible notes before the Record Date	1,842,998	886,583[(2)]	2,729,581[(5)]

Notes:

		HK$'000
1.	Gross proceeds from the Rights Issue (based on the subscription price of HK$0.07 per Rights Share and 9,286,554,078 Rights Shares (based on 3,095,518,026 Shares in issue))	650,059
	Less: related expenses*	(23,500)
	Estimated net proceeds from the Rights Issue	626,559

* *The related expenses include, among others, underwriting commission, financial advisory fee and other professional fees, which are directly attributable to the Rights Issue.*

		HK$'000
2.	Estimated net proceeds from the Rights Issue but before issue of Warrant Shares referred to Note 1 above	626,559
	Estimated proceeds from issue of the 2,476,414,420 Warrant Shares (based on the subscription price of HK$0.105 per Warrant Share and 2,476,414,420 Warrants issued on 9,286,554,078 Rights Shares subscribed)	260,024
		886,583

		HK$
3.	Audited consolidated net tangible assets per Share attributable to the equity holders of the Company as at 31st, March, 2008 based on 3,095,518,026 Shares in issue as at 31st March, 2008 before the issue of Rights Shares and Warrant Shares	0.60
4.	Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the equity holders of the Company immediately after the Rights Issue based on 12,382,072,104 Shares in issue assuming the completion of Rights Issue with 9,286,554,078 Rights Shares issued	0.20
5.	Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the equity holders of the Company immediately after the Rights Issue based on 14,858,486,524 Shares in issue assuming the completion of Rights Issue with 9,286,554,078 Rights Shares issued and 2,476,414,420 Warrants Shares issued	0.18

B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from Deloitte Touche Tohmatsu on the unaudited pro forma financial information on the Group which is prepared for inclusion in this prospectus.

Deloitte.
德勤

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Hong Kong

TO THE DIRECTORS OF ITC PROPERTIES GROUP LIMITED

We report on the unaudited pro forma adjusted consolidated net tangible assets of ITC Properties Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 119 to 120 of Appendix II to the prospectus dated 11th July, 2008 (the "Prospectus") issued by the Company in connection with the rights issue of 9,286,554,078 rights shares of HK$0.01 each (the "Rights Shares") at HK$0.07 per Rights Share payable in full upon acceptance on the basis of three Rights Shares for every share held (the "Rights Issue"), with warrants in proportion of four warrants for every fifteen Rights Shares subscribed, which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the Rights Issue might have affected the financial information of the Group presented as at 31st March, 2008 and any future date. The basis of preparation of the unaudited pro forma adjusted consolidated net tangible assets is set out on page 119 to the Prospectus.

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 adjusted consolidated net tangible assets 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 adjusted consolidated net tangible assets 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 adjusted consolidated net tangible assets 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 adjusted consolidated net tangible assets 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 adjusted consolidated net tangible assets as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma adjusted consolidated net tangible assets 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 adjusted consolidated net tangible assets 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 adjusted consolidated net tangible assets as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
11th July, 2008

The Warrants are proposed to be created and constituted by an instrument by way of deed poll to be executed by the Company (the "Instrument") and will be issued in registered form and will form one class and rank pari passu in all respects with each other. Unless the context requires otherwise, capitalised terms used herein have the same meanings as defined in this prospectus.

The Warrants represent direct obligations of the Company to the registered holders for the time being of the Warrants (the "Warrantholders"). The principal terms and conditions of the Warrants will be set out in the certificates for the Warrants (the "Warrant Certificates"). The Warrantholders shall be entitled to the benefits of, be bound by, and be deemed to have notice of all the provisions of the Instrument, a copy of which will be available for inspection during normal business hours at the principal place of business of the Company or such other place as may be notified to the Warrantholders from time to time. The principal provisions of the Instrument are summarised below.

1. EXERCISE OF THE SUBSCRIPTION RIGHTS

(a) The Warrantholders shall have the rights (the "Subscription Rights"), which may be exercised in whole or in part, but not in respect of fraction of a Share, at any time between the date of issuance of the Warrants (which is expected to be 5th August, 2008) and the day falling eighteen (18) months thereafter (which is expected to be 4th February, 2010) (both dates inclusive) (the "Subscription Period" and the date on which any of the Subscription Rights is duly exercised is called a "Subscription Date"), to subscribe in cash for fully-paid Shares at a price (subject to the adjustments referred to below) of HK$0.105 per Share (the "Subscription Price"). After expiry of the Subscription Period, any Subscription Rights which have not been exercised will lapse and the relevant Warrant Certificate(s) will cease to be valid for any purpose whatsoever.

(b) The entitlement of the Warrantholders to their Warrants will be evidenced by the Warrant Certificates, each of which will contain a subscription form. In order to exercise in whole or in part the Subscription Rights represented by the Warrant Certificate, the Warrantholder must complete and sign the subscription form (which shall be irrevocable) and deliver the same together with the Warrant Certificate to the warrant registrar of the Company for the time being (the "Registrar"), together with a remittance for such amount stated on the Warrant Certificate upon exercise of the Subscription Rights represented thereby (the "Exercise Moneys") (or, in the case of a partial exercise, the relevant portion of the Exercise Moneys). In each case, compliance must also be made with any exchange control, fiscal or other laws or regulations for the time being applicable.

(c) The number of Shares to be allotted on exercise of the Subscription Rights shall be, in respect of each Warrant exercised, one Share (subject to adjustment in accordance with the provisions of the Instrument). No fraction of a Share will be allotted but any balance representing fractions of the Exercise Money paid on the exercise of the Subscription Rights represented by the Warrant Certificate will be paid by the Company to the Warrantholder, provided always that if the excess is equal to or less than HK$100, such excess will be retained by the Company for its own benefit. For the purpose of determining whether any (and if so what) fraction of a Share arises, if the Subscription Rights represented by two or more Warrant Certificates are exercised on the same Subscription Date by the same Warrantholder, then the Subscription Rights represented by such Warrant Certificates shall be aggregated.

(d) The Company has undertaken in the Instrument that any Shares falling to be issued upon the exercise of any of the Subscription Rights represented by the Warrant Certificate will be issued and allotted not later than ten (10) Business Days after the relevant Subscription Date, taking account of any adjustment which may have been made pursuant to Clause 4 of the Instrument, and will rank pari passu with the Shares in issue on the relevant Subscription Date and accordingly shall entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the relevant Subscription Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the relevant Subscription Date and notice of the amount and record date for which shall have been given to the Stock Exchange prior to the relevant Subscription Date.

