THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular 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.

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

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Shares or other securities in the Company.

德祥地產集團有限公司*

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 199)

PROPOSED 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

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

第一上海
FIRST SHANGHAI GROUP

First Shanghai Capital Limited

Underwriter

KINGSTON SECURITIES LIMITED

A notice convening the special general meeting of the Company to be held at Shop B27, Basement, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong on Thursday, 10th July, 2008 at 11:00 a.m. is set out on pages 192 to 195 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

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 9 to 10 of this circular. 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 23 to 24 of this circular 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.

* *For identification purpose only*

24th June, 2008

CONTENTS

DEFINITIONS

In this circular, 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"	being the latest time at which provisional allotments of the Rights Shares (with Warrants) may be validly accepted as described in the Prospectus, which is expected to be 4:00 p.m. on Friday, 25th July, 2008
"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 expected to be from 7th August, 2008 to 6th February, 2010 (both dates inclusive)
"First Shanghai"	First Shanghai Capital Limited, a company incorporated in Hong Kong with limited liability and a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue
"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
"Independent Board Committee"	an independent committee of the Board comprising Mr. Qiao Xiaodong, Mr. Wong Chi Keung, Alvin and Mr. Kwok Ka Lap, Alva, all being the independent non-executive Directors
"Independent Shareholders"	Shareholders other than the Directors (including Mr. Cheung), the chief executive of the Company and their respective associates
"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"	19th June, 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"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 proposed to be issued to the Qualifying Shareholders
"PRC"	The People's Republic of China
"Prospectus"	the prospectus to be issued by the Company to the Shareholders containing details of the Rights Issue
"Prospectus Documents"	the 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"	being the record date for determining the entitlements of the Shareholders to participate in the Rights Issue, which is expected to be Friday, 11th July, 2008
"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"	not less than 9,286,554,078 new Shares and not more than 12,845,401,482 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"	the date being the third Business Day following the Acceptance Date, which is expected to be Wednesday, 30th July, 2008
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"SGM"	the special general meeting of the Company to be convened on Thursday, 10th July, 2008 at which resolution will be proposed to consider and, if thought fit, approve, *inter alia*, the Rights Issue
"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"	not less than 7,191,197,262 Rights Shares and not more than 10,750,044,666 Rights Shares, being the Rights Shares underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
"USA"	United States of America
"Warrants"	up to 3,425,440,395 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 up to 3,425,440,395 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
Last day of dealings in the Shares on a cum-rights basis	Wednesday, 2nd July
First day of dealings in the Shares on an ex-rights basis	Thursday, 3rd July
Latest time for lodging transfer of Shares for entitlement to the Rights Issue	4:30 p.m. on Friday, 4th July
Closure of register of members	Monday, 7th July to Friday, 11th July (both dates inclusive)
Latest time for return of form of proxy for the SGM	11:00 a.m. on Tuesday, 8th July
SGM	11:00 a.m. on Thursday, 10th July
Announcement of the results of the SGM	Thursday, 10th July
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	4:00 p.m. on Friday, 25th July

EXPECTED TIMETABLE

	2008
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
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	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) Dealings in the fully-paid Rights Shares will commence as soon as the relevant Shareholders receive the certificates for the Rights Shares.

(ii) All references to time in this circular refer to Hong Kong time.

(iii) 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.

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

24th June, 2008

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

Dear Sir or Madam,

PROPOSED 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 will provisionally allot 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 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.

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 circular) will be fully underwritten by the Underwriter.

The estimated net proceeds of the Rights Issue will be not less than approximately HK$626.6 million and not more than approximately HK$875.5 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 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 proceed, 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 Independent Board Committee has been constituted to advise the Independent Shareholders in respect of the Rights Issue and First Shanghai has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with information in respect of the Rights Issue, a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue, a letter of advice from First Shanghai to the Independent Board Committee and the Independent Shareholders on the Rights Issue, the summary terms of the Warrants, the financial and other information on the Group and a notice to convene the SGM to be held on 10th July, 2008 to consider and, if thought fit, approve, *inter alia*, the Rights Issue.

PROPOSED 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, is 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, are 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.

Minimum number of Rights Shares : 9,286,554,078 Rights Shares

Maximum number of Rights Shares	:	12,845,401,482 Rights Shares
Minimum number of Warrants	:	2,476,414,421 Warrants
Maximum number of Warrants	:	3,425,440,395 Warrants
Maximum number of Warrant Shares to be issued upon exercise of Warrants	:	3,425,440,395 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)
Minimum enlarged issued share capital immediately upon completion of the Rights Issue (assuming no issue or repurchase of Shares from the Latest Practicable Date to the Record Date)	:	12,382,072,104 Shares
Maximum enlarged issued share capital immediately upon completion of the Rights Issue assuming full conversion of the outstanding convertible notes (other than those held by Loyal Concept, Selective Choice and Green Label) from the Latest Practicable Date to the Record Date	:	17,127,201,976 Shares

Assuming there is no conversion of outstanding convertible notes on or before the Record Date, the nil-paid Rights Shares proposed to be provisionally allotted represent:

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

(ii) approximately 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.

In order to be registered as members of the Company at the close of business on the Record Date, Shareholders must lodge any transfer of Shares (together with the relevant share certificates) with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 4th July, 2008.

No transfer of Shares will be registered during Monday, 7th July, 2008 to Friday, 11th July, 2008 (both dates inclusive) when the register of members of the Company is closed.

The Company will send the Prospectus Documents to the Qualifying Shareholders. For the Excluded Shareholders, the Company will send copies of the Prospectus to them for their information only, but will not send any PAL and EAF to them.

Closure of register of members

The register of members of the Company will be closed from Monday, 7th July, 2008 to Friday, 11th July, 2008, both dates inclusive. No transfer of the Shares will be registered during this period.

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 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 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 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 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; and

(vi) a discount of approximately 50.0% to the closing price of HK$0.14 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 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 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 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 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; and

(vi) a discount of approximately 25.0% to the closing price of HK$0.14 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 maximum number of Warrants that may be issued under the Rights Issue, a maximum of 3,425,440,395 Warrant Shares may fall to be issued upon the exercise of the subscription rights attached to the Warrants, representing approximately 110.7% of the existing issued share capital of the Company and 20% of the issued share capital of the Company as enlarged by the issue of a maximum number of 12,845,401,482 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 attaching 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 of the subscription moneys payable by the Qualifying Shareholders for 12,845,401,482 Rights Shares and 3,425,440,395 Warrant Shares (upon exercise in full of the subscription rights attaching to the Warrants) would be HK$1,258,849,345, 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 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 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 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 per Share for the 10 consecutive trading days up to and including the Last Trading Day; and

(v) a discount of approximately 44.7% to the closing price of HK$0.14 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 not less than 9,286,554,078 Rights Shares and not more than 12,845,401,482 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 Latest Practicable Date, there were three Overseas Shareholders with registered addresses located in the British Virgin Islands and Canada. As such, 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 legal advisers of Canada, 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 Rights Issue will not be available to such Overseas Shareholder. Based on the legal opinion provided by the legal advisers of the British Virgin Islands, 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 Rights Issue will be available to such Overseas Shareholders. Further updates on the basis for excluding the Excluded Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued. The Company will send copies of the Prospectus to the Excluded Shareholders for their information only but will not send any PAL and EAF to them.

Arrangements will be made for the Rights Shares (with Warrants) which would otherwise have been provisionally allotted to the Excluded Shareholders 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 Shareholders. The Company will retain individual amounts of HK$100 or less for its own benefit. Any unsold entitlements of the Excluded Shareholders, 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.

Application for excess Rights Shares (with Warrants)

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

Application for excess Rights Shares (with Warrants) may be made by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares (with Warrants) being applied for. The Directors will allocate the excess Rights Shares (with Warrants) at their discretion on a fair and equitable basis, and 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 best effort basis.

Shareholders with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the application for excess Rights Shares (with Warrants) will not be extended to beneficial owners individually. Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

For Shareholders whose Shares are held by their nominee(s) and would like to have their names registered on the register of members of the Company, they must complete the relevant registration with Tricor Secretaries Limited, the Company's branch share registrar and transfer office in Hong Kong, by 4:30 p.m. on Friday, 4th July, 2008, the Business Day immediately prior to the closure of the register of members of the Company.

Application for listing

The Company will apply 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, clearance 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 in 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

The key terms and details of the Underwriting Agreement are as follows:

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.

The untaken Rights Shares (with Warrants) to be underwritten by the Underwriter will be taken up in the following manners:

(1) *Assuming no conversion of the 2010 Convertible Notes and the 2011 Convertible Notes prior to the Record Date,* the Underwriter shall underwrite up to 7,191,197,262 Rights Shares (with Warrants); and

(2) *Assuming full conversion of the 2010 Convertible Notes and the 2011 Convertible Notes (other than those held by Loyal Concept and Selective Choice) prior to the Record Date,* the Underwriter shall underwrite up to 10,750,044,666 Rights Shares (with Warrants).

Conditions of the Rights Issue

The Rights Issue is conditional, among other things, on 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 conditional upon the approval of the Shareholders at the SGM. The Rights Issue is also 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 circular 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 not less than approximately HK$626.6 million and not more than approximately HK$875.5 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 not less than approximately HK$82.5 million and not more than approximately HK$331.4 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:

	Working capital *(Note)* *HK$' million*	**Repurchase of 2010 Convertible Notes and 2011 Convertible Notes** *HK$' million*	**Total estimated net proceeds** *HK$' million*
Assuming no conversion of the 2010 Convertible Notes and the 2011 Convertible Notes and exercise of Options on or before the Record Date	82.5	544.1	626.6
Assuming full conversion of the 2010 Convertible Notes and the 2011 Convertible Notes (other than those held by Loyal Concept and Selective Choice) on or before the Record Date	331.4	544.1	875.5

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 the maximum number of 3,425,440,395 Warrants, the Company will receive approximately HK$359.7 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 is pleased to announce 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 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 the 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 (with Warrants) 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 by way of announcement regarding adjustments to be made (if any) pursuant to the terms of the convertible notes and the relevant share option scheme and 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

(i) Immediately upon completion of the Rights Issue

The shareholding structures of the Company as at the Latest Practicable Date and immediately upon completion of the Rights Issue are as follows (assuming no change in shareholding between the Latest Practicable Date and completion of the Rights Issue):

			Upon completion of the Rights Issue				Upon completion of the Rights Issue			
			Assuming no conversion of convertible notes and exercise of Options on or before the Record Date				Assuming full conversion of convertible notes (other than those held by Loyal Concept, Selective Choice and Green Label) on or before the Record Date			
Shareholders	**As at the Latest Practicable Date and prior to completion of the Rights Issue**		**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	1,910,069,088	11.15	1,910,069,088	11.15
ITC	202,125,000	6.53	808,500,000	6.53	808,500,000	6.53	808,500,000	4.72	808,500,000	4.72
Dr. Chan	3,810,000	0.12	15,240,000	0.12	15,240,000	0.12	15,240,000	0.09	15,240,000	0.09
Mr. Cheung	15,000,000	0.48	60,000,000	0.48	60,000,000	0.48	60,000,000	0.35	60,000,000	0.35
	698,452,272	22.56	2,793,809,088	22.56	2,793,809,088	22.56	2,793,809,088	16.31	2,793,809,088	16.31
Underwriter	–	–	–	–	7,191,197,262	58.08	–	–	10,750,044,666	62.77
Stark Investments (Hong Kong) Limited ("Stark") *(Note 3)*	220,267,725	7.12	881,070,900	7.12	220,267,725	1.78	2,358,733,236	13.77	589,683,309	3.44
Other holders of 2010 Convertible Notes	–	–	–	–	–	–	473,181,820	2.76	118,295,455	0.69
Other holders of 2011 Convertible Notes	–	–	–	–	–	–	2,794,285,716	16.32	698,571,429	4.08
Other public Shareholders	2,176,798,029	70.32	8,707,192,116	70.32	2,176,798,029	17.58	8,707,192,116	50.84	2,176,798,029	12.71
Total public Shareholders	2,397,065,754	77.44	9,588,263,016	77.44	9,588,263,016	77.44	14,333,392,888	83.69	14,333,392,888	83.69
Total	3,095,518,026	100.00	12,382,072,104	100.00	12,382,072,104	100.00	17,127,201,976	100.00	17,127,201,976	100.00

(ii) Upon completion of the Rights Issue and assuming full exercise of Warrants

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

			Upon completion of the Rights Issue, assuming full exercise of Warrants and assuming no conversion of convertible notes and exercise of Options on or before the Record Date				Upon completion of the Rights Issue, assuming full exercise of Warrants and assuming full conversion of convertible notes (other than those held by Loyal Concept, Selective Choice and Green Label) on or before the Record Date			
Shareholders	**As at the Latest Practicable Date**		**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	2,292,082,906	15.43	2,292,082,906	15.43	2,292,082,906	11.15	2,292,082,906	11.15
ITC	202,125,000	6.53	970,200,000	6.53	970,200,000	6.53	970,200,000	4.72	970,200,000	4.72
Dr. Chan	3,810,000	0.12	18,288,000	0.12	18,288,000	0.12	18,288,000	0.09	18,288,000	0.09
Mr. Cheung	15,000,000	0.48	72,000,000	0.48	72,000,000	0.48	72,000,000	0.35	72,000,000	0.35
	698,452,272	22.56	3,352,570,906	22.56	3,352,570,906	22.56	3,352,570,906	16.31	3,352,570,906	16.31
Underwriter	–	–	–	–	9,108,849,865	61.31	–	–	13,616,723,243	66.25
Stark *(Note 3)*	220,267,725	7.12	1,057,285,080	7.12	220,267,725	1.48	2,830,479,883	13.77	589,683,309	2.87
Other holders of 2010 Convertible Notes	–	–	–	–	–	–	567,818,184	2.76	118,295,455	0.58
Other holders of 2011 Convertible Notes	–	–	–	–	–	–	3,353,142,859	16.32	698,571,429	3.40
Other public Shareholders	2,176,798,029	70.32	10,448,630,539	70.32	2,176,798,029	14.65	10,448,630,539	50.84	2,176,798,029	10.59
Total public Shareholders	2,397,065,754	77.44	11,505,915,619	77.44	11,505,915,619	77.44	17,200,071,465	83.69	17,200,071,465	83.69
Total	3,095,518,026	100.00	14,858,486,525	100.00	14,858,486,525	100.00	20,552,642,371	100.00	20,552,642,371	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.

SGM

The notice convening the SGM is set out on pages 192 to 195 of this circular. The SGM will be held at Shop B27, Basement, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong at 11:00 a.m. on Thursday, 10th July, 2008 for the purpose of considering and, if thought fit, approving, *inter alia*, the Rights Issue.

Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

In accordance with Rule 7.19(6) of the Listing Rules, as the Rights Issue will increase the issued share capital of the Company by more than 50%, the Rights Issue is subject to the approval of the Shareholders at the SGM by way of poll. Pursuant to Rule 7.19(6)(a) of the Listing Rules, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates are required to abstain from voting in favour of the proposed resolution to approve the Rights Issue at the SGM. As at the Latest Practicable Date, Mr. Cheung and his associates were interested in 15,000,000 Shares in aggregate, representing approximately 0.48% of the issued share capital of the Company. Consequently, Mr. Cheung and his associates will be required to abstain from voting on the proposed resolution approving the Rights Issue at the SGM.

PROCEDURES FOR DEMANDING A POLL

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

(a) by the chairman of the meeting; or

(b) by at least three Shareholders present in person or, in the case of a Shareholder being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(c) by a Shareholder or Shareholders present in person or, in the case of a Shareholder being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or

(d) by a Shareholder or Shareholders present in person or, in the case of a Shareholder being a corporation, by its duly authorised representative or by proxy and holding Shares conferring a right to vote at the meeting, being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right; or

(e) if required by the Listing Rules, by any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing five per cent. (5%) or more of the total voting rights at such meeting, and if on a show of hand a meeting votes in the opposite manner to that instructed in those proxies, provided that if it is apparent from the total proxies held that a vote taken on a poll shall not reverse the vote taken on a show of hands, then the Director or Directors shall not be required to demand a poll.

The results of the poll at the SGM will be published by way of an announcement on the websites of the Company and of the Stock Exchange following the SGM in accordance with the requirements of the Listing Rules.

RECOMMENDATION

The Independent Board Committee has been constituted to advise the Independent Shareholders in respect of the Rights Issue and First Shanghai has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

You are advised to read carefully the letter from the Independent Board Committee and the letter from First Shanghai on page 35 and pages 36 to 57 respectively of this circular. The Independent Board Committee, having taken into account the advice of First Shanghai, considers that the terms of the Rights Issue and the creation and issue of the

Warrants are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue is in the interests of the Group and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the proposed resolution approving the Rights Issue and the creation and issue of the Warrants at the SGM.

The Directors believe that the terms of the Rights Issue and the creation and issue of the Warrants are fair and reasonable and the Rights Issue is in the interests of the Group and the Shareholders as a whole and therefore recommend the Independent Shareholders to vote in favour of the proposed resolution approving the Rights Issue and the creation and issue of the Warrants at the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

德祥地產集團有限公司*

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 199)

24th June, 2008

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE

We refer to the circular of the Company dated 24th June, 2008 (the "Circular"), of which this letter forms part. Capitalised terms used herein have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the terms of the Rights Issue. First Shanghai has been appointed as the independent financial adviser to advise us in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving its advice, are contained in its letter set out on pages 36 to 57 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

Having considered the terms of the Rights Issue and the independent advice of First Shanghai, we consider that the terms of the Rights Issue and the creation and issue of the Warrants are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue is in the interests of the Group and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Rights Issue, the issue of Warrants and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee

Qiao Xiaodong	**Wong Chi Keung, Alvin**	**Kwok Ka Lap, Alva**
Vice Chairman and Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

* *For identification purpose only*

The following is the text of the letter from First Shanghai to the Independent Board Committee and the Independent Shareholders regarding the Rights Issue and the issue of Warrants for the purpose of inclusion in this circular.

FIRST SHANGHAI CAPITAL LIMITED
19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

24th June, 2008

To the Independent Board Committee and
the Independent Shareholders

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

Dear Sirs,

PROPOSED 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

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Rights Issue and the issue of Warrants, details of which are set out in the "Letter from the Board" contained in the circular dated 24th June, 2008 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Board announced on 6th June, 2008 that the Company proposed 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 "**Subscription Price**") on the basis of three Rights Shares for every Share held on the Record Date, with Warrants to be issued to the subscribers of Rights Shares by way of bonus issue in the proportion of four Warrants for every fifteen Rights Shares subscribed. 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 the "Letter from the Board" in the Circular) will be fully underwritten by the Underwriter.

In accordance with Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional upon the approval of the Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there is no controlling Shareholder, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting. As at the Latest Practicable Date, Mr. Cheung and his associates were interested in 15,000,000 Shares in aggregate, representing approximately 0.48% of the existing issued share capital of the Company. Mr. Cheung and his associates will abstain from voting on the proposed resolution(s) approving the Rights Issue as well as the issue of Warrants at the SGM. The vote of the Shareholders for approving the Rights Issue and the issue of Warrants will be taken by way of poll at the SGM.

The Independent Board Committee, comprising Mr. Qiao Xiaodong, Mr. Wong Chi Keung, Alvin and Mr. Kwok Ka Lap, Alva, has been established to advise the Independent Shareholders on (i) whether the terms of the Rights Issue and the issue of Warrants are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Rights Issue and the issue of Warrants are in the interests of the Group and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote on the relevant resolution(s) to approve the Rights Issue, the issue of Warrants and the transactions contemplated thereunder at the SGM. All the members of the Independent Board Committee have confirmed to the Company that they are independent with respect to the Rights Issue and thus are suitable to advise the Independent Shareholders. We have been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors and the management of the Group. We have assumed that all statements, information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to doubt the truth, accuracy and completeness of the statements, information, facts, opinions and representations provided to us by the Directors and the management of the Group. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed and we have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular, or the reasonableness of the opinions and representations provided to us by the Group. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our recommendation in compliance with Rule 13.80 of the Listing Rules.

All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that, to the best of their knowledge, opinions expressed in the Circular have been arrived at after due enquiries and careful consideration and that there are no other facts not contained in the Circular the omission of which would make any statement in the Circular misleading. We have relied on such information and opinions and have not however, conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group, the Underwriter and their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Rights Issue and the issue of Warrants. In addition, we have no obligation to update this opinion to take into account events occurring after the issue of this letter. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Rights Issue and the issue of Warrants, we have taken into consideration the following principal factors and reasons:

Background of and financial information on the Group

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.

Based on the annual report of the Company for the year ended 31st March, 2007, the Group recorded an audited total revenue of approximately HK$881.6 million for the year ended 31st March, 2007 as compared to that of approximately HK$842.3 million in the previous financial year, representing an increase of approximately 4.7%. Meanwhile, the Group had recorded an audited net profit attributable to equity holders of the Company of approximately HK$79.1 million for the year ended 31st March, 2007 as compared to a net loss of approximately HK$73.0 million in the previous financial year.

With reference to the interim report of the Company for the six months ended 30th September, 2007 (the "**2007 Interim Report**"), the Group recorded an unaudited total revenue of approximately HK$361.1 million for the six months ended 30th September, 2007 as compared to that of approximately HK$60.6 million for the same period in 2006, representing an increase of approximately 495.9%, primarily attributable to increase in securities investment transactions during the period. However, the Group had recorded an unaudited net loss attributable to equity holders of the Company of approximately HK$108.9 million for the six months ended 30th September, 2007 as compared to a net profit of approximately HK$12.4 million for the same period in 2006. The significant loss incurred for the six months ended 30th September, 2007 was mainly due to the non-recurring items from the corporate exercises, including (i) a loss of approximately HK$39.5 million on disposal of its effective 20% equity interest in Grand Waldo Hotel in Macau; and (ii) impairment losses of approximately HK$45.0 million on prepaid lease payments of leasehold land and premium on prepaid lease payments of leasehold land.

As at 30th September, 2007, the Group had unaudited current assets, current liabilities and net asset value (excluding minority interests) of approximately HK$1,684.5 million, HK$628.5 million and HK$1,877.6 million respectively, representing net current assets and a current ratio of approximately HK$1,056.0 million and 2.68 times respectively.

Reasons for the Rights Issue

As mentioned in the "Letter from the Board" in the Circular, the estimated net proceeds from the Rights Issue will be not less than approximately HK$626.6 million but not more than approximately HK$875.5 million and are intended to be used (i) as general working capital of the Group principally for its existing business; and (ii) for possible repurchase of the 2010 Convertible Notes and the 2011 Convertible Notes. Specifically, the Company intends to apply an amount of not less than approximately HK$82.5 million and not more than approximately HK$331.4 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.

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 million and HK$270 million respectively; and (ii) Selective Choice was interested in the 2011 Convertible Notes with a principal amount of HK$30 million. Each of ITC and Hanny has 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.

On the other hand, the Company has recently 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. Based on our discussion with the Directors, the Company intends to repurchase the 2010 Convertible Notes and the

2011 Convertible Notes at discounts to their face values which have not yet been fixed at present and is subject to negotiation with the holders thereof. 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.