(e) As soon as practicable after the relevant allotment and issue of Shares under the terms and conditions endorsed on the Warrant Certificates (the "Conditions") (and, in any event, not later than ten (10) Business Days after the relevant Subscription Date), there will be issued free of charge to the Warrantholder(s) to whom such allotment has been made upon his exercise of any Subscription Rights:

  (i) a certificate (or certificates) for the relevant Shares in the name(s) of such Warrantholder(s);

  (ii) a balancing Warrant Certificate in registered form in the name(s) of such Warrantholder(s) in respect of any Subscription Rights represented by the Warrant Certificate remaining unexercised (if applicable);

  (iii) a cheque representing fractions of the Exercise Moneys in respect of the Warrantholder's fractional entitlement to Shares as mentioned in the Conditions (if applicable); and

  (iv) the certificate mentioned in Clause 6(A)(4) of the Instrument (if applicable).

The certificate(s) for Shares arising on the exercise of Subscription Rights, the balancing Warrant Certificate (if any), the cheque in respect of the Exercise Moneys in respect of the Warrantholder's fractional entitlement to Shares (if any) and the certificate mentioned in Clause 6(A)(4) of the Instrument (if any) will be sent by post at the risk of such Warrantholder(s) to the address of such Warrantholder(s) (or in the case of joint holders to that one of them whose name stands first in the Register (as defined in the Instrument)). If the Company agrees, such certificates and cheques may by prior arrangement be retained by the Registrar to await collection by the relevant Warrantholder(s).

2. ADJUSTMENT OF SUBSCRIPTION PRICE

The Instrument contains detailed provisions relating to the adjustment of the Subscription Price. The following is a summary of, and is subject to, the provisions of the Instrument:

(a) The Subscription Price shall (except as mentioned in paragraphs (b), (c) and (d) below) be adjusted as provided in the Instrument in each of the following cases (but shall however not be adjusted below the nominal value of Shares until and except the Subscription Rights Reserve (as defined in the Instrument) is maintained pursuant to the provisions of the Instrument and the credits in the Subscription Rights Reserve can be applied to pay up the Shares fall to be issued in full as and when the same are allotted):

(i) an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision;

(ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including, to the extent permitted by law, those in share premium account or contributed surplus account (if any));

(iii) a Capital Distribution (as defined in the Instrument) being made by the Company, whether on a reduction of capital or otherwise, except pursuant to a purchase by the Company of Shares, to holders of Shares (in their capacity as such);

(iv) a grant by the Company to the holders of Shares (in their capacity as such) of rights to acquire for cash assets of the Company or any of its subsidiaries;

(v) an offer of new Shares for subscription by way of rights or a grant of options or warrants to subscribe for new Shares at a price which is less than 90 per cent. of the market price (calculation as provided in the Instrument) being made by the Company to holders of Shares (in their capacity as such);

(vi) an issue wholly for cash being made by the Company or any other company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total Effective Consideration (as defined in the Instrument) per new Share is less than 90 per cent. of the market price (calculation as provided in the Instrument), or the conversion, exchange or subscription rights of any such issue are altered so that the total Effective Consideration is less than 90 per cent. of the market price;

(vii) an issue being made by the Company wholly for cash of Shares (other than pursuant to a Share Option Scheme (as defined in the Instrument)) at a price less than 90 per cent. of the market price (calculation as provided in the Instrument); and

(viii) a repurchase by the Company of Shares or securities convertible into Shares or any rights to subscribe for Shares in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Subscription Price.

(b) Except as mentioned in paragraph (c) below, no such adjustment as is referred to in paragraph (a) above shall be made in respect of:

(i) an issue of fully-paid Shares upon the exercise of any conversion rights attaching to securities convertible into Shares or upon the exercise of any rights (including the Subscription Rights) to acquire Shares;

(ii) an issue by the Company of Shares or by the Company or any of its subsidiaries of securities wholly or partly convertible into or carrying rights to acquire Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;

(iii) an issue of fully-paid Shares by way of capitalisation of all or part of the Subscription Rights Reserve (as defined in the Instrument) to be established in certain circumstances subject and pursuant to the terms and conditions contained in the Instrument (or any similar reserves which has been or may be established pursuant to the terms of issue of any other securities wholly or partly convertible into or carrying rights to acquire Shares);

(iv) an issue of Shares in lieu of a cash dividend where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value (calculation as provided in the Instrument) of such Shares in aggregate is not more than 105 per cent. of the amount of dividend which holders of Shares could elect to or would otherwise receive in cash; or

(v) an issue by the Company of Shares or by the Company or any of its subsidiaries of securities convertible into, or exchangeable for, or carrying rights of subscription for, Shares pursuant to a Share Option Scheme.

(c) Notwithstanding the provisions referred to in paragraphs (a) and (b) above, in any circumstances where the Directors shall consider that an adjustment to the Subscription Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Subscription Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or with a different time from that provided for under the said provisions, the Company may appoint an approved merchant bank to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such approved merchant bank shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner (including, without limitation, making an adjustment calculated on a different basis) and/or the adjustment shall take effect from such other date and/or time as shall be certified by such approved merchant bank (as the case may be) to be in its opinion appropriate.

(d) Any adjustment to the Subscription Price shall be made to the nearest one-tenth of a cent so that any amount under half of one-tenth of a cent shall be rounded down and any amount of half of one-tenth of a cent or more shall be rounded up. No adjustment shall be made to the Subscription Price in any case in which the amount by which the same would be reduced would be less than one-tenth of a cent and any adjustment which would otherwise then be required shall not be carried forward. No adjustment shall be made (except on a consolidation of Shares into shares of a larger nominal amount each or upon a repurchase of Shares) which would increase the Subscription Price.

(e) Every adjustment to the Subscription Price will be certified to be fair and appropriate by the auditors for the time being of the Company (the "Auditors") or an approved merchant bank and notice of each adjustment (giving the relevant particulars) will be given to the Warrantholders. In giving any certificate or making any adjustment hereunder, the Auditors or the approved merchant bank (as the case may be) shall be deemed to be acting as experts and not as arbitrators and, in the absence of manifest errors, their decision shall be conclusive and binding on the Company and the Warrantholders and all persons claiming through or under them respectively. Any such certificates of the Auditors or the approved merchant bank (as the case may be) will be available for inspection at the principal place of business of the Company for the time being in Hong Kong, where copies may be obtained.