Upon full exercise of the maximum number of 3,425,440,395 Warrants, the Company will receive approximately HK$359.7 million before expenses (assuming that the exercise price per Warrant is not adjusted). According to the "Letter from the Board" in the Circular, 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.

As mentioned in the 2007 Interim Report, the Group is actively and cautiously looking for further investment opportunities in Macau, the PRC and surrounding area, with a view to expanding its investments in quality properties. The management of the Group is optimistic about the Group's future prospects to take advantage of the intrinsic value of the property portfolio as held and targeted by the Group. Accordingly, we consider that the intended use of net proceeds as stated above aligns with the business strategy of the Group.

Terms of the Rights Issue (including issue of Warrants)

1. Issue statistics

The table below sets out the statistics of the Rights Issue and the issue of Warrants:

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, is interested in the 2010 Convertible Notes with principal amount of HK$330,000,000 which is 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, are 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 the 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" in the "Letter from the Board" in the Circular.
Minimum number of Rights Shares	:	9,286,554,078 Rights Shares
Maximum number of Rights Shares	:	12,845,401,482 Rights Shares
Minimum number of Warrants	:	2,476,414,421 Warrants
Maximum number of Warrants	:	3,425,440,395 Warrants
Maximum number of Warrant Shares to be issued upon exercise of Warrants	:	3,425,440,395 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)
Minimum enlarged issued share capital immediately upon completion of the Rights Issue (assuming no issue or repurchase of Shares from the Latest Practicable Date to the Record Date)	:	12,382,072,104 Shares

Maximum enlarged issued share capital immediately upon completion of the Rights Issue assuming full conversion of the outstanding convertible notes (other than those held by Loyal Concept, Selective Choice and Green Label) from the Latest Practicable Date to the Record Date	:	17,127,201,976 Shares

The Subscription Price is 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:

		Price/value per Share *approximately* *HK$*	**Discount** *approximately* *%*
(i)	Closing price as quoted on the Stock Exchange on the Last Trading Day	0.1880	62.8
(ii)	Average closing price as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day	0.1920	63.6
(iii)	Average closing price as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day	0.1990	64.8
(iv)	Theoretical ex-rights price based on the closing price as quoted on the Stock Exchange on the Last Trading Day	0.0995	29.6
(v)	Closing price as quoted on the Stock Exchange on the Latest Practicable Date	0.1400	50.0
(vi)	The unaudited consolidated net asset value per Share as at 30th September, 2007	0.6066	88.5

The Directors confirmed that the Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the market price of the Shares under the prevailing market conditions. In this regard, the Directors also considered that the discount of the Subscription Price would encourage the Qualifying Shareholders to participate in the Rights Issue and accordingly maintain their shareholding interests in the Company and participate in the future growth of the Group.

2. *Analysis on the Subscription Price*

In order to assess the fairness and reasonableness of the Subscription Price, we set out the following analyses for illustrative purpose:

(i) Review on Share prices

The highest and lowest closing prices and the average daily closing price of the Shares as quoted on the Stock Exchange in each of the 12 months during the period commencing from 1st June, 2007 up to and including the Last Trading Day (the "**Review Period**") are shown as follows:

Month	**Highest closing price** *HK$*	**Lowest closing price** *HK$*	**Average daily closing price** *HK$*
2007			
June	0.810	0.670	0.708
July	0.770	0.610	0.675
August	0.610	0.390	0.476
September	0.485	0.395	0.444
October	0.455	0.390	0.431
November	0.450	0.395	0.430
December	0.410	0.370	0.393
2008			
January	0.390	0.295	0.344
February	0.305	0.285	0.296
March	0.290	0.230	0.258
April	0.260	0.210	0.223
May	0.255	0.191	0.215
June (the Last Trading Day)	N/A	N/A	0.188

Source: the website of the Stock Exchange at www.hkex.com.hk

Note: Trading in the Shares was suspended from 27th June, 2007 to 29th June, 2007 (both days inclusive).

During the Review Period, the average daily closing price of the Shares ranged from HK$0.188 to HK$0.708 per Share in each month and followed a downward moving trend. The highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK$0.810 per Share recorded on 14th June, 2007 and HK$0.188 per Share recorded on 2nd June, 2008 (being the Last Trading Day) respectively during the Review Period. We note that the highest closing price of the Shares of HK$0.810 per Share represented a premium of approximately 330.9% over the lowest closing price of the Shares of HK$0.188 per Share.

Furthermore, we also calculated the average daily closing price of the Shares during the Review Period to be approximately HK$0.408 per Share with a standard deviation of approximately 0.159. Such a relatively large standard deviation, in our opinion, may indicate that the market price of the Shares has been volatile.

(ii) Review on trading liquidity of the Shares

The average daily number of the Shares traded per month, and the respective percentage of the Shares' monthly trading volume as compared to (i) the total number of issued Shares held by the public on the Last Trading Day; and (ii) the total number of issued Shares on the Last Trading Day during the Review Period are tabulated as follows:

Month	**Average daily trading volume**	**% of the average daily trading volume to total number of issued Shares held by the public as at the Last Trading Day**	**% of the average daily trading volume to total number of issued Shares as at the Last Trading Day**
	Number of Shares	%	%
		(Note 2)	*(Note 3)*
2007			
June *(Note 1)*	84,886,596	3.54	2.74
July	59,989,288	2.50	1.94
August	35,097,093	1.46	1.13
September	15,429,331	0.64	0.50
October	26,002,712	1.08	0.84
November	12,439,909	0.52	0.40
December	6,956,374	0.29	0.22
2008			
January	6,139,645	0.26	0.20
February	4,309,626	0.18	0.14
March	3,620,853	0.15	0.12
April	1,325,914	0.06	0.04
May	2,840,485	0.12	0.09
June (the Last Trading Day)	3,055,000	0.13	0.10

Source: the website of the Stock Exchange at www.hkex.com.hk

Notes:

1. Trading in the Shares was suspended from 27th June, 2007 to 29th June, 2007 (both days inclusive).

2. Based on 2,397,065,754 Shares held by the public hands on the Last Trading Day.

3. Based on 3,095,518,026 Shares in issue on the Last Trading Day.

The above table illustrates that the average daily trading volume of the Shares per month was thin during the Review Period, with ranges of approximately 0.06% to 3.54% and approximately 0.04% to 2.74% of the total number of issued Shares held by the public on the Last Trading Day and the total number of issued Shares on the Last Trading Day respectively. We note that trading in the Shares had been historically inactive and the Shares were hence rather illiquid. Due to this reason and having also considered the downtrend and volatility of the market price of the Shares during the Review Period, we concur with the Directors' view that it would be difficult to attract the Qualifying Shareholders to reinvest in the Company through the Rights Issue if the Subscription Price was not set at relatively substantial discount to the historical closing prices of the Shares. Accordingly, we are of the view that the substantial discount of the Subscription Price is justifiable.

(iii) Comparison with other rights issues

As part of our analysis, we have identified the rights issue transactions (the "**Comparables**") from 1st December, 2007 to the Last Trading Day (i.e. which is almost half year prior to the Last Trading Day) by companies listed on the Main Board and the Growth Enterprise Market (the "**GEM**") of the Stock Exchange. To the best of our knowledge and as far as we are aware of, we found 18 companies which had conducted rights issue exercises during the period, so are eligible and sufficient for us to make a meaningful comparison and analysis. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables and thus the Comparables are only used to provide a general reference for the common market practice in rights issue transactions of companies listed in Hong Kong. Summarised below is our relevant finding:

Company name (stock code)	Date of announcement	Premium/(discount) of the subscription price over/(to) closing price per share on last trading day prior to announcement date	Premium/(discount) of the subscription price over/(to) the theoretical ex-rights price per share based on the closing price per share on last trading day prior to announcement date	Premium/(discount) of the subscription price over/(to) net asset value ("NAV") per share	Underwriting commission
		%	%	%	%
Freeman Corporation Limited (279)	4th December, 2007	(82.86)	(44.62)	(2.80)	2.50
Forefront Group Limited (885)	4th December, 2007	(45.95)	(36.17)	117.35	2.50
Compass Pacific Holdings Limited (1188)	5th December, 2007	(58.30)	(41.20)	N/A *(Note 1)*	2.00
Easyknit Enterprises Holdings Limited (616)	6th December, 2007	(40.20)	(30.70)	28.72	1.00
Unity Investments Holdings Limited (913)	12th December, 2007	(87.23)	53.25	(26.99)	2.50

Company name (stock code)	Date of announcement	Premium/(discount) of the subscription price over/(to) closing price per share on last trading day prior to announcement date %	Premium/(discount) of the subscription price over/(to) the theoretical ex-rights price per share based on the closing price per share on last trading day prior to announcement date %	Premium/(discount) of the subscription price over/(to) net asset value ("NAV") per share %	Underwriting commission %
Intcera High Tech Group Limited (8041)	18th December, 2007	(88.40)	(79.20)	(89.93)	nil *(Note 2)*
Trasy Gold Ex Limited (8063)	18th December, 2007	(36.78)	(27.95)	40.96	2.50
SYSCAN Technology Holdings Limited (8083)	18th December, 2007	(97.22)	(87.50)	(51.82)	1.00
Asia Standard International Group Limited (129)	9th January, 2008	(35.70)	(27.10)	(73.03)	2.00
Cheuk Nang (Holdings) Limited (131)	11th January, 2008	(17.28)	(15.41)	(59.99)	2.50
Golife Concept Holdings Limited (8172)	4th February, 2008	(5.00)	(3.39)	504.77	2.00
Harbour Centre Development Limited (51)	5th February, 2008	(21.00)	(15.00)	(32.18)	1.25
eSun Holdings Limited (571)	7th March, 2008	(29.18)	(21.63)	(58.60)	0.00
Shun Cheong Holdings Limited (650)	8th April, 2008	(64.03)	(41.59)	4.07	2.00
Midas International Holdings Limited (1172)	29th April, 2008	(37.50)	(28.57)	(75.25)	2.50

Company name (stock code)	Date of announcement	Premium/(discount) of the subscription price over/(to) closing price per share on last trading day prior to announcement date	Premium/(discount) of the subscription price over/(to) the theoretical ex-rights price per share based on the closing price per share on last trading day prior to announcement date	Premium/(discount) of the subscription price over/(to) net asset value ("NAV") per share	Underwriting commission
		%	%	%	%
Hong Kong Chinese Limited (655)	17th May, 2008	(32.00)	(22.00)	(70.85)	2.50
Lippo Limited (226)	17th May, 2008	(28.00)	(21.00)	(65.45)	1.50
Wing On Travel (Holdings) Limited (1189)	20th May, 2008	(71.80)	(33.80)	(95.74)	2.50
Average		**(48.80)**	**(29.09)**	**(0.40)**	**1.93**
Maximum		**(5.00)**	**53.25**	**504.77**	**2.50**
Minimum		**(97.22)**	**(87.50)**	**(95.74)**	**0.00**
The Company (199)		**(62.77)**	**(29.65)**	**(88.46)**	**2.50**

Source: the website of the Stock Exchange at www.hkex.com.hk

Notes:

1. Compass Pacific Holdings Limited recorded net liabilities as at 30th June, 2007.

2. The relevant rights shares have not been underwritten.

As shown by the above table, the subscription prices of the Comparables ranged from discounts of approximately 5.00% to 97.22% to the respective closing prices of their shares on the last trading days prior to the release of the relevant rights issue announcements. The discount of approximately 62.77% to the closing price of the Shares on the Last Trading Day as represented by the Subscription Price is higher than the average discount of approximately 48.80%, but falls within the range of the Comparables.

Further, the subscription prices of the Comparables ranged from a discount of approximately 87.50% to a premium of approximately 53.25% over the respective theoretical ex-rights prices of their shares on the last trading days prior to the release of the relevant rights issue announcements. The discount of approximately 29.65% to the theoretical ex-rights price as represented by the Subscription Price is slightly higher than the average discount of approximately 29.09%, but falls within the range of the Comparables.

In addition, the subscription prices of the Comparables ranged from a discount of approximately 95.74% to a significant premium of approximately 504.77% over their respective NAV per share. The Subscription Price, which represents a discount of approximately 88.46% to the Group's unaudited consolidated NAV per Share as at 30th September, 2007, which is substantially lower than the average discount of approximately 0.40%, but falls within the range of the Comparables. By excluding the very exceptional case of Golife Concepts Holdings Limited which had a subscription price implying a significant premium of approximately 504.77% over its NAV per share, the average of the rest of the 16 Comparables would then represent a discount of approximately 31.97%. In view of such scenario, we have enquired with the Directors and they advised us that the discount of the Subscription Price would encourage the Shareholders to participate in the Rights Issue and accordingly maintain their shareholding interests in the Company and participate in the future growth of the Group.

In view of the facts that (i) the discount of the Subscription Price to the closing price of the Shares on the Last Trading Day is higher than the average discount thereof and falls within the range of the Comparables; (ii) the discount of the Subscription Price to the theoretical ex-rights price per Share based on the closing price per Share on the Last Trading Day is basically in line with the average discount thereof and falls within the range of the Comparables; and (iii) the discount of the Subscription Price to the Group's unaudited consolidated NAV per Share as at 30th September, 2007 would encourage the Shareholders to participate in the Rights Issue and accordingly maintain their shareholding interests in the Company and participate in the future growth of the Group, we concur with the Directors' view that the Subscription Price is in the interests of the Group and the Shareholders as a whole, and is fair and reasonable so far as the Independent Shareholders are concerned.

3. *The issue of Warrants*

The Company proposes a bonus issue of four Warrants for every fifteen Rights Shares subscribed by the Qualifying Shareholders. The exercise price of the Warrants is HK$0.105 per Warrant Share (subject to adjustments) (the "**Exercise Price**"). Based on the "Letter from the Board" in the Circular, the Exercise Price was determined with reference to the current market price of the Shares and it represents:

		Price/value per Share *approximately* *HK$*	**Premium/ (discount)** *approximately* *%*
(i)	Closing price as quoted on the Stock Exchange on the Last Trading Day	0.1880	(44.1)
(ii)	Average closing price as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day	0.1920	(45.3)
(iii)	Average closing price as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day	0.1990	(47.2)
(iv)	Theoretical ex-rights price based on the closing price as quoted on the Stock Exchange on the Last Trading Day	0.0995	5.5
(v)	Closing price as quoted on the Stock Exchange on the Latest Practicable Date	0.1400	(25.0)
(vi)	The unaudited consolidated net asset value per Share as at 30th September, 2007	0.6066	(82.7)

In order to evaluate the fairness and reasonableness of the Exercise Price, we have tried to identify rights issue transactions with bonus warrants issue (the "**Warrant Comparables**") during the Review Period by companies listed on the Main Board and the GEM of the Stock Exchange. To the best of our knowledge and as far as we are aware of, we found three companies which met the aforesaid criteria, details of which are tabulated as follows:

Company name (stock code)	Date of announcement	Subscription price per rights share	Exercise price of bonus warrants	Premium/(discount) of the exercise price of the bonus warrants over/(to) the closing price per share on the last trading day prior to announcement in relation to the respective rights issue	Premium/(discount) of the exercise price of the bonus warrants over/(to) the theoretical ex-rights price per share based on the closing price per share on the last trading day prior to announcement in relation to the respective rights issue
		HK$	*HK$*	%	%
Hong Kong Chinese Limited (655)	17th May, 2008	1.00	1.25	(15.54)	(3.10)
Lippo Limited (226)	17th May, 2008	3.80	4.70	(10.65)	(1.88)
Wing On Travel (Holdings) Limited (1189)	20th May, 2008	0.06	0.09	(57.28)	0.44
Average				(27.82)	(1.51)
Maximum				(10.65)	0.44
Minimum				(57.28)	(3.10)
The Company (199)	**6th June, 2008**	**0.07**	**0.105**	**(44.15)**	**5.53**

As (i) the Warrants serve as an incentive to encourage the Qualifying Shareholders to subscribe for the Rights Shares; (ii) holders of such Warrants have full discretion on whether or not to subscribe for the same number of Shares; (iii) the discount of the Exercise Price to the closing price of the Shares on the Last Trading Day of approximately 44.15% is less than the discount of the Subscription Price to the closing price of the Shares on the Last Trading Day; and (iv) even though the Exercise Price represents a slight premium of approximately 5.53% over the theoretical ex-rights price which is higher than the range set by the Warrant Comparables, we still consider the Exercise Price to be acceptable because the Warrants will be offered to all the Shareholders on a fair and equitable basis. As such, we are of the view that the issue of Warrants, as part of the Rights Issue, is in the interests of the Group and the Shareholders as a whole and the Exercise Price is fair and reasonable so far as the Independent Shareholders are concerned.

4. Undertakings from the Underwriter and the underwriting arrangements

To the best of the Directors' knowledge and information, Kingston and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons. Pursuant to the Underwriting Agreement, Kingston, being the Underwriter, has conditionally agreed to underwrite the balance of 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 the "Letter from the Board" in the Circular) on a fully underwritten basis, (i) being 7,191,197,262 Rights Shares (with Warrants) assuming no conversion of the 2010 Convertible Notes and the 2011 Convertible Notes prior to the Record Date; or (ii) being 10,750,044,666 Rights Shares (with Warrants) assuming full conversion of the 2010 Convertible Notes and the 2011 Convertible Notes (other than those held by Loyal Concept and/or Selective Choice (as the case may be)) prior to the Record Date, subject to the terms and conditions of the Underwriting Agreement with 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 (the "**Underwriting Commission**"), out of which the Underwriter will pay sub-underwriting fees.

From the Comparables as detailed in the table under the sub-paragraph headed "Comparison with other rights issues" above, we note that the Underwriting Commission falls within the range of commissions of 0% to 2.5% received by the underwriters in the other rights issues. Moreover, 8 out of the 18 Comparables paid an underwriting commission of 2.5%. On such basis, we are of the opinion that the underwriting arrangement and the Underwriting Commission for the Rights Issue are in line with common market practice, and therefore on normal commercial terms, in the interests of the Group and the Shareholders as a whole, and are fair and reasonable so far as the Independent Shareholders are concerned.

5. Application for excess Rights Shares (with Warrants)

Pursuant to the terms of the Rights Issue, Qualifying Shareholders shall be entitled to apply for any unsold Rights Shares (with Warrants) provisionally allotted to but not accepted by other Qualifying Shareholders. The Board will allocate the excess Rights Shares (with Warrants), at their discretion, on principles stated under the sub-section headed "Application for excess Rights Shares (with Warrants)" in the "Letter from the Board" in the Circular (the "**Principles**"). We have reviewed the Principles and compared the Principles with the arrangements of those Comparables which also offered applications for excess rights shares. We note that the Principles are basically the same as the relevant arrangements of most of the Comparables. Accordingly, the Principles are in line with normal market practice.

We have also reviewed the other terms of the Rights Issue and the Underwriting Agreement and are not aware of any terms which are uncommon to normal market practice. Accordingly, we consider that the terms of the Rights Issue and the Underwriting Agreement are on normal commercial terms, in the interests of the Group and the Shareholders as a whole, and fair and reasonable so far as the Independent Shareholders are concerned.

Financing alternatives available to the Group

According to the "Letter from the Board" in the Circular, the Group had not carried out other equity fund raising activity during the past 12 months immediately prior to the Latest Practicable Date.

We have enquired with the Directors and were informed by them that the Group had considered various methods, namely debt financing, private placement and open offer, for fund raising. However, taking into account that the Group had been recording significant net losses of approximately HK$108.9 million for the six months ended 30th September, 2007, the Directors believed that the Group would be difficult to obtain additional debts/bank borrowings with favourable terms. As extracted from the 2007 Interim Report, the Group's gearing level (i.e. calculated as total borrowings divided by the net assets value of the Group) was approximately 87.9% as at 30th September, 2007. The Directors confirmed that the Company, to a possible extent, preferred not to further enlarge the debt liabilities of the Group so that the gearing level of the Group would not be further increased. In light of the above, the Directors considered debt financing of such amount to be impractical/unfavourable to the Group.

With regard to equity financing, the Directors advised us that private placement of the Shares under general mandate granted to the Directors would exclude the existing Shareholders' rights to subscribe for the Shares and the shareholding interests of the existing Shareholders in the Company would be diluted. As the Board is confident on the future business development of the Company and would like to provide a chance for all the existing Shareholders to share the potential prospects of the Group in the coming future, private placement of the Shares is not preferred by the Company in this case. Although both open offer and rights issue would allow all the existing Shareholders to participate in the enlargement of the capital base of the Company and to maintain their proportionate shareholding interests in the Company, a rights issue would be advantageous to the existing Shareholders in allowing those Shareholders who do not wish to participate in the fund raising of the Company to dispose of their Rights Shares entitlements in the market in a nil-paid form. On such basis, the Directors are of the view that it is in the interests of the Group and the Shareholders as a whole to raise fund through the Rights Issue.

Having taken into consideration the aforementioned shortcomings of the other financing alternatives in comparison with a rights issue, we concur with the Directors' view that the Rights Issue is an acceptable and feasible financing method currently available to the Company.

Dilution effect on the shareholding interests of the Independent Shareholders

The changes in the shareholding structure of the Company (i) as at the Latest Practicable Date, (ii) immediately upon completion of the Rights Issue, and (iii) upon completion of the Rights Issue and assuming full exercise of Warrants, subject to the Underwriter not terminating the Underwriting Agreement on or before the Long Stop Date, are illustrated under the section headed "Shareholding structures" in the "Letter from the Board" in the Circular.

Upon completion of the Rights Issue and assuming no (i) conversion of the 2010 Convertible Notes and the 2011 Convertible Notes; and (ii) exercise of the Options on or before the Record Date, the proportion of the Shares held by the public Shareholders remains unchanged at 77.44% compared with the public shareholding as at the Latest Practicable Date. On the other hand, upon completion of the Rights Issue and assuming full conversion of convertible notes (other than those held by Loyal Concept, Selective Choice and Green Label) on or before the Record Date, the public shareholding will increase to 83.69% from 77.44% as at the Latest Practicable Date. Same results will be obtained by assuming full exercise of Warrants in both cases.

All the Qualifying Shareholders are entitled to subscribe for the Rights Shares and so their shareholding interests in the Company will remain unchanged after the Rights Issue if they take up their entitlements. For those who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market.

Meanwhile, the Qualifying Shareholders who wish to increase their shareholdings in the Company through the Rights Issue may (i) subject to availability, acquire additional nil-paid rights in the market; and (ii) apply for the excess Rights Shares since the Rights Issue also allows for excess application of the Rights Shares.

The potential dilution to the Independent Shareholders' shareholding interests are to be balanced against by the following factors:–

(a) the Independent Shareholders are offered a chance to express their view on the terms of the Rights Issue and the Underwriting Agreement through their votes at the SGM;

(b) the Qualifying Shareholders have their choice whether to accept the Rights Issue or not;

(c) the Qualifying Shareholders have the opportunity to realise their nil-paid rights to subscribe for the Rights Shares in the market;

(d) the Rights Issue offers the Qualifying Shareholders a chance to subscribe for their pro-rata Rights Shares for the purpose of maintaining their existing shareholdings in the Company at a relatively low price as compared to the historical and prevailing market price of the Shares; and

(e) those Qualifying Shareholders who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company after the Rights Issue.