The Instrument also contains provisions for the adjustment to the Subscription Rights attaching to the Warrants so that if and whenever there shall be an alteration to the nominal amount of each of the Shares by reason of any consolidation or sub-division, the Subscription Rights attaching to the Warrants shall be varied so that the number of Shares which may be subscribed upon exercise of each Warrant shall be multiplied by a fraction representing the nominal amount of one Share immediately before such alteration bears in relation to the nominal amount of one Share immediately after such alteration.

3. REGISTERED WARRANTS

The Warrants are issued in registered form. The Company shall be entitled to treat the registered Warrantholder as the absolute owner thereof and accordingly shall not, except as ordered by a court of competent jurisdiction or required by law, be bound to recognise any equitable or other claim to or interest in such Warrant on the part of any other person, whether or not it shall have express or other notice thereof.

4. TRANSFER, TRANSMISSION AND REGISTRATION

(a) The Warrants shall be in registered form and shall be transferable in multiples of such units of Warrants carrying Subscription Rights entitling the Warrantholder(s) to subscribe for one whole Share in accordance with the Conditions by instrument of transfer in any usual or common form or such other form as may be approved by the Directors. For this purpose, the Company shall maintain the Register in the territory where the Stock Exchange for the time being is situate (or in such other place as the Directors consider appropriate, having regard to the applicable law and rules governing the listing of the Warrants). Transfer of Warrants must be executed by both the transferor and the transferee. Where the transferor or the transferee is HKSCC Nominees Limited or its successor (or such other company as may be approved by the Board for this purpose), the transfer may be executed under the hand of an authorised person(s) or by machine imprinted signature(s) on its behalf or of such persons, as the case may be. Subject to provisions herein contained and in the Instrument, the provisions of the Bye-laws relating to the registration and transfer of Shares shall, mutatis mutandis, apply to the registration and transfer of the Warrants.

(b) Persons who hold the Warrants and have not registered the Warrants in their own names and wish to exercise the Warrants should note that they may incur additional costs and expenses in connection with any expedited re-registration of the Warrants prior to the transfer or exercise of the Warrants, in particular during the period commencing ten (10) Business Days prior to and including the last day of the Subscription Period.

(c) Since the Warrants will be admitted to CCASS, so far as applicable laws or regulations of relevant regulatory authorities, terms of the Instrument and circumstances permit, the Company may determine the last trading day of the Warrants to be a date at least three (3) trading days before the last day of the Subscription Period.

5. CLOSURE OF REGISTER OF WARRANTHOLDERS

The registration of transfers may be suspended and the Register may be closed at such times and for such periods as the Directors may from time to time direct, provided that the same shall not be closed for a period in aggregate more than thirty (30) days in any one year. Any transfer or exercise of the Subscription Rights attached to the Warrants made while the Register is so closed shall, as between the Company and the person claiming under the relevant transfer of Warrants or, as the case may be, as between the Company and the Warrantholder(s) who have so exercised their respective Subscription Rights attached to their Warrants (but not otherwise), be considered as made immediately after the reopening of the Register.

6. PURCHASE AND CANCELLATION

The Company or any of its subsidiaries may at any time purchase Warrants:

(a) in the open market or by tender (available to all Warrantholders alike) at any price; or

(b) by private treaty at a price, exclusive of expenses, not exceeding 120 per cent. of the closing price of the Warrants for one or more board lots of Warrants on the last day on which the Warrants were traded on the Stock Exchange prior to the date of purchase thereof, but not otherwise.

All Warrants purchased as aforesaid shall be cancelled forthwith and may not be reissued or resold.

7. MEETINGS OF WARRANTHOLDERS AND MODIFICATION OF RIGHTS

(a) The Instrument contains provisions for convening meetings of the Warrantholders to consider any matter affecting the interests of the Warrantholders, including the modification by a Special Resolution (as defined in the Conditions) of the provisions of the Instrument and/or the Conditions. A Special Resolution duly passed at any such meeting shall be binding on the Warrantholders, whether present or not.

(b) All or any of the rights for the time being attached to the Warrants (including any of the provisions of the Instrument) may from time to time (whether or not the Company is being wound up) be altered or abrogated (including but without prejudice to that generality by waiving compliance with, or by waiving or authorising any past or proposed breach of, any of the provisions of the Conditions and/or the Instrument) and the sanction of a Special Resolution shall be necessary and sufficient to effect such alteration or abrogation.

(c) At any meeting of Warrantholders, two or more Warrantholders (or their proxies) shall form a quorum.

(d) Where a Warrantholder is a recognised clearing house (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong) or its nominee(s), it may authorise such person or persons as it thinks fit to act as its representative (or representatives) or proxy (or proxies) at any Warrantholders' meeting provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number and class of Warrants in respect of which each such person is so authorised. The person or persons so authorised shall be entitled to exercise the same powers on behalf of the recognised clearing house as that recognised clearing house or its nominee(s) could exercise if it were an individual Warrantholder.

8. REPLACEMENT OF WARRANT CERTIFICATES

If a Warrant Certificate is mutilated, defaced, lost or destroyed, it may, at the discretion of the Company, be replaced at the office of the Registrar on payment of such costs as may be incurred in connection therewith and on such terms as to evidence, indemnity and/or security as the Company may require and on payment of such fee not exceeding HK$2.50 (or such higher fee as may from time to time be permitted under the rules prescribed by the Stock Exchange) as the Company may determine. Mutilated or defaced Warrant Certificates must be surrendered before replacements will be issued.

9. PROTECTION OF SUBSCRIPTION RIGHTS

The Instrument contains certain undertakings by and restrictions on the Company designed to protect the Subscription Rights.

10. CALL

If at any time the aggregate number of Warrants outstanding is equal to or less than 10 per cent. of the total number of Warrants issued under the Instrument, then the Company may, on giving not less than three (3) months' notice to the Warrantholders, require the Warrantholders either to exercise their Subscription Rights represented thereby or allow the Warrants held by them to lapse. On expiry of such notice, all unexercised Warrants will be automatically cancelled without any compensation being payable to the Warrantholders.

11. FURTHER ISSUES

The Company shall be at liberty to issue further warrants or other securities convertible into, exchangeable for or carrying rights to subscribe for Shares in such manner and on such terms as it sees fit.