Having considered the above, we are of the view that the potential dilution effect on the shareholding interests of the Independent Shareholders, which may only happen when the Qualifying Shareholders do not subscribe for their pro-rata Rights Shares, to be acceptable.

Financial effects of the Rights Issue (including the issue of Warrants)

(a) Effect on net tangible asset value ("NTAV")

Based on the unaudited pro forma financial information on the Group set out in Appendix II to the Circular, the unaudited consolidated NTAV and the unaudited consolidated NTAV per Share of the Group were approximately HK$1,877.6 million and HK$0.61 respectively as at 30th September, 2007 based on 3,095,518,026 Shares in issue as at 30th September, 2007.

Upon completion of the Rights Issue and the issue of 2,476,414,421 Warrant Shares and based on the minimum number of 9,286,554,078 Rights Shares to be issued, the unaudited pro forma adjusted consolidated NTAV would increase by approximately 47.2% to approximately HK$2,764.2 million, while the unaudited pro forma adjusted consolidated NTAV per Share of the Group would conversely decrease by approximately 68.8% to approximately HK$0.19 per Share based on the unaudited pro forma financial information on the Group set out in Appendix II to the Circular.

Upon completion of the Rights Issue and the issue of 3,425,440,395 Warrant Shares and based on the maximum number of 12,845,401,482 Rights Shares to be issued, assuming that the outstanding convertible notes (other than those held by Loyal Concept, Selective Choice and Green Label) would be converted into 1,186,282,468 Shares before the Record Date, the unaudited pro forma adjusted consolidated NTAV would increase by approximately 99.1% to approximately HK$3,738.3 million, while the unaudited pro forma adjusted consolidated NTAV per Share of the Group would conversely decrease by approximately 70.5% to approximately HK$0.18 per Share according to the unaudited pro forma financial information on the Group set out in Appendix II to the Circular.

Given that the Rights Issue and the issue of Warrants would enlarge the total capital base of the Group, while the dilution of NTAV per Share is inevitable, we consider that the Rights Issue and the issue of Warrants are in the interests of the Group and the Shareholders as a whole.

(b) Effect on gearing position

The gearing ratio (i.e. calculated as total borrowings divided by the net asset value of the Group) of the Group was approximately 87.9% as at 30th September, 2007. The total capital base of the Group would be enlarged upon completion of the Rights Issue and the issue of the Warrant Shares, but the total borrowings of the Group are not expected to increase as a result of the Rights Issue and the issue of Warrants. Should part of the net proceeds of approximately HK$544.1 million be utilised for repurchasing some of the 2010 Convertible Notes and the 2011 Convertible Notes, the gearing position of the Group would be further improved. Since the gearing ratio of the Group will be relieved and the Directors expect that the Group would enjoy more financial flexibility afterwards, we consider that the Rights Issue and the issue of Warrants are in the interests of the Group and the Shareholders as a whole.

(c) Effect on liquidity

Based on the 2007 Interim Report, the total cash and bank balances (including pledged bank deposits of approximately HK$51.2 million) of the Group were approximately HK$366.4 million as at 30th September, 2007. The Directors presently intend to utilise part of the net proceeds of the Rights Issue of approximately HK$544.1 million for the repurchase of the 2010 Convertible Notes and the 2011 Convertible Notes at discounts to their face values which have not yet been fixed at present and is subject to negotiation with the holders of those convertible notes, while the remaining balance will be used for the Group's general working capital which will improve the Group's liquidity and general working capital position. If the repurchase does not proceed, the entire net proceeds of the Rights Issue will be used as general working capital of the Group. Since the Group's liquidity position would be improved upon completion of the Rights Issue and the exercise of the Warrants, we consider such improvement in liquidity to be in the interests of the Group and the Shareholders as a whole.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of the Rights Issue and the issue of Warrants are on normal commercial terms, in the interests of the Group and the Shareholders as a whole, and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution(s) at the SGM to approve the Rights Issue, the issue of Warrants and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited

Helen Zee	**Eric Lee**
Managing Director	*Deputy Managing Director*

1. FINANCIAL SUMMARY

Set out below is a summary of the audited financial information on the Group for the three years ended 31st March, 2005, 2006 and 2007 and the unaudited financial information on the Group for the six months ended 30th September, 2006 and 2007 extracted from the Company's relevant annual reports and interim reports, restated as appropriate:

RESULTS

	For the year ended 31st March,			For the six months ended 30th September,	
	2005	**2006**	**2007**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(restated & note)	*(note)*	*(note)*	*(note)*	
Continuing operations					
Turnover	103,444	517,456	477,976	60,631	361,077
Property sale and rental income	91,707	2,198	5,251	2,117	7,903
Golf and leisure income	–	–	52,367	11,961	24,994
Sales of motorcycles	11,737	11,756	13,125	6,391	9,044
	103,444	13,954	70,743	20,469	41,941
Cost of sales	(71,293)	(11,058)	(26,419)	(10,268)	(20,092)
Gross profit	32,151	2,896	44,324	10,201	21,849
Income from loan financing	–	–	77,212	26,471	58,014
Net (loss) gain on financial instruments	(4,196)	(2,597)	28,623	(5,360)	57,035
Other income	1,093	17,299	49,450	22,540	8,413
Administrative expenses	(5,609)	(22,767)	(85,974)	(32,268)	(62,286)
Amortisation of goodwill	(1,051)	–	–	–	–
Impairment losses on prepaid lease payments of leasehold land and premium on prepaid lease payments of leasehold land	–	–	–	–	(45,000)
Loss on disposal of investment properties	(3,217)	–	–	–	–
Loss on disposal of an associate	–	–	–	–	(39,486)
Compensation for cancellation of call options for acquisition of additional interest in an associate	–	–	23,370	32,154	–
Impairment loss recognised in respect of goodwill arising from acquisition of subsidiaries	–	(21,885)	–	–	–
Share of results of associates	–	–	40,917	(4,823)	(33,036)
Finance costs	(4,452)	(35,119)	(97,015)	(41,216)	(55,523)
Profit (loss) before taxation	14,719	(62,173)	80,907	7,699	(90,020)
Taxation	(4)	(34)	(10,041)	(957)	(2,400)
Profit (loss) for the year/period from continuing operations	14,715	(62,207)	70,866	6,742	(92,420)
Discontinued operation					
(Loss) profit for the year/period from discontinued operation	(2,453)	(10,885)	3,235	794	(17,311)
Profit (loss) for the year/period	12,262	(73,092)	74,101	7,536	(109,731)

	For the year ended 31st March,			For the six months ended 30th September,	
	2005	**2006**	**2007**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(restated & note)	*(note)*	*(note)*	*(note)*	
Attributable to:					
Equity holders of the Company	12,262	(72,960)	79,091	12,440	(108,877)
Minority interests	–	(132)	(4,990)	(4,904)	(854)
	12,262	(73,092)	74,101	7,536	(109,731)
	HK cents	*HK cents*	*HK cents*	*HK cents*	*HK cents*
Earnings (loss) per share					
From continuing and discontinued operations:					
– Basic	7.6	(17.2)	3.7	0.6	(3.9)
– Diluted	6.3	N/A	3.6	N/A	N/A
From continuing operations:					
– Basic	9.2	(14.7)	3.6	0.6	(4.0)
– Diluted	7.5	N/A	3.5	N/A	N/A

Note: As stated in note 8 to the unaudited consolidated financial statements for the six months ended 30th September, 2007 contained in the interim report of the Company, the Group disposed of its entire interests in Tung Fong Hung Investment Limited ("TFH") on 31st July, 2007. In this respect, the comparative figures have been reclassified to conform with the current presentation that TFH is shown as a discontinued operation.

	As at 31st March,			As at 30th September,	
	2005	2006	2007	2006	2007
	HK$'000 *(restated)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	64,353	38,627	279,956	261,396	264,174
Prepaid lease payments of leasehold land	1,365	1,375	96,772	101,169	65,206
Premium on prepaid lease payments of leasehold land	–	–	131,527	133,062	115,666
Intangible assets	2,015	2,986	430	2,605	–
Goodwill	21,885	–	–	14,817	–
Available-for-sale investments	–	–	130,036	–	232,750
Interest in associates	–	–	93,879	–	148,172
Unsecured loans and interest due from associates	–	–	1,234,443	906,240	1,122,902
Debt portion of convertible bonds	–	–	–	–	87,881
Derivatives embedded in convertible bonds	–	–	–	–	10,694
Deposit paid on acquisition of property, plant and equipment	–	–	–	1,815	–
Deposit and expenses paid for acquisition of a land use right	–	–	41,466	–	44,221
Deposit and expenses paid for acquisition of subsidiaries and associates	–	253,964	90,675	–	48,951
Deposit and expenses paid for acquisition of investment properties	–	–	27,125	–	–
Deferred tax assets	–	–	–	1,520	–
Other loan receivables	–	4,635	9,634	4,635	13,134
	89,618	301,587	2,135,943	1,427,259	2,153,751

	As at 31st March,			As at 30th September,	
	2005	2006	2007	2006	2007
	HK$'000 *(restated)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current assets					
Inventories	59,280	70,859	76,919	89,090	2,572
Properties held for sale	58,536	58,536	58,536	58,730	291,346
Properties under development	–	–	11,296	–	12,397
Financial assets at fair value through profit or loss	10,289	9,043	66,725	31,914	35,850
Debtors, deposits and prepayments	38,280	193,365	473,160	203,066	661,591
Other loan receivables	31,500	59,314	205,495	314,013	253,126
Debt portion of convertible bonds	–	–	–	–	153
Prepaid lease payments of leasehold land	30	30	2,480	2,419	2,361
Amount due from associates	–	–	68	–	–
Unsecured loans and interest due from related companies	–	–	54,567	–	58,215
Amount due from a related company	–	–	–	–	283
Tax recoverable	–	–	1,506	–	274
Pledged bank deposits	3,000	3,000	40,783	23,000	51,156
Bank balances and cash	187,980	705,480	254,622	1,195,610	315,213
	388,895	1,099,627	1,246,157	1,917,842	1,684,537
Current liabilities					
Creditors, deposits and accrued charges	62,772	70,237	158,947	135,027	201,718
Amount due to an associate	–	–	–	–	135
Amounts due to minority shareholders of subsidiaries	–	–	1,884	–	2,076
Dividend payable to a minority shareholder of a subsidiary	–	–	2,354	–	2,468
Tax payable	1,041	1,273	12,340	12,538	11,788
Unsecured loans from minority shareholders of subsidiaries	–	–	4,515	–	14,374
Unsecured loan from a related company	–	–	1,616	–	1,643
Convertible note payables	180	221	7,945	2,958	2,742
Obligations under finance leases – due within one year	23	143	24	23	21
Promissory note payables	13,000	–	–	–	–
Bank and other borrowings – due within one year	62,146	45,170	111,439	95,591	391,540
Bank overdraft	–	–	–	645	–
Unsecured other borrowings	–	–	–	39,425	–
	139,162	117,044	301,064	286,207	628,505

	As at 31st March,			As at 30th September,	
	2005	2006	2007	2006	2007
	HK$'000 *(restated)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net current assets	249,733	982,583	945,093	1,631,635	1,056,032
Total assets less current liabilities	339,351	1,284,170	3,081,036	3,058,894	3,209,783
Non-current liabilities					
Convertible note payables	84,803	838,241	1,360,455	1,313,473	1,193,298
Obligations under finance leases – due after one year	119	96	71	84	51
Bank and other borrowings – due after one year	5,625	–	8,081	13,793	46,187
Deferred tax liabilities	–	–	40,609	33,331	43,384
	90,547	838,337	1,409,216	1,360,681	1,282,920
	248,804	445,833	1,671,820	1,698,213	1,926,863
Capital and reserves					
Share capital	3,610	6,314	23,123	23,123	30,955
Reserves	245,194	438,703	1,598,516	1,518,880	1,846,657
Equity attributable to the equity holders of the Company	248,804	445,017	1,621,639	1,542,003	1,877,612
Minority interests	–	816	50,181	156,210	49,251
	248,804	445,833	1,671,820	1,698,213	1,926,863

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31ST MARCH, 2007

The following is a reproduction of the audited consolidated financial statements of the Group for the financial years ended 31st March, 2006 and 31st March, 2007 together with the relevant notes to the accounts, contained on pages 59 to 181 of the annual report of the Company for the year ended 31st March 2007. The auditor's reports as set out in the annual reports of the Group for the year ended 31st March, 2006 and 31st March, 2007 were unqualified.

CONSOLIDATED INCOME STATEMENT

(For the year ended 31st March, 2007)

	Notes	**2007** *HK$'000*	**2006** *HK$'000*
Turnover	*6*	881,621	842,256
Property sale and rental income		5,251	2,198
Golf and leisure income		52,367	–
Sales of motorcycles		13,125	11,756
Sales of medicine and health products		400,638	324,800
		471,381	338,754
Cost of sales		(302,381)	(220,788)
Gross profit		169,000	117,966
Net income from loan financing		80,219	–
Net increase (decrease) in fair value of financial assets at fair value through profit or loss		28,623	(2,597)
Other income	*7*	51,448	21,787
Distribution costs		(85,270)	(72,630)
Administrative expenses		(121,756)	(50,363)
Other expenses		(3,550)	(39)
Compensation for cancellation of call options for acquisition of additional interest in an associate	*19(i)*	23,370	–
Impairment loss recognised in respect of goodwill arising from acquisition of subsidiaries	*17*	–	(21,885)
Impairment loss of property, plant and equipment	*13*	–	(25,851)
Share of results of associates		40,916	(5)
Finance costs	*8*	(98,844)	(36,818)
Profit (loss) before taxation		84,156	(70,435)
Taxation	*9*	(10,055)	(2,657)
Profit (loss) for the year	*10*	74,101	(73,092)

	Note	2007 HK$'000	2006 HK$'000
Attributable to:			
Equity holders of the Company		79,091	(72,960)
Minority interests		(4,990)	(132)
		74,101	(73,092)
Earnings (loss) per share	*12*		
– Basic (HK cents)		3.7	(17.2)
– Diluted (HK cents)		3.6	N/A

CONSOLIDATED BALANCE SHEET
(At 31st March, 2007)

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	13	279,956	38,627
Prepaid lease payments of leasehold land	14	96,772	1,375
Premium on prepaid lease payments of leasehold land	15	131,527	–
Intangible assets	16	430	2,986
Available-for-sale investments	18	130,036	–
Interests in associates	19	93,879	–
Unsecured loans and interest due from associates	20	1,234,443	–
Deposit and expenses paid for acquisition of a land use right	21	41,466	–
Deposits and expenses paid for acquisition of subsidiaries and associates	22	90,675	253,964
Deposits and expenses paid for acquisition of investment properties	23	27,125	–
Other loan receivables	24	9,634	4,635
		2,135,943	301,587
Current assets			
Inventories	25	76,919	70,859
Properties held for sale		58,536	58,536
Properties under development	25	11,296	–
Financial assets at fair value through profit or loss	26	66,725	9,043
Debtors, deposits and prepayments	27	476,727	193,365
Other loan receivables	24	256,495	59,314
Prepaid lease payments of leasehold land	14	2,480	30
Amounts due from associates	20	68	–
Tax recoverable		1,506	–
Pledged bank deposits	28	40,783	3,000
Bank balances and cash	28	254,622	705,480
		1,246,157	1,099,627

	Notes	2007 HK$'000	2006 HK$'000
Current liabilities			
Creditors, deposits and accrued charges	29	158,947	70,237
Tax payable		12,340	1,273
Obligations under finance leases – due within one year	30	24	143
Convertible note payables	31	7,945	221
Amounts due to minority shareholders of subsidiaries	32	1,884	–
Dividend payable to a minority shareholder of a subsidiary		2,354	–
Bank borrowings – due within one year	33	111,439	45,170
Unsecured loans from minority shareholders of subsidiaries	34	4,515	–
Unsecured loan from a related company	35	1,616	–
		301,064	117,044
Net current assets		945,093	982,583
Total assets less current liabilities		3,081,036	1,284,170
Non-current liabilities			
Obligations under finance leases – due after one year	30	71	96
Bank borrowings – due after one year	33	8,081	–
Convertible note payables	31	1,360,455	838,241
Deferred tax liabilities	36	40,609	–
		1,409,216	838,337
		1,671,820	445,833
Capital and reserves			
Share capital	37	23,123	6,314
Reserves		1,598,516	438,703
Equity attributable to the equity holders of the Company		1,621,639	445,017
Minority interests		50,181	816
		1,671,820	445,833

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(For the year ended 31st March, 2007)

	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, 2005, as restated	3,610	102,357	646	3,120	–	–	32,308	(8,908)	–	627	115,044	248,804	–	248,804
Exchange differences arising on translation of foreign operations and income recognised directly in equity	–	–	–	–	–	–	–	–	–	1,669	–	1,669	24	1,693
Loss for the year	–	–	–	–	–	–	–	–	–	–	(72,960)	(72,960)	(132)	(73,092)
Total recognised income and expenses for the year	–	–	–	–	–	–	–	–	–	1,669	(72,960)	(71,291)	(108)	(71,399)
Recognition of equity component of convertible notes	–	–	–	160,914	–	–	–	–	–	–	–	160,914	–	160,914
Conversion of convertible notes	2,704	110,867	–	(6,981)	–	–	–	–	–	–	–	106,590	–	106,590
Capital contribution of minority shareholders	–	–	–	–	–	–	–	–	–	–	–	–	924	924
At 31st March, 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
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

	Attributable to equity holders of the Company													
	Share capital	Share premium	Capital redemption reserve	Convertible loan notes equity reserve	Share-based payment reserve	Available-for-sale investments reserve	Other reserve	Special reserve	Revaluation reserve	Translation reserve	Accumulated profits	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(note i)*	*HK$'000* *(note ii)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total recognised income and expenses 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 39)*	–	–	–	–	–	–	–	–	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

Notes:

(i) Other reserve of the Group represents 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 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, 2007)

	2007	2006
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Profit (loss) before taxation	84,156	(70,435)
Adjustments for:		
Finance costs	98,844	36,818
Share of results of associates	(40,916)	5
Allowance for (reversal of) amounts due from associates	1	(3)
Amortisation of intangible assets	225	171
Bank interest income	(33,942)	(19,323)
Depreciation of property, plant and equipment	20,797	10,246
Allowance for inventories	10,870	5,964
Amortisation of prepaid lease payments of leasehold land	1,984	30
Amortisation of premium on prepaid lease payments of leasehold land	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	3,296	–
Impairment loss recognised in respect of goodwill arising from acquisition of subsidiaries	–	21,885
Impairment loss of property, plant and equipment	–	25,851
Loss on disposal of property, plant and equipment	235	544
Write-off of intangible assets	2,550	299
Net (increase) decrease in fair value of financial assets at fair value through profit or loss	(28,623)	2,597

	Notes	2007 HK$'000	2006 HK$'000
Operating cash flows before movements in working capital		86,950	14,649
Increase in unsecured loans to associates		(1,010,606)	–
Increase in other loan receivables		(202,180)	(32,449)
(Increase) decrease in amounts due from associates		(69)	3
Increase in inventories		(15,178)	(17,543)
Decrease in properties held for sale		213	–
Increase in properties under development		(5,696)	–
Increase in financial assets at fair value through profit or loss		(29,059)	(1,351)
Increase in debtors, deposits and prepayments		(18,440)	(341)
Increase in creditors, deposits and accrued charges		33,070	9,449
Cash used in operations		(1,160,995)	(27,583)
Hong Kong Profits Tax paid		(34)	(5)
Overseas taxation paid		(1,930)	(2,420)
Interest paid		(9,744)	(6,686)
NET CASH USED IN OPERATING ACTIVITIES		(1,172,703)	(36,694)
INVESTING ACTIVITIES			
Refundable earnest money received		140,000	–
Interest received		19,630	14,682
Proceeds from disposal of property, plant and equipment		135	1,146
Refundable earnest money paid		(352,075)	(150,136)
Purchase of available-for-sale investments		(126,555)	–
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	*39*	(120,315)	(1,297)
Deposits and expenses paid for acquisition of subsidiaries and associates		(90,675)	(253,964)
Purchase of property, plant and equipment		(44,019)	(10,172)
Deposit and expenses paid for acquisition of a land use right		(41,466)	–
Increase in pledged bank deposits		(37,783)	–
Deposit and expenses paid for acquisition of investment properties		(27,125)	–
Acquisition of associates		(4,942)	(5)
Development cost incurred		(219)	(1,441)
NET CASH USED IN INVESTING ACTIVITIES		(685,409)	(401,187)

	2007	2006
	HK$'000	*HK$'000*
FINANCING ACTIVITIES		
Net proceeds from issue of convertible notes	981,730	988,867
Proceeds from issue of shares	500,000	–
New bank borrowings raised	37,815	264
Advance from minority shareholders of subsidiaries	507	–
Unsecured loan from a related company	67	–
Capital contribution of minority shareholders	–	924
Repayment of unsecured other borrowings	(36,565)	–
Repayment of unsecured loan from a director	(3,998)	–
Repayment of loans from minority shareholders of subsidiaries	(30,386)	–
Share repurchase and cancellation	(20,093)	–
Expenses paid in connection with issue of shares	(12,908)	–
Repayment of bank borrowings	(10,939)	(22,865)
Repayment of obligations under finance leases	(144)	(12)
Repayment of promissory notes	–	(13,000)
NET CASH FROM FINANCING ACTIVITIES	1,405,086	954,178
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(453,026)	516,297
CASH AND CASH EQUIVALENTS AT 1ST APRIL	705,480	187,980
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	2,168	1,203
CASH AND CASH EQUIVALENTS AT 31ST MARCH, representing bank balances and cash	254,622	705,480

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(For the year ended 31st March, 2007)

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is Clarendon House, Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company is 29th Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, 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, trading of motorcycles, securities investment, loan financing services and manufacture and trading of medicine and health products. The activities of its principal subsidiaries are set out in note 48.

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

In the current year, the Group has applied, for the first time, a number of new standards, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for accounting periods beginning on or after 1st December, 2005, 1st January, 2006 or 1st March, 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

Hong Kong Accounting Standard ("HKAS") 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – INT 8	Scope of HKFRS 2[3]
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC) – INT 11	HKFRS 2: Group and Treasury Share Transactions[6]
HK(IFRIC) – INT 12	Service Concession Arrangements[7]

1 Effective for annual periods beginning on or after 1st January, 2007
2 Effective for annual periods beginning on or after 1st January, 2009
3 Effective for annual periods beginning on or after 1st May, 2006
4 Effective for annual periods beginning on or after 1st June, 2006
5 Effective for annual periods beginning on or after 1st November, 2006
6 Effective for annual periods beginning on or after 1st March, 2007
7 Effective for annual periods beginning on or after 1st January, 2008

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 subsidiaries 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.

Goodwill

Goodwill arising on acquisitions prior to 1st January, 2005

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

For previously capitalised goodwill arising on acquisitions after 1st January, 2001, the Group has discontinued amortisation from 1st April, 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

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

Goodwill arising on the acquisition of a subsidiary for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group's interests in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Interest in associates

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

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

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.

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

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

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 subscription fees are recognised on an accrual basis.

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 bought and sold notes are executed.

Sale of trading 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 (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 included in current assets 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 one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held-for-trading and those designated at fair value through profit or loss on initial recognition.

A financial asset other than a financial asset held-for-trading may be designated as at fair value through profit or loss 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 "Financial instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, 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. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed to equity if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including creditors, dividend payable to a minority shareholder of a subsidiary, amounts due to minority shareholders of subsidiaries, bank 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 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 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 note payables into equity, is included in equity (convertible loan notes equity reserve).

In the subsequent periods, the liability component of the convertible note payables is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible 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 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 note payables are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability components 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 cancelled 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.

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. Finance charges are charged directly to profit or loss unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see above).

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 before 7th November, 2002

The financial impact of share options granted is not recorded in the consolidated balance sheet until such time as the option are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Share options granted to employees 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, 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.

Impairment losses (other than goodwill)

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management makes the following estimate based on past experience, expectations of the future and other information. The key source of estimation uncertainty that can significantly affect the amounts recognised in the consolidated financial statements is disclosed below.

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.

Income taxes

As at 31st March, 2007, a deferred tax asset of HK$1,935,000 in relation to unused tax losses has been recognised. No deferred tax asset has been recognised on the tax losses of HK$693,932,000 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. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which such a reversal takes place.

5. FINANCIAL INSTRUMENTS

a. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, financial assets at fair value through profit or loss, unsecured loans and interest due from associates, debtors, other loan receivables, amounts due from associates, pledged bank deposits, bank balances, creditors, bank borrowings and convertible note payables. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group has minimal currency exposure as the majority of the Group's transactions were denominated in the functional currency of the relevant group entities. The management conducted periodical review of exposure and requirements of various currencies, and will consider hedging significant foreign currency exposure should the need arises.

Certain bank balances and cash held by subsidiaries established in the PRC are denominated in Renminbi, the remittance of which outside the PRC is subject to foreign exchange control.

(ii) Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate unsecured loans and interest due from associates, other loan receivables, bank balances, bank borrowings and unsecured loans from minority shareholders of subsidiaries (see notes 20, 24, 28, 33 and 34 for details). It is the Group's policy to keep its borrowings and loans at floating interest rate so as to minimise the fair value interest rate risk.

(iii) Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate other loan receivables, convertible note payables, bank borrowings and unsecured loan from a related company (see notes 24, 31, 33 and 35 for details). Currently, the Group does not have an interest rate hedging policy. However, the management monitors interest rate exposures and will consider hedging significant interest rate exposure should the need arises.

(iv) Price risk

The Group is exposed to equity security price risk through available-for-sale investments and financial assets at fair value through profit or loss. The management manages this exposure by reviewing the investment portfolio regularly.

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 and convertible notes as significant sources of liquidity. As at 31st March, 2007, the Group has available unutilised credit facilities from financial institutions of approximately HK$240,227,000.

Credit risk

As at 31st March, 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform and discharge an obligation by the counterparties and financial guarantees, respectively, issued 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 as stated in note 40.

In order to minimise credit risk, the management of the Group has delegated a team responsible for the 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 trade debt and loan receivables 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.

With respect to trade debts and other loan receivables, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

With respect to unsecured loans and interest due from associates and amounts due from associates, balances are due from two associates only. The management reviews the operations of those investments to ensure there were no irrecoverable debts. In this regards, management considers that the Group's credit risk on unsecured loans and interest due from associates and amounts due from associates are reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong.

b. Fair value

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices, respectively; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

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.

6. TURNOVER

Turnover represents the aggregate of the net amounts received and receivable from third parties, less returns and allowance and is summarised as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Securities trading	328,693	502,914
Dividend income from investments held-for-trading *(Note)*	462	588
Sales of motorcycles	13,125	11,756
Sales of medicine and health products	400,638	324,800
Sales of properties	1,275	–
Rental income	2,658	2,198
Hotel operations	12,569	–
Golf club subscription fees and handling fees	9,093	–
Green fees, practice balls and car rental income	29,179	–
Food and beverage sales	8,974	–
Pro shop sales	1,857	–
Property management fee income	1,519	–
Loan interest income	81,085	–
Less: Sales and other tax	(9,506)	–
	881,621	842,256

The outgoings arising from rental income are negligible.

Note: Fair value changes on investments held-for-trading include dividend income.

7. OTHER INCOME

	2007	2006
	HK$'000	*HK$'000*
Bank interest income	33,942	19,323
Dividend income from an associate *(Note)*	7,452	–
Discount on acquisition of subsidiaries *(note 39)*	4,207	–
Others	5,847	2,464
	51,448	21,787

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

8. FINANCE COSTS

	2007	2006
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	7,017	3,428
Interest on unsecured loans from minority shareholders of subsidiaries	2,051	–
Interest on unsecured loans from related companies	221	–
Interest on obligations under finance leases	12	18
Interest on an unsecured loan from a director	222	–
Effective interest on convertible notes	89,321	33,372
	98,844	36,818

9. TAXATION

	2007	2006
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	37	33
Taxation in other jurisdictions	297	2,624
	334	2,657
Deferred tax *(note 36)*:		
Current year	3,190	–
Attributable to a change in tax rate	6,531	–
	9,721	–
	10,055	2,657

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year.

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

Pursuant to the relevant law and regulations in the PRC, 黑龍江金保華農業有限公司 ("黑龍江金保華") is entitled to full exemption from PRC Enterprise Income Tax for two years commencing from its first profit-making year of operation and thereafter, is entitled to a 50% relief from PRC Enterprise Income Tax for the following three years. The first profit-making year of commenced on 1st January, 2005.

Other than 黑龍江金保華, the provision for PRC Enterprise Income Tax for all other PRC subsidiaries is calculated at a range of 15% to 33% of the estimated assessable profits for the year determined in accordance with the relevant income tax rules and regulations in the PRC. The PRC Enterprise Income Tax will be changed to 25% with effect from 1st January, 2008. The effect of this change has been reflected in the calculation of deferred taxation at 31st March, 2007.

Details of deferred taxation are set out in note 36.

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

	2007	**2006**
	HK$'000	*HK$'000*
Profit (loss) before taxation	84,156	(70,435)
Tax at the Hong Kong Profits Tax rate	14,727	(12,326)
Tax effect of expenses not deductible for tax purpose	20,247	9,998
Tax effect of income not taxable for tax purpose	(23,112)	(1,675)
Tax effect of deductible temporary differences not recognised	7,465	7,093
Utilisation of deductible temporary differences previously not recognised	(7,654)	(756)
Tax effect of share of results of associates	(7,160)	1
Effect of tax exemptions granted to subsidiaries in the PRC	(73)	(511)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(916)	833
Effect of change in tax rate	6,531	–
Tax charge for the year	10,055	2,657

10. PROFIT (LOSS) FOR THE YEAR

	2007 *HK$'000*	2006 *HK$'000*
Profit (loss) for the year has been arrived at after charging (crediting):		
Auditors' remuneration		
– current year	3,359	2,659
– underprovision in previous years	317	379
	3,676	3,038
Directors' emoluments *(note 11A)*	13,699	3,990
Salaries and other benefits	87,948	50,465
Equity-settled share-based payments expenses to employees	702	–
Retirement benefits scheme contributions, net of forfeited contributions of HK$251,000 (2006: HK$288,000)	3,715	2,293
Total staff costs	106,064	56,748
Less: Amount capitalised in intangible assets	(43)	(96)
	106,021	56,652
Cost of inventories recognised as an expense	291,511	214,824
Depreciation of property, plant and equipment:		
– assets owned by the Group	20,774	10,209
– assets held under finance leases	23	37
Amortisation of prepaid lease payments of leasehold land	1,984	30
Amortisation of premium on prepaid lease payments of leasehold land	2,502	–
Amortisation of intangible assets	225	171
Total depreciation and amortisation	25,508	10,447
Allowance for inventories	10,870	5,964
Research and development costs	304	261
Loss on disposal of property, plant and equipment	235	544
Write-off of intangible assets	2,550	299
Net exchange (gain) losses	(2,767)	968
Allowance for (reversal of) amounts due from associates	1	(3)

11. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

A. Directors' emoluments

The emoluments paid or payable to each of the ten (2006: ten) directors were as follows:

		Other emoluments			
	Fees	Salaries and other benefits	Equity-settled share-based payments expense	Contributions to retirement benefits schemes	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007					
Cheung Hon Kit	10	4,140	1,053	12	5,215
Chan Fut Yan	10	3,400	632	240	4,282
Wong Kam Cheong, Stanley	3	813	39	4	859
Cheung Chi Kit	6	1,123	80	41	1,250
Lai Tsan Tung, David	150	766	–	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
Qiao Xiaodong	120	–	158	–	278
	559	10,242	2,594	304	13,699

		Other emoluments		
	Fees	Salaries and other benefits	Contributions to retirement benefits schemes	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2006				
Cheung Hon Kit	9	2,200	10	2,219
Chan Fut Yan	9	1,000	100	1,109
Tse Cho Tseung	360	–	–	360
Cheung Sze Man	–	–	–	–
Ho Hau Chong, Norman	10	–	–	10
Lo Lin Shing, Simon	10	–	–	10
Wong Chi Keung, Alvin	94	–	–	94
Kwok Ka Lap, Alva	94	–	–	94
Qiao Xiaodong	67	–	–	67
Zhang Shichen	27	–	–	27
	680	3,200	110	3,990

No directors waived any emoluments during the years ended 31st March, 2007 and 2006.

B. Highest paid individuals

Of the five individuals with the highest emoluments in the Group, all (2006: two) were directors of the Company whose emoluments are included in (A) above. Of these directors, three of them (2006: none) 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 (2006: the emoluments of the remaining three individuals) were as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Salaries and other benefits	1,948	1,949
Retirement benefits scheme contributions	29	41
Equity-settled shared-based payments expense	301	–
	2,278	1,990

For the year ended 31st March, 2007, the emoluments of the above directors in their role as employees (2006: three employees) were below HK$1,000,000.

During the year, 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.

12. EARNINGS (LOSS) PER SHARE

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

	2007	**2006**
	HK$'000	*HK$'000*
Earnings:		
Profit (loss) for the year attributable to equity holders of the Company and earnings (loss) for the purpose of basic earnings (loss) per share	79,091	(72,960)
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 earnings (loss) per share	2,119,525,127	424,304,856
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	

The effect of the outstanding share options of the Company has 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.

No diluted loss per share was presented for the year ended 31st March, 2006 because assuming the exercise of the share options and the conversion of convertible notes would result in a decrease in the loss per share.

13. 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, 2005	2,764	47,138	14,415	5,317	2,025	–	71,659
Exchange adjustments	84	469	–	101	59	–	713
Acquired on acquisition of a subsidiary	–	–	–	–	1,264	–	1,264
Additions	2,978	3,876	331	1,095	2,001	–	10,281
Disposals	–	(1,440)	(379)	(1,641)	(1,053)	–	(4,513)
At 31st March, 2006 and 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 39)*	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	208,254	51,873	27,267	8,230	7,208	37,823	340,655
DEPRECIATION							
At 1st April, 2005	58	4,823	764	1,532	129	–	7,306
Exchange adjustments	5	95	–	56	41	–	197
Provided for the year	124	7,257	964	1,317	584	–	10,246
Impairment loss recognised	–	17,478	8,373	–	–	–	25,851
Eliminated on disposals	–	(1,001)	(26)	(1,524)	(272)	–	(2,823)
At 31st March, 2006 and 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	9,353	35,642	11,873	2,990	841	–	60,699
CARRYING VALUES							
At 31st March, 2007	198,901	16,231	15,394	5,240	6,367	37,823	279,956
At 31st March, 2006	5,639	21,391	4,292	3,491	3,814	–	38,627

The above items of property, plant and equipment 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%

At 31st March, 2006, the directors conducted a review of the recoverable amount of the Group's manufacturing assets and determined that a number of those assets were impaired. Accordingly, impairment losses of HK$17,478,000 and HK$8,373,000, respectively, had been recognised in respect of leasehold improvements and plant and machineries, which were used in the Group's medicine and health products segment.

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

At 31st March, 2007, the carrying values of property, plant and equipment of the Group included an amount of HK$101,000 (2006: HK$198,000) in respect of assets held under finance leases.

At 31st March, 2006, the property, plant and equipment of the Group amounting to HK$2,902,000 were pledged to a bank to secure general banking facilities granted to the Group. The pledged property, plant and equipment was released upon the expiry of these general banking facilities during the year ended 31st March, 2007.

14. PREPAID LEASE PAYMENTS OF LEASEHOLD LAND

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

	2007	**2006**
	HK$'000	*HK$'000*
Land use rights in the PRC on medium-term lease	99,252	1,405
Analysed for reporting purposes as:		
Current asset	2,480	30
Non-current asset	96,772	1,375
	99,252	1,405

15. 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 39, 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
AMORTISATION	
Charge for the year and balance at 31st March, 2007	2,502
CARRYING VALUE	
At 31st March, 2007	131,527

16. INTANGIBLE ASSETS

	Development costs *HK$'000*
COST	
At 1st April, 2005	2,086
Additions	1,441
Written-off	(299)
At 31st March, 2006 and 1st April, 2006	3,228
Additions	219
Written-off	(2,927)
At 31st March, 2007	520
AMORTISATION	
At 1st April, 2005	71
Provided for the year	171
At 31st March, 2006 and at 1st April, 2006	242
Provided for the year	225
Eliminated on written-off	(377)
At 31st March, 2007	90
CARRYING VALUES	
At 31st March, 2007	430
At 31st March, 2006	2,986

The development costs of HK$219,000 (2006: HK$1,441,000) incurred on Chinese medicines and pharmaceutical products are internally generated. They have definite useful lives and amortised, using the straight-line method, over a period of five years from the date of commencement of commercial operation.

At 31st March, 2007, other than the amount of HK$69,000 (2006: HK$1,833,000) which related to products in the stage of development, the remaining intangible assets had been put into commercial use.

17. GOODWILL

	HK$'000
COST	
At 31st March, 2006, 1st April, 2006 and 31st March, 2007	21,885
IMPAIRMENT	
Impairment loss recognised for the year ended 31st March, 2006 and balance at 31st March, 2006, 1st April, 2006 and 31st March, 2007	21,885
CARRYING VALUE	
At 31st March, 2007	–
At 31st March, 2006	–

At 31st March, 2006, the Group used business segment, as explained in note 49, as its primary segment for reporting segment information. For the purpose of impairment testing, goodwill which arose from the acquisition of Tung Fong Hung Investment Limited ("TFH"), had been allocated to a cash generating unit (the "CGU") of medicine and health food segment.

The recoverable amount of the CGU had been determined based on a value in use calculation. That calculation used cash flow projections for a 5-year period based on financial budgets approved by management covering a 1-year period and discount rate of 8%. The CGU's cash flows beyond the 1-year period were extrapolated using a steady 4% growth rate. This growth rate was based on the relevant industry growth rate forecasts. Other key assumptions for the value in use calculations were the terminal value at the end of the fifth year, which was determined based on the price earnings ratio by reference to the market, and the budgeted gross margin, which was determined based on the unit's past performance and management's expectations for the market development. Management believed that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

Since the recoverable amount was lower than the carrying amount of the CGU, the Group recognised an impairment loss of HK$21,885,000 on goodwill and HK$25,851,000 on related property, plant and equipment for the year ended 31st March, 2006.

On 27th February, 2007, the Company entered into a conditional agreement with a third party to dispose of the entire interest in TFH as set out in note 46(a).

18. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2007	**2006**
	HK$'000	*HK$'000*
Listed investments:		
– Equity securities listed in Hong Kong	54,066	–
– Equity securities listed elsewhere	75,970	–
	130,036	–

19. INTERESTS IN ASSOCIATES

	2007	**2006**
	HK$'000	*HK$'000*
Cost of investment in associates, unlisted	6,807	5
Share of post-acquisition profits (losses), net of dividend received	87,072	(5)
	93,879	–

Notes:

(i) On 29th March, 2006, the Group entered into an acquisition agreement with Pacific Wish Limited ("Pacific Wish") (the "Acquisition Agreement"), a company incorporated in the British Virgin Islands ("BVI") in relation to the acquisition of 280 shares in Orient Town Limited ("Orient Town"), representing 40% of the issued share capital of Orient Town for a cash consideration of HK$280, being the nominal value of the 280 shares of Orient Town (the "Orient Town Acquisition"). Orient Town is a company incorporated in Hong Kong and its principal asset is its indirect shareholding interest in a subsidiary, namely Empresa De Fomento Industrial E Comercial Concórdia, S.A. (聯生發展股份有限公司) ("Concordia"), a company incorporated in Macau, which previously held the leasehold interests of 14 parcels of land (the "Leasehold Interests") situated in Estrada de Seac Pai

Van, Macau (澳門路環聯生填海區). The lease of the Leasehold Interests was expired in 2000. Concordia is in the process of renewing the lease terms. Pursuant to the Orient Town Acquisition, the Group undertook to advance to Orient Town by way of shareholder's loan in the amount of HK$885,000,000, of which a deposit of HK$240,000,000 was paid during the year ended 31st March, 2006, for financing part of the working capital requirement of Orient Town.

As further consideration for the Group agreeing to enter into the Acquisition Agreement, Pacific Wish had granted the Group an option to purchase all or any of the 70 shares of Orient Town (the "Option Shares"), representing 10% of the issued share capital of Orient Town held by Pacific Wish (the "Call Option"). Pursuant to the Call Option, the Group had the right to require Pacific Wish, from time to time within one year following the completion date of the Orient Town Acquisition (the "Exercise Period"), to sell all or any part of the Option Shares to the Group or its nominee(s) at the aggregate nominal value of the Option Shares. The Call Option was measured at cost less impairment because the range of reasonable fair value estimates was so significant that the directors of the Company were of the opinion that its fair value could not be measured reliably.

Pursuant to the Orient Town Acquisition, Pacific Wish undertook not to dispose of any shares in Orient Town held by it within the Exercise Period unless (a) the prior written consent of the Group had been obtained; and (b) Pacific Wish had undertaken to the Group to pay to the Group half of the consideration, less related expenses, on disposal of shares in Orient Town (the "Disposal") to potential purchaser by Pacific Wish. In the event of the Disposal, the number of Option Shares would be reduced by half of the number of shares subject to the Disposal.

After the completion of Orient Town Acquisition on 15th June, 2006, the Group granted a consent to Pacific Wish for disposal of 105 shares of Orient Town held by Pacific Wish to a purchaser, pursuant to which the purchaser had the right to require Pacific Wish to sell to the purchaser additional 70 shares in addition to the 105 shares of Orient Town. The Group agreed that the number of Option Shares were reduced by half and compensated by HK$23,370,000, after deduction of transaction costs, was recognised in the consolidated income statement during the year.

During the year ended 31st March, 2007, the Group had exercised its right to purchase 35 Option Shares from Pacific Wish for a cash consideration of HK$35, being the nominal value of the 35 shares of Orient Town. Upon the completion of exercise of the call option, the Group undertook to further advance to Orient Town by way of shareholder's loan in the amount of HK$93,000,000, for financing partial repayment of shareholder's loan to Pacific Wish by Orient Town.

As stated in the announcement dated 14th June, 2007, offer for renewal of the lease terms of the Leasehold Interests by way of termination of the lease and grant of a new concession had been granted by the Government of Macau and accepted by Concordia in June 2007 at an additional land premium of approximately MOP578.4 million (equivalent to approximately HK$561.6 million). The new concession is subject to official endorsement by the Government of Macau.

(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 is 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 is a company incorporated in Macau with limited liability and is 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.

Included in the cost of interest in associates is goodwill of HK$1,701,000 arising on acquisition of associates during the year ended 31st March, 2007 (2006: Nil).

At 31st March, 2007, the Group had interest in the following associates:

Name of associate	Form of business structure	Place of incorporation/ operation	Class of shares held (Note)	Nominal value of issued and fully paid share capital 2007	2006	Proportion of nominal value of issued share capital held by the Group Directly %	Indirectly %	Principal activity
Jean-Bon Pharmaceutical Technology Company Limited ("Jean-Bon")	Incorporated	Hong Kong	Ordinary	HK$10,000	HK$10,000	–	50	Inactive
Orient Town	Incorporated	Hong Kong	Ordinary	HK$700	–	–	45	Investment holding
Best Profit Holdings Limited	Incorporated	Hong Kong	Ordinary	HK$1,000	–	–	31.5	Investment holding
Concordia	Incorporated	Macau	Quota Capital	MOP100,000,000	–	–	26.8	Property development
Giant Energy Limited	Incorporated	Hong Kong	Ordinary	HK$1	–	–	45	Investment holding
Great China	Incorporated	Macau	Quota Capital	MOP100,000	–	–	20	Investment property holding
Macau Properties Holdings Limited	Incorporated	Hong Kong	Ordinary	HK$1	–	–	45	Investment holding
Orient Town Project Management Limited	Incorporated	Macau	Quota Capital	MOP25,000	–	–	45	Property project management
San Lun Mang Investimentos, Limitada	Incorporated	Macau	Quota Capital	MOP100,000	–	–	31.5	Investment holding
More Profit	Incorporated	British Virgin Islands	Ordinary	US$10,000	–	–	40	Investment holding

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

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

	2007 *HK$'000*	**2006** *HK$'000*
Total assets	3,145,540	–
Total liabilities	3,067,243	16
Net assets (liabilities)	78,297	(16)
Group's share of net assets (liabilities) of associates	92,178	(8)

	2007 *HK$'000*	**2006** *HK$'000*
Turnover	–	–
Profits (loss) for the year	99,569	(9)
Group's share of results of associates for the year	40,916	(5)

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

	2007	2006
	HK$'000	*HK$'000*
Unrecognised share of losses of associates for the year	(1,353)	–
Accumulated unrecognised share of losses of associates	(1,353)	–

20. UNSECURED LOANS AND INTEREST DUE FROM ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES

Unsecured loans and interest due from associates

	2007	2006
	HK$'000	*HK$'000*
Loans to associates	1,226,237	–
Interest receivables	59,288	–
	1,285,525	–
Less: Loss allocated in excess of cost of investment	(51,082)	–
	1,234,443	–

The loans to associates are unsecured, bear interest at Hong Kong Prime Rate and have no fixed repayment terms. The effective interest rate of the loans to associates are ranging from 7.75% to 8% per annum. In the opinion of the directors, the amounts will not be repaid within twelve months from the balance sheet date and the amount was therefore classified as non-current assets.

Amounts due from associates

	2007	2006
	HK$'000	*HK$'000*
Amounts due from associates	83	14
Less: Allowance	(15)	(14)
	68	–

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

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

On 22nd March, 2007, Wealthy First Investment Limited, an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong, entered into an acquisition agreement with independent third parties in relation to the acquisition of a land use right in the PRC for a cash consideration of RMB50,964,000 (equivalent to HK$51,479,000). The balance at 31st March, 2007 represents deposit paid for the acquisition.