12. UNDERTAKINGS BY THE COMPANY

In addition to the undertakings given by it in relation to the grant and exercise of the Subscription Rights and the protection thereof, the Company has undertaken in the Instrument that:

(a) it will send to each Warrantholder, at the same time as the same are sent to the holders of Shares, its audited accounts and all other notices, reports and communications despatched by it to the holders of Shares generally;

(b) it will pay all stamp and capital duties, registration fees or similar charges, if any, in respect of the execution of the Instrument, the creation and issue of the Warrants in registered form, the exercise of the Subscription Rights and the issue of Shares upon exercise of the Subscription Rights;

(c) it will keep available for issue sufficient authorised share capital of the Company to satisfy in full all rights for the time being outstanding of subscription for and conversion into Shares; and

(d) it will use its reasonable endeavours to procure that:–

(i) at all times during the Subscription Period, the Warrants may be dealt in on the Stock Exchange (save that this obligation will lapse in the event that the listing of the Warrants on the Stock Exchange is withdrawn following an offer for all or any of the Warrants); and

(ii) all Shares allotted upon exercise of the Subscription Rights may, upon allotment or as soon as reasonably practicable thereafter, be dealt in on the Stock Exchange (save that this obligation will lapse in the event that the listing of the Shares on the Stock Exchange is withdrawn following an offer for all or any of the Shares where a like offer is extended to the Warrantholders).

13. OVERSEAS WARRANTHOLDERS

The Instrument contains provisions giving certain discretion to the Directors in the case of any Warrantholder who has a registered address in any territory (other than Hong Kong) where, in the opinion of the Directors, the issue of Shares upon exercise of any of the Subscription Rights represented by any Warrants held by such Warrantholder may be unlawful or impracticable.

14. WINDING UP OF THE COMPANY

(a) In the event a notice is given by the Company to its Shareholders to convene a Shareholders' meeting for the purposes of considering, and if thought fit approving, a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to each Warrantholder and thereupon, every Warrantholder shall be entitled by irrevocable surrender of his Warrant Certificate(s) to the Company (such surrender to occur not later than two (2) Business Days prior to the proposed Shareholders' meeting referred to above) with the Subscription Form(s) duly completed, together with payment of the Exercise Moneys (or the relative portion thereof), to exercise the Subscription Rights represented by such Warrant Certificate(s) and the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed Shareholders' meeting allot such number of Shares to the Warrantholder which fall to be issued pursuant to the exercise of the Subscription Rights represented by such Warrant Certificate(s) to the extent specified in the Subscription Form(s). The Company shall give notice to the Warrantholders of the passing of such resolution within seven (7) days after the passing thereof.

(b) If an effective resolution is passed during the Subscription Period for the voluntary winding-up of the Company for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantholders, or some persons designated by them for such purpose by a Special Resolution, shall be a party, or in conjunction with which a proposal is made to the Warrantholders and is approved by a Special Resolution, the terms of such scheme of arrangement or (as the case may be) proposal shall be binding on all the Warrantholders.

Subject to the foregoing, if the Company is wound up, all Subscription Rights which have not been exercised at the date of the passing of such resolution shall lapse and the Warrant Certificates shall cease to be valid for any purpose.

15. GOVERNING LAWS

The Instrument and the Warrants are governed by and will be construed in accordance with the laws of Hong Kong.

1. RESPONSIBILITY STATEMENT

This prospectus 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 prospectus 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. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were, and immediately following completion of the Rights Issue and exercise of the subscription rights attaching to the Warrants in full will be, as follows:

Authorised:		*HK$*
40,000,000,000	Shares	400,000,000.00
Issued and fully paid:		
3,095,518,026	Shares as at the Latest Practicable Date	30,955,180.26
9,286,554,078	Rights Shares to be issued pursuant to the Rights Issue	92,865,540.78
2,476,414,420	Warrant Shares falling to be allotted and issued upon exercise of the subscription rights attaching to the Warrants in full	24,764,144.20
14,858,486,524		148,584,865.24

All of the Shares in issue and to be issued rank and will rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and return of capital. The Rights Shares, the Warrants and the Warrant Shares to be issued will be listed on the Stock Exchange.

No part of the share capital or any other securities of the Company is listed or dealt in/on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares, the Rights Shares, the Warrants, the Warrant Shares or any other securities of the Company to be listed or dealt in/on any other stock exchange.

3. 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	Long position	Beneficial owner	60,000,000 *(Note 1)*	12,000,000 *(Note 1)*	72,000,000	2.32
Mr. Lai Tsan Tung, David ("Mr. Lai")	Long position	Interest of controlled corporation	–	39,718,584 *(Note 2)*	39,718,584	1.28

Notes:

1. Mr. Cheung was interested in 15,000,000 Shares and has undertaken to the Company and the Underwriter that he will take up his provisional entitlement under the Rights Issue representing 45,000,000 Rights Shares and 12,000,000 Warrants.

2. Mr. Lai, an executive Director, was interested in the 39,718,584 underlying Shares under the Donson Convertible Notes at the initial conversion price of HK$0.44 per Share held by Green Label by virtue of his beneficial interest in the entire issued share capital of Green Label.

(ii) Interests in the Options

Name of Director	Date of grant	Option period	Exercise price per Share *HK$*	Number of Options	Approximate percentage of the issued share capital of the Company *(%)*
Mr. Cheung	15th August, 2006	15th August, 2006 – 14th August, 2008	0.50	10,000,000	0.32
	27th July, 2007	27th July, 2007 – 26th July, 2011	0.67	12,000,000	0.39
				22,000,000	0.71
Mr. Chan Fut Yan ("Mr. Chan")	15th August, 2006	15th August, 2006 – 14th August, 2008	0.50	6,000,000	0.19
	27th July, 2007	27th July, 2007 – 26th July, 2011	0.67	7,000,000	0.23
				13,000,000	0.42
Mr. Wong Kam Cheong, Stanley	15th August, 2006	15th August, 2006 – 14th August, 2008	0.50	2,000,000	0.06
	27th July, 2007	27th July, 2007 – 26th July, 2011	0.67	3,000,000	0.10
				5,000,000	0.16
Mr. Cheung Chi Kit	15th August, 2006	15th August, 2006 – 14th August, 2008	0.50	2,000,000	0.06
	27th July, 2007	27th July, 2007 – 26th July, 2011	0.67	5,000,000	0.16
				7,000,000	0.22
Mr. Lai	27th July, 2007	27th July, 2007 – 26th July, 2011	0.67	3,000,000	0.10
Mr. Ma Chi Kong, Karl	27th July, 2007	27th July, 2007 – 26th July, 2011	0.67	9,000,000	0.29
Mr. Wong Chi Keung, Alvin ("Mr. Wong")	15th August, 2006	15th August, 2006 – 14th August, 2008	0.50	1,500,000	0.05
	27th July, 2007	27th July, 2007 – 26th July, 2011	0.67	1,500,000	0.05
				3,000,000	0.10
Mr. Kwok Ka Lap, Alva	27th July, 2007	27th July, 2007 – 26th July, 2011	0.67	1,500,000	0.05