22. DEPOSITS AND EXPENSES PAID FOR ACQUISITION OF SUBSIDIARIES AND ASSOCIATES

	NOTES	2007 HK$'000	2006 HK$'000
Deposits and expenses paid for acquisition of:			
Subsidiaries	*(i)*	–	12,099
Associates	*(ii)*	90,675	241,865
		90,675	253,964

Notes:

(i) As stated in the announcement on 7th February, 2006 and the circular dated 26th April, 2006, New Smarten Limited, an indirect wholly-owned subsidiary of the Company entered into an acquisition agreement dated 2nd February, 2006 with Green Label Investments Limited ("Green Label"), Concord Link Development Limited, Magnum Company Limited and Mr. Ku Yuet Kan, Tony (collectively referred to as the "Vendor") and Mr. Chan Jink Chou, Eric and Mr. Lai Tsan Tung, David ("Mr. Lai") (collectively referred to as the "Guarantors") in relation to the acquisition of the entire interest in Everight, a company incorporated in Hong Kong with limited liability, and the loan owed by Everight and its subsidiaries (the "Everight Group") to Green Label for an aggregate consideration of HK$140,000,000 (the "Acquisition"), of which HK$80,000,000 was satisfied by cash and HK$60,000,000 by issue of zero coupon convertible notes due on 11th August, 2010.

The Everight Group was engaged in the development and operation of a golf resort and hotel and property development. Upon completion of the Acquisition, Everight became an indirect wholly-owned subsidiary of the Company. The Acquisition was approved by shareholders at a special general meeting held on 23rd May, 2006 and was completed on 8th June, 2006.

As at 31st March, 2006, the Group paid a deposit of HK$5,000,000 for the Acquisition and the remaining balance of HK$7,099,000 was paid as expenses incurred for the Acquisition. During the year ended 31st March, 2007, the Acquisition was completed and the deposit was transferred to cost of acquisition of subsidiaries as set out in note 39.

(ii) The amount at 31st March, 2006 represented deposits and certain expenses incurred for the acquisition of Orient Town as set out in note 19(i). During the year, the amounts of HK$1,865,000 and HK$240,000,000 were transferred to the cost of acquisition of associates and loans due from associates, as set out in notes 19(i) and 20, respectively, upon the completion of the Orient Town Acquisition.

As stated in the announcement on 1st February, 2007 and the circular dated 7th March, 2007, Top Century International Limited ("Top Century"), an indirect wholly-owned subsidiary of the Company incorporated in the British Virgin Islands, entered into an acquisition agreement dated 25th January, 2007 (the "Concordia Acquisition Agreement") with Forever Charm Group Limited ("Forever Charm"), an existing shareholder of Concordia holding 11.3% interest in Concordia, in relation to the acquisition of 8,700 shares in Concordia, representing 8.7% of the registered share capital of Concordia as at 2nd March, 2007 (the "Latest Practicable Date "), from Forever Charm and a shareholder's loan due by Concordia to Forever Charm in the principal sum of approximately MOP40,800,000 (equivalent to approximately HK$39,600,000) together with all interests accrued thereon, which amounted to approximately MOP73,500,000 (equivalent to approximately HK$71,400,000) as at the Latest Practicable Date, for a total cash consideration of approximately HK$245,700,000 (the "Concordia Acquisition").

Pursuant to the Concordia Acquisition Agreement, Top Century further undertook to advance to Concordia a shareholder's loan of not more than HK$70,000,000 after the completion of the Concordia Acquisition Agreement.

At the Latest Practicable Date, Top Century was effectively interested in 31.5% of the issued share capital of San Lun Mang Investimentos, Limitada ("XLM"), which in turn was the owner of 85% of the registered share capital of Concordia. Upon the completion of the Concordia Acquisition, the Company would have an effective interest in approximately 35.5% of the registered share capital of Concordia and Concordia will remain as an associate of the Group.

At 31st March, 2007, the Group paid approximately HK$90,675,000 for the Concordia Acquisition, of which HK$90,000,000 was used to satisfy the consideration of the Concordia Acquisition and the remaining balance of approximately HK$675,000 was used as expenses incurred for the Concordia Acquisition. The Acquisition has not yet been completed at the date of this report.

23. DEPOSITS AND EXPENSES PAID FOR ACQUISITION OF INVESTMENT PROPERTIES

As stated in the announcement dated 21st November, 2006 and the circular dated 18th December, 2006, the Company had accepted an offering letter (the "Offering Letter") from The First International Property Planning & Management Company Limited ("First International") in relation to the acquisition of 44 residential units in Macau at a consideration of approximately HK$88,520,000. An amount of HK$5,000,000 had been paid as initial deposit upon the acceptance of the Offering Letter.

Pursuant to the Offering Letter, Hayton Limited, an indirectly wholly-owned subsidiary of the Company, should enter into a sale and purchase agreement with First International in relation to the acquisition of the properties on 11th December, 2006. An additional amount of HK$21,556,000 had been paid as further deposit upon signing of the sale and purchase agreement.

At 31st March, 2007, the amount represented deposits and certain expenses incurred for the acquisition. The acquisition was completed on 30th April, 2007. In the opinion of the directors of the Company, the properties will be held for rental purposes subsequent to the completion of the acquisition and therefore will be classified as investment properties.

24. OTHER LOAN RECEIVABLES

	2007	**2006**
	HK$'000	*HK$'000*
Fixed-rate loan receivables	9,634	4,635
Variable-rate loan receivables	256,495	59,314
	266,129	63,949
Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the balance sheet date)	256,495	59,314
Non-current assets (receivable after 12 months from the balance sheet date)	9,634	4,635
	266,129	63,949

The Group's fixed-rate loan receivables are denominated in US dollars, which is not the functional currencies of the relevant group entities and carries interest from 3% to 8%. Amounts of HK$4,635,000 and HK$4,999,000 are repayable on 5th October, 2008 and 6th December, 2008, respectively. Included in the fixed-rate loan receivables is a loan receivable of HK$4,999,000, which is secured by 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 receivable is unsecured.

Except for a loan of HK$20,000,000 which carries interest at the higher of Hong Kong Prime Rate or 4% per annum and is secured by the borrower's investment in convertible note with a principal amount of HK$20,000,000 issued by a company whose shares are listed on the Stock Exchange and is repayable on 28th September, 2007, all remaining variable-rate loans are unsecured, carry interest at Hong Kong Prime Rate plus 2% per annum and are repayable on demand. The effective interest rates of other loan receivables are ranging from 7.75% to 10% per annum.

At 31st March, 2006, the Group's loan receivables of HK$59,314,000 and HK$4,635,000 were denominated in Hong Kong dollars and US dollars, respectively.

25. INVENTORIES/PROPERTIES UNDER DEVELOPMENT

Inventories

	2007	**2006**
	HK$'000	*HK$'000*
Raw materials	20,185	20,423
Work in progress	829	1,018
Finished goods	54,559	49,418
Consumables	1,346	–
	76,919	70,859

Properties under development

Properties under development under current assets at 31st March, 2007 are expected to realise after twelve months from the balance sheet date.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2007	**2006**
	HK$'000	*HK$'000*
Investments held-for-trading include:		
Listed securities:		
– Equity securities listed in Hong Kong	44,369	9,043
– Equity securities listed elsewhere	12,720	–
	57,089	9,043
Financial assets at fair value through profit or loss:		
Equity-linked notes	9,636	–
	66,725	9,043

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.

Equity linked notes are designated at fair value through profit or losses. During the year ended 31st March, 2007, the loss arising from the change in fair value of financial assets designated at fair value through profit or loss is recognised in the consolidated income statement of HK$206,000 (2006: Nil).

27. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows credit period ranging from 0 to 30 days to its trade customers. The following is an analysis of debtors, deposits and prepayments at the balance sheet date:

	2007	**2006**
	HK$'000	*HK$'000*
Trade debtors aged:		
0 – 60 days	35,555	19,309
61 – 90 days	1,118	528
Over 90 days	13,361	1,537
	50,034	21,374
Refundable earnest money *(Note)*	362,075	150,136
Other receivable *(note 39)*	17,721	–
Other debtors, deposits and prepayments	46,897	21,855
	476,727	193,365

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 was paid by the Group as refundable earnest money.

At 31st March, 2006, included in refundable earnest money was an amount of HK$140,000,000, which was paid by the Group with a view of negotiating possible acquisition of ownership and interest in properties located in PRC and was fully refunded to the Group during the year ended 31st March, 2007.

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.

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 with a view of negotiating possible acquisition of ownership and interest in properties located in the PRC.

No formal agreements in respect of the 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 fully refundable, therefore, the refundable earnest money is classified as current asset accordingly.

28. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits

The amount represents deposits pledged to banks to secure general banking facilities granted to the Group. The deposits carry interest at 4.2% (2006: 3.15%) per annum.

Bank balances and cash

The bank balances carry interest at rates ranging from 2.5% to 5.1% (2006: ranging from 1.3% to 4.0%) per annum.

29. CREDITORS, DEPOSITS AND ACCRUED CHARGES

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

	2007	**2006**
	HK$'000	*HK$'000*
Trade creditors aged:		
0 – 60 days	61,825	22,496
61 – 90 days	8,956	21,329
Over 90 days	9,245	8,138
	80,026	51,963
Other creditors, deposits and accrued charges	78,921	18,274
	158,947	70,237

30. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		**Present value of minimum lease payments**	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount payable under finance leases:				
Within one year	36	162	24	143
In the second to fifth year inclusive	91	127	71	96
	127	289	95	239
Less: Future finance charges	(32)	(50)	–	–
Present value of lease obligations	95	239	95	239
Less: Amount due within one year shown under current liabilities			(24)	(143)
Amount due after one year			71	96

It is the Group's policy to lease certain motor vehicles and fixtures and equipment under finance leases. The average lease term is approximately four years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 7.5% to 9.2% (2006: ranging from 7.5% to 9.2%) per annum.

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

31. CONVERTIBLE NOTE PAYABLES

(a) On 23rd February, 2005, the Company issued HK$100 million 2% unsecured convertible notes due 2008 at conversion price of HK$0.42 (subject to adjustments). The convertible note payables carried interest at 2% per annum, would mature on 23rd February, 2008 (or the next following business day if it was not a business day) and were transferable but might not be transferred to a connected person of the Company without prior written consent of the Company. The holders of the convertible note payables had the rights to convert the convertible notes into shares of HK$0.01 each of the Company at any time during the period from 23rd February, 2005 to 23rd February, 2008. During the year ended 31st March, 2006, HK$43.3 million and HK$46.7 million 2% unsecured convertible notes due 2008 were converted into 103,197,616 and 112,698,063 ordinary shares of HK$0.01 each in the capital of the Company at conversion prices of HK$0.42 and HK$0.414, respectively, as set out in note 37(1). As at 31st March, 2006, all the HK$100 million 2% unsecured convertible notes due 2008 were fully converted.

(b) On 8th April, 2005, the Company entered into seven subscription agreements with seven subscribers. On 20th April, 2005, the Company entered into another two subscription agreements and a placing agreement with two subscribers and a placing agent, respectively. Each of the subscription agreements and the placing agreement were not inter-conditional on each other.

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. Loyal Concept and Hanny were then not connected persons of the Company. Kopola was 50% held by each of Mr. Ho Hau Chong, Norman ("Mr. Ho"), the 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 the 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 ordinary share of HK$0.01 each in the share capital of the Company (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 ended 31st March, 2007, HK$354 million (2006: HK$21.5 million) and HK$40 million (2006: HK$2.5 million) of the First 2010 Convertible Notes and the Placing Convertible Notes were converted, respectively, into 804,431,812 (2006: 48,863,636) and 90,909,090 (2006: 5,681,817) ordinary shares of HK$0.01 each in the capital of the Company at the conversion price of HK$0.44 as set out in note 37(2). The remaining HK$580.5 million (2006: HK$934.5 million) and HK$1.5 million (2006: HK$41.5 million) of the First 2010 Convertible Notes and Placing Convertible Notes were outstanding at 31st March, 2007.

(c) 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 39. The Second 2010 Convertible Notes is non-interest bearing and will mature on 11th August, 2010. The holders of the convertible note payables have the right to convert the Second 2010 Convertible Notes into shares of HK$0.01 each of the Company at any time during the period from 8th June, 2006 to 11th August, 2010.

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

Upon full conversion of the Second 2010 Convertible Notes at the initial conversion price of HK$0.44 per ordinary share of HK$0.01 each in the share capital of the Company (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 ended 31st March, 2007, none of the Second 2010 Convertible Notes were converted.

(d) 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 19th June, 2011. The holders of the convertible note payables have the right to convert the 2011 Convertible Notes into shares of HK$0.01 each of the Company at any time during the period from 15th June, 2006 to 19th June, 2011.

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

Upon full conversion of the 2011 Convertible Notes at the initial conversion price of HK$0.70 per ordinary share of HK$0.01 each in the share capital of the Company (subject to anti-dilutive adjustment), 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 ended 31st March, 2007, none of the 2011 Convertible Notes were converted.

The convertible note payables contain two components, liability and equity elements. The equity element is presented in equity under the heading of "convertible loan notes equity reserve". The effective interest rates of the convertible note payables are ranging from 5.85% to 9.16% (2006: 4.18% to 5.85%) per annum.

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

	2007	2006
	HK$'000	*HK$'000*
Liability component at the beginning of the year	838,462	84,983
Issue of convertible notes	780,086	827,953
Conversion during the year	(339,248)	(106,590)
Interest charge *(note 8)*	89,321	33,372
Interest paid	(221)	(1,256)
Liability component at the end of the year	1,368,400	838,462
Analysed for reporting purposes as:		
Current liability	7,945	221
Non-current liability	1,360,455	838,241
	1,368,400	838,462

32. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

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

33. BANK BORROWINGS

	2007	2006
	HK$'000	*HK$'000*
Bank loans, secured	93,902	30,125
Trust receipt and import loans, secured	25,618	15,045
	119,520	45,170
The maturity profile of the above loans and borrowings is as follows:		
Within one year or on demand	111,439	45,170
More than one year, but not exceeding two years	4,040	–
More than two years, but not exceeding three years	2,021	–
More than three years but not exceeding four years	2,020	–
	119,520	45,170
Less: Amount due within one year shown under current liabilities	(111,439)	(45,170)
Amount due after one year	8,081	–

Bank borrowings comprise	Maturity date	Contractual interest rate	Carrying amount 2007	2006
			HK$'000	*HK$'000*
Variable-rate borrowings:				
HIBOR plus 2% secured HK$ bank loan *(notes i and ii)*	10th December, 2006	HIBOR + 2%	–	5,625
HIBOR plus 1.75% secured HK$ bank loan *(note ii)*	31st July, 2007	HIBOR + 1.75%	24,500	24,500
HIBOR plus 0.75% secured HK$ bank loan *(note ii)*	11th May, 2007	HIBOR + 0.75%	3,787	–
HIBOR plus 1% secured HK$ bank loan *(note ii)*	Revolving	HIBOR + 1%	5,009	–
Secured bank loan of RMB12,000,000 at prevailing market rate in the PRC *(notes ii and iii)*	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 *(note ii)*	10th September, 2007	Prevailing market rate in the PRC	18,182	–
			63,599	30,125
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	–
			30,303	–
			93,902	30,125

Notes:

(i) Repayable in three equal quarterly instalments of HK$1,875,000 each commencing on 10th June, 2006 through 10th December, 2006.

(ii) Interest will be repriced when HIBOR or prevailing market rate in the PRC is changed.

(iii) Amounts of HK$4,040,000, HK$4,040,000, HK$2,021,000 and HK$2,020,000 will be repaid on 31st October, 2007, 31st October, 2008, 31st October, 2009 and 31st October, 2010, respectively.

Secured trust receipts 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 (2006: from HIBOR plus 1% per annum to HIBOR plus 1.75% per annum). Interest is repricing monthly or quarterly.

The effective interest rates of bank borrowings are ranging from 4.48% to 6.38% (2006: 4.10% to 6.32%) per annum.

34. UNSECURED LOANS FROM MINORITY SHAREHOLDERS OF SUBSIDIARIES

Except for a loan of HK$3,535,000 which is unsecured, carries interest at prevailing market rate of 6.14% in the PRC and is repayable on demand, the remaining amount is unsecured, interest-free and repayable on demand.

35. UNSECURED LOAN FROM A RELATED COMPANY

The loan is borrowed from 番禺高爾夫球協會in which Mr. Lai, an executive director of the Company, is the Chairman of this association. The loan is unsecured, carries interest at 6% per annum and is repayable on demand.

36. DEFERRED TAX LIABILITIES

The following is the major deferred tax liabilities (asset) 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, 2005	2,533	353	(2,886)	–
(Credit) charge to income for the year	(2,533)	187	2,346	–
At 31st March, 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 39)*	31,842	–	(954)	30,888
At 31st March, 2007	42,469	75	(1,935)	40,609

At 31st March, 2007, the Group has unused tax losses of HK$702,486,000 (2006: HK$682,993,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$8,554,000 (2006: HK$3,086,000) of such losses. No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK$693,932,000 (2006: HK$679,907,000). The Hong Kong tax losses of HK$667,840,000 (2006: HK$682,993,000) may be carried forward indefinitely under current tax regulation in Hong Kong and all other tax losses will expire from 2007 to 2011.

At 31st March, 2007, the Group has deductible temporary differences associated with property, plant and equipment of HK$11,622,000 (2006: HK$19,402,000). No deferred tax asset has been recognised in respect of such deductible temporary differences due to the unpredictability of future profit streams.

37. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
At 1st April, 2005, 31st March, 2006 and 31st March, 2007, at HK$0.01 each	40,000,000,000	400,000
Issued and fully paid:		
At 1st April, 2005, at HK$0.01 each	360,995,507	3,610
Conversion of convertible notes *(Note 1)*	270,441,132	2,704
At 31st March, 2006, at HK$0.01 each	631,436,639	6,314
Conversion of convertible notes *(Note 2)*	895,340,902	8,953
Placement of shares *(Note 3)*	833,332,000	8,334
Repurchase and cancellation of shares *(Note 4)*	(47,795,000)	(478)
At 31st March, 2007, at HK$0.01 each	2,312,314,541	23,123

Notes:

(1) In April 2005, November 2005, February 2006 and March 2006, the HK$20,000,000, HK$6,623,000, HK$16,720,000 and HK$46,657,000 2% convertible notes due 2008 were converted into 47,619,046, 15,769,047, 39,809,523 and 112,698,063 ordinary shares of HK$0.01 each in the capital of the Company at conversion prices of HK$0.42, HK$0.42, HK$0.42 and HK$0.414 per share, respectively. In February 2006 and March 2006, the HK$2,500,000 and HK$21,500,000 of the Placing Convertible Notes and the First 2010 Convertible Notes, respectively, were converted into 5,681,817 and 48,863,636 ordinary shares of HK$0.01 each in the capital of the Company at the conversion price of HK$0.44 per share. The new shares rank pari passu with all other shares in issue in all respects.

(2) In April 2006 and May 2006, the First 2010 Convertible Notes and the Placing Convertible Notes with an aggregate principal amount 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 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.

(3) 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 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.

(4) During the year, the Company repurchased a total of 47,795,000 ordinary shares of HK$0.01 each in the Company at an aggregate consideration of approximately HK$20 million, all of these 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.

During the year, the Company repurchased its own shares through the Stock Exchange 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 2006	4,505,000	0.490	0.350	2,011
August 2006	26,425,000	0.465	0.390	11,795
September 2006	16,865,000	0.405	0.345	6,287
				20,093

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

38. SHARE-BASED PAYMENT TRANSACTIONS

Scheme adopted on 28th February, 1994 (the "1994 Scheme")

The 1994 Scheme, having an original expiry date of 27th February, 2004, was adopted on 28th February, 1994 for the primary purpose of providing incentives to directors and eligible employees.

Pursuant to a resolution passed on 26th August, 2002, the 1994 Scheme was early terminated. After the termination of 1994 Scheme, no more share options can be granted under the scheme and the outstanding share options under it are remained exercisable until they expire.

At 31st March, 2006 and 2007, no option under the 1994 Scheme was outstanding.

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

Following the termination of the 1994 Scheme in August 2002, the 2002 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 2002 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 2002 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 2002 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 2002 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 2002 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.

At 31st March, 2006, no option under the 2002 Scheme was granted or outstanding.

Details of options granted on 15th August, 2006 under the 2002 Scheme are as follows:

Share option granted	**Date of grant**	**Vesting proportion**	**Exercisable period**	**Exercise price** *(HK$)*
31,300,000	15th August, 2006	50%	15th August, 2006 to 14th August, 2008	0.50
		50%	15th August, 2007 to 14th August, 2008	0.50

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

For the year ended 31st March, 2007

			Number of share options		
Date of grant **2002 Scheme**	**Exercisable period**	**Exercise price per share** *HK$*	**Outstanding at 1.4.2006**	**Granted during the year**	**Outstanding at 31.3.2007**
Employee and other participant:					
15th August, 2006	15th August, 2006 to 14th August, 2008	0.50	–	1,900,000	1,900,000
	15th August, 2007 to 14th August, 2008	0.50	–	1,900,000	1,900,000
Directors:					
15th August, 2006 *(Note)*	15th August, 2006 to 14th August, 2008	0.50	–	13,750,000	13,750,000
	15th August, 2007 to 14th August, 2008	0.50	–	13,750,000	13,750,000
			–	31,300,000	31,300,000

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

For the year ended 31st March, 2006

Date of grant	Exercisable period	Exercise price per share	Outstanding at 1.4.2006	Granted during the year	Outstanding at 31.3.2007
1994 Scheme		*HK$*			
Employees and other participants:					
19th June, 1997	19th June, 1997 to 18th June, 2007	21.84	4,800	(4,800)	–
2nd February, 1998	2nd February, 1998 to 1st February, 2008	2.00	2,000	(2,000)	–
17th November, 1999	17th November, 1999 to 16th November, 2009	2.34	10,500	(10,500)	–
14th March, 2000	14th March, 2000 to 13th March, 2010	6.60	10,000	(10,000)	–
			27,300	(27,300)	–

(Columns 4–6: Number of share options)

There were no share options held by directors during the year ended 31st March, 2006.

The closing price of the Company's shares immediately before 15th August, 2006, the date of grant of the options, was HK$0.445. The estimated fair value of the options granted during the year ended 31st March, 2007 was approximately HK$4,050,000 at the date of grant.

The fair values of the share options granted during the year ended 31st March, 2007 were calculated using the Binomial option pricing model. The inputs into the model were as follows:

Weighted average share price	HK$0.4400
Weighted average exercise price	HK$0.5000
Expected life of options	2 years
Expected volatility	56.21%
Expected dividend yield	Nil
Risk free rate	4.21%
Fair value per option	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' 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.

The Group recognised the total expense of HK$3,296,000 for the year ended 31st March 2007 (2006: Nil) in relation to the share options granted by the Company, of which HK$702,000 (2006: Nil) was related to options granted to the Group's employee which has been included in staff costs as set out in note 10, and the remaining balance of HK$2,594,000 was related to options granted to directors which has been included in directors' remuneration as set out in note 11(A).

39. 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 (International) Development Limited ("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.

In September 2005 and October 2005, the Group acquired 100% of the issued share capital of Macau Prime Finance Limited (formerly known as China-HK International Finance Limited) and 100% of the issued share capital of Well Cycle Limited for cash consideration of HK$35,000 and HK$1,266,000, respectively.

The transactions had been accounted for using the purchase method accounting.

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

	2007				2006
	Acquiree's carrying amount before combination	**Adjustments**		**Fair values**	**Acquiree's carrying amount and fair values**
	HK$'000	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*
Net assets acquired:					
Property, plant and equipment	209,819	–		209,819	1,264
Prepaid lease payments of leasehold land	101,139	–		101,139	–
Premium on prepaid lease payments of leasehold land	–	134,029	*(i)*	134,029	–
Inventories	1,752	–		1,752	–
Properties held for sale	213	–		213	–
Debtors, deposits and prepayments	19,985	–		19,985	33
Tax recoverable	258	–		258	–
Bank balances and cash	9,559	–		9,559	4
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)	*(i)*	(30,888)	–
	144,626	110,260		254,886	1,301
Minority interests	(103,522)	51,890	*(ii)*	(51,632)	–
Revaluation reserve	–	(1,795)		(1,795)	–
	41,104	160,355		201,459	1,301
Discount on acquisition				(4,207)	–
				197,252	1,301

Notes:

(i) The amount represents fair value adjustment on acquisition of prepaid lease payments of leasehold land and the related deferred tax liabilities.

(ii) The amount represents 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	**2006**
	HK$'000	*HK$'000*
Satisfied by:		
Deposit and expenses paid for acquisition of subsidiaries *(note 22(i))*	12,099	–
Cash	128,233	1,301
Issue of second 2010 Convertible Notes	73,000	–
Expenditure incurred for the acquisition of subsidiaries during the year	1,641	–
Other receivable *(Note)*	(17,721)	–
	197,252	1,301
Net cash outflow arising on acquisition:		
Cash consideration	(129,874)	(1,301)
Bank balances and cash acquired	9,559	4
	(120,315)	(1,297)

Note: The other receivable represents 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 27.

The subsidiaries acquired during the year ended 31st March, 2007 contributed HK$54,960,000 to the Group's turnover 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 turnover for the period would have been HK$890,230,000, and profit for the year 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.

The subsidiaries acquired during the year ended 31st March, 2006 did not make any significant contributions to the turnover or the results of the Group. Had the acquisitions been completed on 1st April, 2005, the contributions to the turnover and the results of the Group from these subsidiaries would also be insignificant.

40. CONTINGENT LIABILITIES

At 31st March, 2007 and 2006, 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.

At 31st March, 2007, the financial guarantee given to a bank in respect of banking facilities utilised by an associate amounted to HK$250,000,000 (2006: Nil).

41. CAPITAL AND OTHER COMMITMENTS

	2007	2006
	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	35,080	612
– acquisition of investment properties (*Note i*)	61,964	–
	97,044	612
Capital expenditure authorised but not contracted for in respect of:		
– acquisition of property, plant and equipment	–	194
Other commitments:		
– acquisition of subsidiaries *(Note ii)*	–	135,000
– acquisition of an associate *(Note ii)*	155,700	–
– acquisition of a land use right *(Note iii)*	10,013	–
– loan to a subsidiary to be acquired	–	80,000
– loan to an associate to be acquired *(Note ii)*	70,000	645,000
	235,713	860,000
	332,757	860,806

Notes:

(i) Details of acquisition of investment properties are set out in note 23.

(ii) Details of the acquisitions of subsidiaries and associates are set out in note 22.

(iii) Details of acquisition of a land use right are set out in note 21.

42. OPERATING LEASE COMMITMENTS

The Group as lessee

	2007	2006
	HK$'000	*HK$'000*
Property rentals paid by the Group during the year in respect of:		
Minimum lease payments	30,407	23,799
Contingent rents	9,572	8,011
	39,979	31,810

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

	2007	2006
	HK$'000	*HK$'000*
Within one year	27,492	29,697
In the second to fifth year inclusive	12,805	21,401
Over five years	–	16
	40,297	51,114

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$2,658,000 (2006: HK$2,198,000).

At 31st March, 2006 and 2007, the Group had no operating lease commitment.

43. PLEDGE OF ASSETS

At 31st March, 2007, the Group's bank borrowings and credit facilities from financial institutions were secured by the following:

(a) bank deposits of HK$40,783,000 (2006: HK$3,000,000);

(b) legal charges over the Group's properties held for sale with a carrying value of HK$58,536,000 (2006: HK$58,536,000);

(c) prepaid lease payments of leasehold land of HK$143,211,000 (2006: Nil); and

(d) investments held-for-trading of HK$29,599,000 (2006: Nil) and available-for-sale investments of HK$75,970,000 (2006: Nil).

Other than the above, the Group's bank borrowings at 31st March, 2006 were also secured by legal charges over the property, plant and equipment of Jean-Marie Pharmacal Company Limited, a subsidiary of the Company with a carrying value of HK$2,902,000. The pledge was released during the year ended 31st March, 2007.

44. RETIREMENT BENEFITS SCHEMES

The Group operates a defined contribution retirement benefits 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$4,019,000 (2006: HK$2,597,000) represents contributions paid or payable to the schemes by the Group during the year.

45. RELATED PARTY TRANSACTIONS AND BALANCES

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

Related parties	*Notes*	Nature of transactions	2007 *HK$'000*	2006 *HK$'000*
Director:				
Mr. Lai		Interest expense	222	–
Minority shareholders of subsidiaries:				
Braniff	*(i)*	Interest expense	1,785	–
廣州市番禺遊總公司	*(ii)*	Interest expense	266	–
		Management fee paid	295	–
三亞博后經濟開發有限公司	*(ii)*	Rental paid	84	–
Associates:				
Orient Town		Interest income	56,182	–
More Profit		Interest income	3,106	–
Other related parties:				
Mr. Chang Rong Wu	*(iii)*	Interest expense	11	–
番禺高爾夫球協會	*(iv)*	Interest expense	118	–
L.F. Sam (HK) Ltd.	*(v)*	Interest expense	92	–

Notes:

(i) Minority shareholders of Smart Sharp which become a wholly-owned subsidiary of the Company on 28th February, 2007 as set out in (c) below.

(ii) Minority shareholders of subsidiaries of Everight.

(iii) A former director of a subsidiary of Everight.

(iv) Mr. Lai, an executive director of the Company is the chairman of the association.

(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 20, 22, 32, 34 and 35.

(b) As stated in the announcement on 28th April, 2006 and circular dated 22nd May, 2006, the Company entered into a total of seventeen conditional subscription agreements on 27th April, 2006 with Hanny Holdings Limited ("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. Pursuant to the subscription agreements, Hanny, Stark Funds, ITC and the eleven other note subscribers had in aggregate conditionally agreed to subscribe for an aggregate of HK$1,000 million 1% convertible notes due 2011 proposed to be 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 are companies incorporated in Bermuda with limited liability and their shares are listed on the Stock Exchange. The 2011 Convertible Notes had been issued during the year as explained in note 31(d).

Hanny and Stark Funds hold 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.

(c) 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, repay 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 are directors of certain subsidiaries of the Company and Mr. Lai is the executive director of the Company.

(d) As stated in the announcement on 20th April, 2005 and the circular dated 23rd May, 2005, on 8th April, 2005, the Company entered into seven subscription agreements with seven subscribers. On 20th April, 2005, the Company entered into another two subscription agreements and a placing agreement with two subscribers and a placing agent, respectively. The nine subscribers and the placing agent agreed to subscribe for or place the HK$956 million and HK$44 million unsecured zero coupon convertible notes due 2010, respectively. Each of the subscription agreements and the placing agreement were not inter-conditional on each other. Kopola, one of the subscribers, had subscribed HK$150 million of the notes. Kopola was 50% held by each of Mr. Ho and his brother, Mr. Ho Hau Hay, Hamilton. Details are set out in note 31(b).

During the year ended 31st March, 2007, Kopola had converted HK$100 million of the First 2010 Convertible Notes into 227,272,727 ordinary shares of HK$0.01 each in the capital of the Company at a conversion price of HK$0.44 per share.

(e) Compensation of key management personnel

The remuneration of directors during the year was as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Short-term benefits	11,105	3,990
Share-based payments	2,594	–
	13,699	3,990

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

46. POST BALANCE SHEET EVENTS

Subsequent to 31st March, 2007, the Group has the following significant post balance sheet events:

(a) As stated in the announcement on 2nd March, 2007, on 27th February, 2007, Macau Prime (B.V.I.) Limited (formerly known as Cheung Tai Hong (B.V.I.) Limited) ("MPBVI"), a wholly-owned subsidiary of the Company, entered into an agreement (the "Disposal Agreement") with Master Journal Limited (the "Purchaser"), an investment holding company incorporated in BVI with limited liability and an independent third party to the Group, whereby the MPBVI conditionally agreed to sell and assign, and the Purchaser conditionally agreed to purchase 10,000 ordinary shares of US$1 each of TFH, representing the entire issued share capital of TFH, and accept an assignment of outstanding loan owing from TFH to MPBVI as at completion of the disposal for a consideration of HK$110,000,000, which would be settled by the Purchaser as to HK$20,000,000 in cash and HK$90,000,000 by way of issue of the loan note. The transaction has not yet been completed at the date of this report and is subject to shareholder's approval after balance sheet date.

(b) As stated in the announcement on 9th May, 2007, Smarteam Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement dated 9th May, 2007 with six individual Macau residents in relation to the acquisition of properties in Macau, for an aggregate consideration of HK$118,593,000. An amount of HK$17,788,920 had been paid as an initial deposit upon signing of the sale and purchase agreement.

(c) As stated in the announcement on 18th May, 2007, the Company entered into a placing and subscription agreement with Loyal Concept and Kingston Securities Limited ("Kingston"), a placing agent. Pursuant to the placing and subscription agreement, Loyal concept agreed to place, through Kingston, an aggregate of 300,000,000 existing ordinary shares of HK$0.01 each in the share capital of the Company, on a fully underwritten basis, at a price of HK$0.56 per placing share.

In addition, pursuant to the placing and subscription agreement, Loyal Concept conditionally agreed to subscribe for an aggregate of 300,000,000 new ordinary shares of HK$0.01 each in the share capital of the Company at a price of HK$0.56 per share.

47. BALANCE SHEET OF THE COMPANY

The balance sheet of the Company at 31st March, 2007 is as follows:

		2007	**2006**
	NOTES	*HK$'000*	*HK$'000*
Non-current asset		1,189,481	–
Current assets		1,657,490	1,241,594
Current liabilities		8,676	1,603
Net current assets		1,648,814	1,239,991
Total assets less current liabilities		2,838,295	1,239,991
Non-current liability		1,360,455	838,241
		1,477,840	401,750
Capital and reserves			
Share capital		23,123	6,314
Reserves	*(a)*	1,454,717	395,436
		1,477,840	401,750

Note:

(a) Reserves

	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Convertible loan notes equity reserve *HK$'000*	Share-based payment reserve *HK$'000*	Contributed surplus *HK$'000* *(Note)*	(Deficit) surplus *HK$'000*	Total *HK$'000*
THE COMPANY							
At 31st March, 2005	102,357	646	3,120	–	206,177	(148,412)	163,888
Recognition of equity component of convertible notes	–	–	160,914	–	–	–	160,914
Conversion of convertible notes	110,867	–	(6,981)	–	–	–	103,886
Loss for the year	–	–	–	–	–	(33,252)	(33,252)
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

Note: The contributed 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 passed on 29th September, 2006, the amount of contributed surplus was transferred to the deficit.

48. SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31st March, 2007 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 %	Indirectly %	Principal activities
Advance Tech Limited	Hong Kong	HK$1 ordinary share	–	100	Securities investment
Asia Progress Investments Limited	British Virgin Islands	US$1 ordinary share	–	100	Investment holding
Champion Palace Development Limited	Hong Kong	HK$2 ordinary shares	–	100	Properties holding in the PRC
Cheung Tai Hong Holdings (Motor Vehicle) Limited	Hong Kong	HK$10,000 ordinary shares	–	100	Trading of motorcycles and spare parts
Donson (International) Development Limited	Hong Kong	HK$85,297,692 ordinary shares	–	100	Investment holding
Dragon Rainbow Limited	British Virgin Islands	US$1 ordinary share	–	100	Investment holding
Everight Investment Limited	Hong Kong	HK$47,412,692 ordinary shares	–	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	Investment holding
Hayton Limited	Hong Kong	HK$1 ordinary share	–	100	Investment holding
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
Macau Prime (B.V.I.) Limited (formerly known as Cheung Tai Hong (B.V.I.) Limited)	British Virgin Islands	US$50,000 ordinary shares	100	–	Investment holding
Macau Prime Finance Limited (formerly known as China-HK International Finance Limited)	Hong Kong	HK$2 ordinary shares	–	100	Money lending

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 %	Indirectly %	Principal activities
Macau Prime Management Limited (formerly known as Cheung Tai Hong, Limited)	Hong Kong	HK$2,000 ordinary shares	–	100	Securities investment and investment holding
		HK$500,000 non-voting deferred shares *(Note 1)*	–	–	
Master Super Development Limited	Hong Kong	HK$100 ordinary shares	–	100	Property holding and sale
Million Orient Limited	Hong Kong	HK$1 ordinary share	–	100	Investment holding
New Smarten Limited	Hong Kong	HK$1 ordinary share	–	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
Smart Sharp Investment Limited	Hong Kong	HK$75,202,694 ordinary shares	–	100	Investment holding
Sound Advice Investments Limited	British Virgin Islands	US$100 ordinary shares	–	100	Investment holding
South Step Limited	Hong Kong	HK$1 ordinary share	–	100	Property investment and development
Teamate Limited	British Virgin Islands	US$1 ordinary share	–	100	Investment holding
Top Century International Limited	British Virgin Islands	US$1 ordinary share	–	100	Investment holding
Total Pacific Limited	Hong Kong	HK$2 ordinary shares	–	100	Investment holding
Tung Fong Hung Investment Limited	British Virgin Islands	US$10,000 ordinary shares	–	100	Investment holding
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

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 %	Indirectly %	Principal activities
Tung Fong Hung Foods Limited	Hong Kong	HK$2 ordinary shares	–	100	Distribution of health food
Tung Fong Hung Foods Company, B.C. Limited	Canada	CAD360 common shares	–	100	Retail of herbal products and dried seafood
Tung Fong Hung Medicine (BVI) Limited	British Virgin Islands	HK$0.2 ordinary share	–	100	Investment holding
Tung Fong Hung Medicine Company, Limited	Hong Kong	HK$1,001 ordinary shares	–	100	Retailing of Chinese medicine and foodstuffs
Tung Fong Hung Medicine Company (Macau) Limited	Macau	MOP100,000 quota capital	–	100	Retailing of Chinese medicine and foodstuffs
TFH Management Limited	Hong Kong	HK$2 ordinary shares	–	100	Provision of management services
TFH Manufacturing Company Limited	Hong Kong	HK$2 ordinary shares	–	100	Processing, packaging and distribution of Chinese medicine and foodstuffs
TFH (China) Holdings Limited	Hong Kong	HK$2 ordinary shares	–	100	Investment holding
Universal Focus Limited	British Virgin Islands	US$1 ordinary share	–	100	Investment holding
Well Cycle Limited	Hong Kong	HK$2 ordinary shares	–	100	Letting of motor vehicles
Vintage Hotel Limited	British Virgin Islands	HK$23,595,000 ordinary shares	–	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 4)*	RMB35,000,000	–	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 4)*	HK$30,000,000	–	100	Development and operation of hotel
廣州番禺蓮花山高爾夫球度假俱樂部	PRC *(Note 4)*	RMB46,000,000	–	65	Development of golf resort and property development
廣州市蓮翠房產物業管理有限公司	PRC *(Note 4)*	RMB500,000	–	65	Property management

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 %	Indirectly %	Principal activities
廣州市東方紅保健品有限公司	PRC *(Note 2)*	HK$2,500,000	–	100	Distribution of Chinese medicine and health food
深圳市東方紅保健品有限公司	PRC *(Note 3)*	RMB1,000,000	–	100	Distribution of Chinese medicine and health food
深圳市東方聖恒貿易有限公司	PRC *(Note 4)*	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 2)*	US$1,000,000	–	100	Processing and wholesaling of health food
黑龍江金保華農業有限公司	PRC *(Note 2)*	HK$14,000,000	–	100	Cultivation and sales of potatoes
哈爾濱東方綠種業有限公司	PRC *(Note 3)*	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 are wholly-owned foreign enterprises.

(3) The subsidiaries are wholly-owned domestic enterprises.

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

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

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

49. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into six (2006: four) operating divisions. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Property	–	property development and investment
Golf and leisure	–	development and operation of golf resort and hotel
Securities investment	–	trading of securities
Motorcycles	–	trading of motorcycles and spare parts
Finance	–	loan financing services
Medicine and health products	–	manufacture and trading of medicine and health products

During the year, the Group has two new business segments – golf and leisure and finance.

Segment information about these businesses is presented below:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2007

	Property	Golf and leisure	Securities investment	Motorcycles	Finance	Medicine and health food	Total of all segments	Elimination/ adjustments	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER									
External sales	5,251	52,367	329,155	13,125	81,085	400,638	881,621	–	881,621
Inter-segment sales*	–	–	–	–	37,702	–	37,702	(37,702)	–
Total	5,251	52,367	329,155	13,125	118,787	400,638	919,323	(37,702)	881,621
SEGMENT RESULTS	3,003	3,428	26,837	215	7,270	(95)	40,658	72,950	113,608
Unallocated corporate income									42,439
Unallocated corporate expenses									(41,540)
Discount on acquisition of subsidiaries	–	4,207	–	–	–	–	4,207	–	4,207
Compensation for cancellation of call options for acquisition of additional interest in an associate									23,370
Share of results of associates	40,916	–	–	–	–	–	40,916	–	40,916
Finance costs									(98,844)
Profit before taxation									84,156
Taxation									(10,055)
Profit for the year									74,101

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

CONSOLIDATED BALANCE SHEET
AT 31ST MARCH, 2007

	Property HK$'000	Golf and leisure HK$'000	Securities investment HK$'000	Motorcycles HK$'000	Finance HK$'000	Medicine and health food HK$'000	Total of all segments HK$'000	Elimination/ adjustments HK$'000	Consolidated HK$'000
ASSETS									
Segment assets	71,662	509,581	194,265	1,859	1,518,647	164,145	2,460,159	–	2,460,159
Interests in associates	93,879	–	–	–	–	–	93,879	–	93,879
Unallocated corporate assets									828,062
Consolidated total assets									3,382,100
LIABILITIES									
Segment liabilities	13,600	41,248	720	50	1,318,822	94,874	1,469,314	(1,318,822)	150,492
Unallocated corporate liabilities									1,559,788
Consolidated total liabilities									1,710,280
OTHER INFORMATION									
Depreciation of property, plant and equipment	–	10,390	–	–	–	9,808	20,198	599	20,797
Amortisation of intangible assets	–	–	–	–	–	225	225	–	225
Amortisation of prepaid lease payments	–	1,953	–	–	–	31	1,984	–	1,984
Amortisation of premium on prepaid lease payments	–	2,502	–	–	–	–	2,502	–	2,502
Increase in fair value of financial assets at fair value through profit or loss	–	–	17,755	–	–	–	17,755	–	17,755
Write-off of intangible assets	–	–	–	–	–	2,550	2,550	–	2,550
Capital additions	–	247,373	–	–	–	5,609	252,982	856	253,838
Development cost incurred	–	–	–	–	–	219	219	–	219
Allowance for inventories	–	–	–	–	–	10,870	10,870	–	10,870

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST MARCH, 2006

	Property	Securities investment	Motorcycles	Medicine and health food	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	2,198	503,502	11,756	324,800	842,256
SEGMENT RESULTS	1,545	(3,440)	471	(30,527)	(31,951)
Unallocated corporate income					19,323
Unallocated corporate expenses					(20,984)
Share of results of associates	–	–	–	(5)	(5)
Finance costs					(36,818)
Loss before taxation					(70,435)
Taxation					(2,657)
Loss for the year					(73,092)

CONSOLIDATED BALANCE SHEET
AT 31ST MARCH, 2006

	Property	Securities investment	Motorcycles	Medicine and health food	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Segment assets	210,264	9,043	1,750	144,202	365,259
Unallocated corporate assets					1,035,955
Consolidated total assets					1,401,214
LIABILITIES					
Segment liabilities	3,109	–	312	61,789	65,210
Unallocated corporate liabilities					890,171
Consolidated total liabilities					955,381

	Property	Securities investment	Motorcycles	Medicine and health food	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OTHER INFORMATION						
Depreciation of property, plant and equipment	–	–	–	10,017	229	10,246
Amortisation of intangible assets	–	–	–	171	–	171
Amortisation of prepaid lease payments	–	–	–	30	–	30
Impairment recognised in respect of goodwill arising from acquisition of subsidiaries	–	–	–	21,885	–	21,885
Impairment loss of property, plant and equipment	–	–	–	25,851	–	25,851
Loss on disposal of property, plant and equipment	–	–	–	544	–	544
Decrease in fair value of financial assets at fair value through profit or loss	–	6,046	–	–	–	6,046
Write-off of intangible assets	–	–	–	299	–	299
Capital additions	–	–	–	10,429	1,116	11,545
Development cost incurred	–	–	–	1,441	–	1,441
Reversal of amount due from an associate	–	–	–	–	(3)	(3)
Allowance for inventories	–	–	–	5,964	–	5,964

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	
	2007	**2006**
	HK$'000	*HK$'000*
Hong Kong	653,789	754,026
PRC	136,306	59,818
Other countries	91,526	28,412
	881,621	842,256

3. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2007

The following is a reproduction of the text of the unaudited consolidated financial statements of the Group together with the accompanied notes contained on pages 6 to 44 of the interim report of the Company for the six months ended 30th September, 2007:

CONDENSED CONSOLIDATED INCOME STATEMENT
(For the six months ended 30th September, 2007)

		Six months ended 30th September	
		2007	**2006**
	Notes	*HK$'000*	*HK$'000*
Continuing operations			
Turnover	*3*	361,077	60,631
Property sales and rental income		7,903	2,117
Golf and leisure income		24,994	11,961
Sales of motorcycles		9,044	6,391
		41,941	20,469
Cost of sales		(20,092)	(10,268)
Gross profit		21,849	10,201
Income from loan financing		58,014	26,471
Net gain (loss) on financial instruments	*4*	57,035	(5,360)
Other income		8,413	22,540
Administrative expenses		(62,286)	(32,268)
Impairment losses on prepaid lease payments of leasehold land and premium on prepaid lease payments of leasehold land	*5*	(45,000)	–
Loss on disposal of an associate	*14(b)*	(39,486)	–
Compensation for cancellation of call options for acquisition of additional interest in an associate		–	32,154
Share of results of associates		(33,036)	(4,823)
Finance costs	*6*	(55,523)	(41,216)
(Loss) profit before taxation		(90,020)	7,699
Taxation	*7*	(2,400)	(957)
(Loss) profit for the period from continuing operations		(92,420)	6,742
Discontinued operation			
(Loss) profit for the period from discontinued operation	*8*	(17,311)	794
(Loss) profit for the period	*9*	(109,731)	7,536
Attributable to:			
Equity holders of the Company		(108,877)	12,440
Minority interests		(854)	(4,904)
		(109,731)	7,536
(Loss) earnings per share	*11*		
From continuing and discontinued operations:			
– Basic (HK cents)		(3.9)	0.6
– Diluted (HK cents)		N/A	N/A
From continuing operations:			
– Basic (HK cents)		(4.0)	0.6
– Diluted (HK cents)		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET
(At 30th September, 2007)