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

(b) Interests of Shareholders discloseable pursuant to the SFO

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

(i) Interests in the Shares

Name of Shareholder	Long position/ Short position	Capacity	Number of issued Shares	Approximate percentage of the issued share capital of the Company *(Note 6)* (%)
Loyal Concept	Long position	Beneficial owner	1,910,069,088 *(Note 1)*	15.43
Hanny Magnetics (B.V.I.) Limited ("Hanny Magnetics")	Long position	Interest of controlled corporation	1,910,069,088 *(Note 1)*	15.43
Hanny	Long position	Interest of controlled corporation	1,910,069,088 *(Note 1)*	15.43
Famex Investment Limited ("Famex")	Long position	Interest of controlled corporations	1,910,069,088 *(Note 1)*	15.43

Name of Shareholder	Long position/ Short position	Capacity	Number of issued Shares	Approximate percentage of the issued share capital of the Company *(Note 6)* *(%)*
Mankar Assets Limited ("Mankar")	Long position	Interest of controlled corporations	1,910,069,088 *(Note 1)*	15.43
ITC Investment Holdings Limited ("ITC Investment")	Long position	Interest of controlled corporations	2,216,289,088 *(Note 1)*	17.90
ITC	Long position	Interest of controlled corporations	2,718,569,088 *(Note 1)*	21.96
Dr. Chan	Long position	Interest of controlled corporations	2,718,569,088 *(Note 1)*	21.96
	Long position	Beneficial owner	15,240,000 *(Note 1)*	0.12
			2,733,809,088	22.08
Ms. Ng Yuen Lan, Macy ("Ms. Ng")	Long position	Interest of spouse	2,733,809,088 *(Note 1)*	22.08
Shepherd Investments International, Ltd. ("Shepherd")	Long position	Beneficial owner	96,418,727 *(Note 2)*	0.78
Stark Master Fund, Ltd. ("Stark Master")	Long position	Beneficial owner	134,978,817	1.09
Stark	Long position	Investment manager	220,267,725 *(Note 2)*	1.78
Kingston	Long position	Underwriter	10,750,044,666 *(Note 3)*	86.82
Mrs. Chu Yuet Wah ("Mrs. Chu")	Long position	Interest of controlled corporation	10,750,044,666 *(Note 3)*	86.82
	Long position	Beneficial owner	100,500,000 *(Note 3)*	0.81
			10,850,544,666	87.63

Name of Shareholder	Long position/ Short position	Capacity	Number of issued Shares	Approximate percentage of the issued share capital of the Company *(Note 6)* *(%)*
Ms. Ma Siu Fong ("Ms. Ma")	Long position	Interest of controlled corporation	10,750,044,666 *(Note 3)*	86.82
Brightstar Global Capital Inc. ("Brightstar")	Long position	Beneficial owner	1,127,368,421 *(Note 4)*	9.10
Mr. Bradford Allen ("Mr. Allen")	Long position	Interest of controlled corporation	1,127,368,421 *(Note 4)*	9.10
Taifook Securities Company Limited ("Taifook Securities")	Long position	Beneficial owner	3,080,000,000 *(Note 5)*	24.87
Taifook Finance Company Limited ("Taifook Finance")	Long position	Interest of controlled corporation	3,080,000,000 *(Note 5)*	24.87
Taifook (BVI) Limited ("Taifook (BVI)")	Long position	Interest of controlled corporation	3,080,000,000 *(Note 5)*	24.87
Taifook Securities Group Limited ("Taifook Securities Group")	Long position	Interest of controlled corporation	3,080,000,000 *(Note 5)*	24.87

Name of Shareholder	Long position/ Short position	Capacity	Number of issued Shares	Approximate percentage of the issued share capital of the Company *(Note 6)* *(%)*
NWS Holdings Limited ("NWS")	Long position	Interest of controlled corporation	3,080,000,000 *(Note 5)*	24.87
New World Development Company Limited ("New World Development")	Long position	Interest of controlled corporation	3,080,000,000 *(Note 5)*	24.87
Chow Tai Fook Enterprises Limited ("Chow Tai Fook")	Long position	Interest of controlled corporation	3,080,000,000 *(Note 5)*	24.87
Centennial Success Limited ("Centennial")	Long position	Interest of controlled corporation	3,080,000,000 *(Note 5)*	24.87
Cheng Yu Tung Family (Holdings) Limited ("Cheng Yu Tung Family")	Long position	Interest of controlled corporation	3,080,000,000 *(Note 5)*	24.87

(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 *(Note 6)* *(%)*
Loyal Concept	Long position	Beneficial owner	1,517,728,102 *(Note 1)*	12.26
Hanny Magnetics	Long position	Interest of controlled corporation	1,517,728,102 *(Note 1)*	12.26
Hanny	Long position	Interest of controlled corporation	1,517,728,102 *(Note 1)*	12.26
Famex	Long position	Interest of controlled corporation	1,517,728,102 *(Note 1)*	12.26
Mankar	Long position	Interest of controlled corporation	1,517,728,102 *(Note 1)*	12.26
ITC Investment	Long position	Interest of controlled corporations	1,621,829,244 *(Note 1)*	13.10
ITC	Long position	Interest of controlled corporations	1,722,285,244 *(Note 1)*	13.91
Dr. Chan	Long position	Interest of controlled corporations	1,725,333,244 *(Note 1)*	13.93
Ms. Ng	Long position	Interest of spouse	1,725,333,244 *(Note 1)*	13.93
Shepherd	Long position	Beneficial owner	188,198,051 *(Note 2)*	1.52
Stark Master	Long position	Beneficial owner	264,594,155	2.14