	Notes	**30.9.2007 (unaudited)** *HK$'000*	**31.3.2007 (audited)** *HK$'000*
Non-current assets			
Property, plant and equipment	*12*	264,174	279,956
Prepaid lease payments of leasehold land		65,206	96,772
Premium on prepaid lease payments of leasehold land		115,666	131,527
Intangible assets		–	430
Available-for-sale investments	*13*	232,750	130,036
Interests in associates	*14*	148,172	93,879
Unsecured loans and interest due from associates	*14*	1,122,902	1,234,443
Debt portion of convertible bonds	*15*	87,881	–
Derivatives embedded in convertible bonds	*15*	10,694	–
Deposits paid for acquisition of a land use right		44,221	41,466
Deposits paid for acquisition of associates	*16*	48,951	90,675
Deposits paid for acquisition of properties		–	27,125
Other loan receivables	*17*	13,134	9,634
		2,153,751	2,135,943
Current assets			
Inventories		2,572	76,919
Properties held for sale		291,346	58,536
Properties under development		12,397	11,296
Financial assets at fair value through profit or loss		35,850	66,725
Debtors, deposits and prepayments	*18*	661,591	473,160
Other loan receivables	*17*	253,126	205,495
Debt portion of convertible bonds	*15*	153	–
Prepaid lease payments of leasehold land		2,361	2,480
Amounts due from associates		–	68
Unsecured loans and interest due from related companies		58,215	54,567
Amount due from a related company		283	–
Tax recoverable		274	1,506
Pledged bank deposits		51,156	40,783
Bank balances and cash		315,213	254,622
		1,684,537	1,246,157

	Notes	30.9.2007 (unaudited) HK$'000	31.3.2007 (audited) HK$'000
Current liabilities			
Creditors, deposits and accrued charges	19	201,718	158,947
Amount due to an associate		135	–
Amounts due to minority shareholders of subsidiaries		2,076	1,884
Dividend payable to a minority shareholder of a subsidiary		2,468	2,354
Tax payable		11,788	12,340
Unsecured loans from minority shareholders of subsidiaries		14,374	4,515
Unsecured loan from a related company		1,643	1,616
Convertible note payables – due within one year	20	2,742	7,945
Obligations under finance leases – due within one year		21	24
Bank and other borrowings – due within one year	21	391,540	111,439
		628,505	301,064
Net current assets		1,056,032	945,093
Total assets less current liabilities		3,209,783	3,081,036
Non-current liabilities			
Convertible note payables – due after one year	20	1,193,298	1,360,455
Obligations under finance leases – due after one year		51	71
Bank and other borrowings – due after one year	21	46,187	8,081
Deferred tax liabilities		43,384	40,609
		1,282,920	1,409,216
		1,926,863	1,671,820
Capital and reserves			
Share capital	22	30,955	23,123
Reserves		1,846,657	1,598,516
Equity attributable to the equity holders of the Company		1,877,612	1,621,639
Minority interests		49,251	50,181
		1,926,863	1,671,820

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(For the six months ended 30th September, 2007)

	Attributable to equity holders of the Company													
	Share capital	Share premium	Capital redemption reserve	Convertible loan notes equity reserve	Share-based payment reserve	Available-for-sale investments reserve	Other reserve	Special reserve	Revaluation reserve	Translation reserve	Accumulated profits	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(note i)*	*HK$'000* *(note ii)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April, 2006 (audited)	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 and income recognised directly in equity	–	–	–	–	–	–	–	–	–	2,138	–	2,138	2,335	4,473
Profit for the period	–	–	–	–	–	–	–	–	–	–	12,440	12,440	(4,904)	7,536
Total recognised income and expenses for the period	–	–	–	–	–	–	–	–	–	2,138	12,440	14,578	(2,569)	12,009
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	–	–	–	–	1,517	–	–	–	–	–	–	1,517	–	1,517
Acquired on acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	157,963	157,963
At 30th September, 2006 (unaudited)	23,123	1,066,055	1,124	368,304	1,517	–	–	(8,908)	–	4,434	86,354	1,542,003	156,210	1,698,213

	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, 2007 (audited)	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 and income recognised directly in equity	–	–	–	–	–	–	–	–	–	2,148	–	2,148	428	2,576
Gain on fair value changes of available-for-sale investments	–	–	–	–	–	20,579	–	–	–	–	–	20,579	–	20,579
Income and expenses recognised directly in equity	–	–	–	–	–	20,579	–	–	–	2,148	–	22,727	428	23,155
Loss for the period	–	–	–	–	–	–	–	–	–	–	(108,877)	(108,877)	(854)	(109,731)
Released on disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(3,801)	–	(3,801)	(504)	(4,305)
Released on disposal of available-for-sale investments	–	–	–	–	–	(32,007)	–	–	–	–	–	(32,007)	–	(32,007)
Total recognised income and expenses for the period	–	–	–	–	–	(11,428)	–	–	–	(1,653)	(108,877)	(121,958)	(930)	(122,888)
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	–	(5,088)	–	–	–	–	–	–	–	–	–	(5,088)	–	(5,088)
Recognition of equity-settled share-based payments	–	–	–	–	2,771	–	–	–	–	–	–	2,771	–	2,771
At 30th September, 2007 (unaudited)	30,955	1,493,968	1,124	307,719	6,067	(7,947)	–	(8,908)	1,795	8,711	44,128	1,877,612	49,251	1,926,863

Notes:

(i) Other reserve of the Group represents 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 passed on 29th September, 2006, the carrying amount 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.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(For the six months ended 30th September, 2007)

		Six months ended 30th September	
		2007	**2006**
	Notes	*HK$'000*	*HK$'000*
Operating cash flows before movements in working capital		72,631	(8,076)
Increase in properties held for sale		(205,685)	–
Increase in debtors, deposits and prepayment		(234,598)	(1,933)
Decrease (increase) in other loan receivables		7,151	(255,000)
Other operating cash flows		27,455	(23,612)
Net cash used in operating activities		(333,046)	(288,621)
Net cash used in investing activities			
Loans advanced to associates		(166,016)	(645,000)
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	*8*	(61,809)	–
Purchase of available-for-sale investments		(41,307)	–
Proceeds from disposal of an associate	*14(b)*	136,607	–
Refundable earnest money received		21,884	140,000
Refundable earnest money paid		–	(80,000)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)		–	(67,082)
Other investing cash flows		(10,343)	(11,533)
		(120,984)	(663,615)
Net cash from financing activities			
New bank and other borrowings raised		406,591	85,422
Proceeds from issue of shares		168,000	500,000
Repayment of bank and other borrowings		(63,924)	(86,495)
Expenses paid in connection with issue of shares		–	981,731
Net proceeds from issue of convertible notes		(5,088)	(12,908)
Other financing cash flows		10,961	(25,204)
		516,540	1,442,546
Net increase in cash and cash equivalents		62,510	490,310
Cash and cash equivalents at beginning of the period		254,622	705,480
Effect of foreign exchange rate changes		(1,919)	(825)
Cash and cash equivalents at end of the period		315,213	1,194,965
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		315,213	1,195,610
Bank overdrafts		–	(645)
		315,213	1,194,965

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(For the six months ended 30th September, 2007)

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2007. In addition, the Group has applied the following accounting policies during the current interim period:

(a) 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 bonds 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.

(b) Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts are treated as separate derivative when the economic characteristics and risks of the embedded derivatives 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.

In the current interim period, the Group has applied, for the first time, a new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1st April, 2007. The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – INT 12	Service Concession Arrangements[2]
HK(IFRIC) – INT 13	Customer Loyalty Programmes[3]
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[2]

[1] Effective for annual periods beginning on or after 1st January, 2009
[2] Effective for annual periods beginning on or after 1st January, 2008
[3] Effective for annual periods beginning on or after 1st July, 2008

The directors of the Company (the "Directors") anticipate that the application of these new or revised standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

For management purposes and before the disposal of medicine and health products business, the Group is organised into seven operating divisions for both periods. 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
Motorcycles	–	trading of motorcycles and spare parts
Finance	–	loan financing services
Medicine and health products	–	manufacture and trading of medicine and health products

During the period, the Group disposed of its entire interest in medicine and health products business.

For the six months ended 30th September, 2007

	Continuing operations										Discontinued operation	
	Property development	Property investment	Golf and leisure	Securities investment	Motorcycles	Finance	Elimination	Segment total	Adjustments	Total	Medicine and health products	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*
TURNOVER	978	6,925	24,994	261,122	9,044	58,014	–	361,077	–	361,077	115,741	476,818
EXTERNAL SALES	978	6,925	24,994	–	9,044	58,014	–	99,955	–	99,955	115,741	215,696
INTER-SEGMENT SALES*	–	–	–	–	–	14,005	(14,005)	–	–	–	–	–
	978	6,925	24,994	–	9,044	72,019	(14,005)	99,955	–	99,955	115,741	215,696
SEGMENT RESULTS	(322)	2,215	(10,651)	54,079	350	1,406	–	47,077	56,434	103,511	12,580	116,091
Unallocated corporate income								6,704	–	6,704	689	7,393
Unallocated corporate expenses								(27,190)	–	(27,190)	(10,833)	(38,023)
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)
Share of results of associates	(38,036)	5,000	–	–	–	–	–	(33,036)	–	(33,036)	–	(33,036)
Finance costs								(55,523)	–	(55,523)	(612)	(56,135)
Loss before taxation								(146,454)	56,434	(90,020)	1,824	(88,196)
Taxation								(2,400)	–	(2,400)	(558)	(2,958)
Loss on disposal of discontinued operation								–	–	–	(18,577)	(18,577)
Loss for the period								(148,854)	56,434	(92,420)	(17,311)	(109,731)

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

For the six months ended 30th September, 2006

	Continuing operations										Discontinued operation	
	Property development	Property investment	Golf and leisure	Securities investment	Motorcycles	Finance	Elimination	Segment total	Adjustments	Total	Medicine and health products	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*
TURNOVER	1,082	1,035	11,961	13,691	6,391	26,471	–	60,631	–	60,631	167,039	227,670
EXTERNAL SALES	1,082	1,035	11,961	–	6,391	26,471	–	46,940	–	46,940	167,039	213,979
INTER-SEGMENT SALES*	–	–	–	–	–	4,599	(4,599)	–	–	–	–	–
	1,082	1,035	11,961	–	6,391	31,070	(4,599)	46,940	–	46,940	167,039	213,979
SEGMENT RESULTS	(4,572)	102	(1,325)	(5,392)	197	2,896	–	(8,094)	23,575	15,481	16,604	32,085
Unallocated corporate income								22,265	–	22,265	1,211	23,476
Unallocated corporate expenses								(16,162)	–	(16,162)	(15,071)	(31,233)
Compensation for cancellation of call options for acquisition of additional interest in an associate								32,154	–	32,154	–	32,154
Share of results of associates	(4,823)	–	–	–	–	–	–	(4,823)	–	(4,823)	–	(4,823)
Finance costs								(41,216)	–	(41,216)	(893)	(42,109)
Profit before taxation								(15,876)	23,575	7,699	1,851	9,550
Taxation								(957)	–	(957)	(1,057)	(2,014)
Profit for the period								(16,833)	23,575	6,742	794	7,536

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

4. NET GAIN (LOSS) ON FINANCIAL INSTRUMENTS

	Continuing operations Six months ended 30th September		Discontinued operation Six months ended 30th September		Consolidated Six months ended 30th September	
	2007	2006	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Gain on disposal of available-for-sale investments	38,410	–	–	–	38,410	–
Increase (decrease) in fair values of:						
– investments held-for-trading	19,488	(5,360)	–	–	19,488	(5,360)
– equity-linked notes	(323)	–	–	–	(323)	–
– derivatives embedded in convertible bonds	(1,397)	–	–	–	(1,397)	–
Dividend income on financial instruments	857	–	–	–	857	–
	57,035	(5,360)	–	–	57,035	(5,360)

5. IMPAIRMENT LOSSES ON PREPAID LEASE PAYMENTS OF LEASEHOLD LAND AND PREMIUM ON PREPAID LEASE PAYMENTS OF LEASEHOLD LAND

With the enforcement of 外商投資產業指導目錄 (2007年修訂) as jointly announced by the National Development and Reform Commission and Ministry of Commerce in the People's Republic of China (the "PRC"), Hong Kong investors are prohibited to develop and operate golf course in the PRC unless relevant permits have been granted prior to 1st December, 2007. The operating permits of the golf course business in Panyu, Guangdong Province and in Sanya, Hainan in the PRC will be expired on 17th March, 2008 and 6th June, 2049, respectively. Therefore the Group assessed the recoverable amount of the related segment assets.

Impairment losses of HK$14,319,000 and HK$30,681,000 in respect of the premium on prepaid lease payments of leasehold land and prepaid lease payments of leasehold land, respectively, was charged to the condensed consolidated income statement as, in the opinion of the Directors, the Group will cease to have any beneficial interest in the company operating the golf course business upon the expiry of the permits.

6. FINANCE COSTS

	Continuing operations Six months ended 30th September		Discontinued operation Six months ended 30th September		Consolidated Six months ended 30th September	
	2007	2006	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest on:						
Bank and other borrowings wholly repayable within five years	5,376	3,144	612	892	5,988	4,036
Unsecured loans from minority shareholders of subsidiaries	216	606	–	–	216	606
Unsecured loan from a related company	49	110	–	–	49	110
Obligations under finance leases	4	4	–	1	4	5
Effective interest on convertible note payables	49,878	37,352	–	–	49,878	37,352
	55,523	41,216	612	893	56,135	42,109

7. TAXATION

	Continuing operations Six months ended 30th September		Discontinued operation Six months ended 30th September		Consolidated Six months ended 30th September	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current tax:						
Hong Kong Profits Tax	56	33	–	–	56	33
Taxation in other jurisdictions	66	1	558	1,057	624	1,058
	122	34	558	1,057	680	1,091
Deferred tax	2,278	923	–	–	2,278	923
	2,400	957	558	1,057	2,958	2,014

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits for both periods.

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

8. DISCONTINUED OPERATION

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 the control of TFH Group was passed to the acquirer.

The (loss) profit for the period from the discontinued operation is analysed as follows:

	1.4.2007 to 31.7.2007	**1.4.2006 to 30.9.2006**
	HK$'000	*HK$'000*
Profit from manufacturing and trading of medicine and health products for the period	1,266	794
Loss on disposal of the business of manufacturing and trading of medicine and health products	(18,577)	–
	(17,311)	794

The results of the operation of manufacturing and trading of medicine and health products were as follows:

	1.4.2007 to 31.7.2007	**1.4.2006 to 30.9.2006**
	HK$'000	*HK$'000*
Turnover	115,741	167,039
Cost of sales	(77,496)	(109,569)
Gross profit	38,245	57,470
Other income	967	1,656
Distribution costs	(25,580)	(40,422)
Administrative expenses	(11,196)	(15,960)
Finance costs	(612)	(893)
Profit before taxation	1,824	1,851
Taxation	(558)	(1,057)
Profit for the period	1,266	794
Attributable to:		
Equity holders of the Company	1,336	988
Minority interests	(70)	(194)
	1,266	794

The net assets of the TFH Group at the date of disposal were as follows:

	31.7.2007
	HK$'000
Net assets disposed of	130,483
Realisation of translation reserve	(3,801)
	126,682
Loss on disposal	(18,577)
Total consideration	108,105
Satisfied by:	
Cash consideration	20,000
Other loan receivable *(note 17)*	90,000
Expenses incurred for the disposal	(1,895)
	108,105

	1.4.2007 to 31.7.2007 HK$'000
Net cash outflow arising on the disposal:	
Cash consideration	20,000
Bank balances and cash disposed of	(79,914)
Expenses incurred for the disposal	(1,895)
	(61,809)
Cash flows from TFH Group:	
Net cash from operating activities	28,864
Net cash used in investing activities	(2,327)
Net cash from financing activities	1,826
Effect of foreign exchange rate changes	(468)
Net cash flows	27,895

9. (LOSS) PROFIT FOR THE PERIOD

	Continuing operations Six months ended 30th September		Discontinued operation Six months ended 30th September		Consolidated Six months ended 30th September	
	2007	2006	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
(Loss) profit for the period has been arrived at after charging (crediting):						
Depreciation of property, plant and equipment	8,712	3,875	1,881	4,587	10,593	8,462
Release of prepaid lease payments of leasehold land	1,237	710	10	15	1,247	725
Amortisation of premium on prepaid lease payments of leasehold land	1,542	968	–	–	1,542	968
Amortisation of intangible assets (included in administrative expenses)	–	–	–	65	–	65
Equity-settled share-based payments expenses *(note 23)*	2,771	1,517	–	–	2,771	1,517
Loss (gain) on disposal of property, plant and equipment	33	(135)	14	120	47	(15)
Interest income	(63,232)	(48,735)	(691)	(1,212)	(63,923)	(49,947)

10. DIVIDENDS

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30th September, 2007 (Six months ended 30th September, 2006: Nil).

11. (LOSS) EARNINGS PER SHARE

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:

	Six months ended 30th September	
	2007	**2006**
	HK$'000	*HK$'000*
Earnings:		
(Loss) profit for the period attributable to the equity holders of the Company and (loss) earnings for the purpose of basis (loss) earnings per share	(108,877)	12,440
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	2,781,227,390	1,932,681,786

No diluted earnings per share had been presented for the six months ended 30th September, 2007 and 2006 because the exercise of the share options and the conversion of the convertible notes would result in a decrease (increase) in (loss) earnings per share, respectively.

From continuing operations

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

	Six months ended 30th September	
	2007	**2006**
	HK$'000	*HK$'000*
Earnings:		
(Loss) profit for the period attributable to the equity holders of the Company and (loss) earnings for the purpose of basis (loss) earnings per share	(108,877)	12,440
Less: profit for the period from discontinued operation attributable to the equity holders of the Company	(1,336)	(988)
(Loss) earnings for the purpose of basic (loss) earnings per share from continuing operations	(110,213)	11,452

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

From discontinued operation

Basic earnings per share from discontinued operation is 0.05 HK cent per share (six months ended 30th September, 2006: 0.05 HK cent per share), based on the profit for the period from discontinued operation attributable to the equity holders of the Company of HK$1,336,000 (six months ended 30th September, 2006: HK$988,000) and the denominators detailed above for both basic and diluted (loss) earnings per share.

12. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group disposed of certain property, plant and equipment with a carrying amount of HK$187,000 for proceeds of HK$140,000, resulting in a loss on disposal of HK$47,000. The Group also disposed of property, plant and equipment of approximately HK$31,016,000 as a result of the disposal of the TFH Group as set out in note 8.

In addition, the Group spent approximately HK$22,665,000 on acquisition of property, plant and equipment.

13. AVAILABLE-FOR-SALE INVESTMENTS

During the period, the Group acquired 126,262,626 shares of Get Nice Holdings Limited ("Get Nice", a company whose shares are listed on the Stock Exchange) at HK$83,333,000 as part of consideration for the disposal of an associate as set out in note 14(b). The Group also acquired other listed equity securities at an aggregate consideration of HK$41,307,000.

In addition, the Group disposed of certain of its available-for-sale investments with a carrying value of HK$11,618,000.

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

	30.9.2007	**31.3.2007**
	HK$'000	*HK$'000*
Cost of investment in associates, unlisted	94,136	6,807
Share of post-acquisition profits, net of dividend received	54,036	87,072
	148,172	93,879
Unsecured loans to associates *(note c)*	1,042,908	1,226,237
Interest receivables	79,994	59,288
	1,122,902	1,285,525
Less: loss allocated in excess of cost of investment	–	(51,082)
	1,122,902	1,234,443

(a) On 25th January, 2007, the Group entered into an acquisition agreement with Forever Charm Group Limited ("Forever Charm") to acquire an additional 8.7% of the registered share capital of an associate, Empresa De Fomento Industrial E Comercial Concórdia, S.A. ("Concordia"), a company incorporated in Macau, from Forever Charm 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). The consideration and shareholder's loan granted to Concordia amounted to approximately HK$245,700,000 (the "Concordia Acquisition"), of which HK$90,000,000 was paid and included in deposits paid for acquisition of associates at 31st March, 2007.

Concordia is engaged in property development. Its principal asset is the leasehold interests in 14 parcels of land (the "Leasehold Interest") situated in Estrada de Seac Pai Van, Macau. The lease of the Leasehold Interest was expired in 2000. 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 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 Interest with other shareholders of Concordia. The Concordia Acquisition results in an acquisition of additional 8.7% interest in the Leasehold Interest. Accordingly, the value of the cost of acquiring additional interests in Concordia is recognised at the consideration paid for the Concordia Acquisition of HK$136,182,000.

The Concordia Acquisition was completed during the period (the "Completion"). Upon the Completion, the Group's effective interest in the registered share capital of Concordia increased from 26.8% at 31st March, 2007 to 35.5% at 30th September, 2007 and Concordia remains as an associate of the Group.

During the period, the Group paid an additional amount of HK$25,700,000 and the remaining balance of HK$130,000,000 was included in creditors, deposits and accrued charges at 30th September, 2007.

Pursuant to the Concordia Acquisition, the Group undertook to advance to Concordia a shareholder's loan of not more than HK$70,000,000, of which HK$55,000,000 was advanced to Concordia at 30th September, 2007. The remaining balance of HK$15,000,000 was disclosed as other commitment in note 24.

(b) On 26th June, 2007, the Group disposed of its entire 40% equity interest in an associate, More Profit International Limited ("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 (the "Disposal"). More Profit is an investment holding company incorporated in the British Virgin Islands. Its principal asset is a 50% equity interest in Great China Company Limited which is a company incorporated in Macau and is the owner of a land situated in Sul da Marina Taipa-Sul Junto à Rotunda do Dique Oeste, Macau and a hotel complex, the Grand Waldo Hotel, erected thereon.

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 an agreed price of HK$0.792 each which market price at the date of completion of the Disposal was HK$0.66 each; and (iii) HK$100 million 5% convertible bonds due 2010 of Get Nice ("Get Nice Bonds").

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

(c) The loans to associates are unsecured, have no fixed repayment terms and are interest free except for an amount of approximately HK$351,150,000 which carries interest at rates ranging from 7.5% to 7.75% per annum. The effective interest rate on the interest-free amounts was 8% per annum. In the opinion of the directors, the amounts would not be repaid within twelve months from the balance sheet date and have been therefore classified as non-current asset.

15. DEBT PORTION OF CONVERTIBLE BONDS/DERIVATIVES EMBEDDED IN CONVERTIBLE BONDS

As detailed in note 14(b), 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 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 30th September, 2007, the fair value of the embedded derivative component of the Get Nice Bonds was approximately HK$10,694,000. Interest receivable on the debt portion of the Get Nice Bonds due within one year of HK$153,000 has been shown as current assets.

16. DEPOSITS PAID FOR ACQUISITION OF ASSOCIATES

The amount at 31st March, 2007 represented deposits paid for the Concordia Acquisition. As detailed in note 14(a), the amount has been transferred to interests in associates during the period.