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 *(Note 6)* *(%)*
Stark	Long position	Investment manager	369,415,584 *(Note 2)*	2.98
Kingston	Long position	Underwriter	2,866,678,577 *(Note 3)*	23.15
Mrs. Chu	Long position	Interest of controlled corporation	2,866,678,577 *(Note 3)*	23.15
Ms. Ma	Long position	Interest of controlled corporation	2,866,678,577 *(Note 3)*	23.15
Gandhara Master Fund Limited	Long position	Investment manager	334,285,715	2.70
Brightstar	Long position	Beneficial owner	300,631,579 *(Note 4)*	2.43
Mr. Allen	Long position	Interest of controlled corporation	300,631,579 *(Note 4)*	2.43
Taifook Securities	Long position	Beneficial owner	821,333,333 *(Note 5)*	6.63
Taifook Finance	Long position	Interest of controlled corporation	821,333,333 *(Note 5)*	6.63
Taifook (BVI)	Long position	Interest of controlled corporation	821,333,333 *(Note 5)*	6.63
Taifook Securities Group	Long position	Interest of controlled corporation	821,333,333 *(Note 5)*	6.63

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 *(Note 6)* *(%)*
NWS	Long position	Interest of controlled corporation	821,333,333 *(Note 5)*	6.63
New World Development	Long position	Interest of controlled corporation	821,333,333 *(Note 5)*	6.63
Chow Tai Fook	Long position	Interest of controlled corporation	821,333,333 *(Note 5)*	6.63
Centennial	Long position	Interest of controlled corporation	821,333,333 *(Note 5)*	6.63
Cheng Yu Tung Family	Long position	Interest of controlled corporation	821,333,333 *(Note 5)*	6.63

Notes:

1. Hanny and Hanny Magnetics were taken to have interest in 3,427,797,190 Shares (of which 1,517,728,102 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 3,427,797,190 Shares (of which 1,517,728,102 Shares relate to its derivative interest) which were held by Loyal Concept. Selective Choice, a wholly-owned subsidiary of ITC Investment, owned 410,321,142 Shares (of which 104,101,142 Shares relate to its derivative interest). ITC Investment was deemed to be interested in 3,838,118,332 Shares (of which 1,621,829,244 Shares relate to its derivative interest) which were held by Loyal Concept and Selective Choice. Great Intelligence Holdings Limited ("Great Intelligence"), a wholly-owned subsidiary of ITC Management Group Limited which, in turn, was a wholly-owned subsidiary of ITC. Dr. Chan was the controlling shareholder of ITC. Ms. Ng is the spouse of Dr. Chan. Great Intelligence owned 602,736,000 Shares (of which 100,456,000 Shares relate to its derivative interest). ITC was deemed to be interested in 4,440,854,332 Shares (of which 1,722,285,244 Shares relate to its derivative interest) which were held by Loyal Concept, Selective Choice and Great Intelligence. Dr. Chan owned 18,288,000 Shares (of which 3,048,000 Shares relate to his derivative interest) and was deemed to be interested in 4,440,854,332 Shares (of which 1,722,285,244 Shares relate to his derivative interest) which were held by Loyal Concept, Selective Choice and Great Intelligence. Ms. Ng was deemed to be interested in 4,459,142,332 Shares (of which 1,725,333,244 Shares relate to her derivative interest) which were held by Dr. Chan, Loyal Concept, Selective Choice and Great Intelligence.

2. Stark was taken to have an interest as an investment manager in 589,683,309 Shares (of which 369,415,584 Shares relate to its derivative interest) which were held by Centar Investments (Asia) Ltd., Shepherd, Stark Asia Master Fund, Ltd. and Stark International.

3. Kingston, the underwriter, was owned as to 51% by Mrs. Chu and as to 49% by Ms. Ma, and was interested in 13,616,723,243 Shares (of which 2,866,678,577 Shares relate to its derivative interest) pursuant to the Underwriting Agreement. Mrs. Chu owned 100,500,000 Shares and was deemed to be interested in 13,616,723,243 Shares (of which 2,866,678,577 Shares relate to her derivative interest) which were held by Kingston. Ms. Ma was deemed to be interested in 13,616,723,243 Shares (of which 2,866,678,577 Shares relate to her derivative interest) which were held by Kingston.

4. Mr. Allen was deemed to be interested in 1,428,000,000 Shares (of which 300,631,579 Shares relate to his derivative interest) which were held by Brightstar by virtue of his 100% beneficial interest in Brightstar.

5. Cheng Yu Tung Family holds more than 50% of the issued share capital of Centennial. Chow Tai Fook, a wholly-owned subsidiary of Centennial, was the controlling shareholder of New World Development. NWS, NWS Service Management Limited (incorporated in the Cayman Islands) ("NWS Cayman"), NWS Service Management Limited (incorporated in the British Virgin Islands) ("NWS BVI") and NWS Financial Management Services Limited ("NWS Financial") were the wholly-owned subsidiaries of New World Development. NWS Financial holds more than 50% of the issued share capital of Taifook Securities Group. Taifook (BVI), Taifook Finance and Taifook Securities were the wholly-owned subsidiaries of Taifook Securities Group. Cheng Yu Tung Family, Centennial, Chow Tai Fook, New World Development, NWS, NWS Cayman, NWS BVI, NWS Financial, Taifook Securities Group, Taifook (BVI) and Taifook Finance were taken to have interest and/or deemed to be interested in 3,901,333,333 Shares (of which 821,333,333 Shares relate to their derivative interests) held by Taifook Securities.

6. In accordance with the SFO, these percentages were calculated on the basis that 9,286,554,078 Shares would be issued after completion of the Rights Issue.

(iii) Other member of the Group

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

Name of subsidiary	Name of shareholder	Approximate percentage of the existing issued share capital/ registered capital *(%)*
三亞亞龍灣風景高爾夫文化公園有限公司 (Sanya Yalong Bayview Golf Garden Co., Ltd.)	三亞博后經濟開發有限公司	20

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 interest or short positions in the Shares or underlying Shares which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, nor were there any persons, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or held any option in respect of such capital.

(c) Competing interests

As at the Latest Practicable Date, interests of the Directors and their respective associates in competing businesses 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 managing director
	China Development Limited	Property investment in Hong Kong	As director and shareholder
	Artnos Limited	Property investment in Hong Kong	As director and shareholder
	Co-Forward Development Ltd.	Property investment in Hong Kong	As director and shareholder
	Orient Centre Limited	Property investment in Hong Kong	As shareholder
	Super Time Limited	Property investment in Hong Kong	As director and shareholder
	Asia City Holdings Ltd.	Property investment in Hong Kong	As director and shareholder
	Supreme Best Ltd.	Property investment in Hong Kong	As shareholder
	Orient Holdings Limited	Property investment in Hong Kong	As director and shareholder
	Link Treasure International Limited	Property investment in Hong Kong	As director and shareholder
Mr. Wong	CNT Group Limited and its subsidiaries	Property investment and development in Hong Kong and the PRC	As executive director

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. Mr. Wong, being an independent non-executive Director, does not participate in the daily management of the Group.