On 17th July, 2007, the Group entered into an acquisition agreement with Mr. Gilbert Bing Mar (the "Vendor") to acquire a 29.41% equity interest in UCDC International Limited ("UCDC"), a company incorporated in the British Virgin Islands, for a cash consideration of US$17 million (equivalent to approximately HK$132.6 million), of which a deposit of US$6 million (equivalent to approximately HK$46.8 million) and transaction costs of HK$2.1 million was paid at 30th September, 2007. The acquisition has not yet been completed at the date of this report. The remaining outstanding purchase consideration of US$11 million (equivalent to approximately HK$85.8 million) was disclosed as other commitment in note 24. UCDC is an investment holding company which has an effective interest of 85% in the registered capital of Shanghai Tianma Country Club Co., Ltd. (上海天馬鄉村俱樂部有限公司), which is engaged in property development and the operation of a golf club, namely Shanghai Tianma Country Club, in the PRC with 2 club houses equipped with resort facilities including food and beverage outlets, swimming pool, fitness and recreational centres. The Shanghai Tianma Country Club commenced business in 1999.

Details of the acquisition were disclosed in the announcement of the Company dated 17th July, 2007.

17. OTHER LOAN RECEIVABLES

It includes HK$90 million as part of consideration for the disposal of TFH Group in July 2007 as detailed in note 8 which carries interest at 5% per annum and is secured by the entire issued share capital of TFH and assignment of all loans due by TFH to its shareholder with maturity on 31st January, 2008.

During the period, the Group advanced an additional loan of HK$3,500,000 to an existing borrower and received repayment of HK$12,055,000.

18. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows credit period ranging from 0 to 30 days to its trade customers. The following is an aged analysis of trade debtors at the reporting date:

	30.9.2007 *HK$'000*	**31.3.2007** *HK$'000*
Trade debtors aged:		
0 – 60 days	3,296	35,555
61 – 90 days	541	1,118
Over 90 days	12,550	13,361
	16,387	50,034
Refundable earnest money *(note a)*	340,191	362,075
Refundable subscription money *(note b)*	249,290	–
Other debtors, deposits and prepayments	55,723	61,051
	661,591	473,160

Notes:

(a) The amount represents refundable earnest money paid for acquisition of interests in properties located in the PRC and Macau. An amount of HK$21,884,000 was refunded for unsuccessful acquisition during the period. Included in the balance is an amount of HK$330,191,000 paid by the Group through Wing On Travel (Holdings) Limited ("Wing On", a company whose shares are listed on the Stock Exchange) (together with its subsidiaries "Wing On Group") 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.

(b) The amount represents refundable subscription money paid for the application for subscribing shares to be issued by two companies pursuant to their initial public offering in Hong Kong. HK$224,361,000 of the amount has been pledged to secure short term loan of approximately HK$149 million and HK$75 million carrying interest at 6.15% per annum and 6.25% per annum, respectively, raised by the Group to finance the subscription.

19. CREDITORS, DEPOSITS AND ACCRUED CHARGES

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

	30.9.2007 *HK$'000*	**31.3.2007** *HK$'000*
Trade creditors aged:		
0 – 60 days	1,144	61,825
61 – 90 days	381	8,956
Over 90 days	677	9,245
	2,202	80,026
Consideration payable on acquisition of additional interests in an associate *(note 14(a))*	130,000	–
Other creditors, deposits and accrued expenses	69,516	78,921
	201,718	158,947

20. CONVERTIBLE NOTE PAYABLES

	Notes	30.9.2007 HK$'000	31.3.2007 HK$'000
Carrying amount of debt component of convertible notes issued on:			
11th August, 2005	*(a)*	440,515	529,123
8th June, 2006	*(b)*	14,829	48,785
15th June, 2006	*(c)*	740,696	790,492
		1,196,040	1,368,400
Analysed for reporting purposes as:			
Current liability		2,742	7,945
Non-current liability		1,193,298	1,360,455
		1,196,040	1,368,400

Notes:

(a) During the period, the principal amount of the convertible notes of HK$111,000,000 were converted into 252,272,727 ordinary shares of HK$0.01 each in the Company at the conversion price of HK$0.44 per share.

(b) During the period, the principal amount of the convertible notes of HK$42,524,000 were converted into 96,645,455 ordinary shares of HK$0.01 each in the Company at the conversion price of HK$0.44 per share.

(c) During the period, the principal amount of the convertible notes of HK$94,000,000 were converted into 134,285,303 ordinary shares of HK$0.01 each in the Company at the conversion price of HK$0.70 per share.

21. BANK AND OTHER BORROWINGS

During the period, the Group obtained new bank and other borrowings of HK$406,591,000 (1.4.2006 to 30.9.2006: HK$85,422,000) which carry interest at rates ranging from 5.79% to 7.25% per annum and are repayable over a period from 10 days to 5 years. The Group repaid bank and other borrowings of HK$63,924,000 during the period (1.4.2006 to 30.9.2006: HK$86,495,000).

22. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1st April, 2007 and 30th September, 2007	40,000,000,000	400,000
Issued and fully paid:		
At 1st April, 2007	2,312,314,541	23,123
Placement of shares	300,000,000	3,000
Conversion of convertible notes *(note 20)*	483,203,485	4,832
At 30th September, 2007	3,095,518,026	30,955

On 18th May, 2007, the Company entered into an agreement for the placing of 300,000,000 new ordinary shares of HK$0.01 each in the Company at an issue price of HK$0.56 per share. The net proceeds of approximately HK$163 million would be used for general working capital of the Group.

The new shares rank pari passu with all the other shares in issue in all respects.

23. SHARE-BASED PAYMENT TRANSACTIONS

The Company has a share option scheme for eligible directors of the Company and employees and other participants, who render similar services as employees, of the Group. The following table discloses details of movements of the Company's share options during the period:

			Number of share options		
Date of grant	Exercisable period	Exercise price per share	Outstanding at 1.4.2007	Granted during the period	Outstanding at 30.9.2007
		HK$			
15th August, 2006	15th August, 2006 to 14th August, 2008	0.50	15,650,000	–	15,650,000
	15th August, 2007 to 14th August, 2008	0.50	15,650,000	–	15,650,000
27th July, 2007	27th July, 2008 to 26th July, 2011	0.67	–	31,850,000	31,850,000
	27th July, 2009 to 26th July, 2011	0.67	–	31,850,000	31,850,000
			31,300,000	63,700,000	95,000,000

In respect of the share options granted during the period, the closing price of the Company's shares immediately before the date of grant of the options was HK$0.66 and the estimated fair value of the options at the date of grant was approximately HK$15,269,000. This fair value was calculated using the Binomial option pricing model. The assumptions used for the calculation are as follows:

Weighted average share price	HK$0.63
Weighted average exercise price	HK$0.67
Expected life of options	1 to 2 years
Expected volatility	59.03%
Expected dividend yield	Nil
Risk free rate	4.278%

The variables and assumptions used above are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

During the period, the Group recognised a share-based payment expense of approximately HK$2,771,000 (1.4.2006 to 30.9.2006: HK$1,517,000) in relation to the share options granted by the Group.

24. CAPITAL AND OTHER COMMITMENTS

	30.9.2007	**31.3.2007**
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	38,211	35,080
– acquisition of properties	–	61,964
	38,211	97,044
Other commitments:		
– acquisition of an associate *(note 16)*	85,800	155,700
– acquisition of leasehold interest in land	10,013	10,013
– loan to an associate *(note 14(a))*	15,000	–
– loan to an associate to be acquired	–	70,000
	110,813	235,713
	149,024	332,757

25. PLEDGE OF ASSETS

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

	30.9.2007	31.3.2007
	HK$'000	*HK$'000*
Bank deposits	51,156	40,783
Properties held for sales	291,346	58,536
Prepaid lease payments of leasehold land	57,884	143,211
Financial assets at fair value through profit or loss	2,057	29,599
Available-for-sale investments	–	75,970
Refundable subscription money	224,361	–
Properties, plant and equipment	66	–
	626,870	348,099

26. RELATED PARTY DISCLOSURES

(i) Compensation of key management personnel

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

	Six months ended 30th September	
	2007	2006
	HK$'000	*HK$'000*
Short-term benefits	6,571	3,169
Share-based payments	2,036	1,236
	8,607	4,405

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

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

		Six months ended 30th September	
Related parties	**Nature of transactions**	**2007**	**2006**
		HK$'000	*HK$'000*
Director:			
Mr. Lai Tsan Tung, David	Interest expense	–	180
Minority shareholders of subsidiaries:			
Braniff Developments Limited *(note a below)*	Interest expense	–	448
廣州市番禺旅游總公司	Interest expense	216	158
	Management fee paid	153	145
三亞博后經濟開發有限公司	Rental paid	115	–

Related parties	Nature of transactions	Six months ended 30th September 2007 HK$'000	2006 HK$'000
Other related companies:			
番禺高爾夫球協會	Interest expense	49	70
L.F. Sam (HK) Ltd.	Interest expense	–	40
Wing On Group	Interest income	2,489	1,199
Associates:			
Orient Town Limited	Imputed interest income	23,813	–
	Interest income	–	21,240
	Management fee paid	455	–
	Management fee received	190	–
More Profit (note b below)	Interest income	9,068	–

Notes:

(a) It became a wholly-owned subsidiary of the Company on 28th February, 2007.

(b) More Profit ceased to be an associate of the Group since 20th September, 2007 as stated in note 14(b).

27. CONTINGENT LIABILITIES

At 30th September, 2007 and 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 business 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. In the opinion of the Directors, the indemnity is not probable to be claimed by the purchaser.

At 30th September, 2007, the Group had given a financial guarantee of HK$10,285,000 to banks in respect of banking facilities granted to the TFH Group.

28. POST BALANCE SHEET EVENTS

Subsequent to 30th September, 2007, the Group has the following significant post balance sheet events:

(i) In November 2007, the Group has entered into agreements to dispose of its entire interest in the Guangzhou Panyu Golf & Country Club Co., Ltd ("Panyu Golf"), Guangzhou Lian Chui Property Management Company Limited and Guangzhou Wei Di Si Golf Property Company Limited, subsidiaries of the Company, to a fellow subsidiary of the PRC partner for an aggregate cash consideration of RMB20 million, equivalent to approximately HK$20.5 million. Simultaneously, pursuant to the agreements the Group intends to:

(a) remain as a lessee of the golf resort owned by Panyu Golf to maintain similar source of revenue from the golf resort;

(b) remain as a partner to the development of villas of saleable area of about 23,000 m^2 within the golf resort; and

(c) have the first right to participate in any new business opportunities within the golf resort, including property developments.

Details of this transaction have been included in an announcement of the Company dated 7th December, 2007.

The directors are in the process of determining the financial effect of the above transactions and the process has not yet completed at the date of this report.

(ii) On 10th and 11th December, 2007, the Group has entered into agreements to acquire property interests in Hong Kong at an aggregate consideration of about HK$229 million with re-developable gross floor area is approximately 30,000 ft^2. It is currently intended that the properties will be held for resale purpose.

4. 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	**Carrying amount of debt component at 30th April 2008**	**Conversion price**
	HK$'000	*HK$'000*	*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.

5. 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 circular in the absence of unforeseen circumstances.

6. 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, 2007, 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 proposed Rights Issue on the unaudited consolidated net tangible assets of the Group as if the Rights Issue had been completed on 30th September, 2007.

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 unaudited consolidated balance sheet of the Group as at 30th September, 2007, extracted from the published interim review report of the Group as set out in Appendix I to this circular with adjustments described below.

	Unaudited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30th September, 2007 *HK$'000*	Pro forma adjustments *HK$'000*	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company after completion of the Rights Issue and after issue of Warrant Shares *HK$'000*
Issue of Rights Shares and Warrants Shares assuming no conversion of the outstanding convertible notes before the Record Date	1,877,612	886,583[(1)]	2,764,195[(4)]
Issue of Rights Shares and Warrants Shares assuming full conversion of the outstanding convertible notes (other than those held by Loyal Concept, Selective Choice and Green Label) before the Record Date	1,877,612	1,860,667[(2)]	3,738,279[(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
	Estimated proceeds from issue of the 2,476,414,421 Warrants Shares (based on the subscription price of HK$0.105 per Warrant Share and 2,476,414,421 Warrants issued on 9,286,554,078 Rights Shares subscribed)	260,024
		886,583

		HK$'000
2.	Gross proceeds from the Rights Issue (based on the subscription price of HK$0.07 per Rights Share and 12,845,401,482 Rights Shares (calculated as 9,286,554,078 Rights Shares as referred to Note 1 above plus 3,558,847,404 Rights Shares expected to be issued assuming that the outstanding convertible notes (other than those held by Loyal Concept, Selective Choice and Green Label) were converted into 1,186,282,468 Shares before the Record Date))	899,178
	Less: related expenses*	(23,687)
	Estimated net proceeds from the Rights Issue	875,491
	Increase in net tangible asset value of the Group assuming that the outstanding convertible notes (other than those held by Loyal Concept, Selective Choice and Green Label) of principal amount of HK$747.1 million were converted into 1,186,282,468 Shares	625,505
		1,500,996
	Estimated proceeds from issue of the 3,425,440,395 Warrants Shares (based on the subscription price of HK$0.105 per Warrant Share and 3,425,440,395 Warrants issued on 12,845,401,482 Rights Shares subscribed)	359,671
		1,860,667

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

		HK$
3.	Unaudited consolidated net tangible assets per Share attributable to the equity holders of the Company as at 30th September, 2007 based on 3,095,518,026 Shares in issue as at 30th September, 2007 before the issue of Rights Shares and Warrants Shares	0.61
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 14,858,486,525 Shares in issue assuming the completion of Rights Issue with 9,286,554,078 Rights Shares issued and 2,476,414,421 Warrants Shares issued	0.19
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 20,552,642,371 Shares in issue assuming that the outstanding convertible notes (other than those held by Loyal Concept, Selective Choice and Green Label) were converted into 1,186,282,468 Shares before the Record Date, and the completion of Rights Issue with 12,845,401,482 Rights Shares issued and 3,425,440,395 Warrants Shares issued.	0.18

B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

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 154 to 156 of Appendix II to the circular dated 24th June, 2008 in connection with the proposed rights issue of not less than 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 presented as at 30th September, 2007 and any future date. The basis of preparation of the unaudited pro forma adjusted consolidated net tangible assets is set out on page 154 to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma 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 30th September, 2007 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
24th June, 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 circular.

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 7th August, 2008) and the day falling eighteen (18) months thereafter (which is expected to be 6th 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 circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. 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
320,568,182	Shares to be issued upon exercise of the outstanding 2010 Convertible Notes (excluding those held by Loyal Concept)	3,205,681.82
865,714,286	Shares to be issued upon exercise of the outstanding 2011 Convertible Notes (excluding those held by Loyal Concept and Selective Choice)	8,657,142.86
Not less than 9,286,554,078 but not more than 12,845,401,482	Rights Shares to be issued pursuant to the Rights Issue	Not less than 92,865,540.78 but not more than 128,454,014.82
Not less than 2,476,414,421 but not more than 3,425,440,395	Warrant Shares falling to be allotted and issued upon exercise of the subscription rights attaching to the Warrants in full	Not less than 24,764,144.21 but not more than 34,254,403.95
Not less than 14,858,486,525 but not more than 20,552,642,371		Not less than 148,584,865.25 but not more than 205,526,423.71

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

(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

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. Taifook Finance, Taifook (BVI) and Taifook Securities Group were taken to have an interest in 3,901,333,333 Shares (of which 821,333,333 Shares relate to their derivative interests) which were held by Taifook Securities since Taifook Securities was a wholly-owned subsidiary of Taifook Finance which, in turn, was a wholly-owned subsidiary of Taifook (BVI) which, in turn, was a wholly-owned subsidiary of Taifook Securities Group, the issued shares of which are listed on the Stock Exchange.

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
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, 2007 (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$20.5 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 Donson 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$5.1 million) renewal at the option of Donson at 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. EXPERTS AND CONSENTS

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

Name	Qualifications
Deloitte Touche Tohmatsu	Certified Public Accountants
First Shanghai	Licensed corporation under the SFO to conduct type 6 (advising on corporate finance) regulated activity as set out in the SFO

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

As at the Latest Practicable Date, none of the above experts had any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the above experts had any direct or indirect interests in any assets which had been, since 31st March, 2007 (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 32 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 38, 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 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
Independent financial adviser to the Independent Board Committee and the Independent Shareholders	First Shanghai Capital Limited 19/F., Wing On House 71 Des Voeux Road Central Hong Kong

Auditors	Deloitte Touche Tohmatsu 35/F., One Pacific Place 88 Queensway Hong Kong
Principal share registrars and transfer office	The Bank of Bermuda Limited 6 Front Street Hamilton HM 11 Bermuda
Hong Kong branch share registrars 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 (assuming the minimum number of Right Shares are subscribed) to HK$23.7 million (assuming the maximum number of Right Shares are subscribed) and will be payable by the Company.

10. MISCELLANEOUS

As at the Latest Practicable Date, no commissions, discounts, brokerages or other special terms had been granted or agreed to be granted by any member of the Group to any Directors or proposed Directors, promoters in connection with the issue or sale of any capital by any such member of the Group.

11. DOCUMENTS AVAILABLE FOR INSPECTION

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

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

– the letter from the Independent Board Committee dated 24th June, 2008, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;

– the letter of advice from First Shanghai dated 24th June, 2008, the text of which is set out in the section headed "Letter of advice from First Shanghai" in this circular;

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

– the published annual reports of the Company for each of the three financial years ended 31st March, 2005, 2006 and 2007;

– the published interim reports of the Company for the six months ended 30th September, 2006 and 2007;

– the letters of consent referred to in the paragraph headed "Experts and consents" in this appendix;

– the circular of the Company dated 29th May, 2007 in respect of the acquisition of 18 residential units and 18 car parking spaces in Macau;

– the circular of the Company dated 9th July, 2007 in respect of the disposal of the entire issued capital of, and loan to, TFH;

– the circular of the Company dated 9th July, 2007 in respect of the re-election of retiring directors, general mandates to issue Shares and to repurchase Shares, refreshment of the scheme mandate limit and amendments to the bye-laws of the Company;

– the circular of the Company dated 6th August, 2007 in respect of the acquisition of an effective 25% indirect interest in Tianma;

– the circular of the Company dated 20th August, 2007 in respect of the proposed change of the name of the Company;

– the circular of the Company dated 24th August, 2007 in respect of the disposal of the entire interest in Grand Waldo Hotel;

– the circular of the Company dated 2nd January, 2008 in respect of the acquisition of the properties situated at 703 and 705, Nathan Road, Mongkok, Kowloon, Hong Kong; and

– the circular of the Company dated 17th January, 2008 in respect of the disposal of the entire interest in Panyu Golf, Guangzhou Panyu Wei Di Si Golf Property Company Limited and Guangzhou Lian Chui Property Management Company Limited.

12. LANGUAGE

In the event of inconsistency, the English texts of this circular, the notice of the SGM and the accompanying form of proxy shall prevail over their respective Chinese texts.

德祥地產集團有限公司*

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 199)

NOTICE IS HEREBY GIVEN that a special general meeting of ITC Properties Group Limited (the "Company") will be held on Thursday, 10th July, 2008 at 11:00 a.m. at Shop B27, Basement, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong, for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:–

1. subject to and conditional upon (i) the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting or agreeing to grant (subject to allotment) the listing of, and permission to deal in, the ordinary shares of HK$0.01 each in the share capital of the Company (the "Shares") to be issued by way of rights in both their nil-paid and fully-paid forms to the shareholders of the Company (the "Shareholders") pursuant to the terms and conditions of the Rights Issue (as defined below); (ii) the filing with and registration by the respective Registrars of Companies in Hong Kong and Bermuda of all documents relating to the Rights Issue as required by applicable law; and (iii) the obligations of Kingston Securities Limited ("Kingston") under the underwriting agreement dated 2nd June, 2008 (the "Underwriting Agreement") made between the Company and Kingston, a copy of which has been produced to this meeting marked "A" and signed by the Chairman of this meeting for the purpose of identification, becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms or otherwise:–

   (a) the entering into of the Underwriting Agreement be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated thereunder be and is hereby approved;

   (b) the issue by way of rights (the "Rights Issue") of not less than 9,286,554,078 Shares and not more than 12,845,401,482 Shares (the "Rights Shares") to the Shareholders whose names appear on the register of members of the Company at the close of business on 4th July, 2008 (the "Record Date") other than those Shareholders (the "Excluded Shareholders") with registered addresses outside Hong Kong and whom the board of directors (the "Directors") of the Company, after making relevant enquiry, considers their exclusion from the Rights Issue to be

* *For identification purpose only*

necessary or expedient 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, in the proportion of three Rights Shares (with warrants to be issued in the proportion of four warrants for every fifteen Rights Shares subscribed) for every existing Share then held at the subscription price of HK$0.07 per Rights Share and on the terms and conditions as set out in the circular of the Company dated 24th June, 2008 (the "Circular") despatched to the Shareholders containing the notice convening this meeting, a copy of the Circular has been produced to this meeting marked "B" and signed by the Chairman of this meeting for the purpose of identification, be and is hereby approved; and

(c) the Directors be and are hereby authorised to allot and issue the Rights Shares (with warrants in the proportion of four warrants for every fifteen Rights Shares subscribed) pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing Shareholders and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to the Excluded Shareholders as they may, at their absolute discretion, deem necessary, desirable or expedient;

2. subject to and conditional upon the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) the listing of, and permission to deal in, the Warrants (as defined below) and any new Shares which may be issued upon the exercise of the subscription rights attaching to the Warrants, the Directors be and are hereby authorised:–

(a) to create and issue warrants (the "Warrants"), which shall be in registered form and exercisable in whole or in part(s) at any time within a period of eighteen (18) months from the date of issue of the Warrants, to subscribe for new Shares at an initial subscription price of HK$0.105 per Share (subject to adjustment) and otherwise on the terms and subject to the conditions set out in the warrant instrument (the "Warrant Instrument"), a copy of the form of which has been produced to this meeting marked "C" and signed by the Chairman of this meeting for the purpose of identification, by way of bonus to the successful applicants of the Rights Shares under the Rights Issue and so that the Warrants shall confer on the holders thereof the right to subscribe for new Shares at HK$0.105 per Share for each Warrant;

(b) to affix the common seal of the Company to and to sign the Warrant Instrument in accordance with the bye-laws of the Company; and

(c) to allot and issue the Warrants and the new Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants or any of them;

3. the performance of all transactions contemplated under the Rights Issue and the creation and issue of Warrants be and are hereby approved; and

4. the Directors be and are hereby authorised to do all acts and things and execute all documents which in their opinion may be necessary, desirable or expedient to carry out or to give effect to any or all transactions contemplated in this resolution."

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

Hong Kong, 24th June, 2008

Registered office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

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

Notes:

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

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

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

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

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

6. At the meeting, the chairman thereof will exercise his power under bye-law 66 of the bye-laws of the Company to put the above resolution to the vote of the shareholders of the Company by way of poll.

As at the date of this notice, the Directors are as follows:

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