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 and Mr. Wong in other companies will not prejudice their capacity as Directors nor compromise the interests of the Group and the Shareholders.

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

(d) Other interests

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been since 31st March, 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 Group.

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

4. MATERIAL CONTRACTS

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

1. the subscription agreement dated 6th October, 2006 entered into among More Profit International Limited ("More Profit"), Dragon Rainbow Limited ("Dragon Rainbow"), Group Success International Limited ("Group Success"), Get Nice Holdings Limited ("Get Nice") and Mr. Cheung Chung Kiu in relation to the subscription of 4,000 shares in More Profit by Dragon Rainbow at a subscription price of US$1 per share;

2. the undertaking dated 6th October, 2006 entered into among Mr. Hung Hon Man, Dragon Rainbow and Group Success in relation to the subscription of 4,000 shares in More Profit by Dragon Rainbow;

3. 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;

4. 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;

5. 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;

6. 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;

7. 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;

8. 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 ("TFH") at a total consideration of HK$110 million;

9. 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 à Estrada Nordeste da Taipa Aterro da Baía 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;

10. the placing and subscription agreement dated 18th May, 2007 entered into among Loyal Concept as vendor, the Company and Kingston as placing agent in relation to the top-up placing of 300,000,000 Shares at HK$0.56 per Share;

11. 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 as warrantors in relation to the sale and purchase of the entire issued share capital in Dragon Rainbow and all the shareholder's loan due from Dragon Rainbow to the Company at an aggregate consideration of HK$350 million;

12. 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);

13. 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);

14. 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;

15. 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;

16. 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;

17. 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;

18. 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; and

19. the Underwriting Agreement.

5. CLAIMS AND LITIGATION

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

6. SERVICE CONTRACTS

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

7. EXPERT AND CONSENT

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

Name	**Qualification**
Deloitte Touche Tohmatsu ("DTT")	Certified Public Accountants

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

As at the Latest Practicable Date, DTT had no shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, DTT had no 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 Group.

8. DIRECTORS, CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Names and addresses of the Directors

Name	**Residential Address**
Executive Directors	
Mr. Cheung Hon Kit	26B, Shouson Hill Road Hong Kong
Mr. Chan Fut Yan	House E, Grandview Villa Ta Ku Ling San Tsuen Lot No. 244 in D.D. 223 Sai Kung, New Territories Hong Kong
Mr. Wong Kam Cheong, Stanley	Flat GA & 1A, G/F Block 2, Casa Bella 5 Silverstrand Beach Road Sai Kung, New Territories Hong Kong
Mr. Cheung Chi Kit	17D, Tower 1, Tierra Verde 33 Tsing King Road Tsing Yi, New Territories Hong Kong
Mr. Lai Tsan Tung, David	Flat 2B, Tower One, Ruby Court 55 South Bay Road Hong Kong
Mr. Ma Chi Kong, Karl	19/F., 13-15 Yik Yam Street Happy Valley Hong Kong
Independent non-executive Directors	
Mr. Qiao Xiaodong	3-1501, No. 1 Xiangheyuan Street Dongzhimenwai Dong Cheng District Beijing, China 100028
Mr. Wong Chi Keung, Alvin	Flat E, 6/F., Tower 15 Yee Wan Court South Horizons Apleichau Hong Kong
Mr. Kwok Ka Lap, Alva	10B, Yen Kung Mansion Taikoo Shing Hong Kong

Name	Residential Address
Senior Management	
Ms. Yan Ha Hung, Loucia	Flat C, 19/F., Tower 1 Newton Harbour View 2 Shaukiwan Main Street East Shaukiwan Hong Kong

Qualifications of the Directors

Executive Directors

Mr. Cheung Hon Kit, aged 54, an executive Director, joined the Company as Chairman in April 2005 and acts as director of various subsidiaries of the Company. He graduated from the University of London with a bachelor of arts degree. Mr. Cheung has over 30 years of experience in real estate development, property investment and corporate finance, and has worked in key executive positions in various leading property development companies in Hong Kong. He is the managing director of Wing On Travel (Holdings) Limited (01189.HK), an executive director of ITC, an independent non-executive director of International Entertainment Corporation (08118.HK) and Future Bright Holdings Limited (formerly known as Innovo Leisure Recreation Holdings Limited) (00703.HK), all of which are companies whose issued shares are listed on the Stock Exchange.

Mr. Chan Fut Yan, aged 54, an executive Director, joined the Company as Managing Director in April 2005 and acts as director of various subsidiaries of the Company. He is also a member of the remuneration committee of the Company. Mr. Chan has over 35 years of experience in the local construction field specialising in site supervision, planning of works and progress monitoring. He is an executive director of ITC.

Mr. Wong Kam Cheong, Stanley, aged 50, an executive Director and the Deputy Managing Director, joined the Company in 2006. Mr. Wong is responsible for overseeing the property development and investment of the Group. He is also a director of various subsidiaries of the Company. Mr. Wong holds an Honours Degree in civil engineering awarded by the University of Manchester, U.K. and a Master of Science degree in finance awarded by the Chinese University of Hong Kong. He is a member of the Hong Kong Institution of Engineers, a Registered Professional Engineer in Hong Kong, a Chartered Professional Engineer of Australia, a U.K. Chartered Civil and Structural Engineer and a Fellow Member of the Hong Kong Institution of Real Estate Administration. Mr. Wong is also a Registered Structural Engineer and Authorised Person (Engineer) registered under section 3 of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong). He has over 26 years of experience in the field of design, construction, project management, property development and management.

Mr. Cheung Chi Kit, aged 42, joined the Company in 2005 and is an executive Director and the qualified accountant of the Company. Mr. Cheung is responsible for the finance and accounting functions of the Group. He is also a director of various subsidiaries of the Company. Mr. Cheung has over 20 years of experience in auditing, accounting and financial management. He holds a bachelor's degree in accounting. Mr. Cheung is a member of The Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

Mr. Lai Tsan Tung, David, aged 54, joined the Company in 2006 and is an executive Director. Mr. Lai is also a director of various subsidiaries of the Company and he is responsible for the leisure and golf operations in the PRC. He graduated from the University of Birmingham with a bachelor's degree in civil engineering. Mr. Lai has over 29 years of experience in the construction field and has worked for several international construction companies at a senior managerial position.

Mr. Ma Chi Kong, Karl, aged 37, joined the Company as an executive Director in May 2007 and is also a director of various subsidiaries of the Company. He is responsible for its real estate acquisitions and property development in the PRC. Mr. Ma holds a bachelor's degree in Business Administration and a Master's degree in Finance. He is also a holder of AIMR Certified Financial Analyst. Mr. Ma has over 15 years of experience in banking industry and property development in the PRC. Since 1998, he has been involved in SOE restructuring and acquisitions, projects financing and real estate investments in major cities of the PRC. He has successfully invested and managed several property deals for private investors including a villa project in Beijing, a vineyard property in Jiangsu Province and office developments in Guangdong Province. Mr. Ma is very active in the property sector in Beijing, PRC and is currently a standing member of Beijing Xicheng District China's People Consultative Committee.

Independent non-executive Directors

Mr. Qiao Xiaodong, aged 50, joined the Company as Vice Chairman and an independent non-executive Director in February 2008. He is also a member of the audit committee of the Company. Mr. Qiao holds a bachelor's degree in Science and also a bachelor's degree in Business and Administration from Norwegian School of Management. He graduated from the Beijing University of Science and Technology. In the early 1990s, Mr. Qiao joined China Council for the Promotion of International Trade as a Patent Attorney, and the managing director of China Technology Trade (H.K.) Ltd. He has been engaged in real estate business in the PRC since 1997. Mr. Qiao was the chairman and the director in several real estate development companies.

Mr. Wong Chi Keung, Alvin, aged 45, joined the Company as an independent non-executive Director in May 2003. He is also the chairman of both the audit committee and the remuneration committee of the Company. Mr. Wong is a fellow member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants and an associate member of The

Chartered Institute of Management Accountants. He has over 21 years of experience in accounting and corporate finance gained in property development, construction and manufacturing companies. Mr. Wong is an executive director of CNT Group Limited (00701.HK), a company whose issued shares are listed on the Stock Exchange.

Mr. Kwok Ka Lap, Alva, aged 60, joined the Company as an independent non-executive Director in October 2001. He is also a member of both the audit committee and the remuneration committee of the Company. Mr. Kwok has been a marketing manager in an international company engaging in the design of business administration system. He has over 25 years of experience in the insurance and investment business, principally in the senior managerial position leading a sizable sales team. Mr. Kwok is an independent non-executive director of Hanny and Wing On Travel (Holdings) Limited (01189.HK) and was an executive director of China Strategic Holdings Limited (00235.HK) prior to 7th April, 2008, all of which are companies whose issued shares are listed on the Stock Exchange.

Senior Management

Ms. Yan Ha Hung, Loucia, aged 39, is the General Manager (Corporate Services) and the Company Secretary of the Group. Ms. Yan is also a director of various subsidiaries of the Company. She holds a master's degree in business administration. Ms. Yan is an Associate Member (Practitioner's Endorsement) of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Prior to joining the Group in July 2005, she was the company secretary of certain listed companies in Hong Kong. Ms. Yan has over 14 years of experience in company secretarial and legal affairs.

Corporate information and parties involved in the Rights Issue

Registered office	Clarendon House Church Street Hamilton HM 11 Bermuda
Head office and principal place of business in Hong Kong	Unit 3102, 31/F Bank of America Tower 12 Harcourt Road Central Hong Kong
Authorised representatives	Mr. Cheung Hon Kit Mr. Wong Kam Cheong, Stanley *(Alternate to Mr. Cheung Hon Kit)* Mr. Cheung Chi Kit Ms. Yan Ha Hung, Loucia *(Alternate to Mr. Cheung Chi Kit)*

Company secretary	Ms. Yan Ha Hung, Loucia, master's degree in business administration *(MBA)*, associate member (Practitioner's Endorsement) of both The Hong Kong Institute of Chartered Secretaries *(ACS)* and The Institute of Chartered Secretaries and Administrators *(ACIS)*
Qualified accountant	Mr. Cheung Chi Kit, a member of the Hong Kong Institute of Certified Public Accountants
Legal advisers to the Company	*As to Hong Kong Law:* Iu, Lai & Li 20/F., Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong
	As to Bermuda Law: Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central Hong Kong
Financial advisers to the Company	Optima Capital Limited Unit 3618, 36/F Bank of America Tower 12 Harcourt Road Central Hong Kong
	Kingston Corporate Finance Limited Suite 2801, 28/F One International Finance Centre 1 Harbour View Street Central Hong Kong
Auditors	Deloitte Touche Tohmatsu 35/F., One Pacific Place 88 Queensway Hong Kong

Principal share registrar and transfer office	The Bank of Bermuda Limited 6 Front Street Hamilton HM 11 Bermuda
Hong Kong branch share registrar and transfer office	Tricor Secretaries Limited 26/F., Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Principal banker	Industrial and Commercial Bank of China (Asia) Limited 34/F., ICBC Tower 3 Garden Road Central Hong Kong
Underwriter	Kingston Securities Limited Suite 2801, 28/F One International Finance Centre 1 Harbour View Street Central Hong Kong

9. EXPENSES

The expenses in connection with the Rights Issue, including financial and legal advisory fees, underwriting commission, printing and translation expenses are estimated to be approximately HK$23.5 million and will be payable by the Company.

10. BINDING EFFECT

This prospectus shall have the effect, if application is made pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

11. DOCUMENTS DELIVERED TO THE REGISTRARS OF COMPANIES

A copy of each of the Prospectus Documents, having attached thereto the written consent referred to under the heading "Expert and consent" in this appendix, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance and a copy of each of the Prospectus Documents has been filed with the Registrar of Companies in Bermuda in accordance with the Companies Act.

12. 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, up to and including 30th July, 2008:

- 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 report from DTT on the unaudited pro forma financial information on the Group, the text of which is set out in Appendix II to this prospectus;
- the letter of consent referred to in the paragraph headed "Expert and consent" in this appendix;
- the published annual reports of the Company for each of the three financial years ended 31st March, 2006, 2007 and 2008; and
- the circular of the Company dated 24th June, 2008 in respect of the proposed Rights Issue.

13. LANGUAGE

In the event of inconsistency, the English texts of this prospectus, the PAL and the EAF shall prevail over their respective Chinese texts.